



# Southwest Gas<sup>™</sup>

## HOLDINGS

### Southwest Gas Reports Second Quarter 1998 Results

July 27, 1998

LAS VEGAS, July 27 /PRNewswire/ -- Southwest Gas Corporation (NYSE: SWX) recorded a 1998 second quarter net loss of \$0.09 per share, a \$0.38 improvement from the \$0.47 per share loss reported for the second quarter of 1997. Consolidated net loss for the second quarter of 1998 was \$2.5 million, compared to the 1997 second quarter net loss of \$12.7 million. 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 twelve-month period.

According to Michael O. Maffie, President and Chief Executive Officer, the significant improvement in operating results was directly related to growth in operating margin. Maffie stated, "Operating margin was favorably impacted by three key factors. Weather remained cool, extending into the April and May billing periods, Arizona rate relief coupled with rate design improvements made a substantial contribution, and customer growth continued at a healthy pace."

Operating margin increased \$20.2 million, or 28 percent, in the second quarter of 1998 compared to the same period a year ago. Approximately \$10 million was attributed to cooler temperatures during the current period. Rate relief contributed an estimated \$8 million to the increase, and the remainder was due to customer growth as the Company served 58,000, or five percent, more customers than a year ago.

Operating expenses increased \$4.5 million, or six percent. Net financing costs increased less than one percent as strong cash flows reduced the amount of net new borrowings and interest rates on variable rate facilities were lower than during the prior period.

For the twelve months ended June 30, 1998, net income was \$41.1 million, or \$1.50 per basic share, compared to \$12.5 million, or \$0.47 per basic share, during the twelve-month period ended June 30, 1997.

Operating margin increased \$71.1 million, or 19 percent, due to improved weather conditions, rate relief, and continued customer growth. Differences in heating demand caused by weather variations between periods resulted in an increase of \$33 million. Approximately \$22 million pertained to colder-than-normal temperatures in the current period, and the remainder was attributed to the prior period being warmer-than-normal. Rate relief, primarily resulting from a September 1997 \$32 million annualized general rate case settlement in Arizona, contributed \$28 million in additional operating margin to the current period. Customer growth accounted for the remaining \$10.1 million.

Operating expenses and net financing costs increased \$20.9 million, or six percent, as a result of servicing additional customers.

During the fourth quarter of 1997, Company operating results included the effects of several nonrecurring events. The combined impact of these events was a \$4.1 million, or \$0.15 per share, after-tax reduction to earnings for the twelve-months ended June 30, 1998.

Southwest Gas Corporation provides natural gas to approximately 1,171,000 customers in Arizona, Nevada, and California. Its service territories are centered in the fastest-growing region of the country.

#### SOUTHWEST GAS CONSOLIDATED EARNINGS DIGEST

QUARTER ENDED JUNE 30,	1998	1997
Consolidated Operating Revenues	\$192,897,000	\$ 136,938,000
Net Loss	\$2,514,000	\$12,748,000
Average Number of Common Shares Outstanding	27,570,000	27,002,000
Loss Per Share	\$0.09	\$0.47
SIX MONTHS ENDED JUNE 30,		
Consolidated Operating Revenues	\$ 485,498,000	\$372,169,000
Net Income	\$33,439,000	\$8,820,000
Average Number of Common Shares Outstanding	27,509,000	126,910,000
Basic Earnings Per Share	\$1.22	\$0.33
Diluted Earnings Per Share	\$1.21	\$0.33
TWELVE MONTHS ENDED JUNE 30,		
Consolidated Operating Revenues	\$ 845,339,000	\$ 704,267,000
Net Income	\$41,088,000	\$12,478,000
Average Number of Common Shares Outstanding	27,366,000	26,733,000
Basic Earnings Per Share	\$1.50	\$0.47

Diluted Earnings Per Share

\$1.49

\$0.46

SOURCE Southwest Gas Corporation

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