



Philadelphia Suburban Corporation Reports Increased Third Quarter 2001 Operating Results; Company to Pay Increased Dividend and Distribute Split Stock

BRYN MAWR, Pa.--(BUSINESS WIRE)--Nov. 2, 2001--Citing increased revenues resulting from continued customer growth and water consumption due to favorable weather conditions, Philadelphia Suburban Corporation (NYSE:PSC) today reported increased earnings for the quarter ended September 30, 2001.

Diluted net income per share of \$.35 was up 9.4 percent in comparison to 2000 third quarter levels of \$.32, on 5.5 percent more shares outstanding. Diluted income per share from operations increased to \$.35 per share, up 20.7 percent, versus \$.29 for the third quarter of 2000 (2000 income from operations is exclusive of one-time recovery of net merger expenses).

Net income increased 16.6 percent to \$19.3 million for the quarter, versus \$16.5 million in the prior year. Income from operations increased 26.2 percent to \$19.3 million versus \$15.3 million in the prior year.

Revenues for the quarter grew 17.5 percent to \$84.7 million from third quarter 2000 revenues of \$72.1 million. The company's increase in revenues is attributed to increased water sales, aided by favorable weather conditions in the mid-Atlantic and mid-western states in which the company operates and continued customer growth.

PSC completed five agreements for new acquisitions and other growth ventures during the quarter and has completed 16 acquisitions and growth ventures during the first nine months of 2001, versus 14 for the same period in 2000. According to PSC Chairman and President Nicholas DeBenedictis, "The company has outpaced last year's growth rate for the same period of time. Based on our pipeline of potential growth activity, we have every reason to expect continued growth during the fourth quarter." The company has achieved a 3.2 percent increase in its customer base for the first nine months of 2001 bringing the company's number of customers to approximately 598,000, in comparison to a 1.8 percent increase to approximately 567,800 customers for the first nine months of 2000. PSC's most recent purchase of the water utility assets of Chalfont Borough in Bucks County, Pennsylvania on November 1, 2001 will add over 2,100 customers to the company's customer base in the fourth quarter of 2001.

PSC has invested over \$100 million in capital during the 12 months ended September 30, 2001 in order to continue meeting and outperforming federal and state water quality standards and provide reliable service to its customers.

Despite the company's increased capital expenditures, PSC's interest expense for the quarter has decreased over 4 percent due to lower short-term interest rates and the company's ability to obtain long-term low interest financing.

PSC's operations and maintenance (O&M) expenses as a percentage of revenue (efficiency ratio) continued to improve for the 12 months ended September 30, 2001 to 36.2 percent, versus 38.0 percent for the 12 months ended September 30, 2000. The ratio improved by 180 basis points for the 12-month period despite a 15.8 percent increase in O&M expenses for the third quarter 2001 in comparison to the prior year.

The rise in O&M expenses is related to customer growth, including acquisitions in new areas, increased water production costs associated with greater water sales, insurance expenses, and labor costs. PSC's O&M expenses on a per customer basis have only increased 1.7 percent for the last 12 months.

During the quarter, the PSC Board of Directors approved a nearly 7 percent increase to the cash dividend and a five-for-four stock split effected in the form of a 25 percent stock distribution. This is the eleventh cash dividend increase granted by the company in the last 10 years and the fourth stock split in six years.

Both the increased dividend and stock split will be payable to shareholders of record on November 16, 2001, and will be effective December 1, 2001. The increase in the company's December 1, 2001 cash dividend from \$.155 per share to \$.1656 per share on the pre-split shares represents an increase, on an annualized basis, to \$.66 per share from the former annual rate of \$.62 per share.

The new quarterly cash dividend rate will be \$.1325 per share on the increased number of shares from the stock split or \$.53 per share annualized.

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. The call will be recorded and replayed beginning 1:00 p.m., Friday, November 2, 2001, and will run until 1:00 p.m., Tuesday, November 6, 2001.

The dial-in telephone number for the audio replay is 973/341-3080 (pin number 2905997).

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, 2001 and 2000 (in thousands, except per share amounts):

(Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2001 ----	2000 ----	2001 ----	2000 ----
Operating revenues	\$ 84,726	\$ 72,123	\$232,159	\$204,825
Income from operations, exclusive of net merger recovery:	\$ 19,279	\$ 15,275	\$ 47,796	\$ 38,114
Merger recovery, net of tax	--	1,264	--	2,236
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Net income available for common stock	\$ 19,279	\$ 16,539	\$ 47,796	\$ 40,350
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Income per common share from operations, exclusive of net merger recovery:				
Basic income per common share	\$ 0.35	\$ 0.30	\$ 0.88	\$ 0.74
Diluted income per common share	\$ 0.35	\$ 0.29	\$ 0.87	\$ 0.74
Net income per common share:				
Basic net income per common share	\$ 0.35	\$ 0.32	\$ 0.88	\$ 0.79
Diluted net income per common share	\$ 0.35	\$ 0.32	\$ 0.87	\$ 0.78

Average common shares outstanding:				
Basic	54,402	51,647	54,188	51,351
Diluted	55,075	52,189	54,847	51,840

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; 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 September 30, -----		Nine Months Ended September 30, -----	
	2001 ----	2000 ----	2001 ----	2000 ----
Operating revenues	\$ 84,726	\$ 72,123	\$ 232,159	\$ 204,825
Cost & expenses:				
Operations				
and maintenance	28,994	25,037	81,642	74,315
Depreciation	9,679	8,040	28,361	23,956
Amortization	497	517	1,642	1,175
Taxes other than income taxes	4,550	5,460	15,488	17,039
Recovery of restructuring costs	--	(740)	--	(1,136)
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Total	43,720	38,314	127,133	115,349
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Operating income	41,006	33,809	105,026	89,476
Other expense (income):				
Interest expense, net	9,861	10,282	30,027	30,127
Allowance for funds used during construction	(353)	(541)	(865)	(2,260)
Gain on sale of other assets	(188)	(1,213)	(3,097)	(2,576)
Minority interest	--	30	--	76

Recovery of merger transaction costs	--	(2,242)	--	(2,905)
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Income before income taxes	31,686	27,493	78,961	67,014
Provision for income taxes	12,380	10,927	31,085	26,584
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Net income	19,306	16,566	47,876	40,430
Dividends on preferred stock	27	27	80	80
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Net income available to common stock	\$ 19,279	\$ 16,539	\$ 47,796	\$ 40,350
	=====	=====	=====	=====
Net income	\$ 19,306	\$ 16,566	\$ 47,876	\$ 40,430
Other comprehensive income (loss), net of tax	(212)	120	(200)	(390)
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Comprehensive income	\$ 19,094	\$ 16,686	\$ 47,676	\$ 40,040
	=====	=====	=====	=====
Income from operations, exclusive of net merger recovery	\$ 19,279	\$ 15,275	\$ 47,796	\$ 38,114
Merger recovery, net of tax	--	1,264	--	2,236
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Net income available for common stock	\$ 19,279	\$ 16,539	\$ 47,796	\$ 40,350
	=====	=====	=====	=====
Net income per common share:				
Basic	\$ 0.35	\$ 0.32	\$ 0.88	\$ 0.79
Diluted	\$ 0.35	\$ 0.32	\$ 0.87	\$ 0.78
Income per common share from operations, exclusive of net merger recovery:				
Basic	\$ 0.35	\$ 0.30	\$ 0.88	\$ 0.74
Diluted	\$ 0.35	\$ 0.29	\$ 0.87	\$ 0.74
Average shares				

outstanding:				
Basic	54,402	51,647	54,188	51,351
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Diluted	55,075	52,189	54,847	51,840
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