



Southwest Gas[™]

HOLDINGS

Southwest Gas Corporation Reports Third Quarter Results

October 29, 2003

LAS VEGAS, Oct. 29 /PRNewswire-FirstCall/ -- Southwest Gas Corporation (NYSE: SWX) recorded a net loss of \$0.51 per share for the third quarter of 2003, a \$0.02 decline from the \$0.49 per share loss reported for the third quarter of 2002. Net loss for the third quarter of 2003 was \$17.4 million compared to the 2002 third quarter net loss of \$16.1 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.

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

According to Michael O. Maffie, Chief Executive Officer, "The reduction in third quarter earnings reflects slightly lower operating margin coupled with modestly higher operating expenses and financing costs. We've continued to emphasize cost-curbing initiatives to stay relatively on track with last year's results. With cautious optimism, we now look forward to the fourth quarter and the beginning of the winter heating season."

For the twelve months ended September 30, 2003, consolidated net income was \$41.8 million, or \$1.25 per share, compared to \$37.1 million, or \$1.13 per share, during the twelve-month period ended September 30, 2002. The impact of weather and certain non-recurring items, as discussed in more detail below, greatly influenced the results of both periods.

Natural Gas Operations Segment Results

Third Quarter

Operating margin, defined as operating revenues less the cost of gas sold, decreased \$1.7 million, or two percent, in the third quarter of 2003 compared to the third quarter of 2002. Customer growth contributed \$2 million of incremental margin during the period. However, this was more than offset by a number of factors including reductions in gas procurement, transportation and gas storage services. Margin from these services can vary from period to period. During the last twelve months the Company has added nearly 64,000 customers, an increase of four percent.

Operating expenses for the quarter increased \$1.8 million, or two percent, compared to the third quarter of 2002. The impacts 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-curbing measures implemented during the past year. Net financing costs increased \$224,000, or one percent, between periods. In August, the Company, through a wholly owned financing trust, issued \$100 million of 7.70% preferred securities of which \$60 million was utilized in September to redeem 9.125% preferred securities. Lower interest rates on variable-rate and refinanced debt partially offset the increased financing costs associated with the preferred securities.

Other income/expense improved \$3.6 million, before tax, between quarters primarily due to non-recurring costs recognized in 2002. In the third quarter of 2002, costs associated with merger litigation and a regulatory disallowance in California totaled \$2.1 million. In addition, revenues from long-term investments improved between quarters.

Twelve Months to Date

Operating margin decreased \$5.5 million between periods. 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. Customer growth and rate relief, partially offset by conservation, energy efficiencies, and other factors, contributed a net \$16.5 million in incremental margin.

Operating expenses increased \$11.9 million, or three percent, reflecting incremental costs associated with servicing additional customers, mitigated by cost-curbing measures. Net financing costs increased less than one percent between periods as the impacts of incremental borrowings and additional preferred securities to finance construction expenditures were offset by lower interest rates on variable-rate and refinanced debt.

Other income/expense improved \$24.3 million, before tax, between periods. The timing of merger-related litigation settlements, merger litigation costs and the associated insurance recoveries resulted in \$14.6 million of income in the current period and \$18.9 million of costs in the prior period. Prior-period results also included \$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. In addition, a California regulatory disallowance recorded during the second and third quarters of 2002 totaled \$2.7 million.

At September 30, 2003, Southwest Gas Corporation provided natural gas service to approximately 1,491,000 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 SEPTEMBER 30,	2003	2002
Consolidated Operating Revenues	\$220,162	\$223,863
Net Loss	\$17,407	\$16,136
Average Number of Common Shares Outstanding	33,852	33,065
Loss Per Share	\$0.51	\$0.49
NINE MONTHS ENDED SEPTEMBER 30,	2003	2002
Consolidated Operating Revenues	\$879,299	\$984,487
Net Income	\$4,028	\$6,150
Average Number of Common Shares Outstanding	33,653	32,862
Basic Earnings Per Share	\$0.12	\$0.19
Diluted Earnings Per Share	\$0.12	\$0.19
TWELVE MONTHS ENDED SEPTEMBER 30,	2003	2002
Consolidated Operating Revenues	\$1,215,721	\$1,368,623
Net Income	\$41,843	\$37,125
Average Number of Common Shares Outstanding	33,545	32,752
Basic Earnings Per Share	\$1.25	\$1.13
Diluted Earnings Per Share	\$1.24	\$1.12

SOURCE Southwest Gas Corporation