

## Suburban Propane Partners, L.P. Announces Record Second Quarter Earnings and Declares a Quarterly Distribution of \$0.60 per Common Unit

WHIPPANY, N.J., April 22 [/PRNewswire-FirstCall/](#) -- Suburban Propane Partners, L.P. (NYSE: SPH), a marketer of propane gas, heating oil and related products and services nationwide, today reported record earnings for the second quarter of fiscal 2004 ended March 27, 2004. Its Board of Supervisors also declared the previously announced increase in the quarterly distribution from \$0.5875 per Common Unit to \$0.60 per Common Unit -- \$2.40 per Common Unit annualized.

The second quarter of fiscal 2004 ended March 27, 2004 is the first full quarter that includes the results from the acquisition of substantially all of the assets and operations of Agway Energy. Net income for the three months ended March 27, 2004 of \$92.6 million, or \$2.97 per Common Unit, increased \$34.3 million, or 58.8%, compared to the prior year quarter of \$58.3 million, or \$2.31 per Common Unit. Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased \$38.6 million, or 52.2%, to \$112.6 million for the three months ended March 27, 2004 compared to \$74.0 million in the prior year quarter.

EBITDA and net income for the second quarter of fiscal 2004 were favorably impacted by the net result of certain significant items, mainly relating to (i) a \$14.2 million gain from the sale of ten customer service centers in Texas, Oklahoma, Missouri and Kansas considered to be non-strategic, compared to a \$2.4 million gain from the sale of five customer service centers during the second quarter of fiscal 2003; (ii) a non-cash charge of \$5.6 million included within cost of products sold relating to purchase accounting for the Agway Energy acquisition; and, (iii) a \$2.2 million restructuring charge related to the Partnership's initial efforts to integrate certain management and back office functions of Agway Energy.

Temperatures nationwide, as reported by the National Oceanic and Atmospheric Administration ("NOAA"), averaged 3% warmer than normal in the second quarter of fiscal 2004 compared to 2% colder than normal in the prior year quarter, or 5% warmer temperatures year-over-year. Retail propane gallons sold in the second quarter of fiscal 2004 increased 36.9 million gallons, or 20.2%, to 219.9 million gallons compared to 183.0 million gallons in the prior year quarter, primarily as a result of the addition of the Agway Energy operations in the northeast. Sales of heating oil and other refined fuels amounted to 110.6 million gallons during the second quarter of fiscal 2004. Revenues for the three months ended March 27, 2004 amounted to \$574.6 million, an increase of \$286.9 million compared to revenues in the prior year quarter of \$287.7 million. The increase in revenue results from increased propane volumes, as described above, coupled with higher average selling prices on propane volumes as a result of higher propane costs during the quarter compared to the prior year quarter. Additionally, with the acquisition of Agway Energy, revenues for the second quarter of fiscal 2004 were favorably impacted by the addition of heating oil and other refined fuels, as well as increased service activities.

Combined operating and general and administrative expenses of \$127.2 million were \$52.3 million, or 69.8%, above the prior year quarter of \$74.9 million. Operating expenses in the second quarter of fiscal 2004 included a \$1.1 million unrealized (non-cash) gain attributable to the mark-to-market on derivative instruments ("FAS 133"), compared to a \$0.4 million unrealized loss attributable to FAS 133 in the prior year period. The increase in combined operating and general and administrative expenses is primarily attributable to the addition of the Agway Energy operations, as well as increased professional services and travel expenses associated with integration activities during the quarter. In addition, higher employee compensation and benefit related expenses associated with the increased business activities and higher profit levels and higher pension and insurance costs were experienced during the second quarter of fiscal 2004 compared to the prior year quarter. As was the case in this second fiscal quarter, the Partnership expects to incur additional restructuring charges and other costs to integrate the combined operations during the third and fourth quarters of fiscal 2004 in order to achieve the anticipated synergies from the Agway Energy acquisition.

Depreciation and amortization expense increased \$2.4 million, or 35.3%, to \$9.2 million as a result of the impact of the tangible and intangible assets acquired. Net interest expense increased \$1.9 million, or 21.3%, to \$10.8 million in the second quarter of fiscal 2004 compared to \$8.9 million in the prior year quarter. The increase in net interest expense is a result of the net impact of the addition of \$175.0 million of 6.875% senior notes associated with financing for the acquisition of Agway Energy, offset by \$42.5 million lower amounts outstanding under our 7.54% senior notes.

In announcing these results, President and Chief Executive Officer Mark A. Alexander said, "We are extremely pleased with these record results achieved during the first full quarter of operation following our December 2003 acquisition of Agway Energy. This record performance provides an initial indicator of the potential opportunity and added strength of the combined operations. To mark this successful beginning, we are pleased to reaffirm our previously announced distribution increase, the eighth such increase since the Partnership's recapitalization five years ago."

The Partnership's quarterly distribution of \$0.60 per Common Unit for the three months ended March 27, 2004 will be payable on May 11, 2004, to Common Unitholders of record as of May 4, 2004.

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. The Partnership serves the energy needs of approximately 1,100,000 residential, commercial, industrial and agricultural customers through more than 400 customer service centers in 35 states.

Suburban Propane Partners, L.P. and Subsidiaries

Consolidated Statements of Operations

For the Three and Six Months Ended March 27, 2004 and March 29, 2003

(in thousands, except per unit amounts)

(unaudited)

	Three Months Ended March 27, 2004	March 29, 2003	Six Months Ended March 27, 2004	March 29, 2003
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Revenues

Propane and refined fuels	\$463,512	\$266,423	\$650,712	\$439,730
Other (a)	111,066	21,231	144,535	47,164
	574,578	287,654	795,247	486,894

Costs and expenses

Cost of products sold	346,736	142,231	457,035	234,712
Operating	109,840	64,709	172,594	123,234
General and administrative	17,392	10,149	27,894	19,170
Restructuring costs	2,179	-	2,179	-
Depreciation and amortization	9,223	6,800	16,452	13,773
	485,370	223,889	676,154	390,889

Income before interest

expense and provision for income taxes	89,208	63,765	119,093	96,005
Interest expense, net	10,770	8,876	20,481	17,732

Income before provision for

income taxes	78,438	54,889	98,612	78,273
Provision for income taxes	83	37	166	167

Income from continuing

operations	78,355	54,852	98,446	78,106
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Discontinued operations:

Gain on sale of customer service centers	14,205	2,404	14,205	2,404
Income from discontinued customer service centers	-	1,050	-	1,050

Net income	\$92,560	\$58,306	\$112,651	\$81,560
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General Partner's interest

in net income	\$2,616	\$1,484	\$3,124	\$2,075
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Limited Partners' interest

in net income	\$89,944	\$56,822	\$109,527	\$79,485
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Income from continuing

operations per Common Unit - basic	\$2.52	\$2.17	\$3.31	\$3.09
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Net income per Common Unit -

basic	\$2.97	\$2.31	\$3.78	\$3.23
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Weighted average number of

Common Units outstanding - basic	30,257	24,631	28,942	24,631
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Income from continuing operations per Common Unit - diluted	\$2.51	\$2.16	\$3.29	\$3.08
Net income per Common Unit - diluted	\$2.96	\$2.30	\$3.77	\$3.22
Weighted average number of Common Units outstanding - diluted	30,372	24,692	29,053	24,688

Supplemental Information:

EBITDA (b)	\$112,636	\$74,019	\$149,750	\$113,232
Retail gallons sold:				
Propane	219,945	182,956	351,862	322,890
Refined fuels	110,580	-	112,451	-

(a) Other revenues principally represent amounts generated from the sales of appliances, parts and related services.

(b) EBITDA represents net 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 as a component 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 net cash provided by operating activities determined in accordance with GAAP. Because EBITDA, as determined by us, excludes some, but not all, items that affect net income, it may not be comparable to EBITDA or similarly titled measures used by other companies. The following table sets forth (i) our calculation of EBITDA and (ii) a reconciliation of EBITDA, as so calculated, to our net cash provided by operating activities:

	Three Months Ended		Six Months Ended	
	March 27, 2004	March 29, 2003	March 27, 2004	March 29, 2003
Net income	\$92,560	\$58,306	\$112,651	\$81,560
Add:				
Provision for income taxes	83	37	166	167
Interest expense, net	10,770	8,876	20,481	17,732
Depreciation and amortization	9,223	6,800	16,452	13,773
EBITDA	112,636	74,019	149,750	113,232
Add / (subtract):				
Provision for income taxes	(83)	(37)	(166)	(167)
Interest expense, net	(10,770)	(8,876)	(20,481)	(17,732)
(Gain) / loss on disposal of property, plant and equipment, net	(79)	26	(161)	(320)
Gain on sale of customer service centers	(14,205)	(2,404)	(14,205)	(2,404)
Changes in working capital and other assets and liabilities	(75,477)	(47,740)	(91,154)	(69,243)
Net cash provided by operating activities	\$12,022	\$14,988	\$23,583	\$23,366
Net cash provided by / (used in) investing activities	\$14,204	\$3,235	\$(200,791)	\$674
Net cash (used in) / provided by financing activities	\$(17,446)	\$(14,533)	\$222,869	\$(29,124)

SOURCE Suburban Propane Partners, L.P.

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(SPH)

CO: Suburban Propane Partners, L.P.; Agway Energy

ST: New Jersey

IN: OIL FIN

SU: ERN

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