



Philadelphia Suburban Corporation Announces Significantly Increased Fourth Quarter and Full Year 2002 Operating Results; Fourth Quarter 2002 Earnings up 50 Percent

BRYN MAWR, Pa., Feb 5, 2003 (BUSINESS WIRE) -- Philadelphia Suburban Corporation (NYSE:PSC) - the largest U.S. based investor-owned water utility -- today reported a 50 percent increase in diluted net income per share for the quarter ended December 31, 2002 to \$0.27, versus \$0.18 for the same period in 2001.

Diluted net income per share for the full year 2002 increased 11.5 percent to \$0.97, versus \$0.87 in 2001.

Highlights of fourth quarter and full year 2002 results: -- Fourth quarter operating revenues were \$81.8 million, up 8.9 percent over 2001 revenues of \$75.1 million. Revenue growth was driven by rate relief in the company's various operating divisions aided by continued customer growth. Revenues for the full year were \$322.0 million, versus \$307.3 million for 2001, an increase of 4.8 percent. Full year revenues were adversely impacted by an extended drought in the company's largest operating division. -- The growth in PSC's fourth quarter net income available to common stock to \$18.6 million, or \$0.27 per share, is partially attributed to the sale of a portion of its Ashtabula County, Ohio water system. The net gain on the sale of Ashtabula was approximately \$3.7 million or \$0.05 per share. The portion of the system sold represents less than one percent of PSC's total assets, and represented an even smaller portion of the company's net income. Excluding the \$0.05 per share net gain on the sale of water system assets, income from operations for the fourth quarter of 2002 increased 22.2 percent to \$0.22, versus \$0.18 for the same period the prior year; and increased 5.7 percent to \$0.92 for the full year 2002, versus \$0.87 the prior year, a year with above average sales due to warm dry weather. -- Operations and maintenance expenses as a percentage of revenue (O&M ratio) for the quarter improved to 37.1 percent, versus 40.3 percent for the fourth quarter of 2001. The company's ability to stabilize expenses despite rising costs associated with health care, insurance and pension contributions, allowed PSC to keep its O&M ratio at 36.6 percent for the year, in line with 2001's ratio of 36.4 percent. -- PSC ended the year with an after tax return on revenue - also referred to as net income as a percentage of revenue -- of approximately 21 percent (or nearly 20 percent excluding the net gain on sale of water system assets), one of the best ratios in the water utility industry.

PSC completed 25 acquisitions or other growth ventures during 2002, adding approximately 24,000 customers to its base. As of December 31, 2002 PSC serves over 625,000 customers in six states extending from Maine to North Carolina, and from Pennsylvania to Illinois.

Commenting on the fourth quarter and the year, PSC Chairman and President Nicholas DeBenedictis said, "2002 has been a watershed year. In addition to producing the type of record results that have allowed us to reward our shareholders in the form of increased dividends over the last 11 years, we successfully redistributed nearly 10 million of our outstanding common shares previously held by Vivendi to a broader U.S. shareholder base through a major public equity offering. With the recently completed sale of American Water Works, we are beginning 2003 as the largest publicly traded water company based in the U.S."

2002 marks the 57th consecutive year that PSC has paid dividends. PSC increased its dividend 5.7 percent in 2002, representing the company's 12th dividend increase in the last 11 years.

As previously announced, PSC will provide more detail regarding fourth quarter and full year 2002 operating results on a conference call and Webcast to be held 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 12:00 p.m. today, and will run until 12:00 p.m., Friday, February 7, 2003. The dial-in telephone number for the audio replay is (973) 341-3080 (pin number 3708827).

PSC is the largest U.S. based investor-owned water utility, serving approximately two million residents in Pennsylvania, Illinois, Ohio, New Jersey, Maine, and North Carolina. PSC is a publicly-traded company listed on both the New York and Philadelphia Stock Exchanges under the ticker symbol "PSC" and 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 and years ended December 31, 2002 and 2001 (in thousands, except per share data).

(Unaudited)

	Quarter Ended		Year Ended	
	December 31, 2002	2001	December 31, 2002	2001
Operating revenues	\$ 81,826	\$ 75,121	\$322,028	\$307,280
Net income available to common stock	\$ 18,646	\$ 12,209	\$ 67,154	\$ 60,005
Gain on sale of water system, net of tax	\$ (3,690)	\$ -	\$ (3,690)	\$ -
Income exclusive of net gain on sale of water system assets	\$ 14,956	\$ 12,209	\$ 63,464	\$ 60,005
Basic net income per share	\$ 0.27	\$ 0.18	\$ 0.98	\$ 0.88
Diluted net income per share	\$ 0.27	\$ 0.18	\$ 0.97	\$ 0.87
Gain on sale of water system, net of tax	\$ (0.05)	\$ -	\$ (0.05)	\$ -
Income per share exclusive of net gain on sale of water system assets	\$ 0.22	\$ 0.18	\$ 0.92	\$ 0.87
Average common shares outstanding:				
Basic	68,129	68,284	68,539	67,873
Diluted	68,741	69,159	69,231	68,755

This release contains certain forward-looking statements involving risks and uncertainties and other factors that may cause 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; unfavorable weather conditions; the success of certain 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		Year Ended	
	December 31, 2002	2001	December 31, 2002	2001
Operating revenues	\$ 81,826	\$ 75,121	\$322,028	\$307,280
Cost & expenses:				
Operations and maintenance	30,392	30,243	117,735	111,885
Depreciation	10,949	9,618	41,424	37,979
Amortization	965	547	2,898	2,189
Taxes other than income taxes	4,795	5,399	19,467	20,887
Total	47,101	45,807	181,524	172,940
Operating income	34,725	29,314	140,504	134,340
Other expense (income):				
Interest expense, net	10,139	9,832	40,396	39,859
Allowance for funds used during construction	(191)	(357)	(1,389)	(1,222)

Gain on sale of water system	(5,676)	-	(5,676)	-
Gain on sale of other assets	-	(287)	(2,079)	(3,384)
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Income before income taxes	30,453	20,126	109,252	99,087
Provision for income taxes	11,794	7,891	42,046	38,976
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Net income	18,659	12,235	67,206	60,111
Dividends on preferred stock	13	26	52	106
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Net income available to common stock	\$ 18,646	\$ 12,209	\$ 67,154	\$ 60,005
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Net income	\$ 18,659	\$ 12,235	\$ 67,206	\$ 60,111
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities	(63)	137	104	39
Reclassification adjustment for gains reported in net income	-	(137)	(767)	(239)
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Comprehensive income	\$ 18,596	\$ 12,235	\$ 66,543	\$ 59,911
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Net income per common share:				
Basic	\$ 0.27	\$ 0.18	\$ 0.98	\$ 0.88
Diluted	\$ 0.27	\$ 0.18	\$ 0.97	\$ 0.87
Average common shares outstanding:				
Basic	68,129	68,284	68,539	67,873
	=====	=====	=====	=====
Diluted	68,741	69,159	69,231	68,755
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Philadelphia Suburban Corporation and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands of dollars)
(Unaudited)

	December 31, 2002	December 31, 2001
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Net property, plant and equipment	\$1,490,841	\$1,368,115
Current assets	70,908	64,641
Regulatory assets and other assets	154,540	122,352
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	\$1,716,289	\$1,555,108
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Stockholders' equity	\$ 492,313	\$ 472,717
Long-term debt, excluding current portion	582,910	516,520
Current portion of long-term debt and loans payable	149,378	124,603
Other current liabilities	77,157	72,801
Deferred credits and other liabilities	414,531	368,467
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	\$1,716,289	\$1,555,108
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