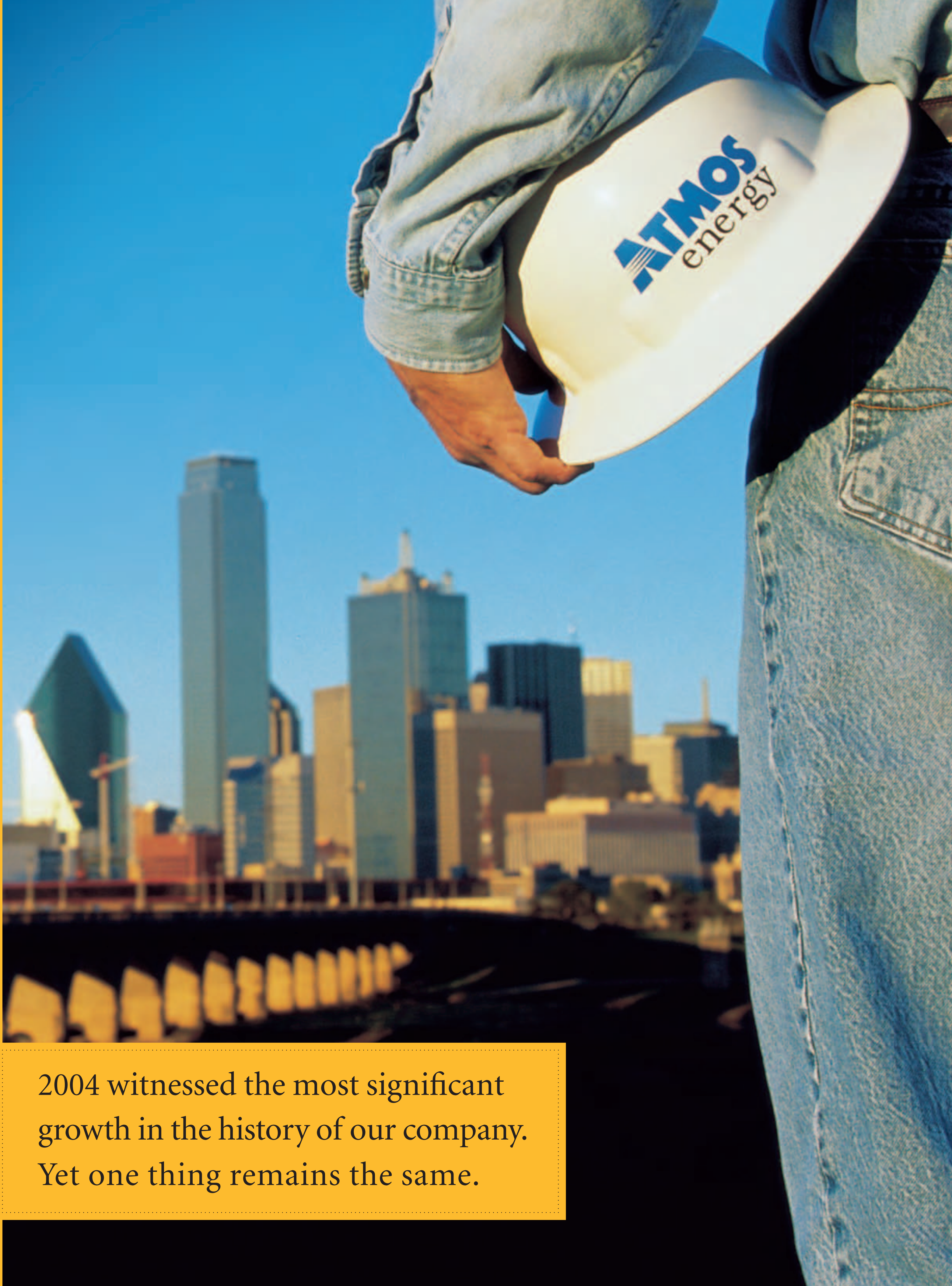
ATMOS ENERGY CORPORATION 2004 SUMMARY ANNUAL REPORT



2004 witnessed the most significant growth in the history of our company. Yet one thing remains the same.

Atmos Energy	at the beginning of 2004
customers	1,672,798
miles of pipe	45,267
employees	2,905
communities	1,012
gas storage	49 Bcf
core values	5

Atmos Energy

customers
miles of pipe
employees
communities
gas storage
core values

at the beginning of 2005

3,161,136
80,209
4,208
1,565
84 Bcf
5*

*By any measure,

it's been a year of incredible growth. But we believe the most important number, by far, is the one that did not change—our *five* core values of customer focus, employee focus, enterprise thinking, value creation, and honesty and integrity.

In fact, we believe our values made such growth possible. And that's why, in this year's summary annual report, we illustrate how each of these values shines in our employees and in our way of doing business. Since these core values are a constant, they help us—even in times of incredible growth and change—to maintain our focus and stability. After all, a company must fully understand where it comes from in order to know where it is going.

The acquisition of TXU Gas was measured carefully against each of these core values. That's because, while growth is important, it's counterproductive if it's haphazard or unmanaged. In our case, TXU Gas was not only a good fit, but also an evolution—one that increases our resources and better prepares us for continued growth and strength.

Atmos Energy embraces growth, knowing that it helps us better serve our customers and our investors in the coming years. But rest assured, we never will undertake growth just for the sake of achieving bigger numbers.

YEAR ENDED SEPTEMBER 30 (Dollars in thousands, except per share data)	2004	2003	Change
Operating revenues	$ 2,920,037	$ 2,799,916	4.3%
Gross profit	$ 562,191	$ 534,976	5.1%
Utility net income	$ 63,096	$ 62,137	1.5%
Natural gas marketing net income (loss)	16,633	(970)	1814.7%
Other nonutility net income	6,498	10,521	-38.2%
Total	$ 86,227	$ 71,688	20.3%
Total assets	$ 2,869,883	$ 2,625,495	9.3%
Total capitalization	$ 1,994,770	$ 1,720,017	16.0%
Net income per share – diluted	$ 1.58	$ 1.54	2.6%
Cash dividends per share	$ 1.22	$ 1.20	1.7%
Book value per share at end of year	$ 18.05	$ 16.66	8.3%
Consolidated utility segment throughput (MMcf)	246,033	247,965	-0.8%
Consolidated natural gas marketing segment throughput (MMcf)	222,572	225,961	-1.5%
Heating degree days	3,271	3,473	-5.8%
Degree days as a percentage of normal	96%	101%	-5.0%
Meters in service at end of year	1,679,136	1,672,798	0.4%
Return on average shareholders' equity	9.1%	9.9%	-8.1%
Shareholders' equity as a percentage of total capitalization (including short-term debt) at end of year	56.7%	46.4%	22.2%
Shareholders of record	27,555	28,510	-3.3%
Weighted average shares outstanding – diluted (000s)	54,416	46,496	17.0%

DEAR FELLOW SHAREHOLDER:

Our 2004 fiscal year will stand as one of the biggest years in Atmos Energy's history. Not only did we do well financially, we virtually doubled in size to become the largest pure-gas utility in America. However, size is only important if it is accompanied by performance, and Atmos Energy performed exceptionally well in 2004.

Consolidated net income rose to $86.2 million, or $1.58 per diluted share, compared with $71.7 million, or $1.54 per diluted share, in 2003. Our total return to shareholders was an enviable 10.4 percent, including cash dividends of $1.22 paid during fiscal 2004. Return on average shareholders' equity was 9.1 percent.

Based on these strong results and our positive forecast for 2005, the Board of Directors increased the annual indicated dividend rate by 2 cents to $1.24 per share. The increase marked our 17th consecutive annual dividend increase. When adjusted for mergers and acquisitions, Atmos Energy has paid higher dividends every year since its founding in 1983. Fewer than 2.5 percent of American corporations can match our dividend history.

TXU GAS ACQUISITION

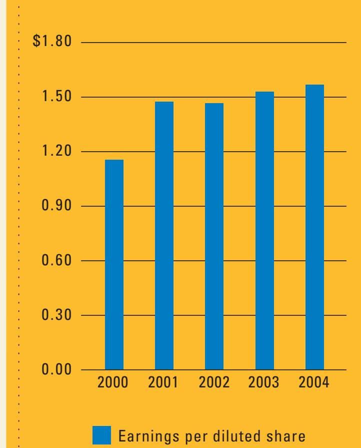
Our 2004 results were exceeded only by the leap we made in our regulated operations. On October 1, 2004, we completed our acquisition of the natural gas distribution and pipeline operations of TXU Gas Company. This acquisition added 1.5 million utility customers in one of the more dynamic American growth markets. It also placed us in an excellent position to benefit in the future for the following reasons:

Immediate contribution to 2005 earnings. We expect that the operations of our new Mid-Tex Division will contribute from 5 cents to 10 cents to earnings per share in 2005. We are forecasting our earnings per diluted share in fiscal 2005 to be between $1.65 and $1.75.

Above-average residential and commercial growth. Our new division serves rapidly growing communities in the Dallas-Fort Worth Metroplex and northern suburbs of Austin. The division's net growth in customers is approximately 2 percent a year, almost double our former growth rate.

Added value from new gas pipeline operations. The intrastate pipeline we acquired as part of the TXU Gas operations runs from one end of Texas to the other. It interconnects at three of the state's major hubs, or gas transfer points, with dozens of other intrastate and interstate gas pipelines. The 6,162-mile pipeline system delivers gas to the 550 cities served by the new division. Owning this asset gives us expansion opportunities to transport more natural gas for others besides our own utility operations.

EARNINGS REVIEW



Dedicated and experienced employees. Our new division already was a well-run natural gas system. Its 1,344 gas professionals who transferred to Atmos Energy are working to integrate the operations as soon as possible and are contributing their "knowledge capital" to benefit our entire system.

Prompt recovery of new capital investment. Texas law permits a utility to make annual adjustments for additions to net plant, using its most recent return on investment, depreciation rate and tax rates. The law lets us recover our capital investment in new pipelines and other facilities much faster without having to file a general rate case. As we invest in our expanding Texas markets, we will be able to earn a return on our investment faster than in most of our other jurisdictions.

About 90 percent of earnings from regulated operations. Adding the TXU Gas properties has increased the proportion of our assets regulated by state commissions. Many investors see this increase as positive because, although it does not guarantee our profitability, it increases our opportunity for consistent, long-term earnings growth.

> Excellence in customer service stands as a key part of our corporate vision–we call it our Spirit of Service.℠

SUCCESSFUL FINANCINGS

Atmos Energy paid approximately $1.905 billion in cash for the TXU Gas operations. To finance the acquisition, we sold 9.9 million shares of common stock through a public offering in July. Because of strong interest, the offering raised approximately $235.7 million in net proceeds, with the purchasers mainly being retail holders.

In October 2004, we made another public offering, selling 16.1 million common shares to raise approximately $382.5 million in net proceeds before other offering costs. The purchasers were mainly large institutional holders. In a separate offering at the same time, we also sold four series of senior unsecured notes to raise net proceeds of approximately $1.39 billion.

We are gratified by the success of all three offerings. We believe the prices that investors bid indicate the market's confidence in our ability to integrate and operate the TXU Gas operations successfully. Within the next three to five years, we expect to apply some of the additional cash flow from the new operations to return to a 50 percent to 55 percent debt-to-capitalization ratio, as we have done consistently after completing our nine previous major acquisitions.

COMPLEMENTARY NONUTILITY OPERATIONS

Our nonutility operations achieved impressive results in fiscal 2004, building on initiatives begun in 2003 to reduce the risk from volatile natural gas prices. The contribution to net income from our nonutility operations in 2004 was 27 percent. We expect these contributions to remain strong during the next five years.

One of the keys to our nonutility growth will be managing the pipeline and storage assets acquired with TXU Gas. Although these assets remain regulated, we expect to operate them to deliver more volumes to wholesale customers. We also are working on optimizing our nonutility natural gas marketing and storage operations. During 2004, for example, we made changes in the way we procure the billions of cubic feet of natural gas for our utility system to take better advantage of our nonutility operations' expertise.

CONCENTRATION ON PERFORMANCE

Our goal has been to provide an attractive rate of return through both capital appreciation and dividends. We expect earnings per share to grow between 3 percent and 6 percent a year and our dividend yield to remain an attractive 4 percent to 5 percent.

We expect to provide investors with a total annual return between 8 percent and 11 percent. We have done this consistently in the past and expect to continue to do so in the future. We have accomplished this through an intense focus on improving efficiency and managing costs, mitigating the effects of weather on our utility operations and fostering productive relationships with the regulators in our operating jurisdictions.

We also have been successful because of our focus on the basics. While many in the industry are claiming a return to the basics, we can confidently say we never left the basics. We always have been dedicated to natural gas distribution as our core business.

KEEPING RATES CURRENT

In 2004, we added $16.2 million in net revenues through rate increases. During the next five years, we expect to receive approximately $15 million to $20 million in average annual rate increases. One of our goals is to monitor our rates of return in all jurisdictions to keep our actual returns as close as possible to our allowed rates of return.

In states that have warmer winters, we have sought to adjust our rates using a weather normalization adjustment. We now have WNA or higher base rates in our eight largest states. Only about 17 percent of our margins are exposed to weather in the 2004–2005 heating season.

We have proposed other rate adjustments to offset the effects of declining natural gas consumption. Nationally, gas consumption has been going down about 2 percent a year during the past decade. We also have sought to recoup higher collection expenses and to recover bad debt expense incurred during winter cutoff moratoriums.

In addition, we have advocated that states adopt a measure similar to a Texas law that allows for faster recognition in rates of essential capital investment needed to maintain the system and serve new customers. The Gas Reliability Infrastructure Program in Texas reduces the effects of regulatory lag on cash flow and earnings.

CUSTOMER SERVICE EXCELLENCE

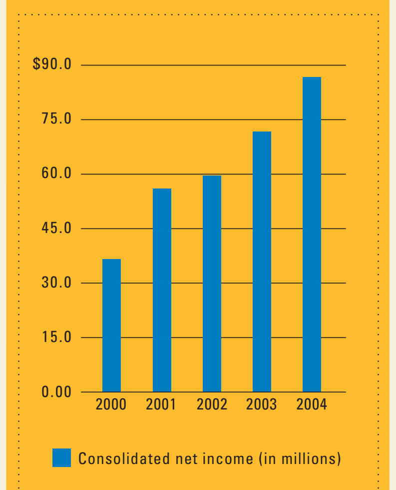
Excellence in customer service stands as a key part of our corporate vision—we call it our Spirit of Service.SM Our reputation in the community is directly influenced by how we perform. During the past two years, we have conducted extensive training efforts and intend to expand the programs further in 2005. We also are organizing programs to help our employees better understand the dynamics of our business as it grows.

INVESTMENT IN A STRONG CORPORATE CULTURE

Another intangible, but essential, investment that we are pursuing is to build a strong corporate culture. In 2004, we took additional steps to invest in our employees through expanded training, improved benefits programs and increased communications.

Instilling our core values throughout the organization is essential to our future success. As we have integrated major acquisitions into our operations, we have found that our values make a tangible difference. Having the right corporate culture guides us in dealing appropriately with business issues. Moreover, the right corporate culture emphasizes to our employees the values and integrity on which we will continue to grow.

NET INCOME



NEED FOR A NATIONAL ENERGY POLICY

With the contentious 2004 elections now past, we trust that Congress and the Administration can focus on one of the most pressing national issues that received almost no attention during the campaign—the need for a comprehensive national energy policy.

Natural gas prices have continued to rise during the past five years. In the 2004–2005 heating season, home heating bills will likely go up from 10 percent to 15 percent above bills of last winter. These price increases are the result of normal market responses. Yet, that response is prompted by our nation's lack of a national energy policy.

We need a policy that permits additional drilling for natural gas in the United States and incentives to build new pipeline capacity, such as a pipeline to transport abundant natural gas supplies from the North Slope of Alaska to the contiguous 48 states.

Industry experts estimate that large resources of natural gas remain to be tapped. However, only when additional supplies come to market will gas commodity prices moderate and reduce the volatility of gas price spikes that are hurting consumers, businesses and utilities alike.

BOARD CHANGES

Two significant milestones in our corporate governance occurred during 2004. The first was the retirement of one of our longtime directors, Carl S. Quinn. Carl's service to Atmos Energy was matched only by his legacy in the natural gas industry as one of its leading statesmen. We shall miss his wise counsel, steady direction and solid integrity.

However, we were pleased in August when we marked a second milestone, the addition of our first woman director, Nancy K. Quinn. Ms. Quinn brings a wealth of experience in investment banking and energy industry financing. She also is a respected woman entrepreneur and benefactor of the arts. We feel honored that she agreed to join our board.

FUTURE EXPECTATIONS

As we look to 2005, we are excited about the tremendous potential that we foresee. Our acquisition of TXU Gas has given us greater size and scale. Our existing utility operations continue to achieve exceptional results. Our non-utility operations are positioned to make complementary contributions in the future.

We remain committed to keeping Atmos Energy a financially successful company by showing respect for all who deal with us and by expecting the highest ethical behavior of all who work for us. We anticipate growing earnings at 3 percent to 6 percent a year and continuing to pay higher annual dividends. Being financially successful is the best way we can reward our investors, serve our customers, invest in our employees and contribute to our 1,500 communities.

We intend to continue to operate the business through a dedication to a strong financial foundation, a disciplined attitude to operations, a successful approach to making and integrating acquisitions, a devotion to serve our customers exceptionally well and an adherence to our core values.

Robert W. Best

Robert W. Best
Chairman, President and Chief Executive Officer
November 19, 2004

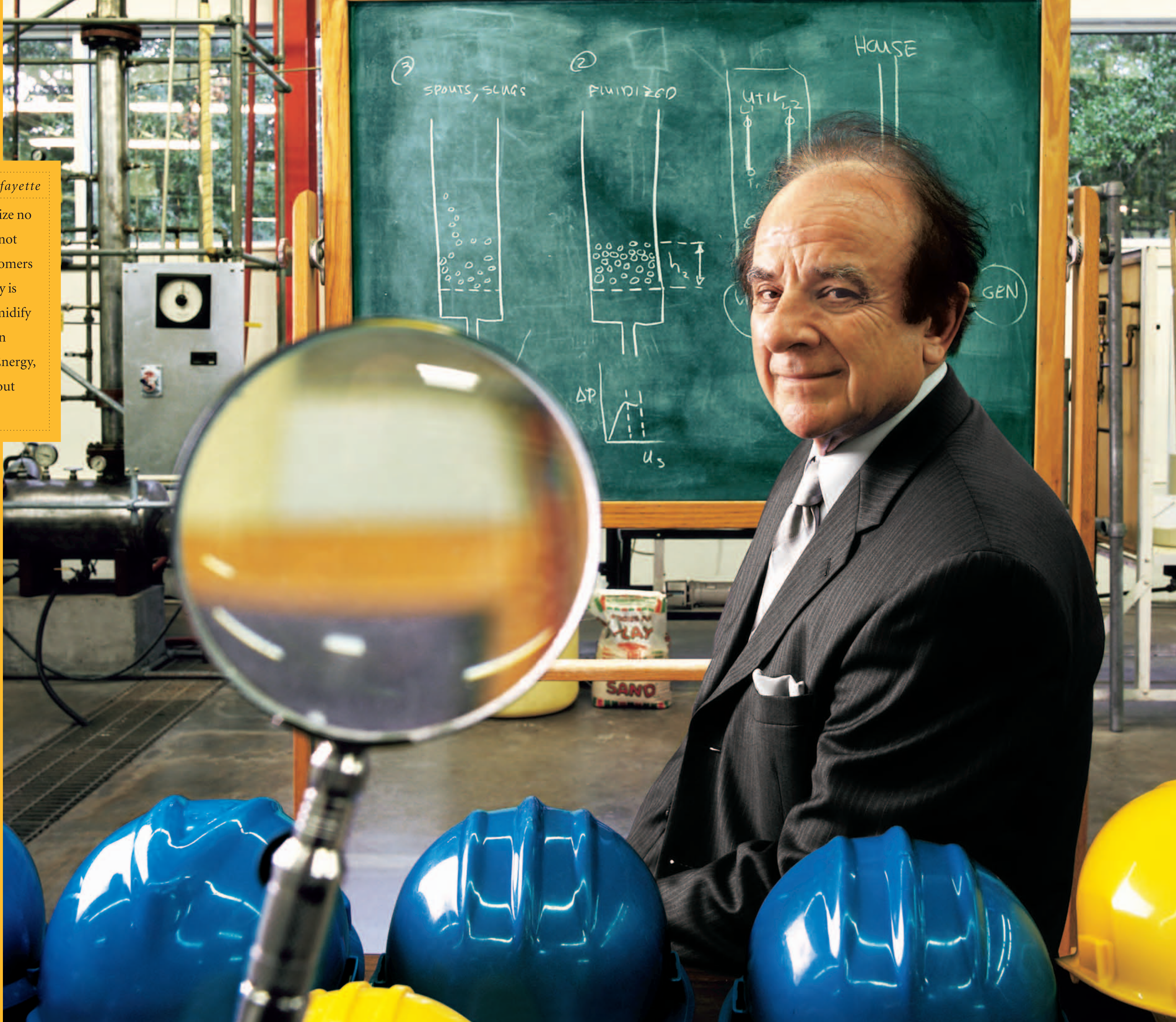
VALUE 1

customer focus

LAFAYETTE, LOUISIANA

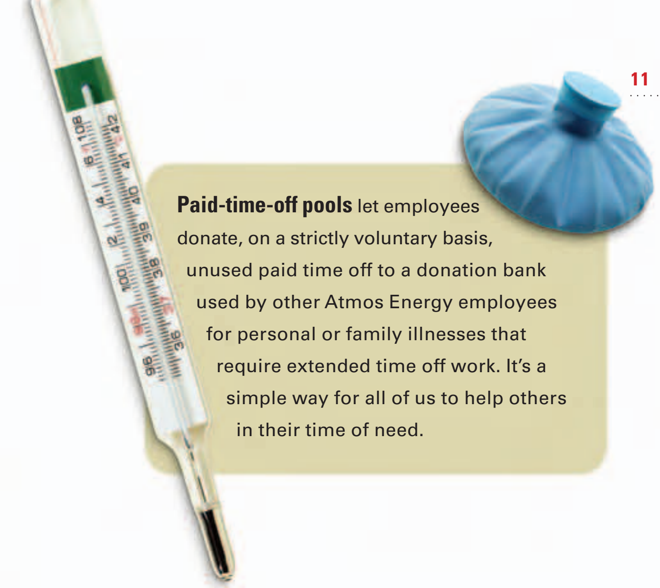
Anthony Ponter, Ph.D. *University of Louisiana, Lafayette*

When you focus on your customers, right away you realize no two are exactly the same. That's how we know our job is not just about supplying energy, it's about helping our customers do their jobs better. Natural gas supplied by Atmos Energy is used by the University of Louisiana, Lafayette, to dehumidify the air so that Dean Ponter's engineering students can conduct more precise science experiments. At Atmos Energy, our job is not just about getting more customers, it's about getting to know our customers' needs.



Spirit of Service℠ Training is designed to help our employees go beyond simply what our customers "expect" and focus on building customer relationships. Highly interactive and participative, Spirit of Service Training gives our employees the approach they need to effectively address customer needs.

New payment kiosks allow customers to pay their bills 24 hours a day, seven days a week. Our kiosks accept cash or checks, operate in both English and Spanish, and are secure and fast.



Paid-time-off pools let employees donate, on a strictly voluntary basis, unused paid time off to a donation bank used by other Atmos Energy employees for personal or family illnesses that require extended time off work. It's a simple way for all of us to help others in their time of need.

VALUE 2 employee focus

Jack Britton *Atmos Energy Customer Service Agent*

TUPELO, MISSISSIPPI

When Jack Britton was called upon to serve his country in Iraq, he and his family were facing enough uncertainty. At Atmos Energy, we felt it was our responsibility not to add to that. So, even as he joined his engineering battalion in Fallujah, Jack knew he would have his job and full benefits. In fact, Jack's fellow employees took care of the lawn and invited his wife to company functions. Now safely back in Mississippi, Jack says, "I was okay. Uncle Sam was going to take care of me. But Atmos Energy took care of my wife." It was just our way of thanking Jack for his teamwork, with a little teamwork of our own. We're proud of the many Atmos Energy employees who've served bravely and of all our employees at home who volunteered to help these soldiers' families.

Rising Spirit Award. Each year, Atmos Energy recognizes employees who've gone above and beyond in offering superior service to our customers. This past May, 13 employees were recognized for their commitment both to our customers and to our core values.

enterprise thinking

VALUE 3

CRAIG, COLORADO

David Anglin *Vice President of Operations—Colorado*

David Anglin had this crazy idea. Fortunately, David works for a company that encourages original thinking. He works for us. In his travels throughout Colorado, David kept seeing outdated satellite dishes just sitting in people's yards. David suggested we offer to remove them and put them to good use once again as part of the company's satellite network for training and employee broadcasts. Turns out, it wasn't such a crazy idea after all. It makes us a lot more efficient, saves us a lot of money and forever made us believe that sometimes the best ideas are the craziest ideas.

Technology isn't just a buzz word with us; it's something we're constantly seeking to improve upon. In addition to the big dishes David suggested we put to good use, you'll also see small domes on our service trucks. They keep us in contact with cell towers or satellite dishes when cell coverage is intermittent. This allows us to update service orders to our trucks en route, saving time and money.

Our Blueprint Program. A while back, we created a benchmark for staffing in our utility divisions. This helps us keep a handle on staffing needs without layoffs or understaffing. Not only is it a job protection program, it's an incentive program to move employees from overstaffed to understaffed locations.

value creation 4

VALUE

Bob Davison *Project Manager for New Construction*

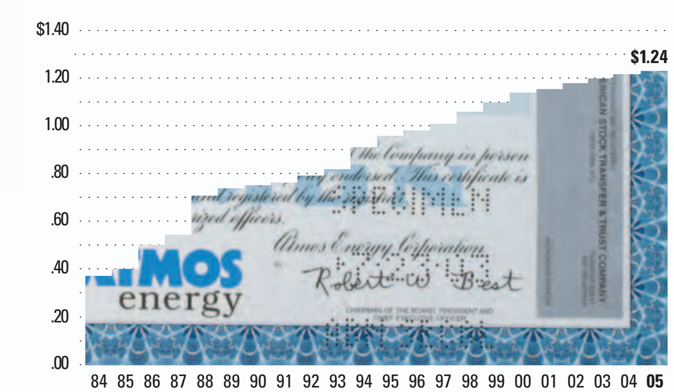
Where some see wide open spaces, others see wide open opportunities. Bob Davison is one of the latter. As a manager of new construction in the Dallas-Fort Worth area, Bob helps guide the growth brought about by our acquisition of TXU Gas. At Sendera Ranch, a planned development of more than 20,000 lots, Atmos Energy will supply natural gas to a booming community. By adding natural gas appliances, builders increase the value and energy efficiency of their new homes. Growing by acquisitions is just one of the ways we assure our shareholders of growth in their investment for years to come.

FORT WORTH, TEXAS

Courtesy of CNBC

Atmos Energy's commitment to value creation has been recognized all over the world, such as when CEO Bob Best appeared live on CNBC's "Squawk Box" to announce the acquisition of TXU Gas on June 17, 2004.

Increasing dividends is one of Atmos Energy's commitments to value creation that has yielded tangible and consistent results over the years. We're proud to have provided our shareholders 21 consecutive years of annual increases in dividends (adjusted for mergers and acquisitions).



West Texas Rate Cases. In both 1999 and 2003, Atmos Energy was able to reach agreements with the City of Amarillo without litigation on rate increases. Settling without hearings saved time and money for the city and, ultimately, for our customers and shareholders.

VALUE 5

honesty & integrity

LEBANON, TENNESSEE

Don Cozart *City of Lebanon Gas Manager*

Prices fluctuate. Markets constantly change. Your character shouldn't. That's how Don Cozart sees it. And that's what he looks for in suppliers and associates. As the gas manager for the City of Lebanon, Tennessee, Don has been working with Atmos Energy since 1986. Ask him why, and he'll tell you how in 1989, when cold weather in the Gulf froze out many gas wells, Atmos Energy was there honoring $3 contracts when prices had jumped to $28 per Mcf. Yes, markets can be erratic. Which is all the more reason why we refuse to be.

In 2001, Atmos Energy received the inaugural **Greater Dallas Business Ethics Award** for demonstrating a commitment to ethical business practices. Our value system isn't just a statement. It's a way of life.

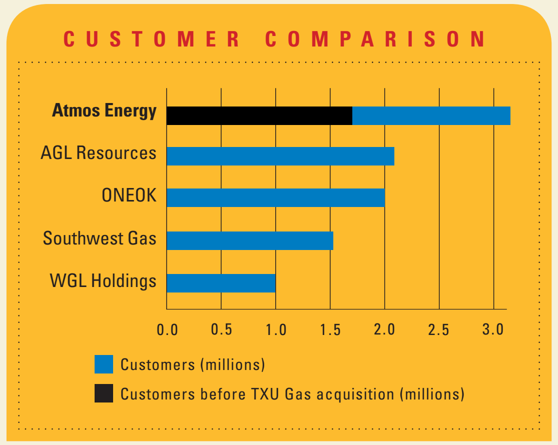
"Our commitment to ethical behavior is not driven by the letter of the law but, more importantly, by the spirit of the law." – Bob Best, Chairman, President and CEO

RESULTS OF OPERATIONS

Atmos Energy's consolidated net income for fiscal 2004 was $86.2 million, or $1.58 per diluted share. That compares with $71.7 million, or $1.54 per diluted share, in fiscal 2003. Utility operations contributed 73 percent of earnings, and nonutility operations provided 27 percent. Return on average shareholders' equity was 9.1 percent, and total return to our shareholders was 10.4 percent. We paid cash dividends in 2004 of $1.22 per share for an annualized dividend yield at year-end of 4.8 percent.

TXU GAS ACQUISITION

On June 17, Atmos Energy announced it would acquire the natural gas distribution and pipeline operations of TXU Gas Company, the largest gas utility in Texas. After receiving the required approvals from three state utility regulatory commissions, we completed the transaction on October 1, 2004, paying an adjusted cash price of $1.905 billion.



Adding TXU Gas' 1.5 million utility customers made Atmos Energy the largest natural-gas-only utility in the United States. The operations also provide us above-average annual growth in customer accounts, the ability to earn a return on capital investments promptly through automatic rate adjustments and the opportunity to deliver more gas to wholesale customers through one of the largest intrastate gas pipeline systems in Texas.

Because of these factors, we estimate that the TXU Gas operations, since renamed our Mid-Tex Division, will contribute from 5 cents to 10 cents to earnings per diluted share in fiscal 2005. Adding the TXU Gas operations increased Atmos Energy's proportion of operating income from regulated operations to about 90 percent.

OTHER ACQUISITIONS AND DIVESTITURES

In February, we acquired the natural gas distribution assets of ComFurT Gas, Inc., a privately held gas utility system in Buena Vista, Colorado. We paid $1.95 million cash for a 49-mile distribution system, serving approximately 1,800 utility customers.

During 2004, we and three other utility partners completed the sale of our interests in the general partnership and limited partnerships of Heritage Propane Partners, L.P. We received cash proceeds of approximately $26.6 million and recorded a $5.9 million pretax book gain, ending our interest in the propane business.

WEATHER AND THROUGHPUT

Weather during fiscal 2004 was 6 percent warmer than in fiscal 2003 and 4 percent warmer than normal, as adjusted for jurisdictions with weather-normalized operations.

Primarily because of lower consumption, our utility gas throughput in 2004 declined about 1 percent from that in 2003 to 246.0 billion cubic feet (Bcf). Of this total, utility gas transportation volumes were 72.8 Bcf. In our nonutility segment, natural gas marketing sales volumes declined 1.5 percent from those in 2003 to 222.6 Bcf.

> Adding TXU Gas' 1.5 million customers made Atmos Energy the largest natural-gas-only utility in the United States.

In states with warmer winter weather, we have sought weather-normalization adjustments in our rates. Weather normalization protects our customers from steep increases in their winter gas bills when the weather turns unusually cold and it protects our earnings when the winter is unseasonably warm.

We now have weather normalization or higher base rates in eight of our largest states. About 17 percent of our margins are exposed to weather in the 2004–2005 heating season, an increase from 10 percent due to the addition of the Mid-Tex operations.

RATE ADJUSTMENTS

During 2004, we added $16.2 million in net revenues from rate filings in Kansas, Texas and Mississippi. We expect to add $15 million to $20 million a year in average annual rate increases over the next five years. To keep our actual rates of return as close as possible to our allowed returns, we are seeking other rate adjustments, as well.

We are proposing weather normalization in jurisdictions with warmer weather, shifting more revenue from the gas commodity charge to base rates, improving our rate design to mitigate the effects of declining usage per customer, recovering the gas cost portion of bad debt expense and working to eliminate regulatory lag for capital spending on gas utility infrastructure improvements.

NATURAL GAS PRICES

Natural gas prices continued to rise during fiscal 2004. Our utility system's average cost of gas purchased for customers was $6.55 per thousand cubic feet (Mcf), an increase of 13.7 percent over the $5.76 per Mcf we paid in fiscal 2003. The increase was largely due to a tightening of natural gas supply and demand. Although gas resources remain abundant in North America, gas production has not kept pace with the steady rise in demand.

During the 2004–2005 heating season, residential heating bills will likely increase 10 percent to 15 percent above bills of the previous heating season, according to the federal Energy Information Administration. Tight supplies also are causing greater volatility in natural gas prices.

To help protect our customers, we offer budget billing plans, assistance for low-income customers and information about lowering energy costs. We also have advocated vigorously for federal energy legislation to offer incentives for more natural gas production and for increased energy assistance to aid indigent and low-income customers.

CONTROLLING KEY EXPENSES

To control our purchased gas costs, we use a combination of gas storage, fixed physical contracts and fixed financial contracts. We have fixed the price for about 50 percent of our expected 2004–2005 winter gas supply requirements. Of the total amount hedged, about 45 percent is a combination of our underground storage assets and contracted pipeline storage; this storage provides a natural hedge for our gas supply purchases. The other 55 percent of the quantity hedged is through financial contracts.

O & M EXPENSES

Hedging is good financial management because it protects our capital and cash flow. It also cushions the effects of higher gas prices on our customers' winter bills, on our receivables and, ultimately, on our collections.

Despite rising natural gas prices, we have continued to keep our utility bad-debt expense low. Our collection efforts, coupled with credit qualification before reconnecting customers and expanded customer payment options, helped us maintain our allowance for doubtful accounts in 2004 at just 0.29 percent of residential and commercial revenues, which is considerably lower than our historical accrual rate.

OPERATING EFFICIENCY

Atmos Energy has earned a reputation for being one of the most efficient natural gas utilities in the country. We continue to be an industry leader in two key indicators: operation and maintenance expense per customer and customers served per employee.

We benchmark our performance each year against our industry peer group. Since 1997, we have reduced operating costs and expenses by about $57 per customer, or 31 percent. For fiscal 2004, our O&M-per-customer expense was $126, compared to our peer group's average of $193, which is 53 percent higher than ours. We served 566 customers per employee, compared to the industry peer group's average of 546 customers.

Our control of operating expenses is even more remarkable, considering that we have operated primarily in rural and smaller communities across 12 states. The structure of our operations has made it more difficult to achieve efficiencies, compared with a company serving a large customer base in a metropolitan area or limited geographical area.

CUSTOMER SATISFACTION

Customer service excellence is one of our major goals. The most recent independent survey of our customers' attitudes, conducted in the fall of 2004, found an overall satisfaction rating among residential and commercial customers of 94 percent. Compared with other utility service providers, Atmos Energy ranked among the industry's leaders in overall satisfaction.

NONUTILITY OPERATIONS

Our nonutility operations during 2004 achieved major improvements in margins and in reduced exposure to risks from volatile gas commodity prices. Our natural gas marketing business expanded into the Mobile Bay area of Alabama. In Kansas, nonutility gas storage facilities were transferred to our Colorado-Kansas Division for utility operations.

A major development was the acquisition of the natural gas pipeline and storage assets of TXU Gas. Although regulated, these assets will be managed under our nonutility operations.

The 6,162-mile pipeline extends across Texas to transport natural gas to third parties. It has extensive connections in nine major gas-producing basins and three interconnection hubs to other major producing areas and many interstate pipelines. Five underground gas storage reservoirs contain 39 Bcf of working storage, including one salt-dome facility with higher delivery capabilities.

We believe this pipeline and storage system is well situated to transport larger volumes of natural gas. Its operations create additional gas marketing and other opportunities for our nonutility businesses.

FISCAL 2005 FORECAST

We anticipate our earnings will increase at 3 percent to 6 percent a year, on average, during the next five years. We also expect to continue paying higher annual dividends.

In fiscal 2005, we expect to earn between $1.65 and $1.75 per diluted share and to pay an indicated dividend rate of $1.24 per share. Our capital expenditures are expected to approximate $340 million to $350 million, with about 60 percent of that total being spent on projects in our new Mid-Tex Division.

remain abundant in North America, gas production has not kept pace with the steady rise in demand.

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CONTROLLING KEY EXPENSES

To control our purchased gas costs, we use a combination of gas storage, fixed physical contracts and fixed financial contracts. We have fixed the price for about 50 percent of our expected 2004–2005 winter gas supply requirements. Of the total amount hedged, about 45 percent is a combination of our underground storage assets and contracted pipeline storage; this storage provides a natural hedge for our gas supply purchases. The other 55 percent of the quantity hedged is through financial contracts.

Hedging is good financial management because it protects our capital and cash flow. It also cushions the effects of higher gas prices on our customers' winter bills, on our receivables and, ultimately, on our collections.

Despite rising natural gas prices, we have continued to keep our utility bad-debt expense low. Our collection efforts, coupled with credit qualification before reconnecting customers and expanded customer payment options, helped us maintain our allowance for doubtful accounts in 2004 at just 0.29 percent of residential and commercial revenues, which is considerably lower than our historical accrual rate.

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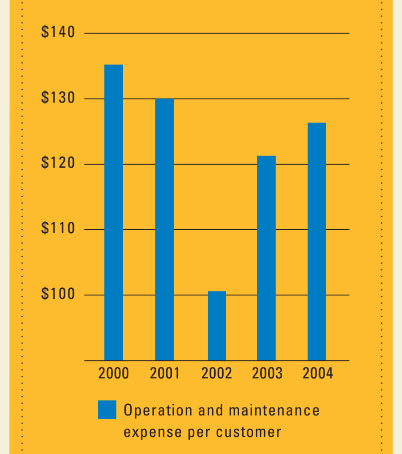
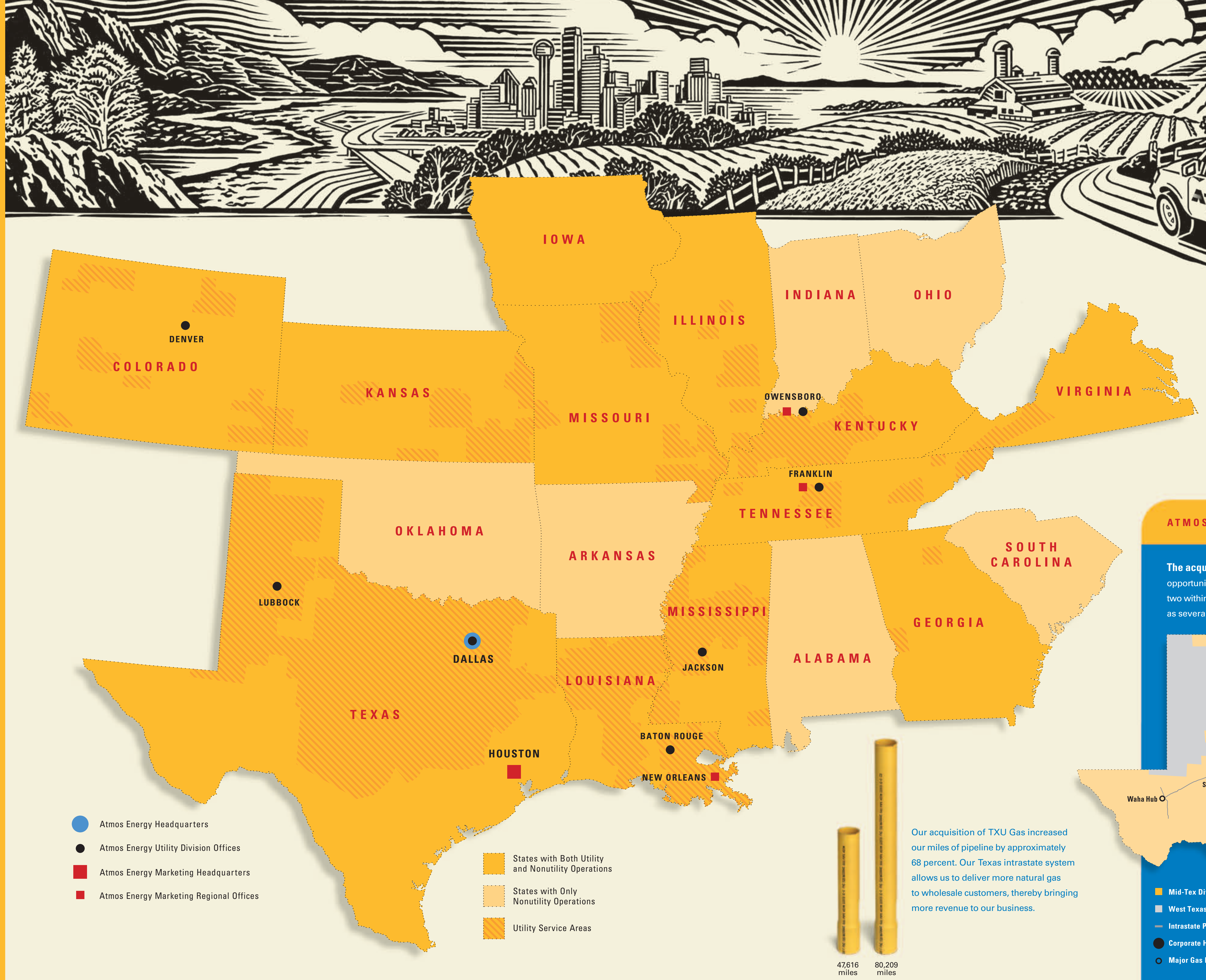
O&M EXPENSES



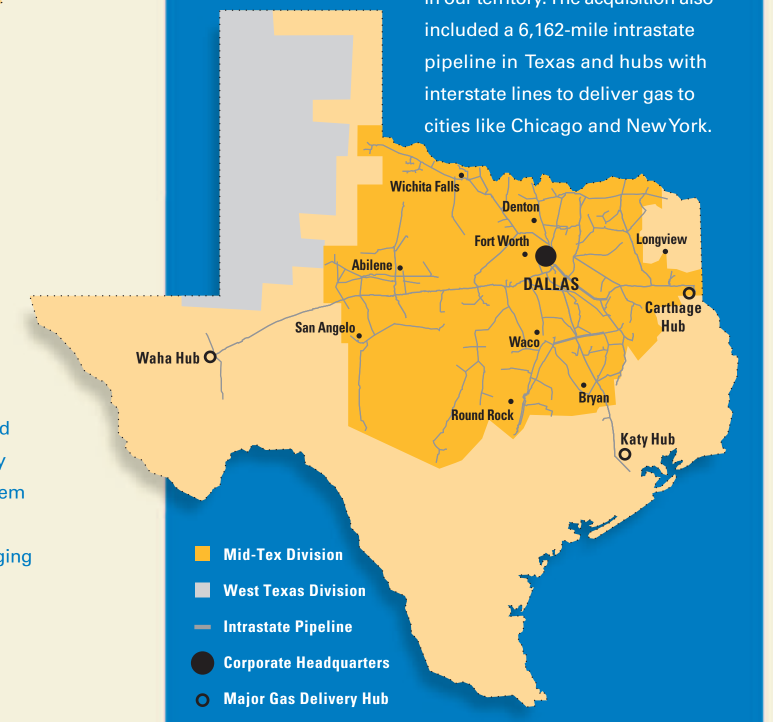


From rural to urban communities, Atmos Energy spans the largest geographic area of any natural gas utility in the country. Diversity in economic conditions, weather patterns, regional climates and regulatory conditions allows us to accommodate extremes without significant risk.

Our acquisition of TXU Gas increased our miles of pipeline by approximately 68 percent. Our Texas intrastate system allows us to deliver more natural gas to wholesale customers, thereby bringing more revenue to our business.

ATMOS ENERGY ACQUIRED TERRITORY

The acquisition of TXU Gas gives Atmos Energy the opportunity to serve 550 additional communities, including two within the Top-10 largest gas markets in the U.S. as well as several others equal to or larger than cities elsewhere in our territory. The acquisition also included a 6,162-mile intrastate pipeline in Texas and hubs with interstate lines to deliver gas to cities like Chicago and New York.



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 therein. Investors may request, without charge, our Annual Report on Form 10-K for the fiscal year ended September 30, 2004, 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. Additional investor information is presented on page 32 of this report.

YEAR ENDED SEPTEMBER 30	2004	2003
Meters in service		
Residential	1,506,777	1,498,586
Commercial	151,381	151,008
Industrial	2,436	3,799
Agricultural	8,397	9,514
Public authority and other	10,145	9,891
Total meters	1,679,136	1,672,798
Heating degree days		
Actual (weighted average)	3,271	3,473
Percent of normal	96%	101%
Utility sales volumes (MMcf)		
Residential	92,208	97,953
Commercial	44,226	45,611
Industrial	22,330	23,738
Agricultural	4,642	7,884
Public authority and other	9,813	9,326
Total	173,219	184,512
Utility transportation volumes (MMcf)	87,746	70,159
Total utility throughput (MMcf)	260,965	254,671
Intersegment activity (MMcf)	(14,932)	(6,706)
Consolidated utility throughput (MMcf)	246,033	247,965
Consolidated natural gas marketing throughput (MMcf)	222,572	225,961
Operating revenues (000s)		
Gas utility sales revenues		
Residential	$ 923,773	$ 873,375
Commercial	400,704	367,961
Industrial (including agricultural)	187,187	192,676
Public authority and other	77,178	65,921
Total gas sales revenues	1,588,842	1,499,933
Transportation revenues	30,622	29,583
Other gas revenues	17,172	23,341
Total utility revenues	1,636,636	1,552,857
Natural gas marketing revenues	1,279,424	1,234,447
Other nonutility revenues	3,977	12,612
Total operating revenues (000s)	**$ 2,920,037**	**$ 2,799,916**
Other statistics		
Gross plant (000s)	$ 2,633,651	$ 2,480,139
Net plant (000s)	$ 1,722,521	$ 1,624,394
Miles of pipe	47,616	45,267
Employees	2,864	2,905

Condensed Consolidated Balance Sheets

SEPTEMBER 30 (Dollars in thousands, except share data)	2004	2003
Assets		
Property, plant and equipment	$ 2,595,374	$ 2,463,992
Construction in progress	38,277	16,147
	2,633,651	2,480,139
Less accumulated depreciation and amortization	911,130	855,745
Net property, plant and equipment	**1,722,521**	**1,624,394**
Current assets		
Cash and cash equivalents	201,932	15,683
Cash held on deposit in margin account	—	17,903
Accounts receivable, less allowance for doubtful accounts of $7,214 in 2004 and $13,051 in 2003	211,810	216,783
Gas stored underground	200,134	168,765
Other current assets	63,236	38,863
Total current assets	677,112	457,997
Goodwill and intangible assets	238,272	273,499
Deferred charges and other assets	231,978	269,605
	$ 2,869,883	**$ 2,625,495**
Capitalization and Liabilities		
Shareholders' equity		
Common stock, no par value (stated at $.005 per share); 100,000,000 shares authorized, issued and outstanding: 2004 – 62,799,710 shares, 2003 – 51,475,785 shares	$ 314	$ 257
Additional paid-in capital	1,005,644	736,180
Retained earnings	142,030	122,539
Accumulated other comprehensive loss	(14,529)	(1,459)
Shareholders' equity	1,133,459	857,517
Long-term debt	861,311	862,500
Total capitalization	**1,994,770**	**1,720,017**
Current liabilities		
Accounts payable and accrued liabilities	185,295	179,852
Other current liabilities	223,265	133,957
Short-term debt	—	118,595
Current maturities of long-term debt	5,908	9,345
Total current liabilities	414,468	441,749
Deferred income taxes	213,930	223,350
Regulatory cost of removal obligation	103,579	102,371
Deferred credits and other liabilities	143,136	138,008
	$ 2,869,883	**$ 2,625,495**

Condensed Consolidated Statements of Income

SEPTEMBER 30 (Dollars in thousands, except per share data)	2004	2003	2002
Operating revenues			
Utility segment	$ 1,637,728	$ 1,554,082	$ 937,526
Natural gas marketing segment	1,618,602	1,668,493	1,031,874
Other nonutility segment	23,151	21,630	24,705
Intersegment eliminations	(359,444)	(444,289)	(343,141)
	2,920,037	2,799,916	1,650,964
Purchased gas cost			
Utility segment	1,134,594	1,062,679	559,891
Natural gas marketing segment	1,571,971	1,644,328	994,318
Other nonutility segment	9,383	1,540	8,022
Intersegment eliminations	(358,102)	(443,607)	(342,407)
	2,357,846	2,264,940	1,219,824
Gross profit	562,191	534,976	431,140
Operating expenses			
Operation and maintenance	214,470	205,090	158,119
Depreciation and amortization	96,647	87,001	81,469
Taxes, other than income	57,379	55,045	36,221
Total operating expenses	368,496	347,136	275,809
Operating income	193,695	187,840	155,331
Miscellaneous income (expense)	9,507	2,191	(1,321)
Interest charges	65,437	63,660	59,174
Income before income taxes and cumulative effect of accounting change	137,765	126,371	94,836
Income tax expense	51,538	46,910	35,180
Income before cumulative effect of accounting change	86,227	79,461	59,656
Cumulative effect of accounting change, net of income tax benefit	—	(7,773)	—
Net income	**$ 86,227**	**$ 71,688**	**$ 59,656**
Per share data			
Basic income per share:			
Income before cumulative effect of accounting change	$ 1.60	$ 1.72	$ 1.45
Cumulative effect of accounting change, net of income tax benefit	—	(.17)	—
Net income	$ 1.60	$ 1.55	$ 1.45
Diluted income per share:			
Income before cumulative effect of accounting change	$ 1.58	$ 1.71	$ 1.45
Cumulative effect of accounting change, net of income tax benefit	—	(.17)	—
Net income	**$ 1.58**	**$ 1.54**	**$ 1.45**
Weighted average shares outstanding:			
Basic	54,021	46,319	41,171
Diluted	54,416	46,496	41,250

YEAR ENDED SEPTEMBER 30 (Dollars in thousands)	2004	2003	2002
Cash Flows from Operating Activities			
Net income	$ 86,227	$ 71,688	$ 59,656
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change, net of income tax benefit	—	7,773	—
Gain on sales of assets	(6,700)	—	—
Depreciation and amortization:			
Charged to depreciation and amortization	96,647	87,001	81,469
Charged to other accounts	1,465	2,193	2,452
Deferred income taxes	36,997	53,867	14,509
Other	(1,772)	(5,885)	(3,371)
Changes in assets and liabilities	57,870	(167,186)	142,680
Net cash provided by operating activities	270,734	49,451	297,395
Cash Flows Used in Investing Activities			
Capital expenditures	(190,285)	(159,439)	(132,252)
Acquisitions, net of cash received	(1,957)	(74,650)	(15,747)
Retirements of property, plant and equipment, net	(570)	704	(1,725)
Assets for leasing activities	—	—	(8,511)
Proceeds from sale of assets	27,919	—	—
Net cash used in investing activities	(164,893)	(233,385)	(158,235)
Cash Flows from Financing Activities			
Net decrease in short-term debt	(118,595)	(27,196)	(55,456)
Net proceeds from issuance of long-term debt	5,000	253,267	—
Proceeds from bridge loan	—	147,000	—
Repayment of bridge loan	—	(147,000)	—
Repayment of long-term debt	(9,713)	(73,165)	(20,651)
Repayment of Mississippi Valley Gas debt	—	(70,938)	—
Cash dividends paid	(66,736)	(55,291)	(48,646)
Issuance of common stock	34,715	25,720	18,321
Net proceeds from equity offering	235,737	99,229	—
Net cash provided (used) by financing activities	80,408	151,626	(106,432)
Net increase (decrease) in cash and cash equivalents	186,249	(32,308)	32,728
Cash and cash equivalents at beginning of year	15,683	47,991	15,263
Cash and cash equivalents at end of year	**$ 201,932**	**$ 15,683**	**$ 47,991**

BOARD OF DIRECTORS
ATMOS ENERGY CORPORATION

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Atmos Energy Corporation at September 30, 2004 and 2003, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 2004 (not presented herein) and in our report dated November 9, 2004, 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 9, 2004

YEAR ENDED SEPTEMBER 30	2004	2003	2002	2001	2000
Balance Sheet Data at September 30 (000s)					
Capital expenditures	$ 190,285	$ 159,439	$ 132,252	$ 113,109	$ 75,557
Net property, plant and equipment	1,722,521	1,624,394	1,380,070	1,409,432	1,045,484
Working capital	262,644	16,248	(139,150)	(90,968)	(185,267)
Total assets	2,869,883	2,625,495	2,059,631	2,108,841	1,410,668
Shareholders' equity	1,133,459	857,517	573,235	583,864	392,466
Long-term debt, excluding current maturities	861,311	862,500	668,959	691,026	361,970
Total capitalization	1,994,770	1,720,017	1,242,194	1,274,890	754,436
Income Statement Data					
Operating revenues* (000s)	$ 2,920,037	$ 2,799,916	$ 1,650,964	$ 1,725,481	$ 850,152
Gross profit* (000s)	562,191	534,976	431,140	375,208	325,706
Net income (000s)	86,227	71,688	59,656	56,090	35,918
Net income per diluted share	1.58	1.54	1.45	1.47	1.14
Common Stock Data					
Shares outstanding (000s)					
End of year	62,800	51,476	41,676	40,792	31,952
Weighted average	54,416	46,496	41,250	38,247	31,594
Cash dividends per share	$ 1.22	$ 1.20	$ 1.18	$ 1.16	$ 1.14
Shareholders of record	27,555	28,510	28,829	30,524	32,394
Market price – High	$ 26.86	$ 25.45	$ 24.46	$ 26.25	$ 25.00
Low	$ 23.68	$ 20.70	$ 18.37	$ 19.31	$ 14.75
End of year	$ 25.19	$ 23.94	$ 21.50	$ 21.60	$ 20.63
Book value per share at end of year	$ 18.05	$ 16.66	$ 13.75	$ 14.31	$ 12.28
Price/Earnings ratio at end of year	15.94	15.55	14.83	14.69	18.09
Market/Book ratio at end of year	1.40	1.44	1.56	1.51	1.68
Annualized dividend yield at end of year	4.8%	5.0%	5.5%	5.4%	5.5%
Customers and Volumes (As metered)					
Consolidated utility gas sales volumes (MMcf)	173,219	184,512	145,488	156,544	119,470
Consolidated utility gas transportation volumes (MMcf)	72,814	63,453	63,053	61,230	59,365
Consolidated utility throughput (MMcf)	246,033	247,965	208,541	217,774	178,835
Consolidated natural gas marketing throughput (MMcf)	222,572	225,961	204,027	55,469	—
Meters in service at end of year	1,679,136	1,672,798	1,389,341	1,386,323	1,096,599
Heating degree days#	3,271	3,473	3,368	4,124	2,096
Degree days as a percentage of normal	96%	101%	94%	115%	82%
Utility average cost of gas per Mcf sold	$ 6.55	$ 5.76	$ 3.87	$ 6.82	$ 3.67
Utility average transportation fee per Mcf	$ .36	$ .43	$ .41	$ .41	$ .37
Statistics					
Return on average shareholders' equity	9.1%	9.9%	9.9%	10.4%	9.3%
Number of employees	2,864	2,905	2,338	2,361	1,885
Net utility plant per meter	$ 994	$ 930	$ 939	$ 977	$ 931
Utility operation, maintenance and administrative expense per meter	$ 116	$ 115	$ 101	$ 130+	$ 135
Meters per employee – utility	612	594	616	603	591
Times interest earned before income taxes	3.05	2.75	2.55	2.83	2.28

* In conjunction with the adoption of EITF 02-03 in fiscal 2003, 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. Fiscal years 2000-2002 have been reclassified to conform with this new presentation.

\# Heating degree days for fiscal years 2001-2004 are adjusted for service areas with weather-normalized operations. Heating degree days for 2000 are not adjusted for service areas with weather-normalized operations, as that information was not available.

+ 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," "believes," "estimate," "expect," "forecast," "goal," "intends," "objective," "plans," "projection," "seek," "strategy" 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 discussed in this report, including the successful integration of the Company's acquisition of the operations of TXU Gas, the Company's ability to continue to access the capital markets and other factors discussed in the Company's SEC filings. These factors include the risks and uncertainties discussed in the Company's Form 10-K for the fiscal year ended September 30, 2004. 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.

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, and President, Mid-Tex Division

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

Gary W. Gregory
President, West Texas Division

Tom S. Hawkins, Jr.
President, Louisiana Division

John A. Paris
President, Kentucky Division

Gary L. Schlessman
President, Colorado-Kansas Division

NONUTILITY BUSINESS

Richard A. Erskine
President, Atmos Pipeline and Storage, LLC

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

Conrad E. Gruber
Vice President, Strategic Planning

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

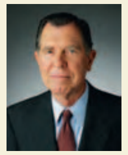
Dwala J. Kuhn
Corporate Secretary

Robert E. Mattingly
Vice President, Gas Supply

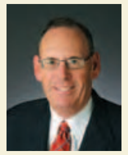
Fred E. Meisenheimer
Vice President and Controller

Gordon J. Roy
Vice President, Security and Compliance

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

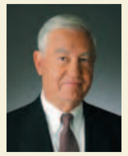


Travis W. Bain II
Chairman, Texas Custom Pools, Inc.
Plano, Texas
Board member since 1988
Committees: Work Session/Annual Meeting (Chairman), Audit, Human Resources



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

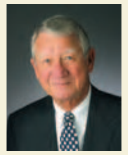
Dan Busbee
Adjunct Professor, Dedman School of Law, Southern Methodist University; Senior Visiting Fellow, Centre for Commercial Law Studies, University of London
Dallas, Texas
Board member since 1988
Committees: Audit (Chairman), Human Resources



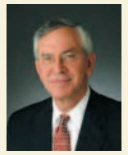
Richard W. Cardin
Retired partner of Arthur Andersen LLP
Nashville, Tennessee
Board member since 1997
Committees: Audit, Nominating and Corporate Governance

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

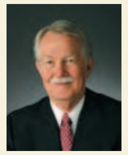
Richard K. Gordon
General Partner
Juniper Capital LP and Juniper Advisory LP
Houston, Texas
Board member since 2001
Committees: Human Resources, Nominating and Corporate Governance



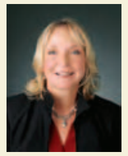
Gene C. Koonce
Formerly Chairman of the Board, President and Chief Executive Officer, United Cities Gas Company
Nashville, Tennessee
Board member since 1997
Committees: Human Resources (Chairman), Executive, Work Session/Annual Meeting



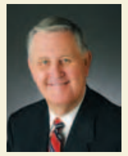
Dr. Thomas C. Meredith
Chancellor of the University System of Georgia
Atlanta, Georgia
Board member since 1995
Committees: Audit, Nominating and Corporate Governance



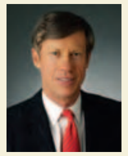
Phillip E. Nichol
Formerly Senior Vice President of Central Division Staff
UBS PaineWebber Incorporated
Dallas, Texas
Board member since 1985
Committees: Nominating and Corporate Governance (Chairman), Human Resources, Work Session/Annual Meeting



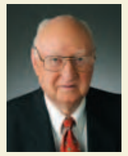
Nancy K. Quinn
Principal, Hanover Capital, LLC
East Hampton, New York
Board member since 2004
Committees: Audit, Nominating and Corporate Governance



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

American Stock Transfer and Trust Company
59 Maiden Lane
Plaza Level
New York, New York 10038
(800) 543-3038

To inquire about your Atmos Energy stock, please call AST at the telephone number above. You may use the agent's interactive voice response system 24 hours a day to learn about transferring stock 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 AST customer service representative, please call the same number between 8 a.m. and 7 p.m. Eastern time, Monday through Thursday, and 8 a.m. to 5 p.m. Eastern time on Friday.

You also may send an e-mail message on our agent's Web site at http://www.amstock.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 REGISTERED PUBLIC ACCOUNTING FIRM

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 in the Lincoln West Ballroom at the Hilton Hotel Lincoln Centre, 5410 Lyndon B. Johnson Freeway, Dallas, Texas 75240 on Wednesday, February 9, 2005, 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 Enrollment Application Form and a Plan Prospectus, please call AST at (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 Corporation. 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, other investor data, corporate governance documents, management biographies, customer information and facts 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.

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