

cost. We also achieved continued strengthening of our operating, service, and sales functions in fiscal 2005 and are planning further upgrades in fiscal 2006.”

Mr. DeDomenico also added, “We anticipate our Company will continue to forge ahead in new activations, particularly as a result of our strengthened sales organization and with Jack Wilson now leading our growth strategy, who previously was a senior executive with The Coca-Cola Company’s fountain sales group. We will continue to make strategic acquisitions of accounts that can contribute to improving density at our service locations. The market for bulk CO2 systems remains dynamic and largely untapped. NuCO2, as the largest and best situated national company serving this market, is especially well positioned financially and from an operating viewpoint to capitalize on this broad opportunity.”

EBITDA (earnings before interest, taxes, depreciation and amortization), which the Company regards as useful information as to its liquidity, improved in the fourth quarter to \$9.6 million, a 24.7% increase over the same quarter of the prior year, and 36.5% as a percentage of revenues. For the year, EBITDA totaled \$35.3 million, a gain of 27.8% over the prior year’s \$27.6 million, and equal to 36.3% of total revenues, against 34.2% a year earlier.

Fourth quarter net income reflected a debt extinguishment charge of \$5.8 million, due to the redemption in April 2005 of the Company’s 16.3% subordinated notes due 2009 and the subsequent refinancing of its previous senior bank agreement in May 2005. In addition, NuCO2 realized a favorable non-cash tax adjustment of approximately \$19.6 million from the reversal of its deferred tax valuation allowance in accordance with SFAS 109, *Accounting for Income Taxes*. As a result of these two factors, net income in the fourth quarter totaled \$18.6 million, compared to \$1.8 million in the corresponding year-ago period, and for the full year totaled \$25.6 million, compared to \$2.2 million in fiscal 2004. Net income per diluted common share for the fourth quarter equaled \$1.16, compared with \$0.13 a year earlier, and for the full year amounted to \$1.79, compared to \$0.12 a year ago.

Adjusted to exclude the effect of both the debt extinguishment charge and the favorable tax adjustment, net income for the fourth quarter would have amounted to \$4.8 million, or \$0.30 per diluted share, and \$11.8 million for fiscal 2005, or \$0.82 per diluted share.

Fiscal 2006 Outlook

In fiscal 2006, the Company expects total revenues to grow approximately 15% and EBITDA to increase by at least 20%. This expected increase in EBITDA is adjusted to eliminate the non-cash expense of stock options, which will be reflected in the Company’s financial results, beginning with the first quarter of fiscal 2006, as required under SFAS 123R, *Accounting for Stock-Based Compensation*.

About NuCO2

NuCO2 Inc. is the leading and only national provider of bulk CO2 products and services to the U.S. fountain beverage industry. With service locations within reach of virtually all of the fountain beverage users in the Continental U.S., NuCO2's experienced professionals comprise the largest network of sales and support specialists in the industry serving national restaurant chains, convenience stores, theme parks and sports and entertainment complexes, among others. NuCO2's revenues are largely derived from the installation, maintenance and rental of bulk CO2 systems and delivery of beverage grade CO2, which are increasingly replacing high pressure CO2, until now the traditional method for carbonating fountain beverages. The technology offers consistent quality, greater ease of operation, and heightened efficiency and safety utilizing permanently installed on-site cryogenic storage tanks. NuCO2 provides systems and services that allow its customers to spend more time serving their customers. Visit the Company's website at www.nuco2.com.

Conference Call

A conference call to report operating results for the fourth quarter and fiscal 2005 will be held tomorrow at 11:00 a.m. Eastern Time. It can be accessed over the Internet via NuCO2's website at www.nuco2.com. To listen to the live call, please go to the website at least fifteen minutes early to register, download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will be available on NuCO2's website shortly after the call.

Statements contained in this press release concerning the Company's outlook, competitive position and other statements of management's beliefs, goals and expectations are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. With respect to such forward-looking statements, we claim protection under the Private Securities Litigation Reform Act of 1995. These risks and uncertainties include, but are not limited to, the ability of the Company to add new accounts, competition and future operating performance. The Company disclaims any obligation to update any forward-looking statement as a result of developments occurring after the date of this press release.

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NuCO₂ Inc.
CONDENSED BALANCE SHEETS
(In thousands)

ASSETS	<u>June 30, 2005</u>	<u>June 30, 2004*</u>
Current assets:		
Cash and cash equivalents	\$ 968	\$ 505
Trade accounts receivable, net of allowance for doubtful accounts of \$1,850 and \$2,095 respectively	8,568	6,141
Inventories	259	226
Prepaid insurance expense and other deposits	1,281	2,193
Prepaid expenses and other current assets	854	685
Deferred tax assets - current portion	7,596	-
Total current assets	<u>19,526</u>	<u>9,750</u>
Property and equipment, net	<u>104,787</u>	<u>92,969</u>
Goodwill & other intangible assets, net	33,521	25,602
Deferred tax assets	39,321	-
Other	175	181
Total other assets	<u>73,017</u>	<u>25,783</u>
Total assets	<u>\$ 197,330</u>	<u>\$ 128,502</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ -	\$ 6,048
Accounts payable	5,178	4,579
Accrued expenses & other current liabilities	3,146	3,726
Total current liabilities	<u>8,324</u>	<u>14,353</u>
Senior debt, less current maturities	32,000	30,962
Long-term subordinated debt	-	29,163
Deferred tax liabilities	24,198	-
Customer deposits	3,624	3,247
Total liabilities	<u>68,146</u>	<u>77,725</u>
Redeemable preferred stock	-	10,021
Total shareholders' equity	<u>129,184</u>	<u>40,756</u>
Total liabilities & shareholders' equity	<u>\$ 197,330</u>	<u>\$ 128,502</u>

* Restated to conform to current year presentation.

NuCO₂ Inc.

STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	Three Months Ended		Fiscal Year Ended	
	June 30,		June 30,	
	<u>2005</u>	<u>2004*</u>	<u>2005</u>	<u>2004*</u>
Revenues:				
Product sales	\$ 16,883	\$ 13,324	\$ 61,602	\$ 49,900
Equipment rentals	<u>9,285</u>	<u>7,748</u>	<u>35,738</u>	<u>30,936</u>
Total Revenues	<u>26,168</u>	<u>21,072</u>	<u>97,340</u>	<u>80,836</u>
Costs and expenses:				
Cost of products sold, excluding deprec & amort	11,172	8,508	41,147	33,883
Cost of equipment rentals, excluding deprec & amort	678	512	2,522	2,345
Selling, general and administrative expenses	4,246	4,192	17,020	15,722
Depreciation and amortization	4,271	3,753	16,484	15,234
Loss on asset disposal	<u>512</u>	<u>192</u>	<u>1,332</u>	<u>1,242</u>
	<u>20,879</u>	<u>17,157</u>	<u>78,505</u>	<u>68,426</u>
Operating income	5,289	3,915	18,835	12,410
Loss on early extinguishment of debt	5,817	-	5,817	1,964
Unrealized loss on financial instrument	-	-	-	177
Interest expense	<u>546</u>	<u>2,020</u>	<u>6,985</u>	<u>7,947</u>
Income available to common shareholders before taxes	(1,074)	1,895	6,033	2,322
Provision for income tax	<u>(19,664)</u>	<u>142</u>	<u>(19,558)</u>	<u>142</u>
Net income available to common shareholders	<u>\$ 18,590</u>	<u>\$ 1,753</u>	<u>\$ 25,591</u>	<u>\$ 2,180</u>
Weighted average number of common and common equivalent shares outstanding				
Basic	<u>15,217</u>	<u>10,787</u>	<u>12,808</u>	<u>10,689</u>
Diluted	<u>16,020</u>	<u>12,394</u>	<u>14,295</u>	<u>11,822</u>
Net income per basic common share	<u>\$ 1.22</u>	<u>\$ 0.14</u>	<u>\$ 1.98</u>	<u>\$ 0.13</u>
Net income per diluted common share	<u>\$ 1.16</u>	<u>\$ 0.13</u>	<u>\$ 1.79</u>	<u>\$ 0.12</u>

* Restated to conform to current year presentation.

RECONCILIATION OF GAAP NET INCOME TO EBITDA

	<u>Three Months Ended</u>			<u>Fiscal Year Ended</u>	
	<u>June 30,</u>		<u>Mar 31,</u>	<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2005</u>	<u>2004</u>
Net income (loss)	\$ 18,590	\$ 1,753	\$ 2,710	\$ 25,591	\$ 2,180
Interest expense	546	2,020	2,171	6,985	7,947
Depreciation & amortization	4,271	3,753	4,276	16,484	15,234
Unrealized loss on financial instrument	-	-	-	-	177
Provision for income taxes	(19,664)	142	-	(19,558)	142
Loss on early extinguishment of debt	5,817	-	-	5,817	1,964
	<u>\$ 9,560</u>	<u>\$ 7,668</u>	<u>\$ 9,157</u>	<u>\$ 35,319</u>	<u>\$ 27,644</u>
Cash flows provided by (used in):					
Operating activities	\$ 10,857	\$ 7,368	\$ 8,865	\$ 29,651	\$ 21,657
Investing activities	\$ (8,402)	\$ (4,862)	\$ (5,677)	\$ (38,781)	\$ (16,595)
Financing activities	\$ (39,892)	\$ (2,293)	\$ 35,168	\$ 9,593	\$ (5,012)

Earnings before interest, taxes, depreciation and amortization (“EBITDA”) is one of the principal financial measures by which the Company measures its financial performance. EBITDA is a widely accepted financial indicator used by many investors, lenders and analysts to analyze and compare companies on the basis of operating performance, and the Company believes that EBITDA provides useful information regarding the Company’s ability to service its debt and other obligations. However, EBITDA does not represent cash flow from operations, nor has it been presented as a substitute to operating income or net income as indicators of the Company’s operating performance. EBITDA excludes significant costs of doing business and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States of America. In addition, the Company’s calculation of EBITDA may be different from the calculation used by its competitors, and therefore comparability may be affected. The Company’s lenders also use EBITDA to assess the Company’s compliance with debt covenants. These financial covenants are based on a measure that is not consistent with accounting principles generally accepted in the United States of America. Such measure is EBITDA (as defined) as modified by certain defined adjustments.

RECONCILIATION OF GAAP NET INCOME TO NET INCOME BEFORE DEBT EXTINGUISHMENT AND REVERSAL OF THE TAX VALUATION ALLOWANCE

	<u>Three Months Ended</u>		<u>Fiscal Year Ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Net income	\$ 18,590	\$ 1,753	\$ 25,591	\$ 2,180
Loss on early extinguishment of debt	5,817	-	5,817	1,964
Reversal of deferred tax valuation allowance	(19,638)	-	(19,638)	-
	<u>\$ 4,769</u>	<u>\$ 1,753</u>	<u>\$ 11,770</u>	<u>\$ 4,144</u>
Net income per basic common share	<u>\$ 0.31</u>	<u>\$ 0.14</u>	<u>\$ 0.90</u>	<u>\$ 0.32</u>
Net income per diluted common share	<u>\$ 0.30</u>	<u>\$ 0.13</u>	<u>\$ 0.82</u>	<u>\$ 0.29</u>