

Suburban Propane Partners, L.P. Announces Strong Second Quarter Earnings and Declares Quarterly Distribution of \$0.5750 Per Common Unit

WHIPPANY, N.J., April 24 [/PRNewswire-FirstCall/](#) -- Suburban Propane Partners, L.P. (NYSE: SPH), a leading marketer of propane gas and related products and services nationwide, today announced its results for the second quarter ended March 29, 2003. The Partnership also declared its quarterly distribution of \$0.5750 per Common Unit -- \$2.30 per Common Unit annualized.

Net income for the three months ended March 29, 2003 was \$58.3 million, or \$2.31 per Common Unit, compared to \$61.9 million, or \$2.46 per Common Unit, for the three months ended March 30, 2002. Earnings before interest, taxes, depreciation and amortization ("EBITDA") amounted to \$74.0 million compared to \$78.1 million in the prior year quarter. Results for the second quarter of fiscal 2003 include a \$2.4 million gain from the sale of five customer service centers during the quarter, compared to a \$6.8 million gain from the sale of a propane storage facility in Hattiesburg, Mississippi recorded during the second quarter of fiscal 2002. Additionally, fiscal 2003 second quarter results include a \$0.4 million unrealized (non-cash) loss (reflected within operating expenses) attributable to the mark-to-market on derivative instruments ("FAS 133"), compared to a \$3.4 million unrealized gain in the prior year quarter attributable to FAS 133.

Excluding the gains on sales described above and the non-cash impact of FAS 133 in both periods, net income for the three months ended March 29, 2003 increased \$4.6 million, or 8.9%, to \$56.3 million, or \$2.23 per Common Unit, compared to \$51.7 million, or \$2.05 per Common Unit, in the prior year quarter. EBITDA, excluding the gains on sales and the impact of FAS 133 in both periods, increased \$4.0 million, or 5.9%, to \$72.0 million in the second quarter of fiscal 2003.

Results for the second quarter of fiscal 2003 were favorably impacted by a return to a more normal weather pattern, particularly in the eastern and central regions of the United States, offset to an extent by warmer weather in the west and the impact of a continued sluggish economy. Nationwide average temperatures during the second quarter of fiscal 2003 were 5% warmer than normal, compared to 12% warmer than normal temperatures in the same quarter a year ago. However, as was the case during the first quarter of 2003, the coldest weather was reported in the eastern and central regions of the United States. In the western regions, temperatures were 19% warmer than normal in the second quarter of fiscal 2003, compared to only 1% warmer than normal temperatures in the prior year quarter.

Retail gallons sold increased 14.4 million gallons, or 8.5%, to 183.0 million gallons in the fiscal 2003 second quarter, compared to 168.6 million gallons in the prior year period. The increase in retail volumes results from the aforementioned return to more normal winter weather patterns across much of the country during fiscal 2003, compared to the unseasonably warm weather experienced during the prior year quarter.

Revenues increased \$60.2 million, or 25.5%, to \$296.1 million, compared to \$235.9 million in the prior year quarter. The increase in revenues is primarily the result of an increase in average selling prices in line with the significant increase in product costs compared to the prior year, coupled with the increased retail sales volumes discussed above. The average posted market price of propane has steadily increased since August of 2002 which has resulted in a 104% increase in the average price of propane during the second quarter of fiscal 2003 compared to the prior year quarter.

Combined operating and general and administrative expenses of \$78.1 million were \$10.2 million, or 15.0%, above the prior year quarter of \$67.9 million. Operating expenses in the fiscal 2003 second quarter include the \$0.4 million unrealized loss attributable to FAS 133, as compared to the \$3.4 million unrealized gain attributable to FAS 133 in the prior year quarter, as noted above. Additionally, the increase in combined operating and general and administrative expenses reflected higher compensation and benefit related expenses resulting from increased business activity from higher retail sales volumes; higher costs for operating our fleet primarily due to escalating fuel costs; and, increased bad debt expense as a result of a combination of increased sales volumes, significantly higher commodity prices resulting in higher prices to our customers and general economic conditions.

Depreciation and amortization expense decreased 3.4% to \$7.2 million. Net interest expense decreased 1.6% to \$8.5 million, reflecting lower average interest rates.

In announcing these results, President and Chief Executive Officer Mark A. Alexander said, "This year's peak heating season presented a challenging commodity price and supply environment, unseasonably warm weather in our service areas in the western part of the United States and an economic recession. However, our fiscal 2003 second quarter and first half results confirm, once again, that our experienced management team and field personnel are poised to manage through such a challenging business climate, as well as to capitalize on opportunities presented by even the slightest return to 'normal' weather.

It is this combination of experience, backed by an efficient cost structure, that has allowed us to deliver solid, positive results and improve upon our already strong balance sheet and distribution coverage."

The Partnership also declared its quarterly distribution of \$0.5750 per Common Unit for the three months ended March 29, 2003. The distribution will be payable on May 13, 2003, to Common Unitholders of record as of May 6, 2003. On an annualized basis, the distribution equates to \$2.30 per Common Unit.

Suburban Propane Partners, L.P. is a publicly traded Master Limited Partnership listed on the New York Stock Exchange. Headquartered in Whippany, New Jersey, Suburban has been in the customer service business since 1928 and is the nation's third largest propane gas marketer. The Partnership serves approximately 750,000 residential, commercial, industrial and agricultural customers through more than 320 customer service centers in more than 40 states. Corporate news, unit prices and additional information about Suburban are available 24 hours a day, 7 days a week on Suburban's web site: www.suburbanpropane.com.

Suburban Propane Partners, L.P. and Subsidiaries
Consolidated Statements of Operations
For the Three and Six Months Ended March 29, 2003 and March 30, 2002
(in thousands, except per unit amounts)
(unaudited)

	Three Months Ended		Six Months Ended	
	March 29, 2003	March 30, 2002	March 29, 2003	March 30, 2002
Revenues				
Propane	\$273,849	\$212,739	\$451,977	\$366,595
Other (a)	22,265	23,148	49,110	51,156
	296,114	235,887	501,087	417,751
Costs and expenses				
Cost of products sold	146,417	96,645	241,467	176,589
Operating	67,933	59,755	129,622	117,407
General and administrative	10,149	8,109	19,170	15,316
Depreciation and amortization	7,164	7,406	14,484	14,992
Gain on sale of storage facility	-	(6,768)	-	(6,768)
	231,663	165,147	404,743	317,536
Income before interest expense and provision for income taxes	64,451	70,740	96,344	100,215
Interest expense, net	8,512	8,649	17,021	17,373
Income before provision for income taxes	55,939	62,091	79,323	82,842
Provision for income taxes	37	190	167	328
Income from continuing operations	55,902	61,901	79,156	82,514
Discontinued operations:				
Gain on sale of customer service centers	2,404	-	2,404	-
Net income	\$58,306	\$61,901	\$81,560	\$82,514
General Partner's interest in net income	\$1,484	\$1,373	\$2,075	\$1,763
Limited Partners' interest in net income	\$56,822	\$60,528	\$79,485	\$80,751
Income from continuing operations per unit - basic	\$2.21	\$2.46	\$3.13	\$3.28
Net income per unit - basic	\$2.31	\$2.46	\$3.23	\$3.28
Weighted average number of units outstanding - basic	24,631	24,631	24,631	24,631
Income from continuing operations per unit - diluted	\$2.21	\$2.45	\$3.13	\$3.27
Net income per unit - diluted	\$2.30	\$2.45	\$3.22	\$3.27
Weighted average number of units outstanding - diluted	24,692	24,659	24,688	24,658
Supplemental Information:				
EBITDA (b)	\$74,019	\$78,146	\$113,232	\$115,207
Retail gallons sold	182,956	168,621	322,890	292,579

- (a) Other revenues principally represent amounts generated from the sales of appliances, parts and related services.
- (b) EBITDA represents income before deducting interest expense, income taxes, depreciation and amortization. Our management uses EBITDA as a measure of liquidity and we are including it because we believe that it provides our investors and industry analysts with additional information to evaluate our ability to meet our debt service obligations and to pay our quarterly distributions to holders of our common units. Moreover, our senior note agreements and our revolving credit agreement require us to use EBITDA in calculating our leverage and interest coverage ratios. EBITDA is not a recognized term under generally accepted accounting principles ("GAAP") and should not be considered as an alternative to net income or cash flow from operating activities determined in accordance with GAAP. The following table sets forth (i) our calculation of EBITDA and (ii) a reconciliation of EBITDA, as so calculated, to our cash flow provided by operating activities:

	Three Months Ended		Six Months Ended	
	March 29,	March 30,	March 29,	March 30,
	2003	2002	2003	2002
Net income	\$58,306	\$61,901	\$81,560	\$82,514
Add:				
Provision for income taxes	37	190	167	328
Interest expense, net	8,512	8,649	17,021	17,373
Depreciation and amortization	7,164	7,406	14,484	14,992
EBITDA	74,019	78,146	113,232	115,207
Add (subtract):				
Provision for income taxes	(37)	(190)	(167)	(328)
Interest expense, net	(8,512)	(8,649)	(17,021)	(17,373)
Loss (gain) on disposal of property, plant and equipment, net	26	(263)	(320)	(276)
Gain on sale of customer service centers	(2,404)	-	(2,404)	-
Gain on sale of storage facility	-	(6,768)	-	(6,768)
Changes in working capital and other assets and liabilities	(48,104)	(29,575)	(69,954)	(54,340)
Cash flow provided by operating activities	\$14,988	\$32,701	\$23,366	\$36,122

SOURCE Suburban Propane Partners, L.P.
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/Company News On-Call: <http://www.prnewswire.com/comp/112074.html/>
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(SPH)

CO: Suburban Propane Partners, L.P.
ST: New Jersey
IN: OIL
SU: ERN

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