

ATMOS ENERGY CORPORATION

2006 SUMMARY ANNUAL REPORT

CELEBRATING  
**100**  
YEARS *of*  
SERVICE



# 100

years ago,  
a few visionary pioneers founded  
Amarillo Gas Company to bring  
energy to the frontier.

Today, some 4,600 Atmos Energy  
employees keep that energy  
alive for 3.2 million customers  
across the nation.





1

EVERY SINGLE EMPLOYEE IS THE REASON  
WE ARE THE NUMBER ONE ALL-NATURAL-GAS  
UTILITY IN AMERICA TODAY.

In 2006, we celebrated a century of bringing the energy of America to homes and businesses across our vast countryside. In this annual report, I'm proud to share with you the literally hundreds of great things about our 100-year-old company. Our spirit has remained strong through the decades. From the early days of finding and delivering natural gas, to innovation in our homes and places of business, to the unwavering commitment in the wake of disasters like Hurricane Katrina, the spirit of our employees remains stronger than ever as we look forward to our next 100 years.

— Robert W. Best  
*Chairman, President & CEO*

1906: Amarillo Gas Company was founded by brothers J.C. and Frank Storm to manufacture coal gas on the Texas frontier.

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**100** | The oil and gas boom brought new prosperity to Amarillo—and hundreds of road rally racers.



In Kansas, two Atmos Energy employees answer to the name “Mr. Mayor.” Howard Hatfield serves as mayor of Anthony, and Bruce Main is mayor of Independence.

1918: In the Texas Panhandle, Amarillo Oil Company discovered one of the largest natural gas fields in the world. 1920: Amarillo Gas Company delivered the first locally produced natural gas. 1924: Amarillo Gas and Amarillo Oil became part of Southwestern Development Company. 1927: Southwestern



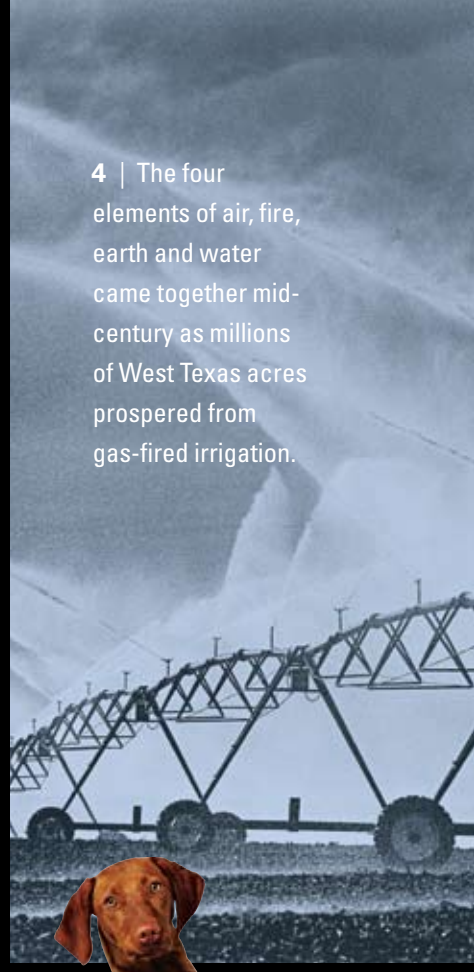
# 2000

Over 200 countries celebrate with more than 1 million fruitcakes from Collin Street Bakery’s ovens fired with natural gas from Atmos Energy.





**3** | When a call brought Atmos Energy employees Tim Thomas and Tim Langston to the home where Pat Walker cares for daughter Leslie, the men spent nearly three hours of their Saturday morning isolating a gas leak, keeping the gas turned on and getting to know this Special Olympian.



**4** | The four elements of air, fire, earth and water came together mid-century as millions of West Texas acres prospered from gas-fired irrigation.



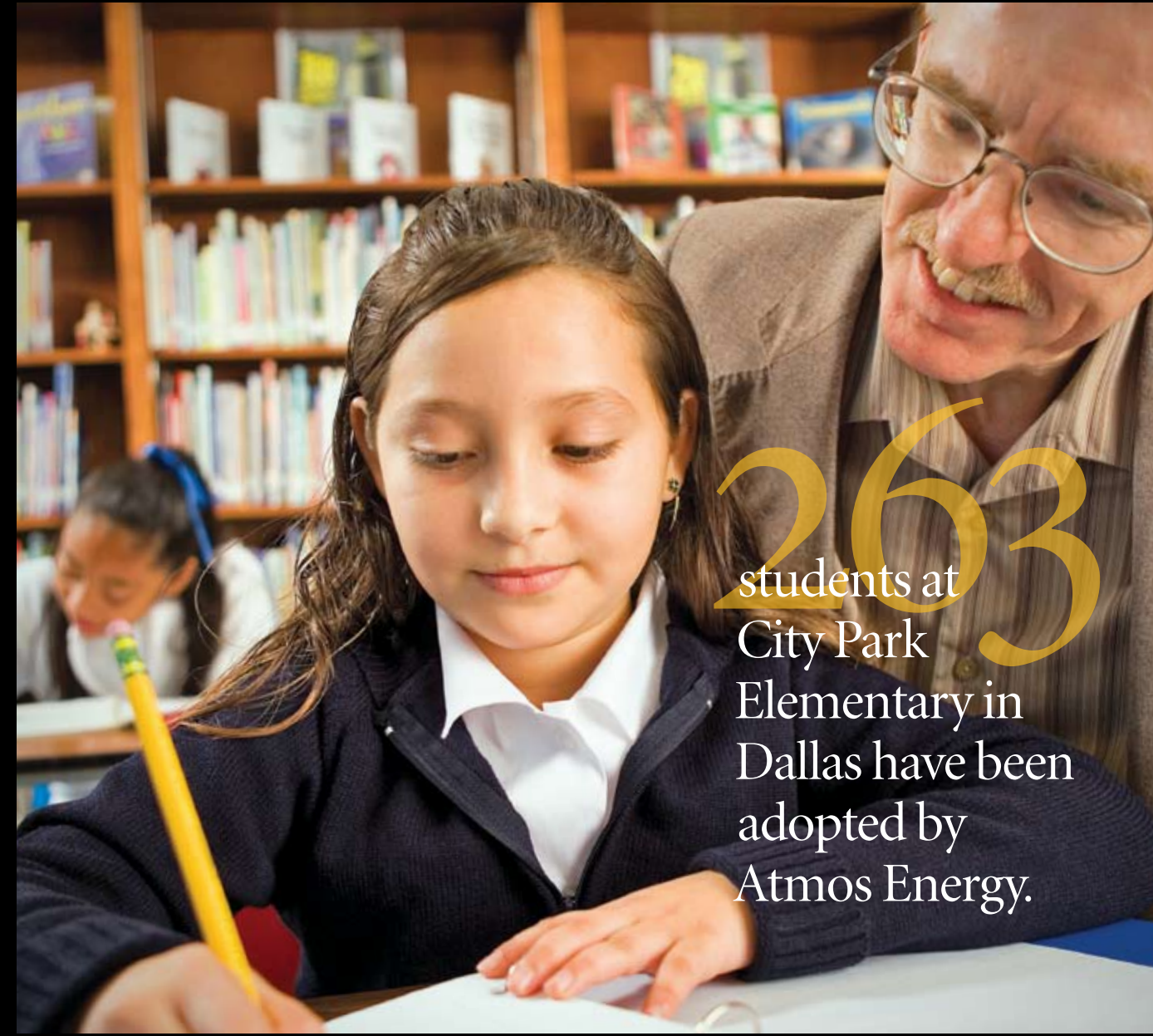
**2** | Of the thousands of suppliers to Eastman Chemical Company, we have been awarded its coveted Supplier Excellence Award twice.



**60** | Natural gas has long been vital to business. Today, 60 percent of all natural gas is used by industry and to generate electricity.



**95** | Atmos Energy leads the industry in equipping its meter readers with the Bite Terminator,® a new device that reduces dog bites by 95 percent without harming Fido.



**263** students at City Park Elementary in Dallas have been adopted by Atmos Energy.

**800** | Atmos Energy employees showed their community spirit by grilling 800 burgers and hot dogs to celebrate the lifesaving work of the fire department in Olathe, Kansas.

**10** | Ten major acquisitions since 1983 have grown Atmos Energy's utility customer base 11-fold.



850

850 cubic feet of gas per minute can be extracted from the ground thanks to the Vapor Extraction Unit,

invented by Atmos Energy employee Marc Chapman of Dallas. This is a tremendous

boon to finding and repairing gas leaks that have saturated the ground and pose a safety risk. Most natural gas

companies in the U.S. could be using the device within the next two to three years.

53

Atmos Energy has 53 billion cubic feet of underground natural gas working storage.

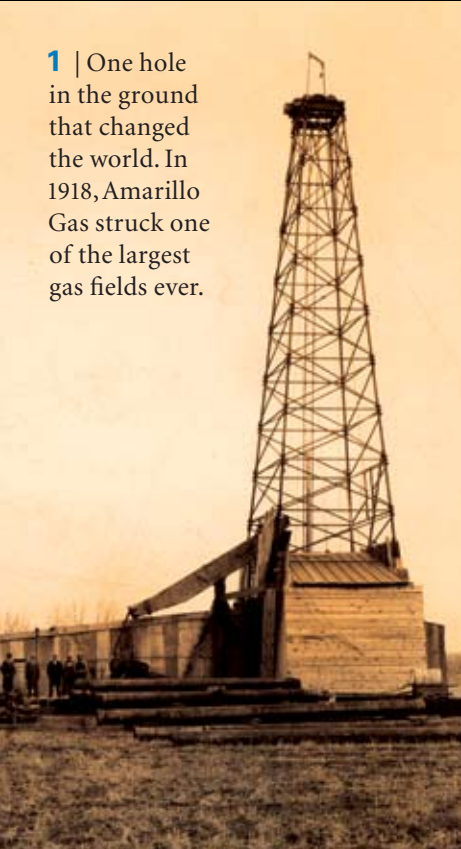
100

For the third time in four years, Atmos Energy was honored with CIO magazine's CIO 100 award, recognizing

the most influential and forward-thinking uses of information technology.

..... Chicago. 1932: Sinclair Oil Corporation gained a controlling interest in Southwestern Development Company. 1933: Amarillo Gas began adding odorant ..... to natural gas to make it safer. 1934: Western Kentucky Gas Company was formed. 1942: Amarillo Gas fueled new army camps, air bases and defense .....

1 | One hole in the ground that changed the world. In 1918, Amarillo Gas struck one of the largest gas fields ever.



23

The 23 Segways Atmos Energy has in operation so far have improved meter readers' efficiency by 30 percent and have reduced injuries. That's what we call making great strides.

1,000

Untold thousands of gas lamps illuminated towns in the company's early days. Today's natural gas lights provide picturesque and decorative lighting.







# 280

After Hurricane Katrina, 280 Atmos Energy employees from outside Louisiana relocated to the storm-ravaged area. Living in company-provided trailers, they restored 1.5 million feet of gas main in nine months.



Taking health and safety to heart, we have installed 186 defibrillators in our offices.



# 1,500,000

Atmos Energy and its employees gave \$1.5 million to the Red Cross to help hurricane victims.

# 500

Five hundred gas meters were under water in Iberia, St. Mary and Vermilion Parishes as a result of Hurricane Katrina.

Online gas customers have grown by 37 percent this year. Almost half a million of our

utility customers now have online accounts.

... plants during World War II. 1944: Greeley Gas Company was formed in Greeley, Colorado. 1948: Two-way radios and telemetering equipment improved ..... operations. 1954: Southwestern Development Company and its subsidiaries were collapsed into Pioneer Natural Gas Company. 1955: Pioneer installed .....



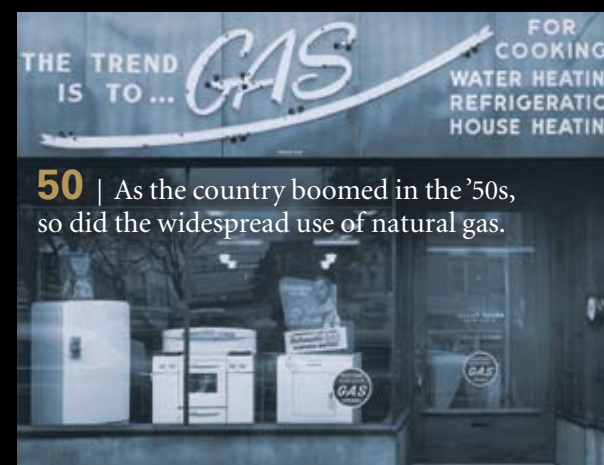
# 40

Kent Maycut, a senior service technician from St. Bernard Parish, spent several days in a small boat rescuing 40 victims of the post-Katrina flood.



# 65,000

Atmos Energy crews are in high gear, installing 65,000 feet of six-inch pipe to serve the thousands of new homes and businesses on the North Shore of Lake Pontchartrain in Louisiana.



THE TREND IS TO ... **GAS** FOR COOKING WATER HEATING REFRIGERATION HOUSE HEATING

50 | As the country boomed in the '50s, so did the widespread use of natural gas.



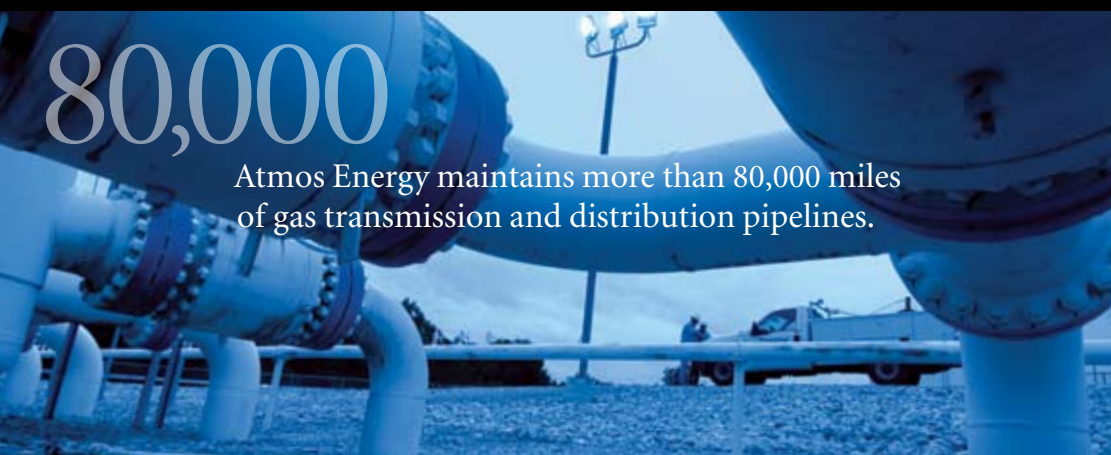


# 3,500

As the first utility to restore service in Jefferson Parish after Katrina, Atmos Energy enabled Drago's Seafood Restaurant to serve up to 3,500 free meals a day to emergency workers and neighbors in need.

... its first computer, an RCA Spectra, reducing the time from meter reading to billing. **1956:** Pioneer built its own headquarters building in Amarillo.

**1962:** The growth of irrigation customers made Pioneer a summer-peaking company. **1975:** Pioneer Natural Gas Company changed its name to Pioneer . . . . .



# 80,000

Atmos Energy maintains more than 80,000 miles of gas transmission and distribution pipelines.



**1,950** | Our employees have walked 1,950 kilometers for the Susan G. Komen Breast Cancer Foundation Race for the Cure.®



# 15,010

By 1950, Texas had 15,010 miles of gas transmission lines. Their operation led to development of gas reserves in the Permian Basin of West Texas.



..... Corporation to emphasize its diversified assets. 1980: Trans Louisiana Gas Company was formed. 1983: Pioneer launched Energas as an independent, ..... publicly held gas utility company. 1986: Energas made its first acquisition with the purchase of Trans Louisiana Gas. 1987: Growth continued with .....

## Dear Fellow Shareholder:

We have many reasons to celebrate 2006, not the least of which was our company's 100th birthday.

In our centennial year, Atmos Energy delivered exceptional financial results that were driven by increased sales volumes and higher margins in our nonutility segment. At the same time, our utility operations implemented improved rate designs to strengthen our future financial performance.

Net income for the fiscal year increased 9 percent to \$147.7 million from \$135.8 million in fiscal 2005, and earnings per diluted share grew by 10 cents to \$1.82.

We paid dividends of \$1.26 per share, resulting in a yield of between 4 percent and 5 percent. In November 2006, the board of directors declared our 19th consecutive annual dividend increase, raising the dividend by 2 cents a share. The indicated rate for fiscal 2007 is \$1.28.

During 2006, we achieved smooth management transitions in both our utility and nonutility operations. Kim R. Cocklin assumed responsibilities as senior vice

president, utility operations, and Mark H. Johnson was named senior vice president, nonutility operations.

We also began recovering from Hurricanes Katrina and Rita, which initially had affected service to more than 60 percent of our Louisiana customers.

Although Atmos Energy has changed in many ways during the past century, it has remained true to the founders' core vision to serve the public as a natural gas company.

Today, that vision translates into our complementary strategy of natural gas utility services and nonutility gas marketing, pipeline and storage services—a strategy that produced exceptional results in fiscal 2006.

### NONUTILITY EARNINGS INCREASE 73 PERCENT

A very bright spot in 2006 was our nonutility operations. Earnings from these operations offset a 35 percent decline in our utility earnings to contribute a record-setting \$94.7 million to net income, or \$1.17 per diluted share.

Our gas marketing subsidiary, Atmos Energy Marketing (AEM), was able to realize \$68.7 million more in margins primarily as a result of the extreme volatility in natural gas commodity

prices last winter. AEM used its experience and expertise as one of the country's leading gas marketers to help many public utilities, municipalities and industrial customers contend with the wide swings in wholesale gas prices. As a result, AEM increased its 2006 marketing sales volumes by 46 billion cubic feet (Bcf) to 284.0 Bcf.

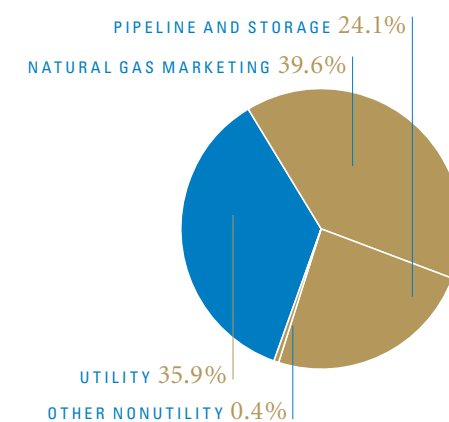
Furthermore, our pipeline and storage segment, also part of our nonutility operations, achieved higher transportation and related-service margins and favorable arbitrage spreads on its storage contracts. The segment contributed \$35.6 million to net income, a 16 percent increase over its contribution in fiscal 2005. Consolidated pipeline and storage throughput increased to 420.2 Bcf from 383.4 Bcf in fiscal 2005.

A significant step we took during 2006—one that promises favorable returns and future opportunities—was our expansion into natural gas gathering. We expect to be able to use many of the same operating and marketing strengths found in our pipeline business in the gathering business. A gathering system collects raw gas from producers' wells and transports it to a processing and sales terminal. From there, larger regulated pipelines carry the gas to market.

In October 2006, we received an order from the Federal Energy Regulatory Commission (FERC) exempting our proposed Straight Creek Gathering System from FERC regulation. This gathering system will use a 20-inch backbone pipeline running approximately 60 miles through the Big Sandy natural gas producing region in eastern Kentucky. It will be able to transport up to 100,000 million Btu (MMBtu) a day of gas when it goes into operation in 2007, with the capability to expand throughput up to 225,000 MMBtu a day.

The Big Sandy producing region historically has not had sufficient gathering capacity to handle the available supply. It's estimated that our project could generate more than \$150 million a year in

FISCAL 2006 NET INCOME BY SEGMENT



Contributions from utility and nonutility operations



In 1859, Edwin Drake drilled the first commercial well and hit oil and natural gas at

69 feet below the surface of the earth. A two-inch-diameter pipeline was built, running 5.5 miles from the well to the

village of Titusville, Pennsylvania. This discovery well is considered to be

the beginning of the natural gas industry in America.

Baby Jessica McClure was rescued from an abandoned well pipe with the help of our employees 19 years ago.

Because natural gas is one of the most efficient energy sources, its use has increased 35 percent during the past

decade and demand is expected to grow by 40 percent by 2025.

... the acquisition of Western Kentucky Gas. **1988:** Energas changed its name to Atmos Energy Corporation and was listed on the NYSE (ATO). **1993:** Atmos Energy acquired Greeley Gas operations in Colorado and Kansas. **1997:** Atmos Energy doubled in size to one million customers through its merger with ...

wellhead sales revenues, severance taxes, property taxes and royalty-owner revenues. Atmos Energy and our minority partner, Kinzer Drilling Company, plan to invest between \$75 million and \$80 million in the project.

**NEW RATE DESIGN SHOULD HELP UTILITY SEGMENT**

Extremely volatile natural gas prices, one of the warmest winters on record and two of the worst hurricanes in American history strained our utility business by adding operating costs and lowering utility revenues.

to write off our irrigation properties in West Texas. The volumes of natural gas we deliver for irrigation pumping in Texas have continued to decline year after year and were not expected to generate enough cash flow from operations to recover our net investment.

On the positive side, our biggest financial success came in breakthroughs in rate design in our utility segment. These changes should help return our utility to strong performance in fiscal 2007 and beyond.

We secured protection from weather in our two largest divisions. In Texas, the

As a result of these changes, more than 90 percent of our customer margins are now substantially insulated from the effects of adverse weather. This has been a primary goal to help safeguard our earnings.

We cannot control the weather and we cannot control the cost of natural gas; however, we can control how we address adverse situations. We believe that implementing sound rate-design principles benefits both the company and our customers over the long term.

In Texas, we also continued to refresh our rates under the state's Gas Reliability Infrastructure Program, or GRIP. The program authorizes utilities to earn a rate of return on their incremental annual capital investments. It also reduces the regulatory lag time between when we make an investment and when we begin earning a return on it.

Since 2003, we have been able to increase base rates in Texas under GRIP by about \$190 million while earning about \$36 million in allowed return on that investment.

In Missouri, we reached a tentative settlement in a rate case seeking an

**We cannot control the weather and we cannot control the cost of natural gas; however, we can control how we address adverse situations.**

In particular, unseasonably warm winter weather, which was 13 percent warmer than normal, reduced our utility earnings. Net income from utility operations fell to \$53.0 million from \$81.1 million in fiscal 2005. In addition, we lost approximately 230,000 utility customers in Louisiana until service could be restored after Hurricanes Katrina and Rita. About 26,500 of these customers became permanent losses with no plans for rebuilding homes or businesses.

Utility earnings also were reduced by a nonrecurring after-tax charge of \$14.6 million, or 18 cents per diluted share,

Railroad Commission granted our Mid-Tex Division a weather normalization adjustment as part of a pending rate case. In Louisiana, the Public Service Commission allowed new rate provisions that protect our margins from warm winter weather, declining customer use and greater conservation.

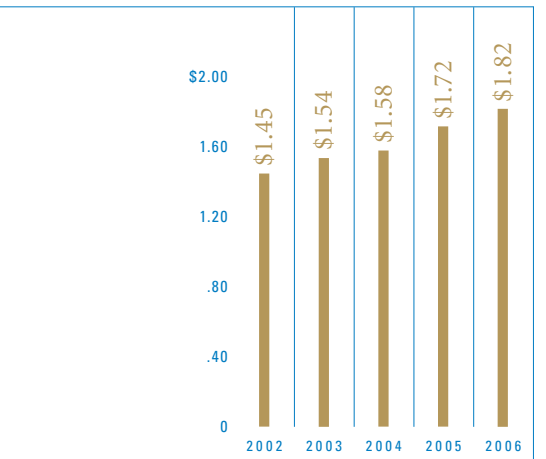
**KEEPING RATES CURRENT**

We filed a number of rate cases during 2006, seeking rate increases and weather normalization adjustments as well as provisions to compensate for declining customer use and to recoup our costs for the natural gas consumed by customers with uncollectible accounts.

In Louisiana, the Public Service Commission acted quickly to allow a rate increase, subject to refund, of \$10.8 million. The increase covered customer losses in Katrina-affected parishes and increases in rate base and operating expenses.

Our most significant rate filing was for a \$60 million increase in Texas by our Mid-Tex Division to recover increases in the division's operating costs and its allowed rate of return. A decision is due no later than April 2007.

**EARNINGS REVIEW**



Net income per diluted share



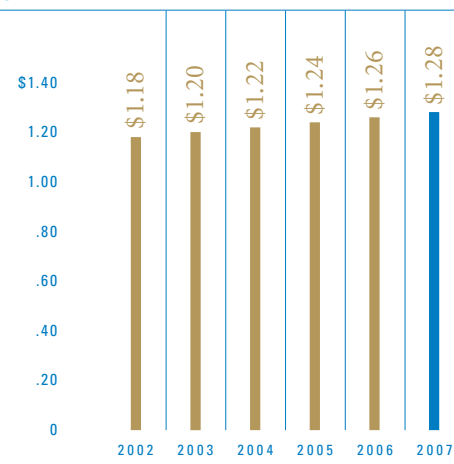
... United Cities Gas Company. **2001:** Woodward Marketing became a wholly owned subsidiary, greatly expanding the company's nonutility business.

**2002:** Mississippi Valley Gas, the state's largest gas supplier, was acquired. **2004:** Atmos Energy acquired the operations of TXU Gas in Texas, becoming ...

increase of \$3.4 million. Significantly, the commission staff has agreed to support a fixed monthly delivery charge, which would allow us to earn our residential margins regardless of customers' usage. A final decision in the case is expected in March 2007.

In a contested case, the Tennessee Regulatory Authority ordered a \$6.1 million reduction in our base rates, effective December 1, 2006. Because the company had absorbed a decade of inflation and expenses for system improvements without seeking a rate increase, we believe the current rates are deficient. We are continuing to analyze our rate strategy in Tennessee.

#### CASH DIVIDENDS PER SHARE



2007 dividend is the indicated rate

Other successful acquisitions followed that confirmed the corporate vision and the long-standing belief in independence by our board of directors. Charles Vaughan set the dual hallmarks of financial success and corporate independence by which we operate today.

Atmos Energy has continued to expand, largely through mergers and acquisitions, to become the largest all-natural-gas distribution company in the country. Our 10 major acquisitions to date not only have bolstered our core utility business, but also have provided valuable diversification.

In particular, our acquisition in 2001 of the balance of Woodward Marketing has proved to be one of our best steps. We

acquired one of the country's leading and most respected mid-tier natural gas marketing companies. Under JD Woodward's leadership, we greatly expanded the scope and scale of our nonutility business.

In 2004, we acquired the operations of TXU Gas Company. Not only did we obtain one of the most dynamic markets for natural gas distribution—Dallas-Fort Worth is now the nation's fourth largest metropolitan statistical area, but we also

core business. And we will remain active in using acquisitions as an engine of future growth. However, we expect to be even more selective to find the right fit of properties.

We will invest most of our future growth capital in states with timely and adequate rates of return as well as in new nonutility projects. We expect our capital expenditures in fiscal 2007 will be between \$425 million and \$440 million, as compared to \$425.3 million in fiscal 2006.

I am confident that we are in a better position today than at any time in our past.

acquired a highly valuable intrastate gas pipeline system. Today, it is yielding superior returns in our pipeline and storage segment while offering growth due to the extensive rate of gas drilling in Texas and the producers' needs to transport the gas to markets.

We will continue to work for federal laws to increase our country's natural gas supply in order to moderate gas prices. Towards this end, our interests are aligned perfectly with our customers' interests. We both want reasonable gas costs and lower volatility in gas prices.

Today, Atmos Energy is in an excellent position to expand its core business, stabilize its earnings and take advantage of its complementary strategy. We are pursuing consistent and focused strategies

#### SUCCESS AND INDEPENDENCE

Strategic innovation has always set our company apart. For example, in 1986, the company was still a regional utility in West Texas with a complementary irrigation business. That year, CEO Charles Vaughan made a tender offer to acquire Trans Louisiana Gas Company. It was a bold step that set the course for the company's future growth.

"We had to do something because our service area was not growing," Vaughan said. "We had to buy something—or be bought ourselves."

Vaughan chose to diversify the company's operations into other states but to maintain its basic strategy as a regulated local distribution company.

#### STRATEGIC FOCUS

As Atmos Energy enters its second century, our strategic focus remains fixed on being financially successful by profitably delivering natural gas to our customers. We expect our earnings in fiscal 2007 to grow at our stated goal of 4 percent to 6 percent a year, on average. Our utility operations will remain our



to benefit our shareholders, customers and employees. Furthermore, natural gas remains the most valued energy source in American homes and businesses, offering comfort, convenience and efficiency. For all these reasons, I am confident that we are in a better position today than at any time in our past.

#### IN OBSERVANCE OF OUR CENTENNIAL

We have many reasons to celebrate Atmos Energy's 100th anniversary. But the one that's most important to me is our company's culture of developing exceptional employees.

They produced innovative solutions and found market opportunities that yielded our strong results in 2006 while they maintained the high level of service that we take pride in. Our employees took care of their customers and their fellow employees in a time of suffering and need.

Only hours after Hurricane Katrina devastated southern Louisiana and parts of Mississippi, our employees—more than 50 of whom lost their own homes—were in the field to ensure safety, to begin restoration where possible and to help their neighbors. For weeks thereafter, more than 450 of our employees from across our system worked up to 18-hour days under dangerous and difficult conditions. It is a fitting tribute to all our employees that the natural gas that

powered the pumps to drain the toxic waters from New Orleans and to begin the healing came from Atmos Energy.

Local teams of employees from every operation joined together to “adopt” the families of our employees who lost their homes, autos and belongings. They held fundraisers, donated clothing, furniture, toys and supplies and went to the destroyed communities to help them rebuild their lives. Above all, they gave personal encouragement and strength to sustain their fellow employees through a difficult time.

Our first commitment always is to serve—safely, reliably and efficiently. This commitment ensures the value and integrity of your investment. It provides the confidence on which our enterprise has been built during the past 100 years. Even as our business and our employees change, service remains our defining mission.

*Robert W. Best*

Robert W. Best

*Chairman, President and Chief Executive Officer  
November 22, 2006*

#### MANAGEMENT TRIBUTES



**Gene C. Koonce**—Atmos Energy Corporation has benefited for nearly a decade from the wisdom and insights of Gene C. Koonce. Gene joined our board of directors in 1997 after our merger with United Cities Gas Company, where he had served as chairman, president and chief executive officer for 20 years. A long-time industry leader, Gene was also a distinguished community servant in the Greater Nashville area and across Tennessee. In February 2007, Gene will retire from the board, and we wish him and his wife, Bettye, our very best.

Two members of Atmos Energy Corporation's senior Management Committee retired during 2006. JD Woodward, who led our nonutility business, retired on April 1, and R. Earl Fischer, who led our utility operations, retired on September 30.



**JD Woodward**—began working with Atmos Energy in 1997 after our merger with United Cities Gas Company. United Cities had owned 45 percent of his company, Woodward Marketing LLC. The relationship was so beneficial that we acquired the remaining interest in his company in 2001, and JD joined us as senior vice president, nonutility operations. He significantly expanded our gas marketing business into 22 states and developed our pipeline and storage operations into a separate business segment that is making major contributions to our earnings. We are greatly indebted to him for all that he did to help Atmos Energy grow and succeed. We wish JD and his wife, Linda, much happiness.



**Mark H. Johnson**—who joined Woodward Marketing in 1992 as vice president of marketing and operations, succeeded JD Woodward as senior vice president, nonutility operations, and as a member of our Management Committee. Mark, a petroleum engineer by training, is a highly experienced leader in gas marketing, trading, storage and financial hedging. He previously had served in a number of executive positions with Woodward Marketing and Atmos Energy Marketing. He brings a dynamic style and clear focus to his job.



**R. Earl Fischer**—spent 44 years with Atmos Energy and Western Kentucky Gas (WKG) Company. He served in accounting and operational management positions at WKG, where he tirelessly promoted the state's economic development, recruiting the General Motors Corvette Assembly Plant, the Mid-America Air Park and a dozen major companies. He was promoted to president of WKG in 1989. In 1998, he was named president of our West Texas Division, then known as Energas, and later became senior vice president, utility operations. Earl led our utility operations through many changes in the industry, dealing with volatile gas prices, system conversions and major acquisitions. He has truly been dedicated to the people we serve through his extensive civic and charitable work. Larger than life, and always a lot of fun, he leaves us a living legacy in the many young managers he has selected and developed over the years. We wish Earl and his wife, Sally, all the best.



**Kim R. Cocklin**—assumed the responsibilities as senior vice president, utility operations, and a member of the Management Committee on October 1. Before joining Atmos Energy, Kim was senior vice president, general counsel and chief compliance officer for Piedmont Natural Gas Company, Inc. At Piedmont, he was responsible for all legal, governmental and community affairs, corporate communications and Sarbanes-Oxley compliance. Earlier, Kim worked for The Williams Companies for 19 years. He served as senior vice president in charge of planning, rates and regulatory, and business development for Williams Gas Pipeline and in other executive positions. Kim brings extensive experience in both the utility-distribution and gas-pipeline businesses. His management philosophy reflects our own corporate culture, making him a valuable addition to our senior management team.



Year Ended September 30

Dollars in thousands, except per share data	2006	2005	Change
Operating revenues	\$ 6,152,363	\$ 4,961,873	24.0%
Gross profit	\$ 1,216,570	\$ 1,117,637	8.9%
Utility net income	\$ 53,002	\$ 81,117	-34.7%
Natural gas marketing net income	58,566	23,404	150.2%
Pipeline and storage net income	35,624	30,599	16.4%
Other nonutility net income	545	665	-18.0%
Total	\$ 147,737	\$ 135,785	8.8%
Total assets	\$ 5,719,547	\$ 5,653,527	1.2%
Total capitalization*	\$ 3,828,460	\$ 3,785,526	1.1%
Net income per share—diluted	\$ 1.82	\$ 1.72	5.8%
Cash dividends per share	\$ 1.26	\$ 1.24	1.6%
Book value per share at end of year	\$ 20.16	\$ 19.90	1.3%
Consolidated utility segment throughput (MMcf)	393,995	411,134	-4.2%
Consolidated natural gas marketing segment throughput (MMcf)	283,962	238,097	19.3%
Consolidated pipeline and storage segment transportation volumes (MMcf)	420,217	383,377	9.6%
Heating degree days	2,527	2,587	-2.3%
Degree days as a percentage of normal	87%	89%	-2.2%
Meters in service at end of year	3,181,199	3,157,840	0.7%
Return on average shareholders' equity	8.9%	9.0%	-1.1%
Shareholders' equity as a percentage of total capitalization (including short-term debt) at end of year	39.1%	40.7%	-3.9%
Shareholders of record	24,690	26,242	-5.9%
Weighted average shares outstanding—diluted (000s)	81,390	79,012	3.0%

\*Total capitalization represents the sum of shareholders' equity and long-term debt, excluding current maturities.

## 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 executed all certifications with respect to the financial statements contained therein and have completed management's report on internal control over financial reporting, which

are required under the Sarbanes-Oxley Act of 2002 and all related rules and regulations of the Securities and Exchange Commission. Investors may request, without charge, our *Annual Report on Form 10-K* for the fiscal year ended September 30, 2006, 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

	2006	2005
<b>Meters in service</b>		
Residential	2,886,042	2,862,822
Commercial	275,577	274,536
Industrial	2,661	2,715
Agricultural	8,714	9,639
Public authority and other	8,205	8,128
Total meters	3,181,199	3,157,840
<b>Heating degree days</b>		
Actual (weighted average)	2,527	2,587
Percent of normal	87%	89%
<b>Utility sales volumes (MMcf)</b>		
Residential	144,780	162,016
Commercial	87,006	92,401
Industrial	26,161	29,434
Agricultural	5,629	3,348
Public authority and other	8,457	9,084
Total	272,033	296,283
<b>Utility transportation volumes (MMcf)</b>	126,960	122,098
<b>Total utility throughput (MMcf)</b>	398,993	418,381
<b>Intersegment activity (MMcf)</b>	(4,998)	(7,247)
<b>Consolidated utility throughput (MMcf)</b>	393,995	411,134
<b>Consolidated natural gas marketing throughput (MMcf)</b>	283,962	238,097
<b>Consolidated pipeline transportation volumes (MMcf)</b>	420,217	383,377
<b>Operating revenues (000s)</b>		
Gas utility sales revenues		
Residential	\$ 2,068,736	\$ 1,791,172
Commercial	1,061,783	869,722
Industrial	276,186	229,649
Agricultural	40,664	27,889
Public authority and other	103,936	86,853
Total gas sales revenues	3,551,305	3,005,285
Transportation revenues	61,475	58,897
Other gas revenues	37,071	37,859
Total utility revenues	3,649,851	3,102,041
Natural gas marketing revenues	2,418,856	1,783,926
Pipeline and storage revenues	81,857	73,880
Other nonutility revenues	1,799	2,026
<b>Total operating revenues (000s)</b>	\$ 6,152,363	\$ 4,961,873
<b>Other statistics</b>		
Gross plant (000s)	\$ 5,101,308	\$ 4,765,610
Net plant (000s)	\$ 3,629,156	\$ 3,374,367
Miles of pipe	81,996	81,604
Employees	4,632	4,543



## CONDENSED CONSOLIDATED BALANCE SHEETS

September 30

Dollars in thousands, except per share data	2006	2005
<b>Assets</b>		
Property, plant and equipment	\$ 5,026,478	\$ 4,631,684
Construction in progress	74,830	133,926
	5,101,308	4,765,610
Less accumulated depreciation and amortization	1,472,152	1,391,243
Net property, plant and equipment	3,629,156	3,374,367
<b>Current assets</b>		
Cash and cash equivalents	75,815	40,116
Cash held on deposit in margin account	35,647	80,956
Accounts receivable, less allowance for doubtful accounts of \$13,686 in 2006 and \$15,613 in 2005	374,629	454,313
Gas stored underground	461,502	450,807
Other current assets	169,952	238,238
Total current assets	1,117,545	1,264,430
Goodwill and intangible assets	738,521	737,787
Deferred charges and other assets	234,325	276,943
	\$ 5,719,547	\$ 5,653,527
<b>Capitalization and Liabilities</b>		
<b>Shareholders' equity</b>		
Common stock, no par value (stated at \$.005 per share); 200,000,000 shares authorized, issued and outstanding; 2006 – 81,739,516 shares, 2005 – 80,539,401 shares	\$ 409	\$ 403
Additional paid-in capital	1,467,240	1,426,523
Accumulated other comprehensive loss	(43,850)	(3,341)
Retained earnings	224,299	178,837
Shareholders' equity	1,648,098	1,602,422
<b>Long-term debt</b>	2,180,362	2,183,104
Total capitalization	3,828,460	3,785,526
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	345,108	461,314
Other current liabilities	388,451	503,368
Short-term debt	382,416	144,809
Current maturities of long-term debt	3,186	3,264
Total current liabilities	1,119,161	1,112,755
Deferred income taxes	306,172	292,207
Regulatory cost of removal obligation	261,376	263,424
Deferred credits and other liabilities	204,378	199,615
	\$ 5,719,547	\$ 5,653,527

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Year Ended September 30

Dollars in thousands, except per share data	2006	2005	2004
<b>Operating revenues</b>			
Utility segment	\$ 3,650,591	\$ 3,103,140	\$ 1,637,728
Natural gas marketing segment	3,156,524	2,106,278	1,618,602
Pipeline and storage segment	160,567	153,289	19,758
Other nonutility segment	5,898	5,302	3,393
Intersegment eliminations	(821,217)	(406,136)	(359,444)
	6,152,363	4,961,873	2,920,037
<b>Purchased gas cost</b>			
Utility segment	2,725,534	2,195,774	1,134,594
Natural gas marketing segment	3,025,897	2,044,305	1,571,971
Pipeline and storage segment	838	6,811	9,383
Other nonutility segment	—	—	—
Intersegment eliminations	(816,476)	(402,654)	(358,102)
	4,935,793	3,844,236	2,357,846
<b>Gross profit</b>	1,216,570	1,117,637	562,191
<b>Operating expenses</b>			
Operation and maintenance	433,418	416,281	214,470
Depreciation and amortization	185,596	178,005	96,647
Taxes, other than income	191,993	174,696	57,379
Impairment of long-lived assets	22,947	—	—
Total operating expenses	833,954	768,982	368,496
<b>Operating income</b>	382,616	348,655	193,695
<b>Miscellaneous income</b>	881	2,021	9,507
<b>Interest charges</b>	146,607	132,658	65,437
Income before income taxes	236,890	218,018	137,765
<b>Income tax expense</b>	89,153	82,233	51,538
<b>Net income</b>	\$ 147,737	\$ 135,785	\$ 86,227
<b>Per share data</b>			
Basic net income per share	\$ 1.83	\$ 1.73	\$ 1.60
Diluted net income per share	\$ 1.82	\$ 1.72	\$ 1.58
<b>Weighted average shares outstanding:</b>			
Basic	80,731	78,508	54,021
Diluted	81,390	79,012	54,416



Year Ended September 30

Dollars in thousands	2006	2005	2004
<b>Cash Flows from Operating Activities</b>			
<b>Net income</b>	\$ 147,737	\$ 135,785	\$ 86,227
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Gain on sales of assets	—	—	(6,700)
Impairment of long-lived assets	22,947	—	—
Depreciation and amortization:			
Charged to depreciation and amortization	185,596	178,005	96,647
Charged to other accounts	371	791	1,465
Deferred income taxes	86,178	12,669	36,997
Other	18,480	11,522	(1,772)
Changes in assets and liabilities	(149,860)	48,172	57,870
Net cash provided by operating activities	311,449	386,944	270,734
<b>Cash Flows Used in Investing Activities</b>			
Capital expenditures	(425,324)	(333,183)	(190,285)
Acquisitions, net of cash received	—	(1,916,696)	(1,957)
Other, net	(5,767)	(2,131)	(570)
Proceeds from sales of assets	—	—	27,919
Net cash used in investing activities	(431,091)	(2,252,010)	(164,893)
<b>Cash Flows from Financing Activities</b>			
Net increase (decrease) in short-term debt	237,607	144,809	(118,595)
Net proceeds from issuance of long-term debt	—	1,385,847	5,000
Settlement of Treasury lock agreements	—	(43,770)	—
Repayment of long-term debt	(3,264)	(103,425)	(9,713)
Cash dividends paid	(102,275)	(98,978)	(66,736)
Issuance of common stock	23,273	37,183	34,715
Net proceeds from equity offering	—	381,584	235,737
Net cash provided by financing activities	155,341	1,703,250	80,408
Net increase (decrease) in cash and cash equivalents	35,699	(161,816)	186,249
<b>Cash and cash equivalents at beginning of year</b>	40,116	201,932	15,683
<b>Cash and cash equivalents at end of year</b>	\$ 75,815	\$ 40,116	\$ 201,932

The 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, 2006 and 2005, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2006 (not presented herein); and in our report dated November 20, 2006, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

*Ernst & Young LLP*

Dallas, Texas  
November 20, 2006



Year Ended September 30

	2006	2005	2004	2003	2002
<b>Balance Sheet Data at September 30 (000s)</b>					
Capital expenditures	\$ 425,324	\$ 333,183	\$ 190,285	\$ 159,439	\$ 132,252
Net property, plant and equipment	3,629,156	3,374,367	1,722,521	1,624,394	1,380,070
Working capital	(1,616)	151,675	283,310	16,248	(139,150)
Total assets	5,719,547	5,653,527	2,912,627	2,625,495	2,059,631
Shareholders' equity	1,648,098	1,602,422	1,133,459	857,517	573,235
Long-term debt, excluding current maturities	2,180,362	2,183,104	861,311	862,500	668,959
Total capitalization	3,828,460	3,785,526	1,994,770	1,720,017	1,242,194
<b>Income Statement Data</b>					
Operating revenues (000s)	\$ 6,152,363	\$ 4,961,873	\$ 2,920,037	\$ 2,799,916	\$ 1,650,964
Gross profit (000s)	1,216,570	1,117,637	562,191	534,976	431,140
Net income (000s)	147,737	135,785	86,227	71,688	59,656
Net income per diluted share	1.82	1.72	1.58	1.54	1.45
<b>Common Stock Data</b>					
Shares outstanding (000s)					
End of year	81,740	80,539	62,800	51,476	41,676
Weighted average	81,390	79,012	54,416	46,496	41,250
Cash dividends per share	\$ 1.26	\$ 1.24	\$ 1.22	\$ 1.20	\$ 1.18
Shareholders of record	24,690	26,242	27,555	28,510	28,829
Market price – High	\$ 29.11	\$ 29.76	\$ 26.86	\$ 25.45	\$ 24.46
Low	\$ 25.79	\$ 24.85	\$ 23.68	\$ 20.70	\$ 18.37
End of year	\$ 28.55	\$ 28.25	\$ 25.19	\$ 23.94	\$ 21.50
Book value per share at end of year	\$ 20.16	\$ 19.90	\$ 18.05	\$ 16.66	\$ 13.75
Price/Earnings ratio at end of year	15.69	16.42	15.94	15.55	14.83
Market/Book ratio at end of year	1.42	1.42	1.40	1.44	1.56
Annualized dividend yield at end of year	4.4%	4.4%	4.8%	5.0%	5.5%
<b>Customers and Volumes (as metered)</b>					
Consolidated utility gas sales volumes (MMcf)	272,033	296,283	173,219	184,512	145,488
Consolidated utility gas transportation volumes (MMcf)	121,962	114,851	72,814	63,453	63,053
Consolidated utility throughput (MMcf)	393,995	411,134	246,033	247,965	208,541
Consolidated natural gas marketing throughput (MMcf)	283,962	238,097	222,572	225,961	204,027
Consolidated pipeline transportation volumes (MMcf)	420,217	383,377	—	—	—
Meters in service at end of year	3,181,199	3,157,840	1,679,136	1,672,798	1,389,341
Heating degree days*	2,527	2,587	3,271	3,473	3,368
Degree days as a percentage of normal	87%	89%	96%	101%	94%
Utility average cost of gas per Mcf sold	\$ 10.02	\$ 7.41	\$ 6.55	\$ 5.76	\$ 3.87
Utility average transportation fee per Mcf	\$ .49	\$ .49	\$ .36	\$ .43	\$ .41
<b>Statistics</b>					
Return on average shareholders' equity	8.9%	9.0%	9.1%	9.9%	9.9%
Number of employees	4,632	4,543	2,864	2,905	2,338
Net utility plant per meter	\$ 969	\$ 927	\$ 994	\$ 930	\$ 939
Utility operation and maintenance expense per meter	\$ 112	\$ 110	\$ 116	\$ 115	\$ 101
Meters per employee – utility	723	730	612	594	616
Times interest earned before income taxes	2.55	2.59	3.05	2.75	2.55

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 and 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 any other of the Company’s documents or oral presentations, the words “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “objective,” “plan,” “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. These risks and uncertainties are discussed in the Company’s Form 10-K for the fiscal year ended September 30, 2006. 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 any of its forward-looking statements, whether as a result of new information, future events or otherwise.

\*Heating degree days are adjusted for service areas with weather-normalized operations.



SENIOR MANAGEMENT TEAM

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

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

**Kim R. Cocklin**  
Senior Vice President,  
Utility Operations

**Mark H. Johnson**  
Senior Vice President,  
Nonutility Operations

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

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

UTILITY DIVISIONS

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

**Richard A. Erskine**  
President,  
Mid-Tex Division  
President,  
Atmos Pipeline-Texas Division

**Gary W. Gregory**  
President,  
West Texas Division

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

**John A. Paris**  
President,  
Kentucky and  
Mid-States Division

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

NONUTILITY OPERATIONS

**Mark H. Johnson**  
President,  
Atmos Energy Marketing, LLC

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

SHARED SERVICES

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

**Cindy A. Foor**  
Vice President,  
Corporate Communications

**Susan Kappes Giles**  
Vice President,  
Investor Relations

**Conrad E. Gruber**  
Vice President,  
Strategic Planning

**Dwala J. Kuhn**  
Corporate Secretary

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

**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



**Dr. Thomas C. Meredith**  
Commissioner of Mississippi Institutions  
of Higher Learning  
Jackson, Mississippi  
Board member since 1995  
Committees: Audit, Nominating and  
Corporate Governance



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



**Phillip E. Nichol**  
Retired 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



**Dan Busbee**  
Adjunct Professor, Dedman School of Law,  
Southern Methodist University  
Dallas, Texas  
Board member since 1988  
Committees: Audit (Chairman),  
Human Resources



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



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



**Stephen R. Springer**  
Retired Senior Vice President and  
General Manager, Mid-Stream Division  
The Williams Companies, Inc.  
Syracuse, Indiana  
Board member since 2005  
Committee: Work Session/Annual Meeting



**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



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



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



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



**Gene C. Koonce**  
Retired 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



**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, or 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  
2100 Ross Avenue, Suite 1500  
Dallas, Texas 75201  
214-969-8000

**FORM 10-K**

Atmos Energy Corporation's *Annual Report on Form 10-K* is available at no charge 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 also may be viewed on Atmos Energy's Web site at <http://www.atmosenergy.com>.

**ANNUAL MEETING OF SHAREHOLDERS**

The 2007 Annual Meeting of Shareholders will be held in the Symphony Ballroom at the Loews Vanderbilt Hotel, 2100 West End Avenue, Nashville, Tennessee 37203 on Wednesday, February 7, 2007, 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](mailto:InvestorRelations@atmosenergy.com).

Securities analysts and investment managers, please contact:

Susan Kappes Giles  
Vice President, Investor Relations  
972-855-3729 972-855-3040 (fax)  
[InvestorRelations@atmosenergy.com](mailto:InvestorRelations@atmosenergy.com)

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You can view this *Summary Annual Report*, our *Annual Report on Form 10-K* and other financial documents for fiscal 2006 and previous years on our Web site at [www.atmosenergy.com](http://www.atmosenergy.com).

If you are a shareholder who would like to receive our *Summary Annual Report* and other company documents in the future electronically, please sign up for electronic distribution. It's convenient and easy and will save costs in producing and distributing these materials.

To receive these documents over the Internet next year, please visit [www.amstock.com](http://www.amstock.com) and access your account to give your consent. Please remember that accessing the *Summary Annual Report* and other company documents over the Internet may result in charges to you from your Internet service provider or telephone company.

*Cover: Atmos Energy has changed in size and technology since its origins in the horse-and-wagon era a century ago. However, its mission of service remains as central as ever, as represented by Operations Manager Lou Ann Goldie, General Plant Operator Jerry Christensen, Human Resources Analyst Amy Kuan and Operations Supervisor Roy Moss.*



