

**ATMOS**  
energy



A Company that

Works.



Dividends in dollars per share



Twenty years of consecutive annual increases in dividends (adjusted for mergers and acquisitions) rank Atmos Energy as one of only 284 corporations that have paid higher consecutive dividends for 10 years or longer, according to Mergent, Inc. Our indicated annual dividend rate for fiscal 2004 is \$1.22 per share.

**20** consecutive years of increasing dividends. At a time when many companies are just deciding to pay dividends, ours keep rising. Why? Atmos Energy's employees work hard at working smarter. We invite you to look inside to see how their good ideas make Atmos Energy work for you.

Year ended September 30 (Dollars in thousands, except per share data)	2003	2002	Change
Operating revenues	\$ 2,799,916	\$ 1,650,964	69.6%
Gross profit	\$ 534,976	\$ 431,140	24.1%
Utility net income	\$ 62,137	\$ 42,994	44.5%
Natural gas marketing net income (loss)	(970)	12,614	-107.7%
Other nonutility net income	10,521	4,048	159.9%
Total	\$ 71,688	\$ 59,656	20.2%
Total assets	\$ 2,518,508	\$ 1,981,385	27.1%
Total capitalization	\$ 1,721,435	\$ 1,243,698	38.4%
Net income per share – diluted	\$ 1.54	\$ 1.45	6.2%
Cash dividends per share	\$ 1.20	\$ 1.18	1.7%
Book value per share at end of year	\$ 16.66	\$ 13.75	21.2%
Consolidated utility segment throughput (MMcf)	247,965	208,541	18.9%
Consolidated natural gas marketing segment throughput (MMcf)	225,961	204,027	10.8%
Heating degree days	3,473	3,368	3.1%
Degree days as a percentage of normal	101%	94%	7.4%
Meters in service at end of year	1,672,798	1,389,341	20.4%
Return on average shareholders' equity	9.9%	9.9%	—
Shareholders' equity as a percentage of total capitalization (including short-term debt) at end of year	46.4%	40.6%	14.3%
Shareholders of record	28,510	28,829	-1.1%
Weighted average shares outstanding – diluted (000s)	46,496	41,250	12.7%

## DEAR FELLOW SHAREHOLDERS:

I am extremely proud of all the work by Atmos Energy's employees who made our 20th anniversary year such a success.

Atmos Energy is *a company that works*. Our 2,905 employees work hard to serve our customers and to deliver strong financial results. For the past two decades, their efforts have produced consistent growth and above-average returns for our 70,000 owners.

That was true again in fiscal 2003. We achieved a 20 percent increase in net income and a 6 percent rise in earnings per diluted share.

In fiscal 2003, Atmos Energy earned \$71.7 million. Earnings per diluted share were \$1.54 and were within our stated guidance of \$1.52 to \$1.58 per diluted share. Moreover, we exceeded our industry peer group's average total return of 16.4 percent, delivering a solid 17.2 percent total return to our shareholders. Return on average shareholders' equity was 9.9 percent.

Recognizing these successful results, the Board of Directors in November 2003 increased the annual dividend rate by 2 cents per share. In fiscal 2003, Atmos Energy paid total cash dividends of \$1.20 per share. The indicated annual dividend rate for fiscal 2004 is \$1.22 per share.

Paying cash dividends consistently is one of the best measures of a company's financial strength. Atmos Energy's record of consecutive annual dividend increases ranks it among the top 2.5 percent of corporations that pay dividends.

Our consistent dividend increases, along with recent cuts in the federal income tax on dividends, have made our stock more attractive to investors seeking value and growth. To the extent our operating results and financial condition permit, the Board of Directors remains committed to raising the dividend annually and to lowering the payout ratio in the future to around 65 percent of earnings.

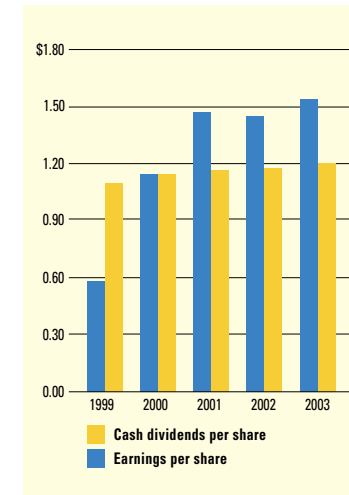
## 2003 IN REVIEW

Fiscal 2003 was not without challenges. One of the major hurdles we had to overcome was natural gas prices that were both high and volatile. Zig-zagging gas prices put additional demands on our collection efforts and cut into both our utility and nonutility earnings. Like other corporations, we also faced the added challenge of controlling rapidly rising costs for our employee pension plan, medical coverage and liability insurance.

Through the dedicated determination of our employees, we not only managed those matters, but also achieved other successes. Ten achievements stand out because they will contribute to our long-term success.

## 10 MAJOR ACHIEVEMENTS

First, we took advantage of a window of opportunity to sell 4.1 million common shares. The sale strengthened our balance sheet by improving our debt-to-equity ratio and bolstered our high credit ratings.



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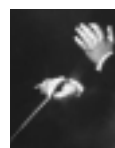
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Second, we made a \$77 million contribution to our pension plan to adequately fund the plan. This should help to protect our employees and retirees and to reduce our future pension funding requirements.

Third, we closed our acquisition of Mississippi Valley Gas Company and welcomed some 260,000 new utility customers and 600 employees of Valley Gas into Atmos Energy. The transaction was the company's ninth major acquisition.

Fourth, we renewed our credit facilities in both our utility and nonutility operations. These credit agreements have allowed us to finance all of our operations in an orderly and disciplined fashion.

Fifth, we received rate increases in Louisiana and in Amarillo, Texas, and we achieved weather normaliza-

tion adjustments in Kansas and Amarillo. Our ability to grow our earnings relies on our continual success in achieving fair rate designs and keeping rates current.

Sixth, by using our 49.4 billion cubic feet of usable and contracted natural gas storage and fixed-forward supply contracts, we hedged about half of our winter gas supply to save our utility customers more than \$67 million last year in gas costs.

Seventh, we took steps to enhance the profitability of our nonutility operations by contracting for an additional 1.25 billion cubic feet of natural gas storage, installing a new billing system and renegotiating contracts to reduce the risk of price volatility.

Eighth, we pursued our passion for customer service. Excellence in customer service is an attitude and it starts with each employee. During 2003, we launched a systemwide customer service training program.

Ninth, our investments in technology yielded increasing dividends. Our Enterprise Asset Management Project, as described on page 18, is the latest in a long list of information and telecommunications advances we've made. With our highly automated Customer Support Center and Internet site, we're serving customers better and at lower costs.

Tenth, we continued to manage our total spending in strategic ways. Both our capital outlays and operation and maintenance expense were under budget.

Capital expenditures during fiscal 2003 were \$159 million.

Our O&M expense per customer of \$122 continues to compare favorably to our peer group's average expense of \$195. Closely managing capital and O&M expenditures helps us stay highly competitive.

These 10 achievements reflect many of the characteristics that differentiate Atmos Energy in the business of delivering natural gas. This summary annual report discusses those characteristics that during the past 20 years have made Atmos Energy a company that works.

#### 2004 OUTLOOK

We expect fiscal 2004 will be a challenging year. High gas costs will make collecting customer bills more difficult and will require us to make higher cash outlays for gas supplies. We have targeted

**These 10 achievements reflect many of the characteristics that differentiate Atmos Energy in the business of delivering natural gas.**

annual earnings growth of 3 percent to 5 percent, with our earnings per diluted share expected to range from \$1.55 to \$1.60.

As Atmos Energy enters its third decade, the company is well positioned for long-term growth and continued success. Our balance sheet is strong; our credit ratings are high; our rate filings have added to revenues and have reduced the effects of weather on profitability; and our earnings have grown at a steady pace, enabling us to pay higher dividends each year.

#### FOUNDATION OF SUCCESS

The foundation of Atmos Energy's success has been built on our utility operations, which provide about 80 percent of our net income. Through acquisitions, we have evolved from a regional Texas gas utility to one of the country's largest natural gas distribution companies. We are known for making responsible, disciplined and accretive acquisitions.

To strengthen the company's foundation, we have added opportunities for long-term growth through our nonutility operations. Our natural gas marketing business, for instance, ranks as one of the best in the industry based on independent customer satisfaction surveys.

We have pursued a consistent strategy of running our utilities well, of making sound acquisitions and of expanding our nonutility business. Our reputation has grown not from our size, but from the neighborliness, mettle and strength of character of Atmos Energy's employees.

Our commitment to strong ethics and integrity has been part of the company since its founding, long before the Sarbanes-Oxley Act was passed. To reiterate that commitment, the Board of Directors this past year reviewed and revised its committee charters and our code of conduct for all directors, officers and employees.



We pledge to continue to manage Atmos Energy for long-term success, not for immediate or personal gains. Our goals remain to grow and prosper financially, to foster great customer service, to be a safe and rewarding place to work and to benefit all those who associate with Atmos Energy—

our shareholders, customers, communities and employees. I thank you, our owners, and all of our employees for supporting these goals.

Consistency in purpose, financial results and ethical conduct stands as Atmos Energy's foremost strength as we observe our 20th year.

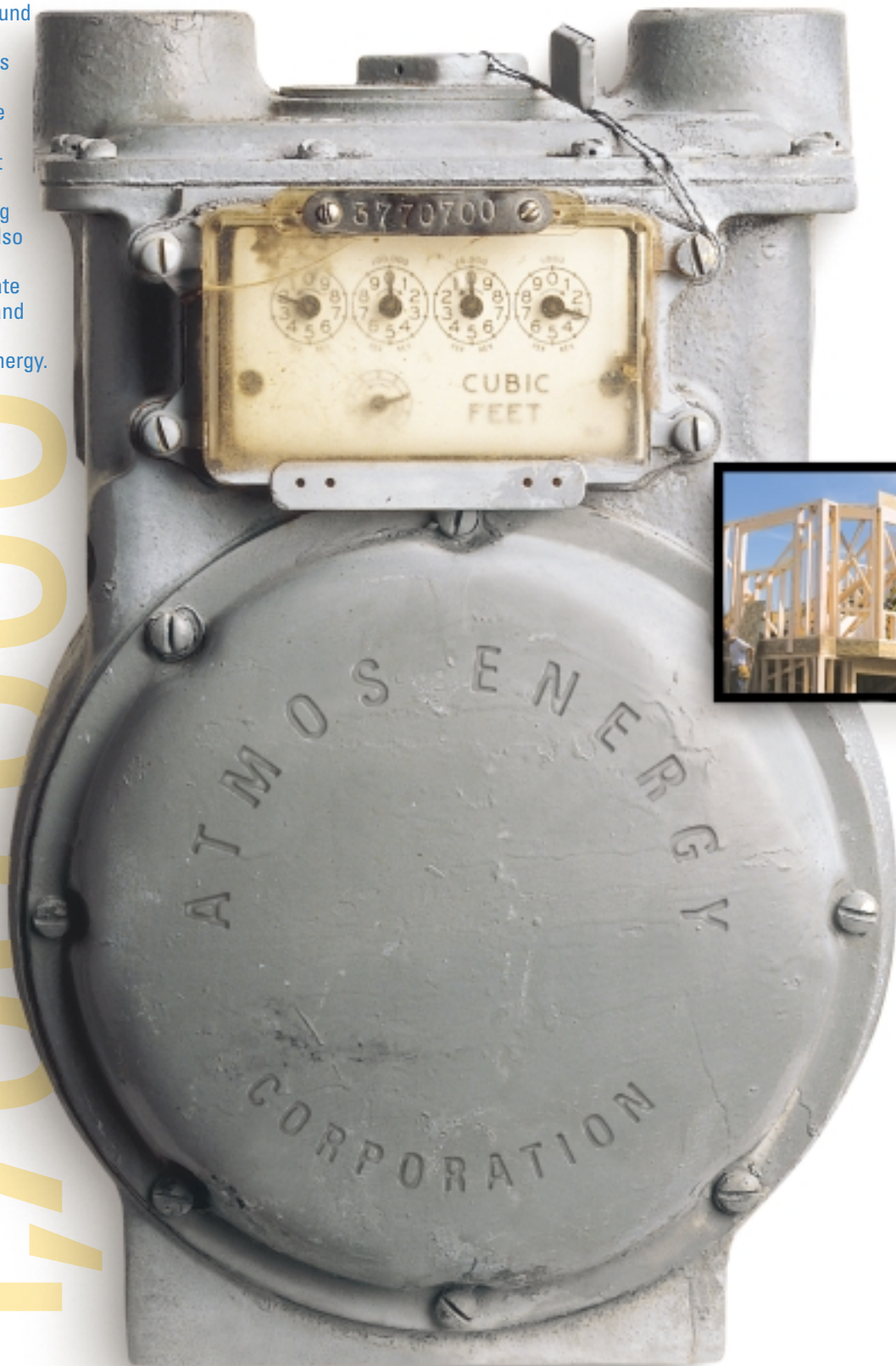
*Robert W. Best*

Robert W. Best

Chairman, President and Chief Executive Officer  
December 1, 2003

Since 1983, our annual customer growth rate has averaged over 9%. By making sound acquisitions and adding customers within existing operations, we've become one of America's largest pure natural gas distributors. Along the way, we've also learned how to efficiently integrate new operations and customers into a growing Atmos Energy.

1,700,000



American families and value-minded builders choose our natural gas for clean, low-cost energy.



Steamboat Springs, Colorado

**A**tmos Energy has a long history of being a company that works. Since 1983, we have been delivering value to our investors, energy to our customers, improvements to our communities and investments in our employees. Over this time, a number of characteristics have evolved that set us apart from others in the natural gas delivery industry—giving us not only a distinctive personality, but also the strengths on which our success has been formed. In particular, our commitment to hard work and sound acquisitions has helped us grow from 279,000 customers in 1983 to nearly 1.7 million today, making us one of the country's largest natural gas distributors.

Commercial and industrial customers like Unilever Bestfoods account for almost two-fifths of our utility gas revenues with high-volume meters that run almost nonstop.

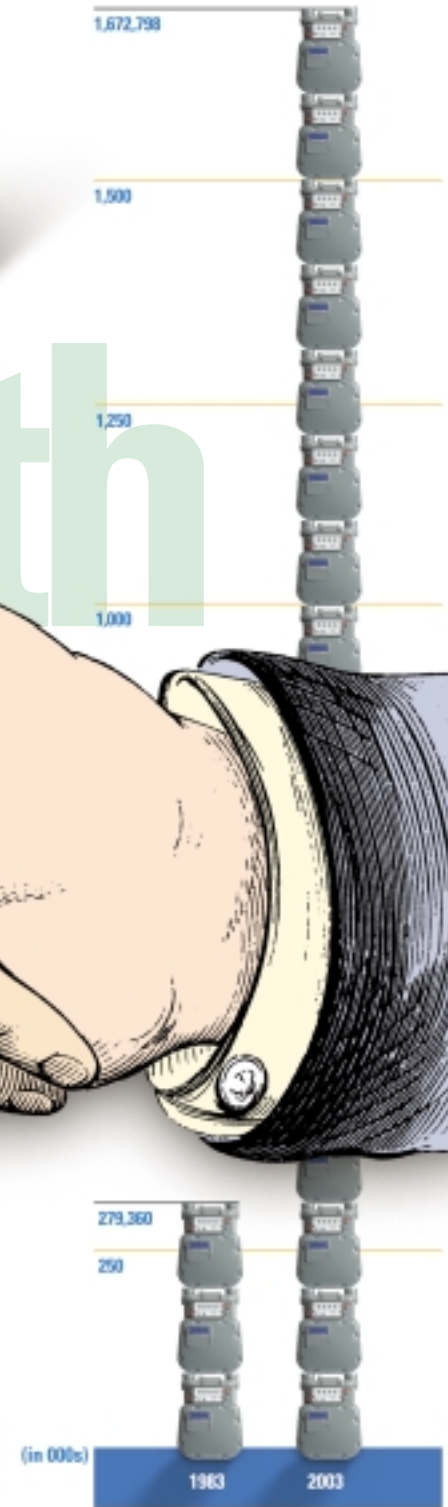


Growth through acquisitions is one of our key strategies and a way to leverage our technology and purchasing power to better serve customers.



**We fuel our steady revenue growth through acquisitions, population growth and by attracting new commercial and industrial customers.**

We serve mainly small to medium-size communities. Nine major acquisitions have enabled us to grow from 279,000 customers in 1983 to nearly 1.7 million in 2003.



**W**e have remained steadfast to our clear three-part strategy: running our utilities exceptionally well, making sound acquisitions and expanding our nonutility operations. Our business model is unlike virtually any other natural gas distributor's. It's based on our focus on gas operations, tight cost control, geographic diversity and growth by acquisitions. **M**oreover, our record of consecutive annual dividend increases ranks us as one of only 284 corporations that have paid higher consecutive dividends for 10 years or longer, according to Mergent's list of Dividend Achievers. Our dividend has grown at a 20-year average annual compound rate of 6.44 percent.

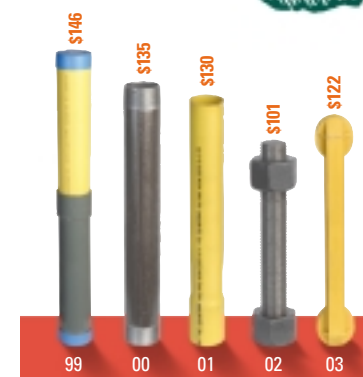


Empty warehouses mean lower costs. Just-in-time delivery has cut our parts inventory to so few items that storage and retrieval take us man-minutes, not man-hours. Labeling parts with employees' names saves even more time and money. **And that's how we work for you.**

◀ Wayne Elliston, Customer Service, and his two-day supply of gas meters in a warehouse now up for sale in Amarillo, Texas.

We serve price-regulated and price-sensitive markets. Our employees keep productivity at industry-leading levels and make sure that every expenditure is a wise one. In short, we make cost management a 24-hour-a-day job.

Our highly efficient workers have kept our already-low operation and maintenance expense per customer well below the industry average for years.



We rely on our own employees to train and mentor fellow employees. That way, they learn from the best.

We deliver the greenest of all fossil fuels, natural gas, which produces virtually no emissions that cause acid rain. Natural gas also is the most efficient energy source on a Btu basis.

management  
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Our employees set the mark for the industry in productivity. Even spread over 12 states and lacking the economies of scale of large metropolitan operations, Atmos Energy has maintained its leadership among peers through its low operation and maintenance expense per customer and its high number of customers served per employee. Cost management is a way of life for company employees, who benefit from incentive bonus programs by keeping costs down and contributing to earnings. Cost control, however, is never at the expense of safety or service. Atmos Energy's top priority is always to serve customers safely, reliably and courteously—as well as efficiently.

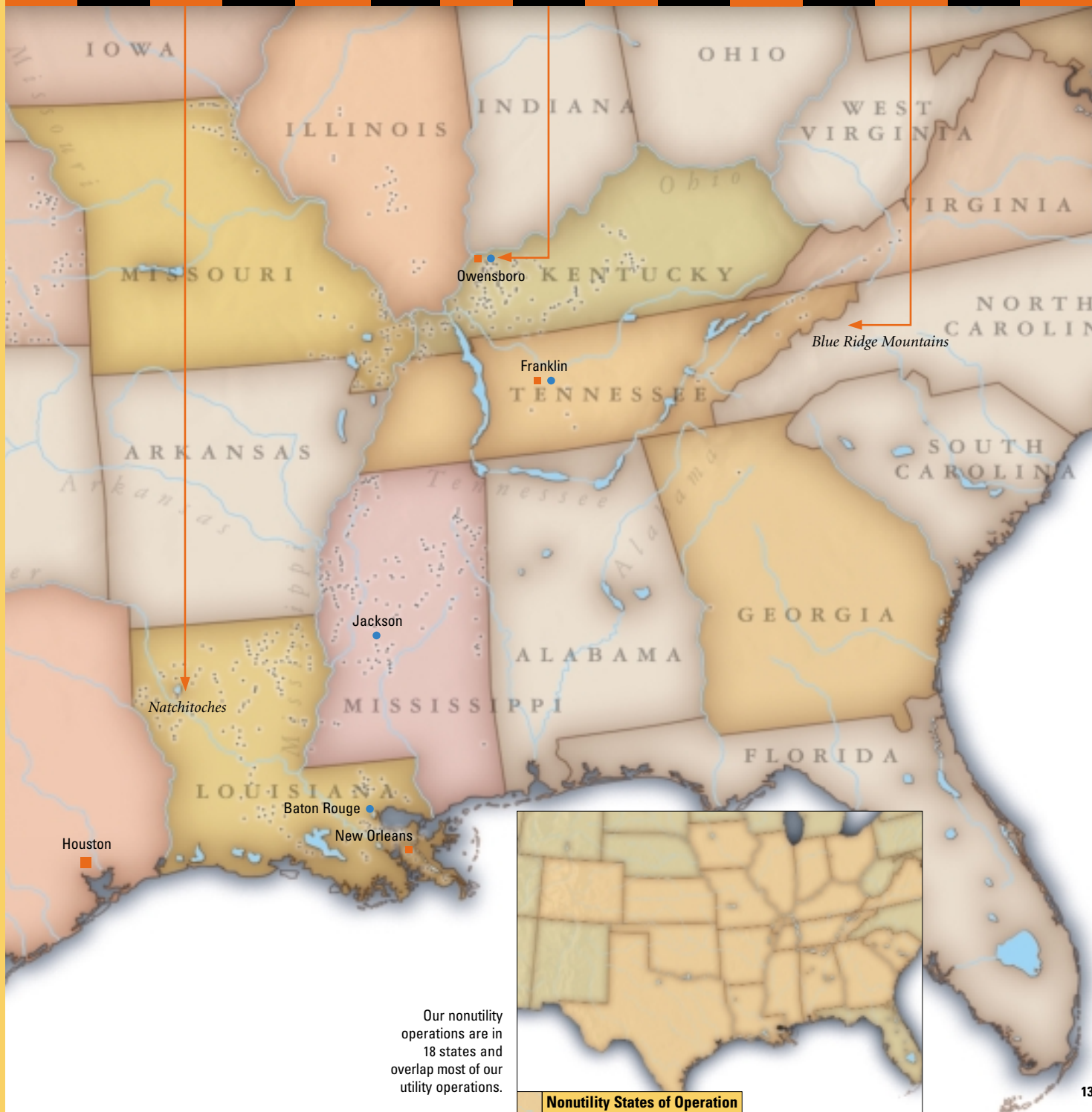
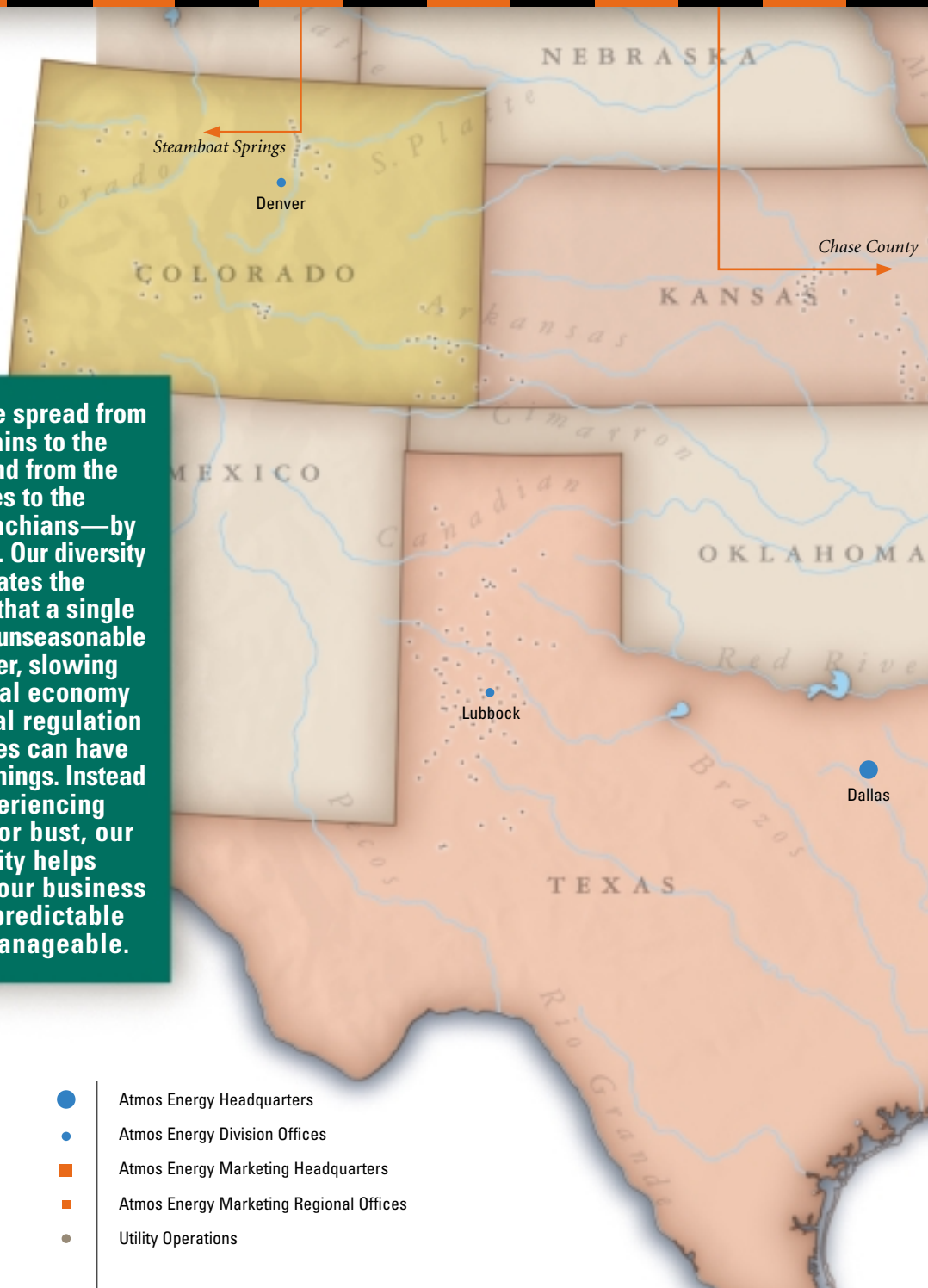
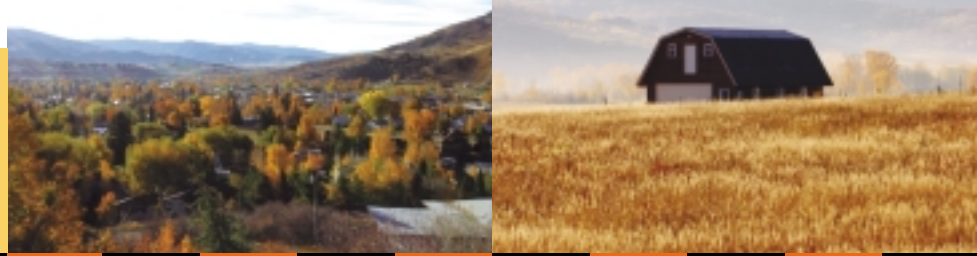
diversity

geographic

We are spread from the Plains to the Gulf and from the Rockies to the Appalachians—by choice. Our diversity moderates the effect that a single area's unseasonable weather, slowing regional economy or local regulation changes can have on earnings. Instead of experiencing boom or bust, our diversity helps make our business more predictable and manageable.

- Atmos Energy Headquarters
- Atmos Energy Division Offices
- Atmos Energy Marketing Headquarters
- Atmos Energy Marketing Regional Offices
- Utility Operations

Diversity of territory, weather, customers, regional economies and regulatory policies makes us the country's most geographically diverse natural gas utility. We serve a broad range of people whose varied ethnic backgrounds, regional customs, language patterns and family heritages truly represent the heartland of America. From the rugged Rocky Mountains, across the vast Great Plains, through the bountiful Midwest, deep into the storied South of the Mississippi Valley to the beautiful Blue Ridge Mountains, we deliver America's natural gas to the homes and businesses of our nation, all as one team with one name—Atmos Energy.



Nearly 1.7 million utility customers live in more than 1,000 communities where we have franchises to deliver natural gas service. We also serve another 1,000 or so municipalities, industrial customers and governmental entities that buy wholesale natural gas or gas transportation services from us. Excellent customer service is our passion. We are committed to being the best in our industry. And we prove that by our low costs and our high dedication to community affairs, economic development and civic pride. Even in our highly competitive nonutility operations, we consistently rank among the top three mid-tier gas marketers for excellence in customer service.



# community



We do infields. Atmos Energy supports Little League and many other youth activities in communities we serve.

**9** out of 10 employees live, work and play in the communities we serve.



To help Cloverdale, Kentucky, recover from arson damage caused by drug dealers, we donated trucks and office equipment to replace the city's destroyed facilities.



We stay close to our customers by being one of them. When it rains, we get wet with everyone else. If someone needs on-site service, we're usually in the neighborhood. Yes, we offer toll-free and online access for our customers' convenience, but to make the kind of commitment our communities deserve, there's no substitute for being there.

► *Kenny Westerfield, Operations Specialist, enjoying good food and chitchat at a favorite community spot, Horn's Dairy Bar in Owensboro, Kentucky.*

Great places to live. Nine of ten Atmos Energy employees make their homes, raise their families and take great pride in the communities we serve. **And that's how we work for you.**



Commitment to our communities is a strong tradition at Atmos Energy. By being close to our customers, we know them both personally and professionally. Our employees give their time and leadership to many excellent programs, such as United Way, chambers of commerce, regional economic development groups, school boards and city councils, Scouting, Girls Inc., Little League, blood drives and fundraisers, Habitat for Humanity homes, university trusteeships, environmental and wildlife protection, Crime Watch—and hundreds more worthy causes.



Hanging tough in the Big Easy. Facing stiff competition, Atmos Energy Marketing recently won an Entergy New Orleans contract to supply about half the natural gas for New Orleans. Our gas storage strategy helped seal the deal. **And that's how we work for you.**

◀ Dawn McManus, Regional Marketing Manager, and Brian Felger, Regional Marketing Director, on St. Peter Street in the French Quarter of New Orleans.

Our natural gas helps alligator farms keep their water warm and swampy.



We supply natural gas to many small municipal utilities, helping them deliver gas at low costs.

Our service keeps many schools running smoothly and looking sharp.



We provide natural gas sales and transportation services to hundreds of large manufacturers, including **Continental Tire**, Mayfield, Kentucky, **Noranda Aluminum**, New Madrid, Missouri, and **Saturn**, Spring Hill, Tennessee.



# Large users

Industrial, very large commercial and some municipal entities buy their natural gas supply from a gas marketer, such as Atmos Energy Marketing. Many also use our utility system to deliver the gas. Serving these large-volume gas users helps us meet a key objective: lower gas prices for all of our customers.

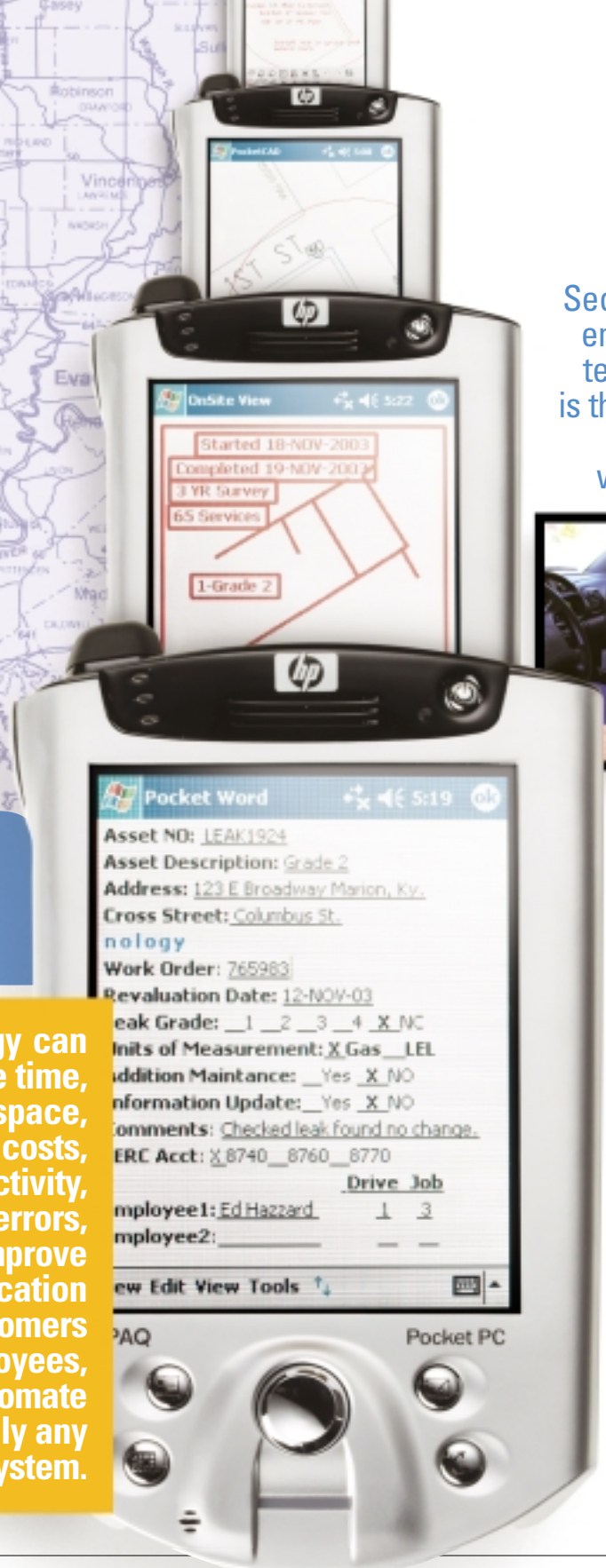


Our excellent customer service helps us win and retain nonutility customers in a highly competitive business.

Gas deregulation has given large gas consumers choices for their gas supplier and for other gas services. Our strategy of expanding our nonutility operations to serve industrial and municipal customers complements our core business as a regulated local distribution company. Our nonutility operations in 18 states are in close proximity to our utility operations. This provides advantages for natural gas purchasing, transportation and storage. Our nonutility operations sold 226 billion cubic feet of natural gas in 2003 to municipalities, industrials and governmental entities. We also develop distributed electric generation plants for municipalities and companies.



Technology can save time, save space, cut costs, boost productivity, reduce errors, improve communication with customers and employees, and automate virtually any control system.



Second to our employees, technology is the smartest worker we have.



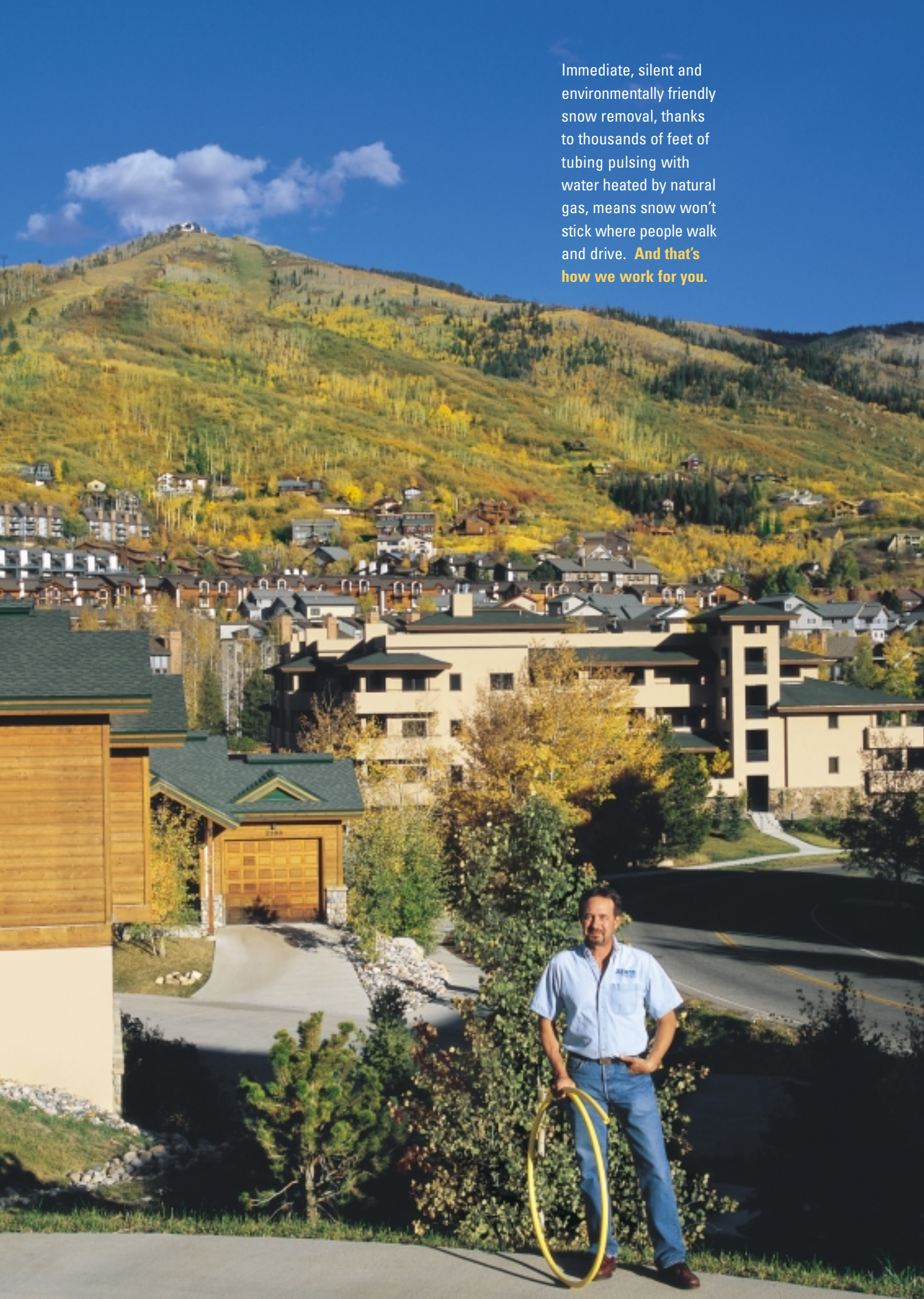
Satellite-based communication between field and office staff is very efficient—dispatching is text-based, allowing our service technicians to read, click and go.

Handheld computers now being tested will give field staff full access to our utility mapping, engineering specifications, job cost data as well as our other information systems as part of our Enterprise Asset Management project.

Our substantial investment in information and telecommunications technology helps us continually improve our customer service while it lowers our operating costs. Starting in 1997, Atmos Energy undertook a massive conversion to advanced data processing technology. Today, information is accessible from mobile computers in our service trucks. Our telecommunications systems support one of the best customer call centers in the industry. Meters on remote farms are read from an airplane. Service routing will soon be handled by a satellite network. And new field technologies will enhance the safety and efficiency of our construction and maintenance work.



Efficiency from out of the blue. Reading 1,200 transmitter-equipped meters attached to natural gas-powered farm irrigators takes one pilot one day—saving over a week of work by a field crew. **And that's how we work for you.**



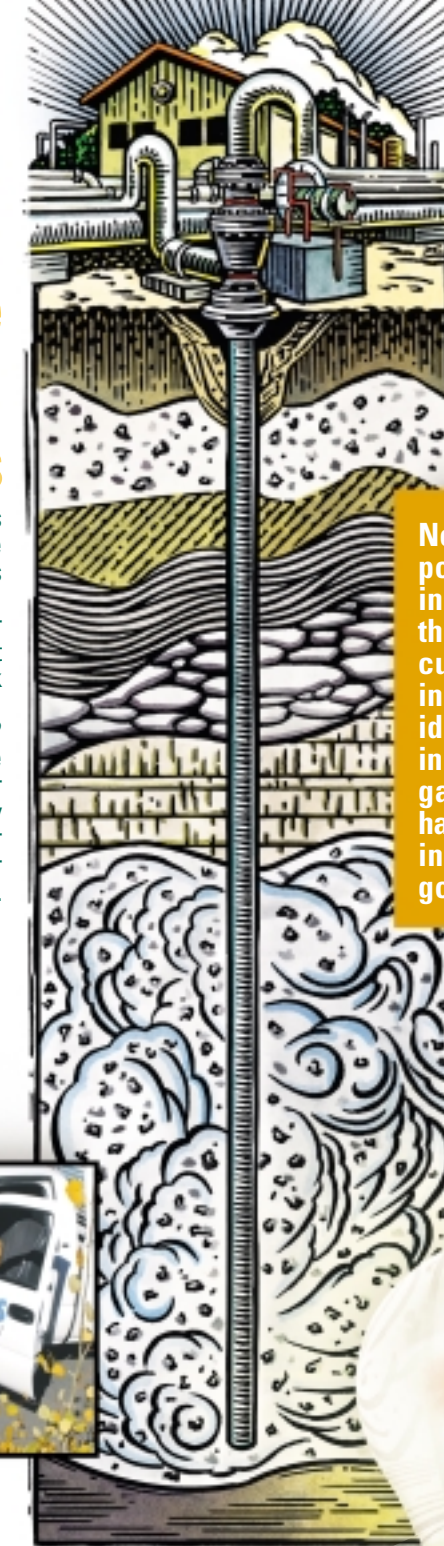
Immediate, silent and environmentally friendly snow removal, thanks to thousands of feet of tubing pulsing with water heated by natural gas, means snow won't stick where people walk and drive. **And that's how we work for you.**

◀ Rob Mosher, Sales Representative, standing where 25 feet of yearly snow won't, in Steamboat Springs, Colorado.

## smart people doing smart things

When natural gas producers are busy pumping gas out of the ground and selling it for less, we buy it and pump it back into underground storage. Why? Storing gas in the summer that our customers can buy later in the winter helps keep our customers' bills low.

Management by councils made up of staff who lead and perform the work helps us adopt common practices that maximize effectiveness and efficiency.



Never underestimate the power of an idea. Even an innovation that seems odd in the beginning can make our customers and us look smart in the end. Some of our best ideas help customers use gas in new ways or help us deliver gas at lower prices. Who'd have thought that melting snow in ski country would be a good idea? But it is.

We develop distributed generation electric plants so that businesses and municipalities can generate electricity at a savings.

# Innovation

Innovation has been at the heart of Atmos Energy from the start. As a small regional gas utility, our company's leaders knew they must innovate to survive and prosper. So early on, Atmos Energy sought new markets for natural gas, new ways to help customers use gas and new assets, such as storage fields, to lower customers' costs. The company grew by adding operations outside its traditional market. And the new employees who joined our system were encouraged to share their knowledge in what today has become a system of management by councils, which set our common operating practices. The combination of knowledge and new ideas sets Atmos Energy apart—as the company that works.

## Summary Annual Report

The financial information presented in this report about Atmos Energy Corporation is condensed. Our complete financial statements, including notes as well as management's discussion and analysis of financial condition and results of operations, are presented in our Annual Report on Form 10-K. Atmos Energy's chief executive officer and its chief financial officer have complied with, and have executed, all certifications of these financial statements required under the Sarbanes-Oxley Act of 2002 and all related rules of the Securities and Exchange Commission with respect to the financial statements contained within. Investors may request, without charge, our Annual Report on Form 10-K for the fiscal year ended September 30, 2003, by calling Shareholder Relations at (972) 855-3729 between 8 a.m. and 5 p.m. Central time. Our Form 10-K also is available on Atmos Energy's Web site at [www.atmosenergy.com](http://www.atmosenergy.com). Additional investor information is presented on page 32 of this report.

Year ended September 30

	2003	2002
<b>Meters in service</b>		
Residential	1,498,586	1,247,247
Commercial	151,008	122,156
Industrial	3,799	2,118
Agricultural	9,514	10,576
Public authority and other	9,891	7,244
Total meters	<u>1,672,798</u>	<u>1,389,341</u>
<b>Heating degree days</b>		
Actual (weighted average)	3,473	3,368
Percent of normal	101%	94%
<b>Utility sales volumes (MMcf)</b>		
Residential	97,953	77,386
Commercial	45,611	35,796
Industrial	23,738	14,499
Agricultural	7,884	10,988
Public authority and other	9,326	5,875
Total	<u>184,512</u>	<u>144,544</u>
<b>Utility transportation volumes (MMcf)</b>	<u>70,159</u>	<u>69,589</u>
<b>Total utility throughput (MMcf)</b>	254,671	214,133
<b>Intersegment activity (MMcf)</b>	<u>(6,706)</u>	<u>(5,592)</u>
<b>Consolidated utility throughput (MMcf)</b>	<u>247,965</u>	<u>208,541</u>
<b>Consolidated natural gas marketing throughput (MMcf)</b>	<u>225,961</u>	<u>204,027</u>
<b>Operating revenues (000s)</b>		
Gas utility sales revenues		
Residential	\$ 873,375	\$ 535,981
Commercial	367,961	221,728
Industrial (including agricultural)	192,676	98,765
Public authority and other	65,921	31,731
Total gas sales revenues	<u>1,499,933</u>	<u>888,205</u>
Transportation revenues	29,583	36,591
Other gas revenues	23,341	11,258
Total utility revenues	<u>1,552,857</u>	<u>936,054</u>
Natural gas marketing revenues	1,234,447	700,519
Other nonutility revenues	12,612	14,391
<b>Total operating revenues (000s)</b>	<u>\$ 2,799,916</u>	<u>\$ 1,650,964</u>
<b>Other statistics</b>		
Gross plant (000s)	\$ 2,480,139	\$ 2,127,827
Net plant (000s)	\$ 1,515,989	\$ 1,300,320
Miles of pipe	45,267	39,157
Employees	2,905	2,338

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Atmos Energy  
at a Glance

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September 30 (Dollars in thousands, except share data)	2003	2002
<b>Assets</b>		
<b>Property, plant and equipment</b>	\$ 2,463,992	\$ 2,103,428
<b>Construction in progress</b>	16,147	24,399
	<u>2,480,139</u>	<u>2,127,827</u>
<b>Less accumulated depreciation and amortization</b>	964,150	827,507
Net property, plant and equipment	<b>1,515,989</b>	<b>1,300,320</b>
<b>Current assets</b>		
Cash and cash equivalents	15,683	47,991
Cash held on deposit in margin account	17,903	10,192
Accounts receivable, less allowance for doubtful accounts of \$13,051 in 2003 and \$10,509 in 2002	216,783	136,227
Gas stored underground	168,765	91,783
Other current assets	38,863	44,962
Total current assets	457,997	331,155
<b>Goodwill and intangible assets</b>	273,499	190,380
<b>Deferred charges and other assets</b>	271,023	159,530
	<b>\$ 2,518,508</b>	<b>\$ 1,981,385</b>
<b>Capitalization and Liabilities</b>		
<b>Shareholders' equity</b>		
Common stock, no par value (stated at \$.005 per share); 100,000,000 shares authorized; issued and outstanding: 2003 – 51,475,785 shares, 2002 – 41,675,932 shares	\$ 257	\$ 208
Additional paid-in capital	736,180	508,265
Retained earnings	122,539	106,142
Accumulated other comprehensive loss	(1,459)	(41,380)
Shareholders' equity	857,517	573,235
<b>Long-term debt</b>	863,918	670,463
Total capitalization	<b>1,721,435</b>	<b>1,243,698</b>
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	179,852	136,773
Other current liabilities	127,923	159,727
Short-term debt	118,595	145,791
Current maturities of long-term debt	9,345	21,980
Total current liabilities	435,715	464,271
<b>Deferred income taxes</b>	223,350	134,540
<b>Deferred credits and other liabilities</b>	138,008	138,876
	<b>\$ 2,518,508</b>	<b>\$ 1,981,385</b>

September 30 (Dollars in thousands, except per share data)	2003	2002	2001
<b>Operating revenues</b>			
Utility segment	\$ 1,554,082	\$ 937,526	\$ 1,380,148
Natural gas marketing segment	1,668,493	1,031,874	447,096
Other nonutility segment	21,630	24,705	59,436
Intersegment eliminations	(444,289)	(343,141)	(161,199)
	<u>2,799,916</u>	<u>1,650,964</u>	<u>1,725,481</u>
<b>Purchased gas cost</b>			
Utility segment	1,062,679	559,891	1,017,363
Natural gas marketing segment	1,644,328	994,318	445,504
Other nonutility segment	1,540	8,022	48,605
Intersegment eliminations	(443,607)	(342,407)	(161,199)
	<u>2,264,940</u>	<u>1,219,824</u>	<u>1,350,273</u>
<b>Gross profit</b>	534,976	431,140	375,208
<b>Operating expenses</b>			
Operation and maintenance	205,090	158,119	139,608
Depreciation and amortization	87,001	81,469	67,664
Taxes, other than income	55,045	36,221	37,655
Total operating expenses	<u>347,136</u>	<u>275,809</u>	<u>244,927</u>
<b>Operating income</b>	187,840	155,331	130,281
<b>Other income (expense)</b>			
Equity in earnings of Woodward Marketing, L.L.C.	—	—	8,062
Miscellaneous income (expense)	2,191	(1,321)	(1,874)
Total other income (expense)	2,191	(1,321)	6,188
<b>Interest charges</b>	63,660	59,174	47,011
Income before income taxes and cumulative effect of accounting change	126,371	94,836	89,458
<b>Income tax expense</b>	46,910	35,180	33,368
Income before cumulative effect of accounting change	79,461	59,656	56,090
Cumulative effect of accounting change, net of income tax benefit	(7,773)	—	—
<b>Net income</b>	<b>\$ 71,688</b>	<b>\$ 59,656</b>	<b>\$ 56,090</b>
<b>Per share data</b>			
<b>Basic income per share:</b>			
Income before cumulative effect of accounting change	\$ 1.72	\$ 1.45	\$ 1.47
Cumulative effect of accounting change, net of income tax benefit	(.17)	—	—
Net income	<u>\$ 1.55</u>	<u>\$ 1.45</u>	<u>\$ 1.47</u>
<b>Diluted income per share:</b>			
Income before cumulative effect of accounting change	\$ 1.71	\$ 1.45	\$ 1.47
Cumulative effect of accounting change, net of income tax benefit	(.17)	—	—
Net income	<u>\$ 1.54</u>	<u>\$ 1.45</u>	<u>\$ 1.47</u>
<b>Weighted average shares outstanding:</b>			
Basic	46,319	41,171	38,156
Diluted	46,496	41,250	38,247

Year ended September 30 (Dollars in thousands)

	2003	2002	2001
<b>Cash Flows from Operating Activities</b>			
Net income	\$ 71,688	\$ 59,656	\$ 56,090
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Cumulative effect of accounting change, net of income tax benefit	7,773	—	—
Depreciation and amortization:			
Charged to depreciation and amortization	87,001	81,469	67,664
Charged to other accounts	2,193	2,452	2,806
Deferred income taxes	53,867	14,509	18,501
Other	(5,885)	(3,371)	(979)
Changes in assets and liabilities	(167,186)	142,680	(61,087)
Net cash provided by operating activities	49,451	297,395	82,995
<b>Cash Flows Used in Investing Activities</b>			
Capital expenditures	(159,439)	(132,252)	(113,109)
Acquisitions, net of cash received	(74,650)	(15,747)	(354,755)
Retirements of property, plant and equipment, net	704	(1,725)	(1,460)
Assets for leasing activities	—	(8,511)	(5,377)
Proceeds from sale of assets, net	—	—	6,625
Net cash used in investing activities	(233,385)	(158,235)	(468,076)
<b>Cash Flows from Financing Activities</b>			
Net decrease in short-term debt	(27,196)	(55,456)	(48,800)
Net proceeds from issuance of long-term debt	253,267	—	347,099
Proceeds from bridge loan	147,000	—	—
Repayment of bridge loan	(147,000)	—	—
Repayment of long-term debt	(73,165)	(20,651)	(17,670)
Repayment of Mississippi Valley Gas debt	(70,938)	—	—
Cash dividends paid	(55,291)	(48,646)	(44,112)
Issuance of common stock	25,720	18,321	14,405
Net proceeds from equity offering	99,229	—	142,043
Net cash provided (used) by financing activities	151,626	(106,432)	392,965
Net increase (decrease) in cash and cash equivalents	(32,308)	32,728	7,884
<b>Cash and cash equivalents at beginning of year</b>	47,991	15,263	7,379
<b>Cash and cash equivalents at end of year</b>	<b>\$ 15,683</b>	<b>\$ 47,991</b>	<b>\$ 15,263</b>

To Shareholders of Atmos Energy Corporation:

We have audited, in accordance with generally accepted auditing standards, the consolidated balance sheets of Atmos Energy Corporation at September 30, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 2003 (not presented separately herein) and in our report dated November 10, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheets and statements of income and cash flows are fairly stated in all material respects in relation to the basic consolidated financial statements from which they have been derived.

*Ernst & Young LLP*

Dallas, Texas  
November 10, 2003

Year ended September 30	2003	2002	2001	2000	1999
<b>Balance Sheet Data at September 30 (000s)</b>					
Capital expenditures	\$ 159,439	\$ 132,252	\$ 113,109	\$ 75,557	\$ 110,353
Net property, plant and equipment	1,515,989	1,300,320	1,335,398	982,346	965,782
Working capital	22,282	(133,116)	(86,778)	(181,890)	(151,622)
Total assets	2,518,508	1,981,385	2,036,180	1,348,758	1,230,537
Shareholders' equity	857,517	573,235	583,864	392,466	377,663
Long-term debt, excluding current maturities	863,918	670,463	692,399	363,198	377,483
Total capitalization	1,721,435	1,243,698	1,276,263	755,664	755,146
<b>Income Statement Data</b>					
Operating revenues* (000s)	\$ 2,799,916	\$ 1,650,964	\$ 1,725,481	\$ 850,152	\$ 690,196
Gross profit* (000s)	534,976	431,140	375,208	325,706	299,794
Net income (000s)	71,688	59,656	56,090	35,918	17,744
Net income per diluted share	1.54	1.45	1.47	1.14	.58
<b>Common Stock Data</b>					
Shares outstanding (000s)					
End of year	51,476	41,676	40,792	31,952	31,248
Weighted average	46,496	41,250	38,247	31,594	30,819
Cash dividends per share	\$ 1.20	\$ 1.18	\$ 1.16	\$ 1.14	\$ 1.10
Shareholders of record	28,510	28,829	30,524	32,394	35,179
Market price – High	\$ 25.45	\$ 24.46	\$ 26.25	\$ 25.00	\$ 32.69
Low	\$ 20.70	\$ 18.37	\$ 19.31	\$ 14.75	\$ 23.06
End of year	\$ 23.94	\$ 21.50	\$ 21.60	\$ 20.63	\$ 24.13
Book value per share at end of year	\$ 16.66	\$ 13.75	\$ 14.31	\$ 12.28	\$ 12.09
Price/Earnings ratio at end of year	15.55	14.83	14.69	18.09	41.59
Market/Book ratio at end of year	1.44	1.56	1.51	1.68	2.00
Annualized dividend yield at end of year	5.0%	5.5%	5.4%	5.5%	4.6%
<b>Customers and Volumes (As metered)</b>					
Consolidated utility gas sales volumes (MMcf)	184,512	145,488	156,544	119,470	125,279
Consolidated utility gas transportation volumes (MMcf)	63,453	63,053	61,230	59,365	55,468
Consolidated utility throughput (MMcf)	247,965	208,541	217,774	178,835	180,747
Consolidated natural gas marketing throughput (MMcf)	225,961	204,027	55,469	—	—
Meters in service at end of year	1,672,798	1,389,341	1,386,323	1,096,599	1,037,995
Heating degree days <sup>#</sup>	3,473	3,368	4,124	2,096	3,374
Degree days as a percentage of normal	101%	94%	115%	82%	85%
Utility average gas sales price per Mcf sold	\$ 8.17	\$ 6.21	\$ 8.99	\$ 5.91	\$ 4.71
Utility average cost of gas per Mcf sold	\$ 5.76	\$ 3.87	\$ 6.82	\$ 3.67	\$ 2.74
Utility average transportation fee per Mcf	\$ .43	\$ .41	\$ .41	\$ .37	\$ .39
<b>Statistics</b>					
Return on average shareholders' equity	9.9%	9.9%	10.4%	9.3%	4.7%
Number of employees	2,905	2,338	2,361	1,885	2,062
Net utility plant per meter	\$ 865	\$ 881	\$ 924	\$ 874	\$ 884
Utility operation, maintenance and administrative expense per meter	\$ 115	\$ 101	\$ 130 <sup>+</sup>	\$ 135	\$ 146
Customers per employee – utility	594	616	603	591	547
Times interest earned before income taxes	2.75	2.55	2.83	2.28	1.56

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\* In conjunction with the adoption of EITF 02-03, energy trading contracts resulting in delivery of a commodity where we are the principal in the transaction are included as operating revenues or purchased gas cost. All prior periods have been reclassified to conform with this new presentation.

<sup>#</sup> Heating degree days for 2003, 2002 and 2001 are adjusted for service areas with weather-normalized operations. Heating degree days for years prior to 2001 are not adjusted for service areas with weather-normalized operations, as that information was not available.

<sup>+</sup> Adjusted for partial-year results of Louisiana Gas Service Company, which was acquired in July 2001.

The matters discussed or incorporated by reference in this Summary Annual Report may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this report are forward-looking statements made in good faith by the Company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this report or in any of the Company’s other documents or oral presentations, the words “anticipate,” “expect,” “estimate,” “plans,” “believes,” “objective,” “forecast,” “goal” or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements relating to the Company’s strategy, operations, markets, services, rates, recovery of costs, availability of gas supply and other factors. A discussion of these risks and uncertainties may be found in the Company’s Form 10-K for the year ended September 30, 2003. Although the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. Further, the Company undertakes no obligation to update or revise its forward-looking statements, whether as a result of new information, future events or otherwise.

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### Senior Management Team

**Robert W. Best**  
Chairman, President and Chief Executive Officer

**J. Patrick Reddy**  
Senior Vice President and Chief Financial Officer

**R. Earl Fischer**  
Senior Vice President, Utility Operations

**JD Woodward**  
Senior Vice President, Nonutility Operations

**Louis P. Gregory**  
Senior Vice President and General Counsel

**Wynn D. McGregor**  
Vice President, Human Resources

### Utility Divisions

**J. Kevin Akers**  
President, Mississippi Valley Gas Division

**Thomas R. Blose, Jr.**  
President, Mid-States Division

**Conrad E. Gruber**  
President, Louisiana Division

**Tom S. Hawkins, Jr.**  
President, Texas Division

**John A. Paris**  
President, Kentucky Division

**Gary L. Schlessman**  
President, Colorado-Kansas Division

### Nonutility Business

**Ron W. McDowell**  
Vice President, New Business Ventures

### Shared Services

**Verlon R. Aston, Jr.**  
Vice President, Governmental Affairs

**Leslie H. Duncan**  
Vice President and Chief Information Officer

**Susan C. Kappes**  
Vice President, Investor Relations and Corporate Communications

**Dwala J. Kuhn**  
Corporate Secretary

**Robert E. Mattingly**  
Vice President, Gas Supply

**Fred E. Meisenheimer**  
Vice President and Controller

**Gordon J. Roy**  
Vice President, Security and Compliance

**Laurie M. Sherwood**  
Vice President, Corporate Development, and Treasurer



**Travis W. Bain II**  
Chairman, Texas Custom Pools, Inc.  
Plano, Texas  
Board member since 1988  
Committees: Work Session/Annual Meeting (Chairman), Audit, Human Resources



**Robert W. Best**  
Chairman, President and Chief Executive Officer  
Atmos Energy Corporation  
Dallas, Texas  
Board member since 1997  
Committee: Executive



**Dan Busbee**  
Adjunct Professor, Dedman School of Law, Southern Methodist University; Visiting Senior Fellow, Centre for Commercial Law Studies, University of London  
Dallas, Texas  
Board member since 1988  
Committees: Audit (Chairman), Human Resources



**Richard W. Cardin**  
Retired partner of Arthur Andersen LLP  
Nashville, Tennessee  
Board member since 1997  
Committees: Audit, Nominating and Corporate Governance



**Thomas J. Garland**  
Chairman of the Tusculum Institute for Public Leadership and Policy  
Greeneville, Tennessee  
Board member since 1997  
Committees: Human Resources, Work Session/Annual Meeting



**Richard K. Gordon**  
General Partner  
Juniper Capital LP and HSF Capital LP  
Houston, Texas  
Board member since 2001  
Committees: Human Resources, Nominating and Corporate Governance



**Gene C. Koonce**  
Formerly Chairman of the Board, President and Chief Executive Officer  
United Cities Gas Company  
Nashville, Tennessee  
Board member since 1997  
Committees: Human Resources (Chairman), Executive, Work Session/Annual Meeting



**Dr. Thomas C. Meredith**  
Chancellor of the University System of Georgia  
Atlanta, Georgia  
Board member since 1995  
Committees: Audit, Nominating and Corporate Governance



**Phillip E. Nichol**  
Formerly Senior Vice President of Central Division Staff  
UBS PaineWebber Incorporated  
Dallas, Texas  
Board member since 1985  
Committees: Nominating and Corporate Governance (Chairman), Human Resources, Work Session/Annual Meeting



**Carl S. Quinn**  
General Partner, Quinn Oil Company, Ltd.  
East Hampton, New York  
Board member since 1994  
Committees: Audit, Executive, Nominating and Corporate Governance



**Charles K. Vaughan**  
Formerly Chairman of the Board  
Atmos Energy Corporation  
Dallas, Texas  
Board member since 1983  
Committee: Executive (Chairman)



**Richard Ware II**  
President, Amarillo National Bank  
Amarillo, Texas  
Board member since 1994  
Committees: Nominating and Corporate Governance, Work Session/Annual Meeting



**Lee E. Schlessman**  
Honorary Director  
President, Dolo Investment Company  
Denver, Colorado  
Retired from Board in 1998

### Common Stock Listing

New York Stock Exchange. Trading symbol: ATO

### Stock Transfer Agent and Registrar

EquiServe Trust Company, N.A.

P.O. Box 43010

Providence, Rhode Island 02940-3010

1-800-543-3038

To inquire about your Atmos Energy stock, please call EquiServe at the telephone number above. You may use the agent's interactive voice response system 24 hours a day to learn about transferring stock, to listen to current company information, to obtain daily stock quotes or to check your recent account activity—all without the assistance of a customer service representative. Please have available your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

To speak to an EquiServe customer service representative, call the same number between 9 a.m. and 6 p.m. Eastern time, Monday through Friday.

You also may send an e-mail message to our agent's Web site at <http://www.equiserve.com>. Please refer to Atmos Energy in your e-mail and include your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

### Independent Auditors

Ernst & Young LLP

2121 San Jacinto, Suite 1500

Dallas, Texas 75201

(214) 969-8000

### Form 10-K

Atmos Energy Corporation's Annual Report on Form 10-K is available upon request from Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205 or by calling (972) 855-3729 between 8 a.m. and 5 p.m. Central time. Atmos Energy's Form 10-K may also be viewed on Atmos Energy's Web site at <http://www.atmosenergy.com>.

### Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held at the Ritz Carlton Hotel, 921 Canal Street, New Orleans, Louisiana 70112 on Wednesday, February 11, 2004, at 11 a.m. Central time.

### Direct Stock Purchase Plan

Atmos Energy Corporation has a Direct Stock Purchase Plan that is available to all investors. For an initial Investment Form or Enrollment Authorization Form and a Plan Prospectus, please call EquiServe at 1-800-543-3038. The Prospectus is also available on the Internet at <http://www.atmosenergy.com>. You may also obtain information by writing to Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.

This is not an offer to sell, or a solicitation to buy, any securities of Atmos Energy. Shares of Atmos Energy common stock purchased through the Direct Stock Purchase Plan will be offered only by Prospectus.

### Atmos Energy on the Internet

Information about Atmos Energy is available on the Internet at <http://www.atmosenergy.com>. Our Web site includes news releases, current and historical financial reports and other investor data, corporate governance documents, management biographies, customer information and information about Atmos Energy's operations.

### Atmos Energy Corporation Contacts

To contact Atmos Energy's Shareholder Relations, call (972) 855-3729 between 8 a.m. and 5 p.m. Central time or send an e-mail message to [InvestorRelations@atmosenergy.com](mailto:InvestorRelations@atmosenergy.com).

For financial information for securities analysts and investment managers, contact:

Susan C. Kappes

Vice President, Investor Relations and Corporate Communications

(972) 855-3729

(972) 855-3040 (fax)

[InvestorRelations@atmosenergy.com](mailto:InvestorRelations@atmosenergy.com)

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