



# Southwest Gas<sup>™</sup>

## HOLDINGS

### Southwest Gas Corporation Announces 2003 Earnings

February 17, 2004

LAS VEGAS, Feb. 17 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) announced consolidated earnings of \$1.14 per basic share for 2003, a \$0.19 per share decrease from the \$1.33 per basic share earned in 2002. Consolidated net income for 2003 was \$38.5 million, compared to \$44 million during 2002.

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

According to Michael O. Maffie, Chief Executive Officer, "The reduction in earnings for the full year reflects the impacts of extreme warm temperatures in our service territory that began in January and continued throughout much of the heating seasons of 2003. Nevada experienced its 2nd warmest year and Arizona its 5th warmest year in over a hundred years. We estimate that the impact from weather on earnings was about \$0.59 per share. On the positive side, record customer growth, the implementation of cost-curbng management initiatives, and debt refinancings, mitigated the weather-related impact in 2003 and positioned the Company for potential earnings growth in 2004."

During the fourth quarter of 2003, consolidated net income was \$34.5 million, or \$1.01 per basic share, versus \$37.8 million, or \$1.14 per basic share, for the fourth quarter of 2002. The prior period reflected the receipt of a \$9 million, or \$0.27 per share, after-tax settlement with an insurance provider.

#### Natural Gas Operations Segment Results

##### Full Year 2003

Operating margin, defined as operating revenues less the cost of gas sold, decreased \$671,000 in 2003 as compared to 2002. Approximately 67,000 customers were added during the last 12 months, a growth rate of nearly five percent. Another 9,000 customers were added in October 2003 with the acquisition of Black Mountain Gas Company. New customers contributed \$16 million in incremental margin. Differences in heating demand caused by weather variations between years resulted in a \$13 million margin decrease as warmer-than-normal temperatures were experienced during both years. During 2003, operating margin was negatively impacted by \$32 million, while in 2002 the negative impact was \$19 million. Conservation, energy efficiency and other factors accounted for the remainder of the decline.

Operating expenses increased \$9.6 million, or two percent, in 2003 reflecting general increases in labor and maintenance costs, and incremental costs (primarily depreciation and general taxes) associated with servicing additional customers. These increases were partially offset by cost-curbng measures initiated in late 2002. During 2003, the Company invested \$228 million in its gas system and anticipates capital expenditures of approximately \$233 million in 2004.

Net financing costs declined \$869,000 between periods primarily due to lower interest rates on variable-rate debt and interest savings generated from the refinancing of industrial development revenue bonds and preferred securities instruments in 2003.

##### Fourth Quarter

Operating margin increased \$10.5 million over the fourth quarter of 2002 primarily due to customer growth (\$7 million) and improved, albeit warmer-than-normal, weather. Operating expenses increased \$4 million, or four percent, reflecting general increases in labor and incremental costs associated with continuing customer growth.

Other income/expense decreased \$13.4 million between periods primarily due to receipt of an insurance settlement in the fourth quarter of 2002. Net financing costs declined \$1.1 million, or five percent, principally due to lower interest rates on variable-rate and refinanced debt.

Southwest Gas Corporation provides natural gas service to 1,531,000 customers in Arizona, Nevada, and California. Its service territories are 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, changes in construction expenditures and financing, acquisitions, and competition.

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

YEAR ENDED DECEMBER 31,	2003	2002
Consolidated Operating Revenues	\$1,231,004	\$1,320,909
Net Income	\$38,502	\$43,965

Average Number of Common Shares Outstanding	33,760	32,953
Basic Earnings Per Share	\$1.14	\$1.33
Diluted Earnings Per Share	\$1.13	\$1.32
QUARTER ENDED DECEMBER 31,		
Consolidated Operating Revenues	\$351,705	\$336,422
Net Income	\$34,474	\$37,815
Average Number of Common Shares Outstanding	34,077	33,223
Basic Earnings Per Share	\$1.01	\$1.14
Diluted Earnings Per Share	\$1.00	\$1.13

SOURCE Southwest Gas Corporation