

Atmos

Energy

Corporation

2001

Summary

Annual Report

# Atmos

TRIP

## The Spirit That Binds Us.

Reaffirming our commitment  
to our strategy, continuing  
our growth and making the  
most of our opportunities  
require vision, determination,  
passion, creativity, excellence  
and, above all, energy.

## Financial Highlights

|   | Year ended September 30 |             | Change |
|---|-------------------------|-------------|--------|
|   | 2001                    | 2000        |        |
| <i>(Dollars in thousands, except per share data)</i>  |                         |             |        |
| Operating revenues  | \$1,442,275             | \$ 850,152  | 69.6%  |
| Gross profit  | 374,720                 | 325,706     | 15.0%  |
| Utility net income  | \$ 49,881               | \$ 22,459   | 122.1% |
| Nonregulated net income   | 6,209                   | 13,459      | -53.9% |
| Total   | \$ 56,090               | \$ 35,918   | 56.2%  |
| Total assets  | \$2,036,180             | \$1,348,758 | 51.0%  |
| Total capitalization  | \$1,276,263             | \$ 755,664  | 68.9%  |
| Net income per share – diluted  | \$1.47                  | \$1.14      | 28.9%  |
| Cash dividends per share  | \$1.16                  | \$1.14      | 1.8%   |
| Book value per share at end of year   | \$14.31                 | \$12.28     | 16.5%  |
| Total throughput (MMcf)   | 217,774                 | 197,564     | 10.2%  |
| Heating degree days   | 2,753                   | 2,096       | 31.3%  |
| Degree days as a percentage of normal   | 107%                    | 82%         | 30.5%  |
| Meters in service at end of year  | 1,386,323               | 1,096,599   | 26.4%  |
| Return on average shareholders' equity  | 10.4%                   | 9.3%        | 11.8%  |
| Shareholders' equity as a percentage of total capitalization (including short-term debt) at end of year | 39.0%                   | 38.4%       | 1.6%   |
| Shareholders of record  | 30,524                  | 32,394      | -5.8%  |
| Weighted average shares outstanding – diluted (000s)  | 38,247                  | 31,594      | 21.1%  |

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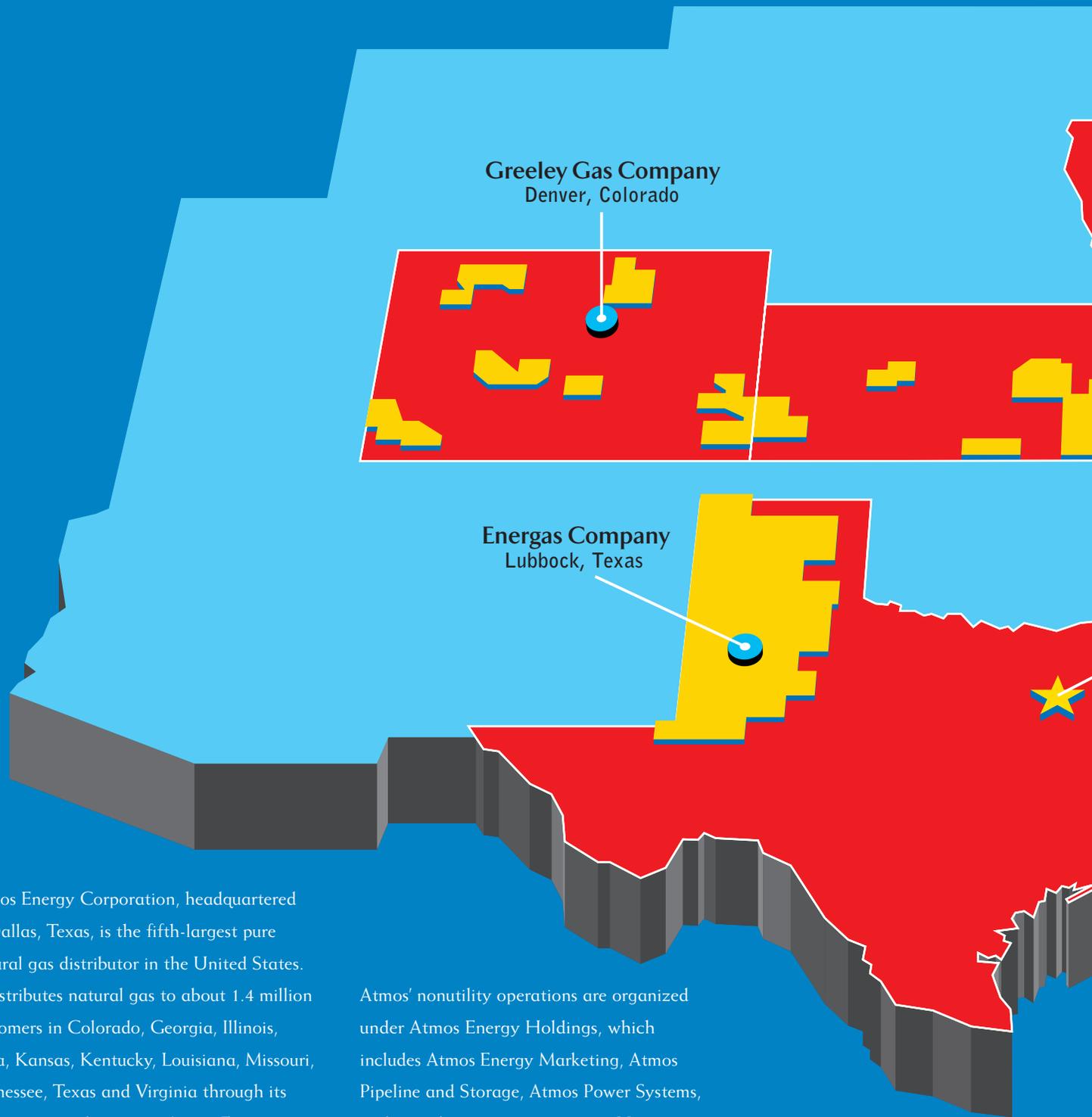
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**Our vision for Atmos** is to be one of the largest providers of natural gas distribution and related services in the United States, a producer of superior financial results, recognized for excellent customer service and an employer of choice.

**Our strategy** is to deliver superior shareholder value, manage utility operations exceptionally well, expand through acquisitions and profitably grow our nonutility operations.

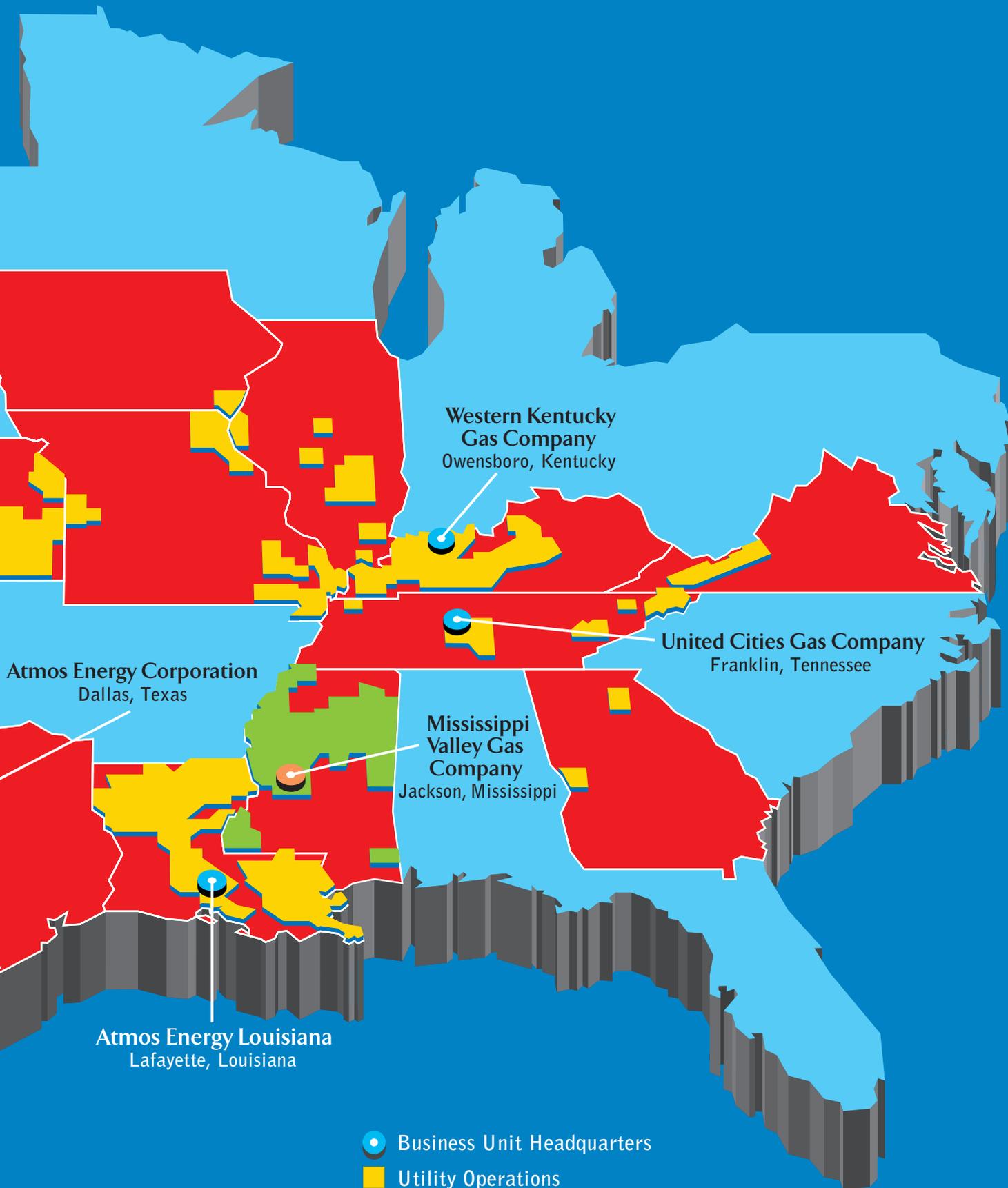
**During fiscal 2001** ▶ We combined our existing gas utility operations in Louisiana with a major acquisition to form Atmos Energy Louisiana, the state's largest pure gas utility; we also announced plans to grow further by acquiring the largest pure gas utility in Mississippi. ▶ In our nonutility operations, we acquired full ownership of Woodward Marketing, launched a new venture to build small electric power plants, purchased two gas marketing companies and agreed to purchase a major gas storage field in Kentucky. ▶ All five of our natural gas distribution utilities delivered expanded customer service during one of the coldest winters in history and in the face of record-high gas prices; we also reduced our operation and maintenance expense to below the level in 1998, concluded three rate cases to add to revenues and purchased weather insurance to mitigate risks to our earnings.

# Putting the Pieces Together



Atmos Energy Corporation, headquartered in Dallas, Texas, is the fifth-largest pure natural gas distributor in the United States. It distributes natural gas to about 1.4 million customers in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, Tennessee, Texas and Virginia through its five operating divisions—Atmos Energy Louisiana, Energas Company, which includes nonutility sales of gas for irrigation; Greeley Gas Company; United Cities Gas Company; and Western Kentucky Gas Company.

Atmos' nonutility operations are organized under Atmos Energy Holdings, which includes Atmos Energy Marketing, Atmos Pipeline and Storage, Atmos Power Systems, and an indirect equity interest in Heritage Propane Partners, L.P., the nation's fourth-largest retail propane marketer. In September 2001, Atmos agreed to acquire Mississippi Valley Gas Company.



Western Kentucky  
Gas Company  
Owensboro, Kentucky

United Cities Gas Company  
Franklin, Tennessee

Mississippi  
Valley Gas  
Company  
Jackson, Mississippi

Atmos Energy Corporation  
Dallas, Texas

Atmos Energy Louisiana  
Lafayette, Louisiana

- Business Unit Headquarters
- Utility Operations
- ★ Atmos Headquarters
- Pending Acquisition

## Dear Fellow Shareholder:

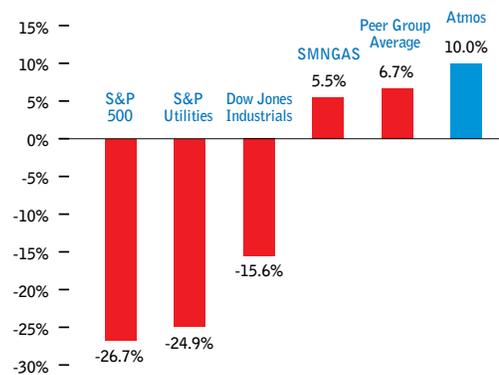
Atmos Energy Corporation achieved new heights in 2001 as we continued our tradition of growth and increased our earnings significantly.

For the year, Atmos' net income grew 56 percent from \$35.9 million in 2000 to \$56.1 million. Earnings per diluted share increased 29 percent from \$1.14 in 2000 to \$1.47. Eliminating a one-time gain of 12 cents a share in 2000 from the sale of our propane assets, the year-over-year increase in earnings per diluted share was 44 percent.

Return on average shareholders' equity was 10.4 percent, and total return to shareholders was 10.0 percent—well above that of the major market indices and the 6.7 percent average return of our industry peer group.

Atmos paid cash dividends in fiscal 2001 of \$1.16 per common share. In November 2001, the Board of Directors declared Atmos' 14th consecutive annual dividend increase. The 2-cents-per-share increase makes our fiscal 2002 annual indicated dividend rate \$1.18.

Total Return in Fiscal 2001



Atmos' total return to shareholders in fiscal 2001 led all the major market indices as well as the average return of other peer gas utilities.

## Growing through acquisitions

Our vision for Atmos is to be one of the largest pure natural gas providers in the United States. In 2001, we advanced to the rank of the fifth-largest pure gas provider in the U.S., based on customer count, when we completed in July our purchase of the assets of Louisiana Gas Service Company and LGS Natural Gas Company. The LGS acquisition added about 279,000 customers to our utility system and provided valuable assets and relationships for our nonutility business.

LGS's utility operations were smoothly integrated with those of our Trans Louisiana Gas Company to form a new business unit, Atmos Energy Louisiana. Teams of our employees from all functional areas made this transition virtually transparent to our Louisiana customers. These teams were aided by the advanced customer information and communication technologies that Atmos has developed during the past five years.

LGS was our eighth acquisition since 1983. The results demonstrate how adept Atmos has become at acquiring sound properties and integrating them profitably. In particular, our LGS experience proved the value of our investments in technology. By reducing our overall operating costs and helping us integrate new assets quickly, our

advanced systems give us a major advantage in making future acquisitions.

During fiscal 2001, we strengthened our balance sheet by issuing equity in December 2000. Investor demand was strong, and our original offering of 5 million common shares was oversubscribed. We increased the offering to 6.7 million shares and used the net proceeds of \$142 million to reduce short-term debt in preparation for completing the acquisition of LGS.

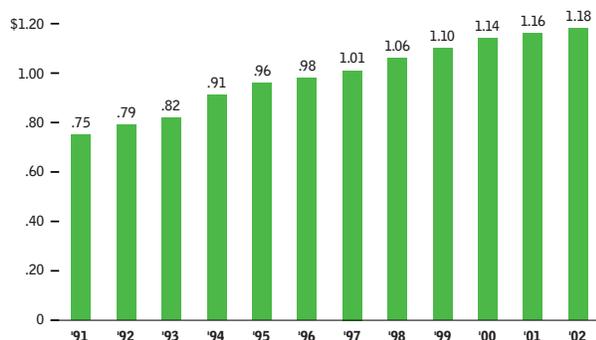
In May, Atmos issued \$350 million of 7% percent Senior Notes due 2011. The debt offering provided net proceeds to fund the LGS acquisition.

Atmos has solid investment-grade ratings. Our senior unsecured debt and commercial paper are rated A-/A2 by Standard & Poor's, A3/P2 by Moody's and A-/F2 by Fitch. All

three credit-rating agencies have affirmed their "stable" outlook for our current ratings.

### Atmos Dividends Since 1991

In U.S. dollars



Atmos Energy Corporation paid dividends during 2001 of \$1.16 per share. Our annual indicated dividend rate for 2002 is \$1.18.

### Acquiring Mississippi Valley Gas

In September, we continued our track record of growth through acquisitions by agreeing to acquire Mississippi Valley Gas Company, the state's largest gas utility. Headquartered in Jackson, Mississippi Valley Gas has approximately 261,500 customers.

We will acquire Mississippi Valley Gas for \$75 million cash and \$75 million in Atmos common stock. We also will assume Mississippi Valley Gas' outstanding debt, net of working capital, of about \$45 million. At an

acquisition cost of about \$746 a customer, our cost to acquire Mississippi Valley Gas compares very favorably with recent industry transactions.

The transaction and the issuance of Atmos common stock are subject to federal and state regulatory approvals. We expect to receive all the needed approvals over the next several months to complete the acquisition by the end of fiscal 2002. The acquisition will be accounted for as a purchase and should be accretive to earnings within the first full year of operation, excluding one-time charges related to the transaction.

### Expanding our nonutility business

Atmos' growth will be bolstered not only by acquisitions, but also by expansion of our nonutility business. We expect this segment will contribute one-quarter to one-third of our future earnings.

In April, we acquired the remaining 55 percent of Woodward Marketing, L.L.C., that we did not already own, giving us full ownership of Woodward Marketing. J.D. Woodward, Woodward Marketing's founder, now heads Atmos Energy Holdings, the holding company for all of Atmos' nonutility operations.

Atmos Energy Holdings includes Atmos Energy Marketing, which provides bundled and unbundled gas services to Atmos, municipalities and industrial customers through Woodward Marketing and Trans Louisiana Industrial Gas Company; Atmos Pipeline and Storage, which owns, has interests in and manages gas storage fields and intra-state gas pipelines; Atmos Power Systems, Inc., a new venture that builds and leases small electric power plants; and an indirect equity interest in Heritage Propane Partners, the country's fourth-largest propane marketer.

Woodward Marketing's business is marketing and trading natural gas and providing overall management of gas-supply requirements for customers in 17 states. In a 2000 gas-marketing survey, it was rated the No. 1 mid-tier and industrial gas marketer in the U.S. Its customers are extremely loyal because of its reputation for providing exceptional customer service.

In 2001, Woodward Marketing acquired two Kentucky-based natural gas marketing companies, adding about 50 million cubic feet (MMcf) per day of nonutility gas sales.

We estimate that Atmos Energy Holdings has the ability to increase its earnings by 10 percent to 15 percent annually. In turn, its growth should help Atmos' consolidated returns achieve an annual average growth rate in earnings per share of 5 percent to 7 percent, including acquisitions.

### **A d d i n g   n o n u t i l i t y   v e n t u r e s**

In July, Atmos Pipeline and Storage agreed to acquire a Kentucky-based gas storage field and associated pipeline facilities; it completed the transaction in November 2001. Including these new storage assets, Atmos Pipeline and Storage owns or manages more than 6 Bcf of working gas storage. It provides gas storage services to Atmos, municipalities and industrial customers.

Atmos' newest nonutility venture, Atmos Power Systems, completed its first project in June, a 20-megawatt power plant in Bolivar, Tennessee. The plant is being leased by the City of Bolivar's municipal electric department to supply electricity to the Tennessee Valley Authority during periods of peak demand.

Atmos Power Systems is exploring prospects for similar projects in communities where Atmos and Woodward Marketing have existing relationships.

### **Utility operations weather the cold**

The 2000–2001 heating season was the coldest winter on record for the Company. In our 2001 first quarter, temperatures were 21 percent colder than normal and 46 percent colder than the previous year. For the entire year, the weather was 7 percent colder than normal and 31 percent colder than in 2000, excluding our weather-normalized states. The cold weather contributed about \$2.7 million, or 7 cents per diluted share, to our 2001 results, but it also put extreme demands on our employees and resources.

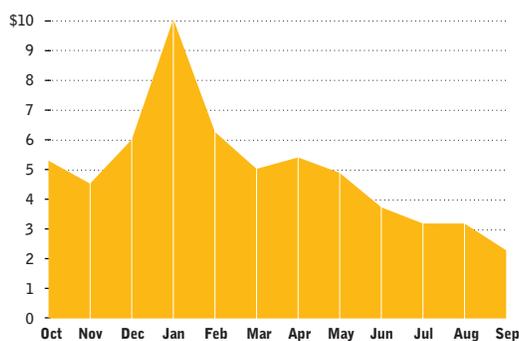
The cold weather, combined with tight natural gas supplies, pushed up gas prices to an unprecedented \$10 per million Btu (MMBtu) in December 2000, as compared with the historical winter peak prices of about \$2.60 per MMBtu. This steep rise in gas prices caused many customers to have difficulty in paying their higher gas bills and to conserve more on their energy use.

Higher gas prices caused an equally unprecedented 15-fold rise in calls to our Customer Support Center in Amarillo, Texas. Our employees undertook extraordinary efforts to cut the customer hold time by setting up satellite call centers, enhancing Web-based customer service options and staffing local offices to be available for customers who wanted to talk to a company representative in person.

Our employees also provided information to help those customers concerned about paying their bills. They helped customers arrange for budget billing over a 12-month period, apply for extended payment plans and sign up for low-income energy assistance through government and private social service agencies.

#### **Natural Gas Prices in Fiscal 2001**

NYMEX monthly closing prices in dollars per million Btu



Natural gas prices reached an unprecedented \$10 per million Btu during the 2001 heating season. High gas prices created many challenges in handling customer relations, collecting accounts receivable and financing gas purchases.

### **The social cost and business effect of high-cost gas**

Unfortunately, a much larger than normal number of our customers—more than 60,000—were disconnected for delinquency in paying their bills. As a result, customer accounts receivable increased sizably and necessitated an increase in our provision for doubtful accounts. The additional provision required for doubtful accounts, compared with the provision in 2000, lowered our 2001 earnings per diluted share by about 14 cents.

Some of this additional reserve could be recouped in 2002. As the weather turns cooler, we believe many disconnected customers will seek to return to our system. They will be required to pay any amounts they owe us as well as a reconnection fee and a higher deposit. Collecting delinquent accounts will remain a top priority in 2002.

Because of the unusually large number of customers disconnected, we have been working with regulatory commissions, social services and public assistance agencies to assist customers in getting their gas service reconnected.

We don't want any of our customers to go without gas for heat during the winter. Therefore, we have increased promotion of our bill-payment options. We have sent letters to all disconnected customers and we have contacted the news media to help reach these customers. We have been doing all we can to encourage them to restore their service before the winter heating season and to seek help if they need it.

### **Protecting earnings from the weather**

In recent years, colder weather has not been our challenge; warmer weather has been. Unseasonably warm winters in both fiscal 1999 and 2000 dampened gas demand and our earnings.

To offset a similar effect in fiscal 2001, we purchased weather hedges for Atmos' Texas and Louisiana operations. For most of fiscal 2001, about one-third of our customer base was located in these two states, both of which lack weather-normalized rates. By the end of fiscal 2001, the percentage had increased to 46 percent as a result of completing the LGS acquisition.

For fiscal 2002 to 2004, we have purchased a three-year weather insurance policy for Texas and Louisiana. We have an option to cancel the third year of coverage if we are able to get weather protection through rates. The policy is designed to safeguard our earnings from weather that's warmer than normal by at least 7 percent or more in both states, while preserving the upside.

Atmos' goal is to limit its weather sensitivity primarily through rate design. Today, just over a fourth of our customer accounts have weather-normalized rates. We have obtained the provision in Tennessee and Georgia and a trial program in Kentucky extending through 2005. To ensure stability of rates for our customers in the future, we would like to achieve weather normalization in our other major states, particularly Texas and Louisiana.

As a result of the events of September 11, 2001, Atmos supplemented the benefits for its employees who serve as military reservists to help safeguard their livelihood and financial security. Atmos also redoubled its long-standing commitment to safety and security practices in order to increase the protection for its customers, employees and assets.

We plan to seek regulatory relief for declining usage—a national trend in the gas utility industry, which we estimate is reducing our net income by more than \$4 million a year. We also are continuing to apply for regulatory adjustments to base rates and to keep our utilities' gas price adjustments current. During the past two years, Atmos has received approval for more than \$20 million in additional revenues through rate proceedings and other regulatory provisions.

### **Hedging our gas supply**

Atmos has focused on minimizing the effects of natural gas price fluctuations on its customers and its earnings by using physical and financial hedges to stabilize gas purchase costs. For example, we normally buy and store during the lower-use summer months about one-fifth of the gas supply we will need for the next winter. Our gas storage provides a natural hedge against buying large volumes of gas at market prices during the winter. The gas we purchased this summer ranged in price from \$2.34 to \$4.87 per MMBtu, which is much lower than the past winter-season prices.

To hedge further against volatility in gas prices during the 2002 heating season, we are using futures contracts, call options, pricing collars and fixed-forward physical pricing contracts. These financial hedges lock in gas prices in most states for up to half of our flowing gas supply requirements. The hedges also help to moderate the effects on customer bills of spikes in gas prices and, in turn, should help lower our customer accounts receivable caused by higher gas prices.

In presenting our gas-supply hedging program to state regulatory agencies, we received approvals in some states and broad support from all the commissions.

### **Gas supply outlook**

The outlook for natural gas supplies this winter seems favorable. Abundant gas supplies lowered gas prices to a 29-month low in September, and energy analysts predict the United States will have sufficient gas supplies during the 2001–2002 winter season. Although gas prices may average above historical levels, they are not expected to return to last winter's peak prices.

That will be good for Atmos because we do not profit from the cost of natural gas. Our cost of gas is passed through to customers with no markup. Colder weather typically causes customers to use greater volumes, which do contribute to our earnings. But extreme gas prices impose a hardship not only on our customers, but also on Atmos.

High gas costs increase our interest expense for borrowings to pay the higher gas prices, decrease our cash flow, require higher reserves for doubtful accounts receivable, delay matching purchased gas adjustments with actual gas purchases and cause customer-service issues.

A normal winter would be welcomed by all of us in the gas utility industry. We need prices high enough to stimulate long-term production and new exploration but not so high that they dampen demand and cause hardships for our customers.

### **B u s i n e s s   l e a d e r s h i p**

This past May, Atmos received a gratifying award when it won the inaugural Greater Dallas Business Ethics Award. The award, sponsored by the Society of Financial Services Professionals, honors companies that demonstrate ethical business practices in everyday operations, in management philosophies and in responses to crises or challenges.

Atmos' employees subscribe to the highest ethical standards and values in the ways they conduct our business and treat our customers. We stress adhering not just to the letter of the law, but to the spirit of the law. This award recognizes that companies like Atmos that follow this policy can be successful financially and still be committed to fairness and mutual respect.

Atmos has benefited in 2001 from the strong contributions of its Board of Directors. In this regard, I'm pleased that Richard K. Gordon, a vice chairman of investment banking for Merrill Lynch & Co., has joined Atmos' board. Mr. Gordon has provided advice to Atmos and major energy companies around the world for more than 30 years. He contributes his exceptional knowledge of the energy industry and a very high standard of personal integrity to help us guide Atmos' future.

Among our senior management, we honored B. J. Hackler, formerly president of Atmos Energy Louisiana, who retired after 35 years of service and Cleaburne H. Fritz, formerly vice president, information technology, who retired after 33 years of service. Mr. Hackler was succeeded as president of Atmos Energy Louisiana by Conrad E. Gruber. Mr. Gruber, in turn, was succeeded as president of Western Kentucky Gas by John A. Paris. Succeeding Mr. Fritz as our chief information officer is Leslie H. Duncan, who brings to us many years of senior management experience in information technology.

## A bright future for Atmos

Atmos' future is bright. Natural gas continues to grow in demand and in value as the most efficient and most environmentally beneficial fuel source. In North America, we enjoy an abundant gas supply, which experts predict will last for generations to come.

Natural gas provides greater energy independence for our nation and contributes to our economic freedom. It is indigenous to our land and provides nearly a quarter of our country's energy supply.

Because of the need for greater national security following the events of September 11, Atmos, like other energy providers, has taken added steps to safeguard our delivery networks, our employees and our customers.

Delivering natural gas to our customers safely, reliably and efficiently is Atmos' expertise. We are passionate about providing exceptional customer service. We are a low-cost leader in the gas industry, and our utility acquisitions and nonutility expansions offer continuing opportunities for profitable growth and returns to our shareholders.

We are especially proud of our industry's role in providing for America's energy future. That future is no better characterized than by the men and women of Atmos

who do their work well and serve their country in so many other ways. Our report this year honors a representative few who, in their own communities and in their own deeds, exemplify their fellow employees.

On behalf of the Atmos board, management and employees, I thank you for your continued investment in Atmos. We promise to continue executing our strategy well—just as we did in 2001—demonstrating the spirit and results worthy of your confidence.

Sincerely,



Robert W. Best

*Chairman, President and Chief Executive Officer  
November 2, 2001*



Leading Atmos Energy Corporation is its Management Committee composed of (left to right) J.D. Woodward, senior vice president, nonutility operations; R. Earl Fischer, senior vice president, utility operations; Robert W. Best, chairman, president and chief executive officer; Louis P. Gregory, senior vice president and general counsel; J. Patrick Reddy, senior vice president and chief financial officer; and Wynn D. McGregor, vice president, human resources.

For Atmos, excellence in customer service is defined by doing even the small things exceptionally well. We use technology to improve our efficiency, but we never forget the importance of the human touch. The true measure is in receiving outstanding marks for service from our customers. Shown is Greeley Gas Company Supervisor Mike Lehman of Steamboat Springs, Colorado, where we use snowmobiles to reach remote homes during times of heavy snowfall.



# Our Spirit of...



# Our Dedication to Serving Customers Exceptionally Well

Delivering natural gas safely, reliably and at reasonable cost is the goal of Atmos' five utility business units. Our employees have shown their dedication again and again to serve our customers exceptionally well under all types of conditions.

The 2000–2001 winter season was one of those times. Bitter cold—the coldest winter on record for Atmos—swept the country, causing the price of natu-

ral gas to soar to an unprecedented \$10 per million Btu. Customers, concerned about their high gas bills, turned to our Customer Support Center, where call volumes rose 15-fold to 25,000 a day.

## Extra efforts

Atmos' customer service representatives took extraordinary efforts to reduce the length of customer hold times by setting up satellite call centers, enhancing Web-based customer service options and staffing local offices to be available for customers who wanted to talk with a company representative in person.

Employees also provided helpful information to those customers concerned about paying their bills. They helped them arrange for budget billing over a 12-month period, apply for extended payment plans and sign up for low-income energy assistance through government and private social service agencies.



Energas Meter Reader Stella Guerra of Plainview, Texas, has served more than nine years in the U.S. Army Reserve after eight years of active duty and currently is an instructor for the 9th Battalion (QM) 95th Division of Des Moines, Iowa.

# Service

Atmos is known not only for its courteous and helpful customer service, but also for the efficiency of its operations. One industry efficiency measure is the number of customers served per employee. The average for Atmos' industry peer group in 2001 was 439 customers served per employee, compared to 587 customers served by each Atmos employee.

Another efficiency measure is our operation and maintenance expense per customer. Atmos' \$130 per customer in 2001 was well below the peer-group average of \$224. In 2001, we held O&M spending to below the amount we spent in 1998, which was a substantial achievement.

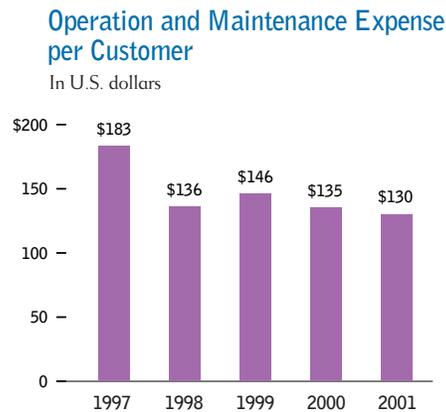
**Economies of scale**

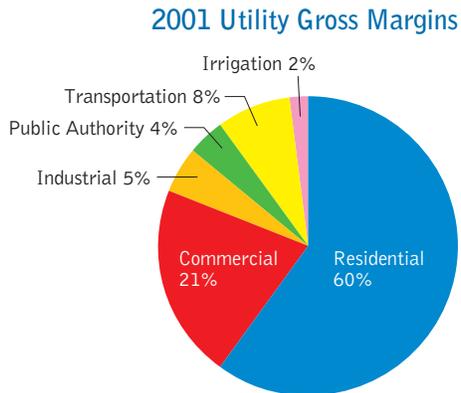
These measures show how efficient and cost-conscious we are. Indeed, our results are all the more impressive, considering we serve hundreds of small and rural communities in 11 states. We have achieved economies of scale even though the areas we serve are widely dispersed geographically with no large urban areas where greater centralization is possible.

To lower costs, we have begun a new initiative called Operations Blueprint. It is designed to improve the profitability and cost structure of our utility operations. It will guide us in operating our utilities to meet our long-range financial plans through organizational design and employee staffing, training and development. It is geared to create greater efficiencies and productivity improvements by ensuring common work practices and workforce management goals.

**Utility operating results**

Utility operations in 2001 earned net income of \$49.9 million on revenues of \$1,378.2 million. Approximately 80 percent of our utility gross operating margins were earned from residential and commercial customers. Utility operations provided 89 percent of net income and 96 percent of consolidated revenues for the year. These operations benefited from the colder winter weather, with a 13 percent increase in gas sales volumes to 157 billion cubic feet.





However, the colder weather also led to higher delinquencies by customers who did not pay their bills. As a result, our customer accounts receivable increased, as did our provision for doubtful accounts. In part, the delinquencies rose as a result of state regulatory rules that prohibit disconnecting customers for nonpayment during the winter-heating months and extremely lenient payment options permitted by some states.

We have stepped up collection efforts and have installed new measures to qualify customers before they are initially connected or reconnected to our distribution system. We also have worked with social service and public assistance agencies as well as state regulators to help customers restore their service as soon as possible.

**I n c r e a s e d   s e c u r i t y**

To protect our customers, employees and assets, Atmos always has stressed safety as the highest priority in all its operations.

Because of the terrorist strikes on September 11, our business units have heightened their security precautions. We have reviewed our business continuity plans, discussed security matters with public officials and law enforcement agencies and increased the vigilance at our facilities.

Our business units have well-established coordination and communication procedures with firefighters, law enforcement agencies and other emergency officials. We also have relationships with other gas companies in the region to assist each other in case of an emergency.

# Our Spirit

## Our Determination to Face Challenges and Achieve Goals

One of our strategies is to run our utility operations exceptionally well. To do this, we want to provide excellent customer service and be one of the most profitable gas providers in the industry.

Our fiscal 2001 results proved how we are accomplishing these two goals by successfully overcoming business challenges.

### **Regulatory relations**

As a regulated business, we need a reasonable opportunity to earn our allowed rates of return and to recover our prudent expenditures in a timely manner without the burden of "regulatory lag." However, it is equally incumbent upon us to keep our regulatory filings up to date.

Operating in 11 states, we face wide-ranging requirements that control our tariffs and the way we do business. As a result, we work with local officials and state utility commission staffs to explain our operating results. We file promptly when revenue deficiencies occur and we keep our purchased gas



Energas Service Technician Henry Cruz, his wife, Stacey, and daughter Lauren intended to adopt two children, but instead found room in their home and hearts to adopt five children from the same family and reunite them.

# of...Resilience



To lessen the effects of higher gas prices during the winter on customers with fixed incomes and on low income customers, Greeley Gas Public Affairs Manager Karen Wilkes (shown left) formed a coalition of industry representatives and energy assistance agencies throughout Colorado. Together, this group successfully lobbied for additional energy assistance funds, developed a massive public awareness campaign and created a single toll-free number that customers of all natural gas companies in Colorado could call for assistance information. The coalition continues to operate.

adjustments current to recover the cost of natural gas that we purchase to deliver to our customers.

Atmos has been successful in pursuing regulatory relief. During the past two years, Atmos' utility operations have been granted \$20 million in additional revenues by six regulatory commissions. In 2001, we concluded rate cases in Texas, Illinois, Colorado and Virginia.

We will continue to seek regulatory approvals for changes that have significant financial effects, such as weather-normalized rate structures, declining usage and gas-supply hedging.

Because of the past winter's high gas costs, we have undertaken a program to hedge about half of our gas supply for the 2001–2002 heating season. In addition to the gas we buy and place in storage during the summer months, we are using a variety of financial derivatives to stabilize our future gas costs.

Our hedging measures will benefit our customers as well as Atmos by moderating some of the negative effects of spiking gas costs. We're gratified that all the regulatory commissions in the states we serve have either approved outright or indicated broad support for the objectives of our plan.

### **Future filings**

Through approvals for marketing efforts and changes in rate design, we will seek to overcome the financial effects of an industrywide trend of declining volume consumption, owing to energy-efficient appliances, conservation and better-insulated houses and commercial buildings.

We also will seek to recover extraordinary items, such as the significant increase in bad debts resulting from the past winter's high gas prices. In two states, we already have been granted approval to recover a portion of these bad debts.

Although weather normalization is now in effect for 26 percent of our customer base, much warmer-than-normal winter weather in recent years has hurt our financial results. Our gas sales volumes are directly related to heating requirements during winter weather. Rates that are weather-normalized help stabilize rates for our customers and operating revenues for our utility business units. As a result, Atmos has a long-term strategy to obtain weather-normalized rates in Texas, Louisiana and possibly other states. To further mitigate the effects of adverse weather conditions on our earnings, we will seek to shift more of our costs from the commodity to the base portion of rates.

Atmos also has purchased a three-year weather insurance policy, beginning in fiscal 2002, for its Texas and Louisiana operations. We have the option to cancel in the third year if we are able to get weather protection through rates. This weather policy protects against weather that is at least 7 percent warmer than normal, with a

potential payout of up to \$20 million each year. The full break-even of the premium cost occurs with weather that is at least 11 percent warmer than normal.

For fiscal 2002, weather-normalized rates and weather insurance will be in place for nearly three-fourths of our rate base. Mississippi Valley Gas has weather-normalized rates, as well.

Weather is a critical factor affecting our sales of natural gas for irrigation. Many West Texas farmers use gas to power irrigation pumps during the spring and summer. Early in the 2001 season, rainfall and high gas prices limited demand; however, declining

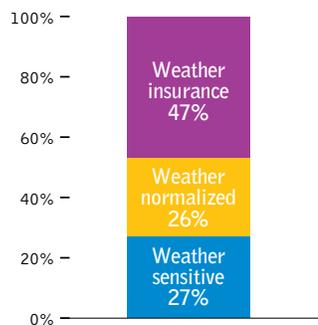
gas prices and hot weather during the summer helped sales that recouped some of the early losses. Our total irrigation revenues were \$35 million, or 2 percent, of 2001 consolidated revenues.

### **Optimizing utility operations**

Atmos will continue to evaluate how best to use its regulated assets to benefit its customers and its shareholders. In some cases, we will consider divesting nonstrategic assets and redeploying the proceeds to assets or ventures that offer greater opportunities for profitable growth.

Such a situation arose in December 2000, when Atmos sold its natural gas distribution assets in Gaffney, South Carolina, for approximately \$6.6 million in cash. The South Carolina assets, which were operated by our United Cities Gas division, served only 5,400 customers, and there was virtually no opportunity for Atmos to increase its scope and scale within the state.

**2002 Atmos Utility Customer Base**



# Combining People and Assets to Form a Louisiana Leader

Atmos completed its acquisition of the assets of Louisiana Gas Service Company and LGS Natural Gas Company in July 2001 to become the largest pure natural gas distributor in Louisiana.

The addition of about 279,000 LGS customers also made Atmos the fifth-largest pure natural gas utility in the country. LGS was combined with our Trans Louisiana Gas Company to form a new business unit, Atmos Energy Louisiana.

The integration of the two companies went very smoothly because of the excellent teamwork by the employees of the two companies. In addition, Atmos' investments in advanced information technology and financial systems helped the combination proceed quickly. Just three days after completing the acquisition, we successfully billed our new LGS customers through the Atmos billing system.

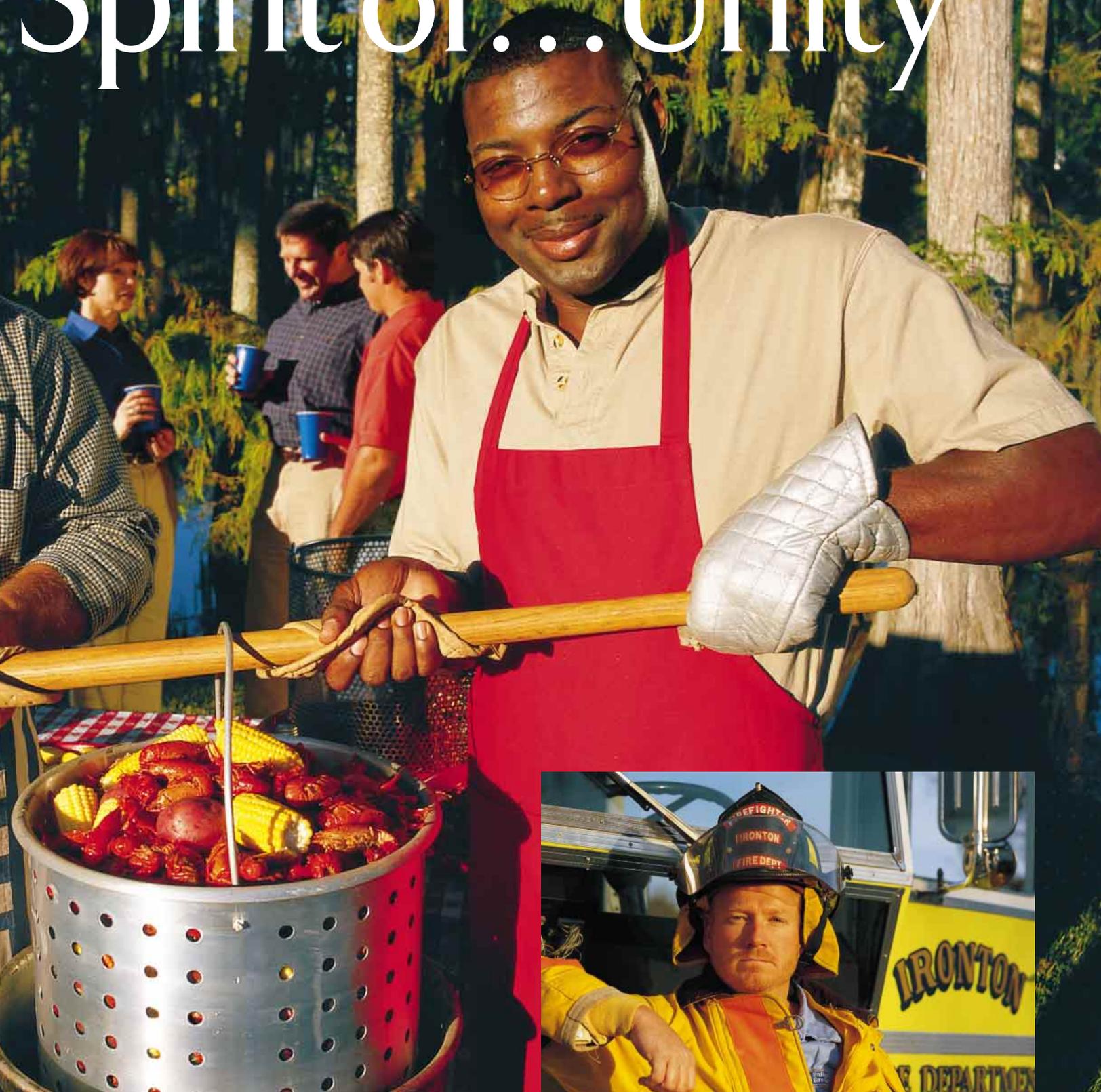
Our acquisition strategy is not just to grow. It is to grow profitably and to optimize our assets. LGS is a good example of how we are increasing our scale and scope and achieving this strategy. With LGS, we added new areas with customer-growth rates higher than in many of our other communities. LGS also is providing additional nonutility revenues through its pipeline and storage assets and nonutility gas sales to industrial customers. We are proud of our record not only of adding profitable assets like LGS, but also of maintaining our customers' trust and satisfaction.

# Our



Atmos completed the acquisition of Louisiana Gas Service Company in July and combined it with our Trans Louisiana Gas operations to form Atmos Energy Louisiana. Atmos is now the largest pure natural gas distributor in Louisiana. Shown are Anthony McGehee (left), senior construction operator who worked for Trans La, and Roy Moss Sr. (right), service technician who was with LGS.

# Spirit of...Unity



United Cities Gas Journeyman Serviceman Leigh Jackson serves as a volunteer firefighter in Ironton, Missouri.



# Our Spirit of...

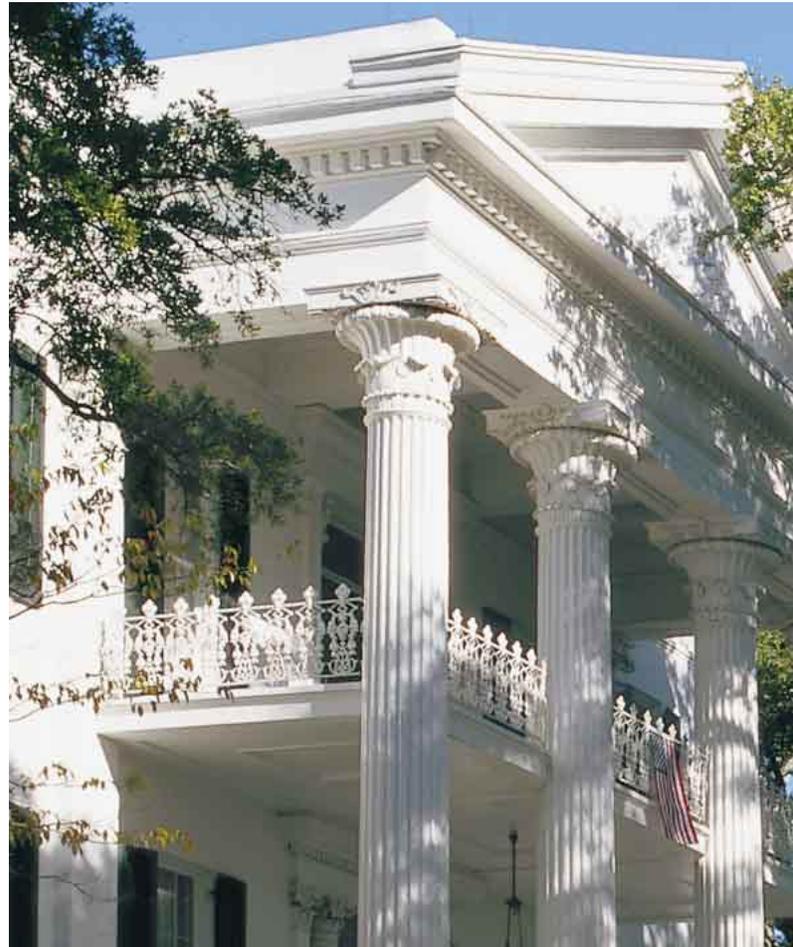
## Continued Growth with Mississippi's No. 1 Gas Company

We concluded fiscal 2001 by announcing in September our ninth acquisition since 1983. Atmos will acquire Mississippi Valley Gas Company, Mississippi's largest gas utility.

Mississippi Valley Gas will expand our utility operations into 12 states and will increase our customer base to nearly 1.7 million customers, making Atmos the country's third-largest pure natural gas utility.

Atmos will gain a successful utility, which operates efficiently, offers some of the lowest rates in the Southeast and ranks high in customer satisfaction. The utility serves 144 communities and has a rate structure designed to mitigate the effect of weather on earnings, provide stable cash flow and reward the utility for excellent customer service.

Atmos will acquire Mississippi Valley Gas for \$75 million in cash and \$75 million in Atmos common stock. We also will assume Mississippi Valley Gas' outstanding debt, net of working capital, of about \$45 million. We expect to complete the acquisition in fiscal 2002.



Dave Doggette, vice president of Technical Services for Western Kentucky Gas, is an Eagle Scout and scoutmaster for a new Boy Scout program devoted to high adventure activities, such as rock climbing and whitewater rafting.

# Commitment



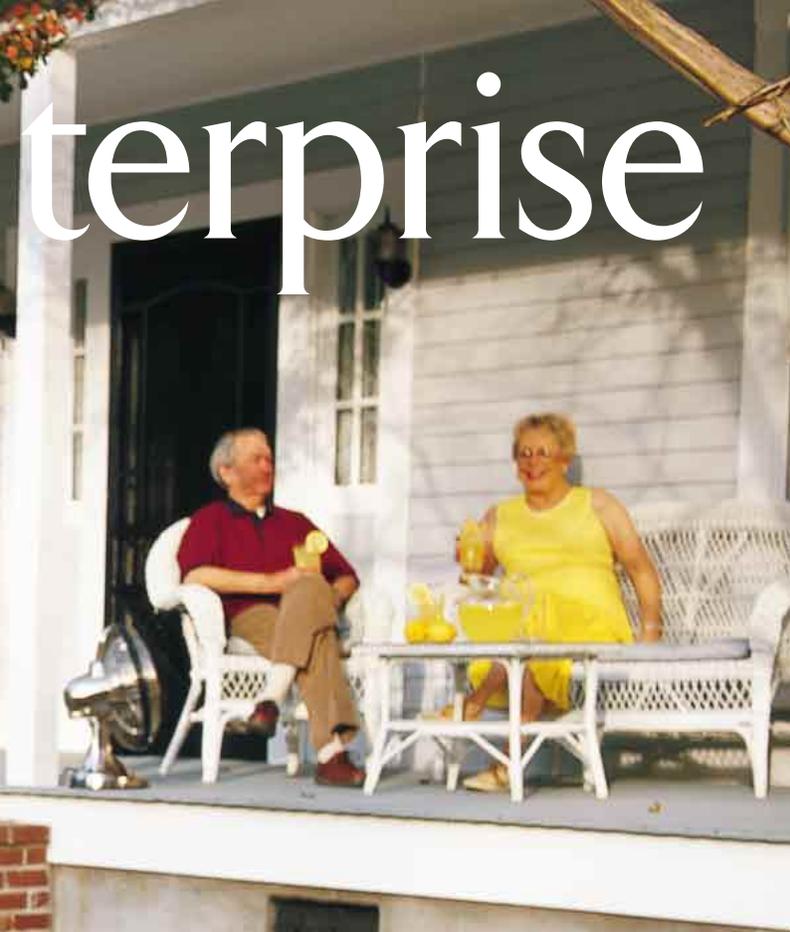
We continued our acquisition strategy with an agreement in September 2001 to acquire Mississippi Valley Gas Company, the state's largest gas utility, which will make Atmos the country's third-largest pure gas distributor. Mississippi Valley Gas serves approximately 261,500 Mississippi customers in 144 communities, including Natchez, known for its antebellum homes. Stanton Hall (pictured) is one of the most visited National Historic Landmarks in America.

# Our Spirit of..En



Atmos has developed an innovative strategy to enter the electric generation market with minimal risk. In the summer of 2001, Atmos Power Systems completed a 20-megawatt electric generating plant and leased it to the Electric Department of the City of Bolivar, Tennessee. The plant provides additional peak load electric power typically required during the summer months. With the success of this first project, Atmos Power Systems is considering opportunities to build and lease similar-sized power plants.

# terprise



## Pursuing New Ways to Profitably Grow Nonutility Earnings

Atmos expects its nonutility operations to provide opportunities for future growth and earnings.

In April, we expanded these operations by acquiring the remaining 55 percent of Woodward Marketing, L.L.C., that Atmos did not already own.

Woodward provides natural gas marketing and trading in 17 states to Atmos, municipalities and industrial customers. A 2000 national survey ranked it as the No. 1 U.S. mid-tier gas marketer in customer service.

We have organized Woodward and Atmos' other nonutility operations under a new subsidiary, Atmos Energy Holdings, Inc. Its operations include a variety of natural gas management services, such as the acquisition and provision of gas supplies, load forecasting and management, gas storage and transportation management services, peaking sales and balancing services, and gas-price hedging.

Atmos has also formed Atmos Power Systems, Inc., to build and lease small electric power plants and related facilities.

Atmos Power Systems completed its first

project, a 20-megawatt power plant that is leased to the Electric Department of the City of Bolivar, Tennessee, and provides peak-demand electricity to the Tennessee Valley Authority. Atmos Power Systems is pursuing other similar power projects.



Atmos Energy Louisiana Corrosion Control Technician Kenneth Wilson is president of the Interstate 20 Economic Development Board in Monroe, Louisiana, which works to bring new businesses and new jobs to the area, such as this site for a shopping center being developed by a national discount department store.

|   |    |
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## **Summary Annual Report**

The financial information presented in this report regarding 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. Investors may request, without charge, our Annual Report on Form 10-K for the year ended September 30, 2001, by calling Investor Relations at 1-800-382-8667 between 7:30 a.m. and 4:30 p.m. Central time. Our Form 10-K may also be viewed on Atmos' Web site at <http://www.atmosenergy.com>. Additional investor information can be found inside the back cover of this report.

|                                      | Year ended September 30 |                   |
|--------------------------------------|-------------------------|-------------------|
|                                      | 2001                    | 2000              |
| <b>Meters in service</b>             |                         |                   |
| Residential                          | 1,243,625               | 970,873           |
| Commercial                           | 122,274                 | 104,019           |
| Industrial (including agricultural)  | 13,020                  | 14,259            |
| Public authority and other           | 7,404                   | 7,448             |
| Total meters                         | <u>1,386,323</u>        | <u>1,096,599</u>  |
| <b>Heating degree days</b>           |                         |                   |
| Actual (weighted average)            | 2,753                   | 2,096             |
| Percent of normal                    | 107%                    | 82%               |
| <b>Sales volumes (MMcf)</b>          |                         |                   |
| Residential                          | 79,000                  | 63,285            |
| Commercial                           | 36,922                  | 30,707            |
| Industrial (including agricultural)  | 33,730                  | 38,687            |
| Public authority and other           | 6,892                   | 5,520             |
| Total                                | <u>156,544</u>          | <u>138,199</u>    |
| <b>Transportation volumes (MMcf)</b> | <u>61,230</u>           | <u>59,365</u>     |
| <b>Total throughput (MMcf)</b>       | <u>217,774</u>          | <u>197,564</u>    |
| <b>Propane – gallons (000s)</b>      | <u>—</u>                | <u>19,329</u>     |
| <b>Operating revenues (000s)</b>     |                         |                   |
| Gas sales revenues                   |                         |                   |
| Residential                          | \$ 788,902              | \$ 405,552        |
| Commercial                           | 342,945                 | 176,712           |
| Industrial (including agricultural)  | 208,168                 | 171,447           |
| Public authority and other           | 58,539                  | 27,198            |
| Total                                | <u>1,398,554</u>        | <u>780,909</u>    |
| Transportation revenues              | 28,668                  | 23,610            |
| Other gas revenues                   | 10,925                  | 4,674             |
| Total gas revenues                   | <u>1,438,147</u>        | <u>809,193</u>    |
| Propane revenues                     | —                       | 22,550            |
| Other revenues                       | 4,128                   | 18,409            |
| <b>Total operating revenues</b>      | <u>\$1,442,275</u>      | <u>\$ 850,152</u> |
| <b>Other statistics</b>              |                         |                   |
| Gross plant (000s)                   | \$2,109,867             | \$1,579,803       |
| Net plant (000s)                     | \$1,335,398             | \$ 982,346        |
| Miles of pipe                        | 38,938                  | 30,029            |
| Employees                            | 2,361                   | 1,885             |

## Condensed Consolidated Balance Sheets

|  | September 30                                     |                    |
|--|--|--------------------|
|  | 2001   | 2000               |
|  | <i>(Dollars in thousands, except share data)</i> |                    |
| <b>ASSETS</b>  |  |                    |
| <b>Property, plant and equipment</b>   | \$2,055,986                                      | \$1,546,569        |
| <b>Construction in progress</b>  | 53,881   | 33,234             |
| Total property, plant and equipment, at cost   | 2,109,867  | 1,579,803          |
| <b>Less accumulated depreciation and amortization</b>  | 774,469  | 597,457            |
| Net property, plant and equipment  | 1,335,398  | 982,346            |
| <b>Current assets</b>  |  |                    |
| Cash and cash equivalents  | 15,263   | 7,379              |
| Cash held on deposit in margin account   | 66,666   | —                  |
| Accounts receivable, net   | 124,046  | 77,264             |
| Inventories  | 6,041  | 6,456              |
| Gas stored underground   | 89,555   | 64,222             |
| Assets from risk management activities   | 95,968   | —                  |
| Deferred gas cost  | 10,999   | 37,184             |
| Other current assets and prepayments   | 15,713   | 8,101              |
| Total current assets   | 424,251  | 200,606            |
| <b>Intangible assets</b>   | 12,125   | 878                |
| <b>Goodwill</b>  | 64,745   | 3,110              |
| <b>Noncurrent assets from risk management activities</b>   | 29,771   | —                  |
| <b>Deferred charges and other assets</b>   | 169,890  | 161,818            |
|  | <u>\$2,036,180</u>                               | <u>\$1,348,758</u> |
| <b>CAPITALIZATION AND LIABILITIES</b>  |  |                    |
| <b>Shareholders' equity</b>  |  |                    |
| Common stock, no par value (stated at \$.005 per share);<br>100,000,000 shares authorized; issued and outstanding:<br>2001 – 40,791,501 shares, 2000 – 31,952,340 shares | \$ 204   | \$ 160             |
| Additional paid-in capital   | 489,948  | 306,887            |
| Retained earnings  | 95,132   | 83,154             |
| Accumulated other comprehensive income (loss)  | (1,420)  | 2,265              |
| Shareholders' equity   | 583,864  | 392,466            |
| <b>Long-term debt</b>  | 692,399  | 363,198            |
| Total capitalization   | 1,276,263  | 755,664            |
| <b>Current liabilities</b>   |  |                    |
| Current maturities of long-term debt   | 20,695   | 17,566             |
| Short-term debt  | 201,247  | 250,047            |
| Accounts payable and accrued liabilities   | 84,471   | 73,031             |
| Taxes payable  | 11,620   | 10,844             |
| Customers' deposits  | 32,351   | 9,923              |
| Liabilities from risk management activities  | 119,484  | —                  |
| Other current liabilities  | 41,161   | 21,085             |
| Total current liabilities  | 511,029  | 382,496            |
| <b>Deferred income taxes</b>   | 138,934  | 131,619            |
| <b>Noncurrent liabilities from risk management activities</b>  | 7,412  | —                  |
| <b>Deferred credits and other liabilities</b>  | 102,542  | 78,979             |
|  | <u>\$2,036,180</u>                               | <u>\$1,348,758</u> |

**ATMOS ENERGY CORPORATION**  
**Condensed Consolidated Statements of Income**

|  | Year ended September 30                              |           |           |
|--|--|-----------|-----------|
|  | 2001   | 2000      | 1999      |
|  | <i>(Dollars in thousands, except per share data)</i> |           |           |
| <b>Operating revenues</b>                        | \$1,442,275  | \$850,152 | \$690,196 |
| <b>Purchased gas cost</b>                        | 1,067,555  | 524,446   | 390,402   |
| <b>Gross profit</b>                              | 374,720  | 325,706   | 299,794   |
| <b>Gas trading margin</b>                        | 488  | —         | —         |
| <b>Operating expenses</b>                        |  |           |           |
| Operation  | 133,240  | 140,249   | 148,065   |
| Maintenance                                      | 6,368  | 7,648     | 9,141     |
| Depreciation and amortization                    | 67,664   | 63,855    | 56,874    |
| Taxes, other than income                         | 37,655   | 28,638    | 31,475    |
| Total operating expenses                         | 244,927  | 240,390   | 245,555   |
| <b>Operating income</b>                          | 130,281  | 85,316    | 54,239    |
| <b>Other income</b>                              |  |           |           |
| Equity in earnings of Woodward Marketing, L.L.C. | 8,062  | 7,307     | 7,156     |
| Miscellaneous income (expense), net              | (1,874)  | 7,437     | 2,967     |
| Total other income                               | 6,188  | 14,744    | 10,123    |
| <b>Interest charges, net</b>                     | 47,011   | 43,823    | 37,063    |
| <b>Income before income taxes</b>                | 89,458   | 56,237    | 27,299    |
| <b>Income taxes</b>                              | 33,368   | 20,319    | 9,555     |
| <b>Net income</b>                                | \$ 56,090  | \$ 35,918 | \$ 17,744 |
| <b>Basic net income per share</b>                | \$1.47   | \$1.14    | \$.58     |
| <b>Diluted net income per share</b>              | \$1.47   | \$1.14    | \$.58     |
| <b>Cash dividends per share</b>                  | \$1.16   | \$1.14    | \$1.10    |
| <b>Weighted average shares outstanding:</b>      |  |           |           |
| Basic  | 38,156   | 31,461    | 30,566    |
| Diluted  | 38,247   | 31,594    | 30,819    |

## Condensed Consolidated Statements of Cash Flows

|  | Year ended September 30       |           |           |
|--|-------------------------------|-----------|-----------|
|  | 2001                          | 2000      | 1999      |
|  | <i>(Dollars in thousands)</i> |           |           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                               |           |           |
| Net income   | \$ 56,090                     | \$ 35,918 | \$ 17,744 |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                               |           |           |
| Depreciation and amortization:   |                               |           |           |
| Charged to depreciation and amortization   | 67,664                        | 63,855    | 56,874    |
| Charged to other accounts  | 2,806                         | 3,065     | 4,800     |
| Deferred income taxes  | 18,501                        | 18,251    | 31,874    |
| Deferred lease income  | (979)                         | —         | —         |
| Net assets/liabilities from risk management activities                                   | 13,881                        | —         | —         |
| Gain on sale of nonregulated assets  | —                             | (5,831)   | —         |
| Changes in assets and liabilities  | (74,968)                      | (61,062)  | (26,594)  |
| Net cash provided by operating activities  | 82,995                        | 54,196    | 84,698    |
| <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>   |                               |           |           |
| Capital expenditures   | (113,109)                     | (75,557)  | (110,353) |
| Acquisitions   | (363,399)                     | (32,000)  | —         |
| Retirements of property, plant and equipment, net  | (1,460)                       | 957       | 757       |
| Assets for leasing activities  | (5,377)                       | —         | —         |
| Increase in cash from acquisition  | 8,644                         | —         | —         |
| Proceeds from sale of assets, net  | 6,625                         | 6,467     | —         |
| Net cash used in investing activities  | (468,076)                     | (100,133) | (109,596) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                               |           |           |
| Net increase (decrease) in short-term debt   | (48,800)                      | 81,743    | 101,904   |
| Net proceeds from issuance of long-term debt   | 347,099                       | —         | —         |
| Repayment of long-term debt  | (17,670)                      | (14,567)  | (61,000)  |
| Cash dividends paid  | (44,112)                      | (35,995)  | (33,882)  |
| Issuance of common stock   | 14,405                        | 13,550    | 21,726    |
| Net proceeds from equity offering  | 142,043                       | —         | —         |
| Net cash provided by financing activities  | 392,965                       | 44,731    | 28,748    |
| <b>Net increase (decrease) in cash and cash equivalents</b>                              | 7,884                         | (1,206)   | 3,850     |
| <b>Cash and cash equivalents at beginning of year</b>                                    | 7,379                         | 8,585     | 4,735     |
| <b>Cash and cash equivalents at end of year</b>  | \$ 15,263                     | \$ 7,379  | \$ 8,585  |

ATMOS ENERGY CORPORATION  
Report of Independent Auditors

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**To Shareholders of Atmos Energy Corporation:**

We have audited the consolidated balance sheets of Atmos Energy Corporation at September 30, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 2001 (not presented separately herein) and in our report dated November 2, 2001, 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 2, 2001

## Consolidated Financial and Statistical Summary (2001-1997)

|  | Year ended September 30 |           |            |            |            |
|--|-------------------------|-----------|------------|------------|------------|
|  | 2001                    | 2000      | 1999       | 1998       | 1997*      |
| <b>BALANCE SHEET DATA AT SEPTEMBER 30 (Dollars in thousands)</b>           |                         |           |            |            |            |
| Capital expenditures   | \$ 113,109              | \$ 75,557 | \$ 110,353 | \$ 134,989 | \$ 122,312 |
| Net property, plant and equipment  | 1,335,398               | 982,346   | 965,782    | 917,860    | 849,127    |
| Working capital  | (86,778)                | (181,890) | (151,622)  | (116,679)  | (169,518)  |
| Total assets   | 2,036,180               | 1,348,758 | 1,230,537  | 1,141,390  | 1,088,311  |
| Shareholders' equity   | 583,864                 | 392,466   | 377,663    | 371,158    | 327,260    |
| Long-term debt, excluding current maturities                               | 692,399                 | 363,198   | 377,483    | 398,548    | 302,981    |
| Total capitalization   | 1,276,263               | 755,664   | 755,146    | 769,706    | 630,241    |
| <b>INCOME STATEMENT DATA (Dollars in thousands, except per share data)</b> |                         |           |            |            |            |
| Operating revenues   | \$1,442,275             | \$850,152 | \$690,196  | \$848,208  | \$906,835  |
| Gross profit   | 374,720                 | 325,706   | 299,794    | 331,836    | 329,654    |
| Net income   | 56,090                  | 35,918    | 17,744     | 55,265     | 23,838     |
| Net income per share – diluted   | 1.47                    | 1.14      | .58        | 1.84       | .81        |
| <b>COMMON STOCK DATA</b>   |                         |           |            |            |            |
| Shares outstanding (in thousands)  |                         |           |            |            |            |
| End of year  | 40,792                  | 31,952    | 31,248     | 30,398     | 29,642     |
| Weighted average   | 38,247                  | 31,594    | 30,819     | 30,031     | 29,422     |
| Cash dividends per share   | \$1.16                  | \$1.14    | \$1.10     | \$1.06     | \$1.01     |
| Shareholders of record   | 30,524                  | 32,394    | 35,179     | 36,949     | 29,867     |
| Market price – High  | \$26.25                 | \$25.00   | \$32.69    | \$31.06    | \$27.88    |
| Low  | \$19.31                 | \$14.75   | \$23.06    | \$24.63    | \$22.13    |
| End of year  | \$21.60                 | \$20.63   | \$24.13    | \$28.56    | \$24.88    |
| Book value per share at end of year  | \$14.31                 | \$12.28   | \$12.09    | \$12.21    | \$11.04    |
| Price/Earnings ratio at end of year  | 14.69                   | 18.09     | 41.59      | 15.52      | 30.71      |
| Market/Book ratio at end of year   | 1.51                    | 1.68      | 2.00       | 2.34       | 2.25       |
| Annualized dividend yield at end of year                                   | 5.4%                    | 5.5%      | 4.6%       | 3.7%       | 4.1%       |
| <b>CUSTOMERS AND VOLUMES (As metered)</b>                                  |                         |           |            |            |            |
| Gas sales volumes (MMcf)   | 156,544                 | 138,199   | 140,119    | 159,373    | 164,208    |
| Gas transportation volumes (MMcf)  | 61,230                  | 59,365    | 55,468     | 56,224     | 48,800     |
| Total throughput (MMcf)  | 217,774                 | 197,564   | 195,587    | 215,597    | 213,008    |
| Meters in service at end of year   | 1,386,323               | 1,096,599 | 1,037,995  | 1,004,532  | 985,448    |
| Total meters and propane customers   | 1,386,323               | 1,096,599 | 1,077,534  | 1,041,932  | 1,014,545  |
| Heating degree days#   | 2,753                   | 2,096     | 3,374      | 3,799      | 3,909      |
| Degree days as a percentage of normal                                      | 107%                    | 82%       | 85%        | 95%        | 98%        |
| Average gas sales price per Mcf sold                                       | \$8.93                  | \$5.65    | \$4.53     | \$4.87     | \$5.11     |
| Average purchased gas cost per Mcf sold                                    | \$6.83                  | \$3.79    | \$2.79     | \$3.24     | \$3.51     |
| Average transportation fee per Mcf   | \$.47                   | \$.40     | \$.42      | \$.43      | \$.41      |
| <b>STATISTICS</b>  |                         |           |            |            |            |
| Return on average shareholders' equity                                     | 10.4%                   | 9.3%      | 4.7%       | 15.8%      | 7.3%       |
| Number of employees  | 2,361                   | 1,885     | 2,062      | 2,193      | 2,679      |
| Net plant per meter  | \$963                   | \$896     | \$930      | \$914      | \$862      |
| Operating, maintenance and administrative expense per meter                | \$130‡                  | \$135     | \$146      | \$136      | \$183      |
| Customers per employee   | 587                     | 582       | 523        | 475        | 379        |
| Times interest earned before income taxes                                  | 2.83                    | 2.28      | 1.56       | 3.09       | 2.04       |

\* Amounts for years before 1997 have been restated for pooling of interests with United Cities Gas Company in July 1997.

# Heating degree days for 2001 and 2000 are presented excluding service areas with weather-normalized operations. Heating degree days for years prior to 2000 do not exclude 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.

Consolidated Financial and Statistical Summary (1996-1991)<sup>†</sup>

|  | Year ended September 30 |           |           |           |           |           |
|--|-------------------------|-----------|-----------|-----------|-----------|-----------|
|  | 1996                    | 1995      | 1994      | 1993      | 1992      | 1991      |
| <b>BALANCE SHEET DATA AT SEPTEMBER 30 (Dollars in thousands)</b>           |                         |           |           |           |           |           |
| Capital expenditures   | \$ 117,589              | \$103,904 | \$ 85,471 | \$ 74,110 | \$ 71,056 | \$ 69,247 |
| Net property, plant and equipment  | 770,211                 | 697,287   | 638,787   | 592,887   | 552,599   | 522,234   |
| Working capital  | (102,764)               | (41,980)  | (32,340)  | (31,830)  | (16,398)  | (39,349)  |
| Total assets   | 1,010,610               | 900,948   | 829,385   | 786,739   | 723,632   | 701,185   |
| Shareholders' equity   | 329,582                 | 304,349   | 267,584   | 251,317   | 223,984   | 197,582   |
| Long-term debt, excluding current maturities                               | 276,162                 | 294,463   | 282,647   | 257,696   | 269,887   | 243,891   |
| Total capitalization   | 605,744                 | 598,812   | 550,231   | 509,013   | 493,871   | 441,473   |
| <b>INCOME STATEMENT DATA (Dollars in thousands, except per share data)</b> |                         |           |           |           |           |           |
| Operating revenues   | \$886,691               | \$749,555 | \$826,302 | \$794,893 | \$708,968 | \$672,265 |
| Gross profit   | 324,412                 | 300,158   | 297,020   | 289,394   | 264,098   | 243,211   |
| Net income   | 41,151                  | 28,808    | 26,772    | 29,694    | 21,216    | 17,487    |
| Net income per share – diluted   | 1.42                    | 1.06      | 1.05      | 1.21      | .91       | .81       |
| <b>COMMON STOCK DATA</b>   |                         |           |           |           |           |           |
| Shares outstanding (in thousands)  |                         |           |           |           |           |           |
| End of year  | 29,242                  | 28,246    | 25,911    | 25,183    | 24,100    | 22,277    |
| Weighted average   | 28,994                  | 27,208    | 25,604    | 24,535    | 23,324    | 21,582    |
| Cash dividends per share   | \$.98                   | \$.96     | \$.91     | \$.82     | \$.79     | \$.75     |
| Shareholders of record   | 36,472                  | 31,782    | 27,005    | 24,649    | 12,989    | 11,064    |
| Market price – High  | \$31.00                 | \$20.63   | \$21.13   | \$20.63   | \$15.25   | \$14.13   |
| Low  | \$18.00                 | \$15.88   | \$16.38   | \$13.50   | \$12.63   | \$10.38   |
| End of year  | \$23.38                 | \$19.38   | \$17.75   | \$20.25   | \$14.88   | \$14.00   |
| Book value per share at end of year  | \$11.27                 | \$10.77   | \$10.33   | \$9.98    | \$9.29    | \$8.87    |
| Price/Earnings ratio at end of year  | 16.46                   | 18.28     | 16.90     | 16.74     | 16.35     | 17.28     |
| Market/Book ratio at end of year   | 2.07                    | 1.80      | 1.72      | 2.03      | 1.60      | 1.58      |
| Annualized dividend yield at end of year                                   | 4.2%                    | 5.0%      | 5.1%      | 4.1%      | 5.3%      | 5.4%      |
| <b>CUSTOMERS AND VOLUMES (As metered)</b>                                  |                         |           |           |           |           |           |
| Gas sales volumes (MMcf)   | 178,293                 | 166,656   | 170,691   | 166,065   | 151,316   | 151,060   |
| Gas transportation volumes (MMcf)  | 44,146                  | 47,647    | 47,882    | 51,665    | 43,320    | 44,685    |
| Total throughput (MMcf)  | 222,439                 | 214,303   | 218,573   | 217,730   | 194,636   | 195,745   |
| Meters in service at end of year   | 976,308                 | 949,213   | 943,728   | 888,315   | 876,142   | 863,089   |
| Total meters and propane customers   | 1,002,416               | 972,572   | 965,421   | 908,813   | 897,262   | 887,569   |
| Heating degree days <sup>#</sup>   | 4,043                   | 3,706     | 3,855     | 4,080     | 3,676     | 3,583     |
| Degree days as a percentage of normal                                      | 101%                    | 93%       | 97%       | 102%      | 92%       | 90%       |
| Average gas sales price per Mcf sold                                       | \$4.51                  | \$4.07    | \$4.41    | \$4.32    | \$4.20    | \$4.03    |
| Average purchased gas cost per Mcf sold                                    | \$3.15                  | \$2.70    | \$3.10    | \$3.04    | \$2.94    | \$2.84    |
| Average transportation fee per Mcf   | \$.43                   | \$.42     | \$.45     | \$.42     | \$.50     | \$.52     |
| <b>STATISTICS</b>  |                         |           |           |           |           |           |
| Return on average shareholders' equity                                     | 13.0%                   | 10.1%     | 10.3%     | 12.5%     | 10.1%     | 9.4%      |
| Number of employees  | 2,863                   | 2,944     | 3,052     | 3,105     | 3,102     | 3,139     |
| Net plant per meter  | \$789                   | \$735     | \$677     | \$645     | \$611     | \$589     |
| Operating, maintenance and administrative expense per meter                | \$160                   | \$163     | \$169     | \$169     | \$163     | \$152     |
| Customers per employee   | 350                     | 330       | 316       | 293       | 289       | 283       |
| Times interest earned before income taxes                                  | 3.00                    | 2.44      | 2.45      | 2.47      | 2.07      | 1.82      |

<sup>†</sup> Share data have been adjusted for a 3-for-2 stock split in May 1994, and amounts have been restated for pooling of interests with Greeley Gas Company in December 1993.

<sup>#</sup> Heating degree days for 2001 and 2000 are presented excluding service areas with weather-normalized operations. Heating degree days for years prior to 2000 do not exclude service areas with weather-normalized operations, as that information was not available.

## Forward-Looking Statements

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 facts included in this report are forward-looking statements made in good faith by the Company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this report or in any of the Company's other documents or oral presentations, the words "anticipate," "expect," "estimate," "plans," "believes," "objective," "forecast," "goal" or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements relating to the Company's earnings per share projections, operations, markets, services, rates, recovery of costs, availability of gas supply and other factors. A discussion of these risks and uncertainties may be found in the Company's Form 10-K for the year ended September 30, 2001. 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. 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

**J. D. Woodward**

Senior Vice President, Nonutility Operations

**Louis P. Gregory**

Senior Vice President and General Counsel

**Wynn D. McGregor**

Vice President, Human Resources

UTILITY BUSINESS UNITS

**Thomas R. Blose, Jr.**

President, United Cities Gas Company

**Conrad E. Gruber**

President, Atmos Energy Louisiana

**Tom S. Hawkins, Jr.**

President, Energas Company

**John A. Paris**

President, Western Kentucky Gas Company

**Gary L. Schlessman**

President, Greeley Gas Company

NONUTILITY BUSINESS UNITS

**Robert E. Mattingly**

Vice President, New Business Ventures –  
Retail Services

**Ron W. McDowell**

Vice President, New Business Ventures

SHARED SERVICES

**Leslie H. Duncan**

Vice President and Chief Information Officer

**Shirley A. Hines**

Corporate Secretary

**Lynn L. Hord**

Vice President, Investor Relations and  
Corporate Communications

**Fred E. Meisenheimer**

Vice President and Controller

**Gordon J. Roy**

Vice President, Gas Supply

**Laurie M. Sherwood**

Vice President, Corporate Development,  
and Treasurer

## Board of Directors

### Travis W. Bain II

Chairman, Texas Custom Pools, Inc.  
President, Bain Enterprises, 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

Attorney  
Dallas, Texas  
Board member since 1988  
Committees: Audit (Chairman), Human Resources

### Richard W. Cardin

Consultant, and retired partner  
of Arthur Andersen LLP  
Nashville, Tennessee  
Board member since 1997  
Committees: Audit, Nominating

### 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

Vice Chairman, Investment Banking  
Merrill Lynch & Company  
Houston, Texas  
Board member since 2001  
Committee: Human Resources

### 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 of Alabama System  
Tuscaloosa, Alabama  
Board member since 1995  
Committees: Audit, Nominating

### Phillip E. Nichol

Senior Vice President of Central Division Staff  
PaineWebber Incorporated  
Dallas, Texas  
Board member since 1985  
Committees: Nominating (Chairman),  
Human Resources, Work Session/Annual Meeting

### Carl S. Quinn

General Partner, Quinn Oil Company, Ltd.  
East Hampton, New York  
Board member since 1994  
Committees: Executive, Nominating

### 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, Work Session/Annual Meeting

### Lee E. Schlessman

Honorary Director  
President, Dolo Investment Company  
Denver, Colorado  
Retired from Board in 1998



#### Seated

Lee Schlessman  
(Honorary Board Member)

#### Standing, from left

Carl Quinn,  
Thomas Meredith,  
Richard Cardin,  
Richard Ware,  
Robert Best



#### Seated, from left

Thomas Garland, Dan Busbee

#### Standing, from left

Gene Koonce, Phillip Nichol,  
Richard Gordon, Travis Bain,  
Charles Vaughan

**Common Stock Listing**

New York Stock Exchange. Trading symbol: ATO

**Stock Transfer Agent and Registrar**

Shareholder inquiries on stock transfers may be directed to EquiServe Trust Company, N.A., P.O. Box 43010, Providence, RI 02940-3010. You may also call the interactive voice response system 24 hours a day at 1-800-543-3038. To speak to a customer service representative, call between 9 a.m. and 6 p.m. Eastern time, Monday through Friday. You may also send an e-mail through our agent's website at <http://www.equiserve.com> and reference Atmos in your e-mail.

**Independent Auditors**

Ernst & Young LLP  
2121 San Jacinto, Suite 1500  
Dallas, Texas 75201  
(214) 969-8000

**Form 10-K**

Atmos Energy Corporation's Annual Report on Form 10-K is available upon request from Investor Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205 or by calling 1-800-38-ATMOS (382-8667) between 7:30 a.m. and 4:30 p.m. Central time. Atmos' Form 10-K may also be viewed on Atmos' website: <http://www.atmosenergy.com>.

**Annual Meeting of Shareholders**

The 2002 Annual Meeting of Shareholders will be held at RiverPark Center, 101 Daviess Street, Owensboro, Kentucky 42303 at 11 a.m. CST on February 13, 2002.

**Direct Stock Purchase Plan**

Atmos Energy Corporation has a Direct Stock Purchase Plan that is available to all investors.

For an initial Investment Form or Enrollment Authorization Form and a Plan Prospectus, please call Atmos Shareholder Relations at 1-800-38-ATMOS (382-8667) between 7:30 a.m. and 4:30 p.m. Central time or EquiServe at 1-800-543-3038. The Prospectus is also available on the Internet at <http://www.atmosenergy.com>. You may also obtain information by writing to Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.

This is not an offer to sell, nor a solicitation to buy, any securities of Atmos. Shares of Atmos common stock purchased through the Direct Stock Purchase Plan will be offered only by Prospectus.

**Atmos Information by Telephone**

Atmos Energy Corporation shareholder information is available by phone seven days a week, 24 hours a day through EquiServe's interactive voice response system. To transfer stock, listen to current company information and access daily stock quotes without the assistance of a customer service representative, call 1-800-543-3038 and have your Atmos Energy shareholder account number and your Social Security or federal taxpayer ID number.

**Atmos on the Internet**

Information about Atmos and its business units is available on the Internet at <http://atmosenergy.com>. Atmos' Web site includes news releases, current and historical financial reports and other investor information, management biographies, employment opportunities and information about Atmos' operations and utility service areas. Each Atmos business unit has its own home page, containing details about services and products. You can reach the business units directly at the following Internet addresses:

<http://www.atmosenergylouisiana.com>

<http://www.energasc.com>

<http://www.greeleygas.com>

<http://www.unitedcitiesgas.com>

<http://www.westernkentuckygas.com>

<http://www.woodwardmarketing.com>

**Atmos Energy Corporation Contacts**

Shareholder and Direct Stock Purchase Plan Information:

1-800-38-ATMOS (382-8667) between 7:30 a.m. and 4:30 p.m. Central time.

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

Financial Information for Securities Analysts, Investment Managers and General Information:

Lynn Hord

Vice President, Investor Relations and Corporate Communications

(972) 855-3729 (office)

(972) 855-3040 (fax)

[lynn.hord@atmosenergy.com](mailto:lynn.hord@atmosenergy.com)



Atmos Energy Corporation  
P.O. Box 650205  
Dallas, Texas 75265-0205  
(972) 934-9227  
[www.atmosenergy.com](http://www.atmosenergy.com)