



## Southwest Gas HOLDINGS

### Southwest Gas Corporation Reports Second Quarter Results

July 30, 2003

LAS VEGAS, July 30 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.12 per share for the second quarter of 2003, a \$0.51 improvement over the \$0.63 per share loss reported for the second quarter of 2002. Net loss for the second quarter of 2003 was \$4.1 million compared to the 2002 second quarter net loss of \$20.6 million. Second quarter 2002 results reflected a \$9 million, or \$0.28 per share, net-of-tax charge for the August 2002 settlements of merger-related litigation. Due to the seasonal nature of the business, net losses during the second and third quarters are normal and not generally indicative of earnings for a complete 12-month period.

(Logo: <http://www.newscom.com/cgi-bin/prmh/20010823/SWXLOGO> )

According to Michael O. Maffie, Chief Executive Officer, "The benefits of the management initiatives implemented over the last nine months involving cost controls and debt refinancing can be seen in the second quarter results. Operating costs and interest expense in the second quarter of this year were about the same as last year even as we continue to grow our business. The fundamentals of our company remain strong, but in order to reach our bottom-line potential, we will need some help from Mother Nature in the form of colder weather this winter to offset the record-setting warm temperatures experienced earlier this year."

For the twelve months ended June 30, 2003, consolidated net income was \$43.1 million, or \$1.29 per share, compared to \$36.8 million, or \$1.13 per share, during the twelve-month period ended June 30, 2002.

#### Natural Gas Operations Segment Results

##### Second Quarter

Operating margin, defined as operating revenues less the cost of gas sold, increased \$5.5 million, or five percent, in the second quarter of 2003 compared to the second quarter of 2002. Customer growth throughout Southwest's service territories, partially offset by the impact of conservation and energy efficient appliances, added a net \$3 million. Differences in heating demand caused by weather variations between periods accounted for the remainder of the margin increase as warmer-than-normal temperatures experienced in April of 2002 returned to more normal levels in 2003. During the last 12 months the Company added nearly 60,000 customers, an increase of four percent.

Operating expenses for the quarter increased \$1.4 million, or one percent, compared to the second quarter of 2002. The impact of general cost increases and costs associated with the continued expansion and upgrading of the gas system to accommodate customer growth were mitigated by cost-saving management initiatives. Net financing costs decreased \$1.3 million, or six percent, between periods primarily due to lower interest rates (including the benefits realized on the refinancing of \$130 million of debt in the first quarter).

Other income/expense improved \$19.6 million, before tax, between quarters primarily due to costs recognized in 2002. In the second quarter of 2002, merger litigation costs, net merger-related litigation settlements, and an accrual for a regulatory disallowance in California totaled approximately \$19 million.

##### Twelve Months to Date

Operating margin increased \$4 million between periods. Customer growth contributed an incremental \$18 million and rate relief granted during the fourth quarter of 2001 added \$8 million. Differences in heating demand caused by weather variations between periods resulted in a \$22 million margin decrease as warmer-than-normal temperatures were experienced during both periods. During the current twelve-month period, operating margin was negatively impacted by \$35 million, and in the prior period, the negative impact was \$13 million.

Operating expenses increased \$16.3 million, or four percent, reflecting incremental costs associated with servicing additional customers. Net financing costs were relatively flat between periods as the impact of incremental borrowings to finance construction expenditures was offset by lower interest rates on variable-rate and refinanced debt.

Other income/expense improved \$17.8 million between periods. The timing of merger-related litigation settlements, merger litigation costs and the associated insurance recoveries created a net improvement between periods of \$32.4 million. The recognition of \$11.9 million in gains on the sale of property and other assets recognized during the fourth quarter of 2001 and first quarter of 2002 partially offset the merger-related change noted above. In addition, interest income earned primarily on the unrecovered balance of deferred purchased gas costs declined \$3.1 million between periods.

Southwest Gas Corporation provides natural gas service to approximately 1,477,000 customers in Arizona, Nevada and California. Its service territory is centered in the fastest-growing region of the country.

This press release may contain statements which constitute "forward-looking statements" within the meaning of the Securities Litigation Reform Act of 1995 (Reform Act). All such forward-looking statements are intended to be subject to the safe harbor protection provided by the Reform Act. A number of important factors affecting the business and financial results of the Company could cause actual results to differ materially from those stated in the forward-looking statements. These factors include, but are not limited to, the impact of weather variations on customer usage, customer growth rates, natural gas prices, the effects of regulation/deregulation, the timing and amount of rate relief, changes in gas procurement practices, changes in capital requirements and funding, the impact of conditions in the capital markets on financing costs, acquisitions, and competition.

SOUTHWEST GAS CONSOLIDATED EARNINGS DIGEST  
(In thousands, except per share amounts)

QUARTER ENDED JUNE 30,	2003	2002
Consolidated Operating Revenues	\$255,852	\$261,123
Net Loss	\$4,104	\$20,610
Average Number of Common Shares Outstanding	33,665	32,897
Loss Per Share	\$0.12	\$0.63
SIX MONTHS ENDED JUNE 30,	2003	2002
Consolidated Operating Revenues	\$659,137	\$760,624
Net Income	\$21,435	\$22,286
Average Number of Common Shares Outstanding	33,552	32,759
Basic Earnings Per Share	\$0.64	\$0.68
Diluted Earnings Per Share	\$0.63	\$0.67
TWELVE MONTHS ENDED JUNE 30,	2003	2002
Consolidated Operating Revenues	\$1,219,422	\$1,390,854
Net Income	\$43,114	\$36,773
Average Number of Common Shares Outstanding	33,346	32,542
Basic Earnings Per Share	\$1.29	\$1.13
Diluted Earnings Per Share	\$1.28	\$1.12

SOURCE Southwest Gas Corporation