

# **Analysts Call to Review Fiscal 2011 First Quarter Financial Results**

*February 9, 2011  
8:00 a.m. EST*

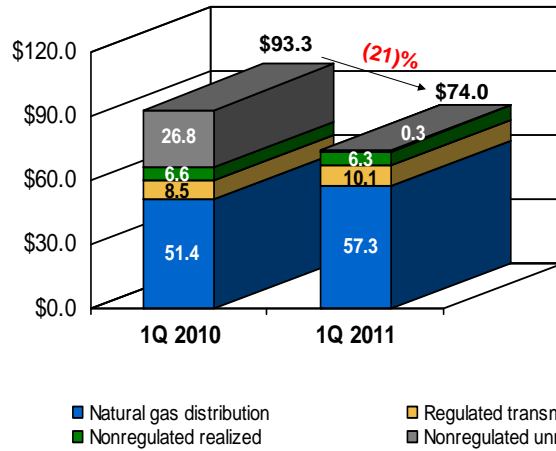
## Forward Looking Statements

The matters discussed or incorporated by reference in this presentation 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 presentation 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 presentation or in any of our other 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 presentation, including the risks relating to regulatory trends and decisions, our ability to continue to access the capital markets, and the other factors discussed in our reports filed with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in our Annual Report on Form 10-K for the fiscal year ended September 30, 2010. Although we believe 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. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Further, we will only update our annual earnings guidance through our quarterly and annual earnings releases. All estimated financial metrics for fiscal year 2011 and beyond that appear in this presentation are current as of the date noted on each relevant slide.

### Net Income by Segment

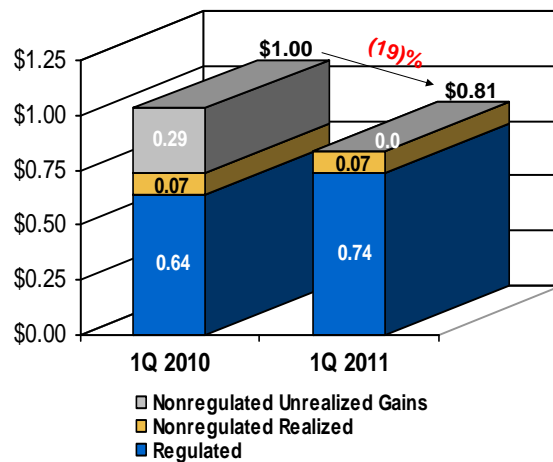
(\$ in millions)



### Key Drivers

- Decrease in nonregulated unrealized margins
- Rate increases, primarily in Texas
- Decrease in O&M, primarily from reduced employee-related costs

### Net Income per Diluted Share



### Notes

- Nonregulated operations include an unrealized mark-to-market gain of \$0.29 per diluted share for 1Q 2010 and no impact in 1Q 2011
- Quarter-over-quarter decrease of about 2.1 million weighted average diluted shares outstanding

## Consolidated Financial Results – Fiscal 2011 1Q



<b>Gross Profit by Segment</b> (excludes Intersegment Eliminations)	<b>Three Months Ended December 31</b>				
	<b>2010</b>	<b>%</b>	<b>2009</b>	<b>%</b>	<b>Change</b>
	(In thousands)				
Natural Gas Distribution	\$299,772	80.2%	\$294,627	71.6%	<b>\$5,145</b>
Regulated Transmission & Storage	49,007	13.1%	46,860	11.4%	<b>2,147</b>
<i>Total Regulated</i>	<u>348,779</u>	<u>93.3%</u>	<u>341,487</u>	<u>83.0%</u>	<u><b>7,292</b></u>
Gas delivery, storage, trnsprt & other	20,709	5.5%	19,885	4.8%	<b>824</b>
Asset optimization	3,965	1.1%	6,006	1.5%	<b>(2,041)</b>
<i>Total Nonregulated realized margins</i>	<u>24,674</u>	<u>6.6%</u>	<u>25,891</u>	<u>6.3%</u>	<u><b>(1,217)</b></u>
Unrealized margins	504	0.1%	43,884	10.7%	<b>(43,380)</b>
<i>Total Nonregulated</i>	<u>25,178</u>	<u>6.7%</u>	<u>69,775</u>	<u>17.0%</u>	<u><b>(44,597)</b></u>
<b>Total Gross Profit</b>	<b><u>\$373,957</u></b>		<b><u>\$411,262</u></b>		<b><u>(\$37,305)</u></b>

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## Consolidated Financial Results – Fiscal 2011 1Q



### Drivers

- **\$37.3 million decrease in gross profit**
  - \$5.2 million *increase* in natural gas distribution gross profit primarily from
    - \$14.1 million *increase* in rates primarily in the Mid-Tex (\$7.5 million), Louisiana (\$1.6 million), Missouri (\$1.4 million), Kentucky (\$1.2 million) and Kansas (\$1.1 million) service areas
    - \$4.9 million *decrease* due to a ten percent decrease in consolidated throughput primarily associated with lower residential and commercial consumption and warmer weather
    - \$2.7 million *decrease* due to lower revenue-related taxes
  - \$2.1 million *increase* in regulated transmission and storage gross profit primarily from
    - \$3.1 million *increase* due to GRIP-related rate increases quarter over quarter
    - \$1.6 million *increase* in various market-based demand fees
    - \$1.5 million *decrease* resulting from lower per-unit transportation margins on through-system deliveries
    - \$1.0 million *decrease* due to a decline in throughput to the Mid-Tex Division

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## Drivers

- \$37.3 million *decrease* in gross profit (continued)
  - \$44.6 million *decrease* in nonregulated gross profit primarily due to
    - \$43.4 million *decrease* in unrealized margins due to the absence in the current-year quarter of a \$43.9 million unrealized gain recognized in the prior-year quarter, from narrowing spreads and the deferral of physical storage withdrawals to later in fiscal 2010
    - \$2.0 million *decrease* in realized asset optimization margins due to the continued trend of low natural gas volatility in the current year
    - Delivered gas margins were *flat* due to an 8 percent increase in consolidated sales volumes offset by a decrease in gas delivery unit margins

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<i>Nonregulated Segment</i>	Three Months Ended December 31		
	2010	2009	Change
	(In thousands, except physical position)		
Gas delivery and related services	\$16,041	\$16,087	<b>(\$46)</b>
Storage and transportation services	3,349	3,334	<b>15</b>
Other	1,319	464	<b>855</b>
	<u>20,709</u>	<u>19,885</u>	<u><b>824</b></u>
Asset optimization (1)	3,965	6,006	<b>(2,041)</b>
Total realized margins	<u>24,674</u>	<u>25,891</u>	<u><b>(1,217)</b></u>
Unrealized margins	504	43,884	<b>(43,380)</b>
<b>GROSS PROFIT</b>	<u><u>\$25,178</u></u>	<u><u>\$69,775</u></u>	<u><u><b>(\$44,597)</b></u></u>
Net physical position (Bcf)	<u>19.6</u>	<u>19.0</u>	<u><b>0.6</b></u>

(1) Net of storage and demand fees of \$3.3 million and \$2.8 million

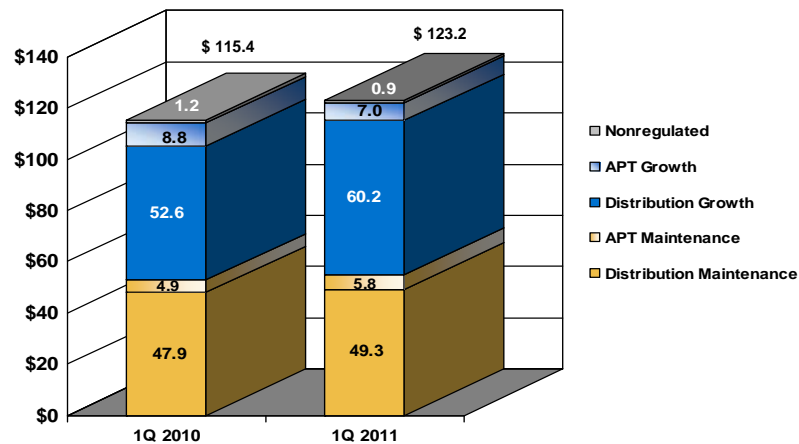
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### Drivers

- Decreased O&M expenses of \$7.3 million, due to
  - \$4.2 million decrease in employee-related costs
  - \$1.8 million decrease in legal and other administrative costs
  - \$1.0 million decrease in provision for doubtful accounts

### Capital Expenditures

(\$ millions)



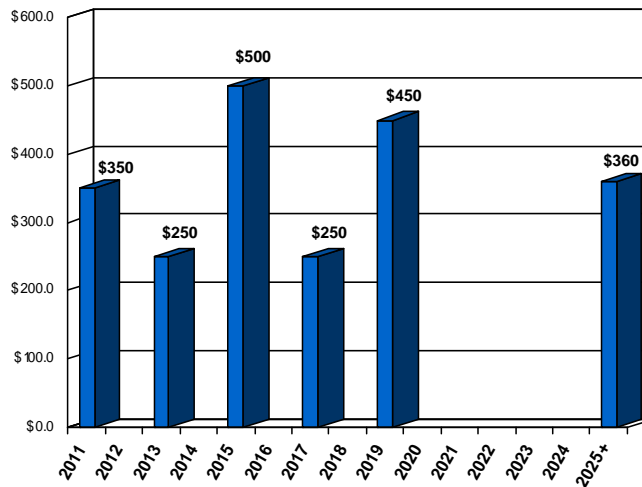
■ Regulated Growth Capital represents capital spent in excess of depreciation expense that is expected to be recovered through rate increases.  
 ■ Regulated Maintenance Capital represents capital spent that is equal to depreciation expense.

**Credit Facilities**

- December 8, 2010, Atmos Energy Marketing replaced its expiring \$450 million 364-day committed credit facility with a \$200 million three-year committed credit facility, with an accordion feature that could increase the borrowing capacity to \$500 million
- October 15, 2010, Atmos Energy Corporation entered into a \$200 million 180-day committed revolving credit facility that expires April 13, 2011
  - Replaced the \$200 million, 364-day facility that was due to expire October 20, 2010, on essentially the same terms, except for the duration of the facility

**Long-Term Debt Maturity**

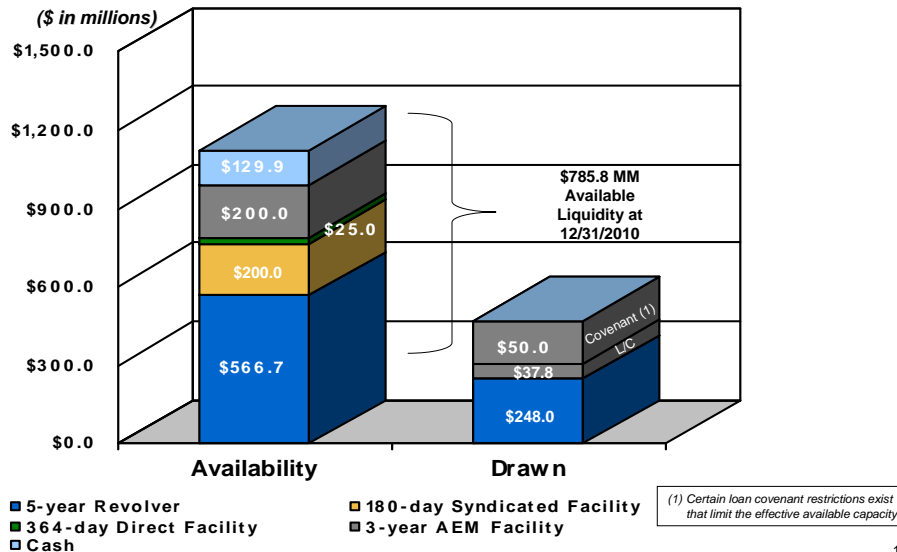
(\$ in millions)



**Notes**

- \$350 million unsecured 7.375% Senior Notes due May 2011

### Liquidity Profile



### Louisiana Rate Stabilization Filings

- December 29, 2010, annual rate stabilization *filing* for TransLa jurisdiction, requesting an increase in base rates of \$1.085 million, net of depreciation change, results in a requested operating income increase of \$0.4 million
  - Requested ROE of 10.00 percent; overall return of 8.45 percent
  - Requested capital structure: 52 percent debt / 48 percent equity
  - Requested rate base of \$93.3 million
  - Filing is for test year ended September 30, 2010
  - Rate increase is expected to be effective April 1, 2011
  - Affects about 73,000 customers

### **Mid-Tex RRM & Infrastructure Replacement**

- October 2010, rates *implemented* for third RRM with “Settled Cities”, resulting in an increase in annual operating income of \$23.1 million, which includes \$3.2 million for steel service line replacement program
  - Authorized ROE of 9.6 percent; overall return of 8.19 percent
  - Authorized capital structure: 52 percent debt / 48 percent equity
  - Authorized rate base not specified; Requested rate base: \$1.33 billion
  - Serves about 1.3 million customers
- Steel service line replacement program
  - Commenced cost recovery of 50,000 lines on October 1, 2010; total of 100,000 lines to be replaced over a 2-year time period
  - As of 12/31/10, 8,079 lines were replaced at a cost of \$10.0 million
  - Authorized ROE of 9.0 percent; use of actual capital structure with equity capped at 50 percent
- Two-cycle extension of RRM
  - Eliminated true-up provision
  - Allowed ROE will be 9.7 percent
  - Authorized use of actual capital structure with equity capped at 50 percent
  - General rate case must be filed on or before June 2013

### **Atmos Pipeline – Texas**

- September 17, 2010, *filed* request for an increase in annual operating income of \$35.3 million (GUD 10000)
  - Requested ROE of 12.75 percent; ROR of 9.84 percent
  - Requested capital structure: 49.5 percent debt / 50.5 percent equity
  - Requested rate base: \$814.1 million
  - Test year ended March 31, 2010
- Key Rate Design Changes Requested
  - Straight Fixed Variable
  - Tracker for thru-system revenues with sharing mechanism; benchmark established at 25% Atmos Energy and 75% customers
- Procedural Schedule:
  - Proposal for Decision expected March 14, 2011
  - Decision Conferences – April 5 & 19
  - Statutory Deadline is April 20th

**Earnings Guidance – Fiscal 2011E**

- Atmos Energy continues to expect earnings to be in the range of \$2.25 – \$2.35 per diluted share for the 2011 fiscal year, excluding unrealized gains and losses
- Assumptions include:
  - Expected gross margin contribution from the nonregulated segment in the range of \$100 - \$110 million, excluding any unrealized gains and losses (formerly \$113 million to \$128 million)
  - Continued successful execution of rate strategy, with approved increase in operating income of between \$50 - \$60 million
  - Normal weather
  - Average gas cost purchases ranging from \$4 - \$6 per Mcf
  - Bad debt expense of no more than \$9 million
  - Average annual short-term interest rate of 1.0%
  - Net issuance of 500,000 common shares
  - No material acquisitions

**Note:** Changes in these events or other circumstances that the company cannot currently anticipate could materially impact earnings, and could result in earnings for fiscal 2011 significantly above or below this outlook.

**Projected Net Income by Segment**

(\$ millions, except EPS)

	2007	2008	2009	2010	2011E
<b>Natural Gas Distribution</b>	\$ 73	\$ 93	\$ 117	\$ 126	\$ 131 – 135
<b>Regulated Trans. &amp; Storage</b>	34	41	41	41	40 – 43
<b>Nonregulated</b>	61	46	33	39	35 – 37
<b>Total</b>	168	180	191	206	206 – 215
<b>Avg. Diluted Shares</b>	87.5	89.9	91.6	92.4	90.4
<b>Earnings Per Share **</b>	\$ 1.91	\$ 1.99	\$ 2.07	\$ 2.20	\$ 2.25 – \$2.35

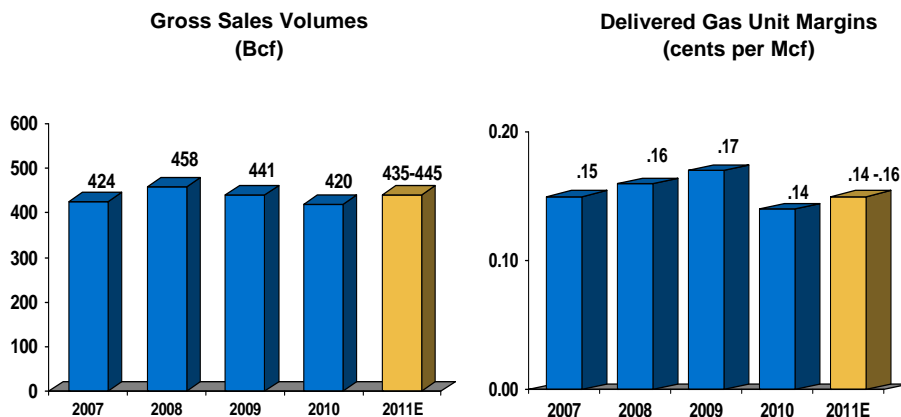
\*\* Since we have non-vested share-based payments with a nonforfeitable right to dividends, we have been required to use the two-class method of computing earnings per share since October 1, 2009. As a result, EPS can no longer be calculated directly from the income statement.

**Nonregulated – Gross Profit Margin Composition**

2011E

Delivered Gas (Bundled gas deliveries & peaking sales)	<ul style="list-style-type: none"> <li>Impacted by customer volume demand</li> <li>Sales prices are:                             <ul style="list-style-type: none"> <li>Cost plus profit margin</li> <li>Cost plus demand charges</li> </ul> </li> </ul>	}	\$ 76 - \$ 82 Million <i>more predictable</i>	
+	Storage & Transportation			<ul style="list-style-type: none"> <li>Partially Impacted by transportation demand</li> <li>Sales prices are:                             <ul style="list-style-type: none"> <li>Contracted storage demand fees</li> <li>Market-based pipeline tariffs</li> </ul> </li> </ul>
+	Other			<ul style="list-style-type: none"> <li>Primarily leasing and gathering margins</li> </ul>
+	Asset Optimization (Storage & transportation management)	<ul style="list-style-type: none"> <li>Impacted by gas price spread values</li> <li>Available storage capacity and capabilities                             <ul style="list-style-type: none"> <li>12 Bcf proprietary contracted capacity</li> <li>30 Bcf customer-owned / AEM- managed storage</li> </ul> </li> </ul>	\$ 24 - \$ 28 Million <i>less predictable</i>	
=	Total AEH Margins	<ul style="list-style-type: none"> <li>Stability from gas delivery, storage &amp; transport margins</li> <li>Upside from optimizing storage and transportation assets to capture arbitrage value</li> </ul>	<b>Margins: Stable with potential upside</b> \$100 - \$110 Million <small>19</small>	

**Nonregulated – Delivered Gas Margins**



### Projected Cash Flow

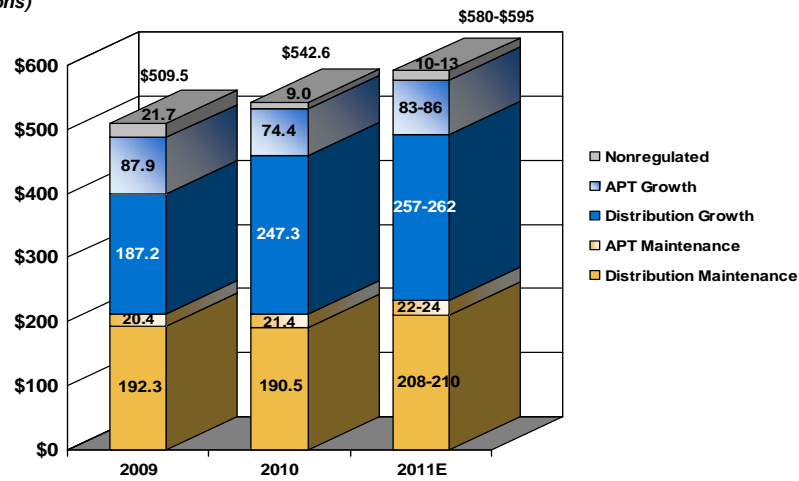
(\$ millions)

	2007	2008	2009	2010	2011E
Cash Flows from Operations	\$ 547	\$ 371	\$ 919	\$ 726	\$ 490-510
Regulated Maintenance Capital <sup>(1)</sup>	(196)	(197)	(213)	(212)	(230-234)
Dividends	(112)	(117)	(121)	(124)	(123)
Cash Available for Debt Reduction and Growth Projects	\$ 239	\$ 57	\$ 585	\$ 390	\$ 137-153

<sup>(1)</sup> Regulated maintenance capital represents capital spent that is equal to depreciation expense

### Capital Expenditures

(\$ millions)



Regulated Growth Capital represents capital spent in excess of depreciation expense that is expected to be recovered through rate increases. The projection for fiscal 2011 is \$340 - \$348 million.  
 Regulated Maintenance Capital represents capital spent that is equal to depreciation expense. The projection for fiscal 2011 is \$230 - \$234 million.

- The audio and slide presentation of this conference call will be available on Atmos Energy's Web site by 8:00 a.m. Eastern Standard Time on February 9, 2011, through midnight May 4, 2011. Atmos Energy's Web site address is: [www.atmosenergy.com](http://www.atmosenergy.com).
- To listen to the live conference call, dial 877-485-3107 by 8:00 a.m. Eastern Standard Time on February 9, 2011.

## Appendix

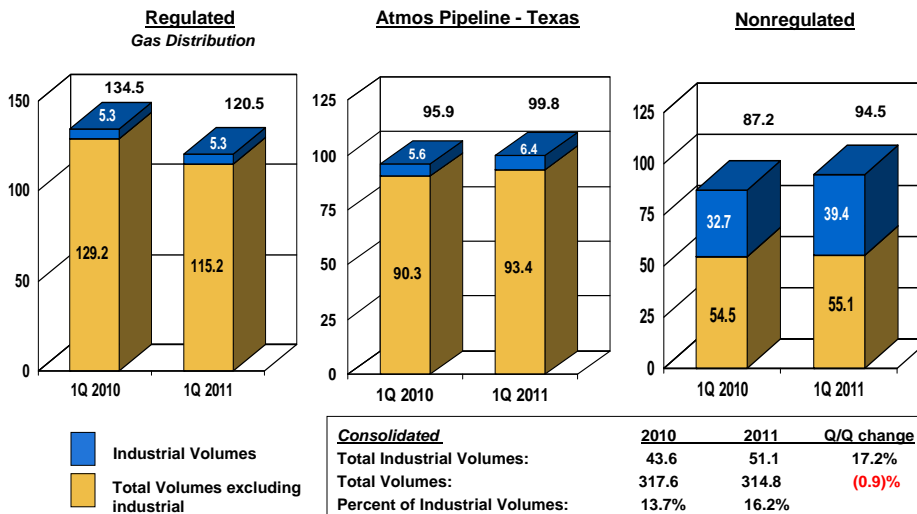
**Impact of Unrealized Margins on Nonregulated Segment**

	For the Three Months Ended December 31	
	2010	2009
	(In thousands, except per share data)	
Unrealized Margin	\$ 504	\$ 43,884
Segment Tax Rate	40.01%	38.94%
Impact on Net Income	\$ 302	\$ 26,795
EPS Income Adjustment **	(2)	293
Net Income for EPS	\$ 304	\$ 26,502
Weighted Avg Diluted Shares	90,408	92,509
Impact on Diluted EPS	\$ 0.00	\$ 0.29

\*\* Since we have non-vested share-based payments with a nonforfeitable right to dividends, we have been required to use the two-class method of computing earnings per share since October 1, 2009.

**Quarter-Over-Quarter Industrial Demand Increases 17%**

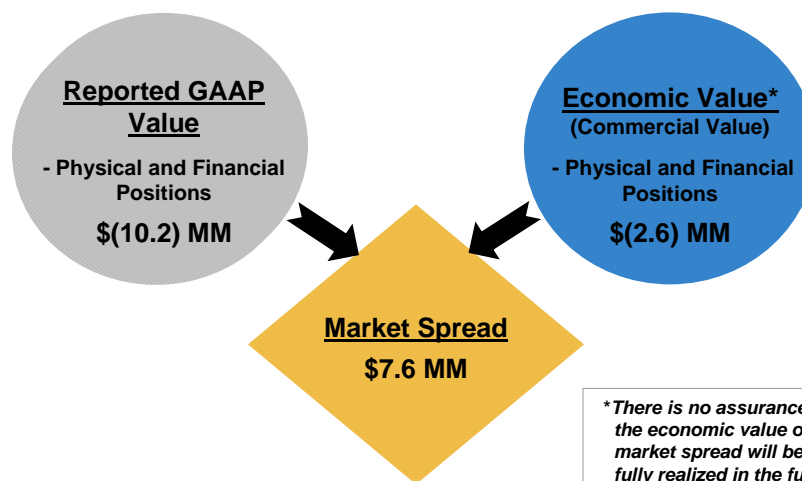
(volumes in Bcf)



### Economic Value vs. GAAP Reported Results

- We commercially manage our storage assets by capturing arbitrage value through optimization strategies that create embedded (forward) value in the portfolio. We report the transactions for external financial reporting purposes in accordance with generally accepted accounting principles (“GAAP”).
- **GAAP Reported Value** is the period to period net change in fair value of the portfolio reported in the income statement that results from the process of marking to market the physical storage volumes and corresponding financial instruments in an interim period.
- **Economic Value** is the period to period forward margin of our storage portfolio that results from the process of calculating our historical weighted average cost of inventory (WACOG), and our weighted average sales price of our forward financials (WASP), then multiplying the difference times inventory volumes. This margin should be realized in cash when the hedged transaction is executed or when financials are settled and then reset to stay hedged against physical volumes.
  - **Economic Value** represents the “forward” economic margin of the transactions, while GAAP reported results reflect that portion of our “forward” margin that has been recorded in the income statement.
  - **Volatility** in earnings includes the impact of the accounting treatment of our storage portfolio in accordance with GAAP and is reflective of relatively high price volatility of the prompt month, and the relatively low volatility of the offsetting forward months.

### Economic Value vs. GAAP Reported Results



**Economic Value vs. GAAP Reported Results  
Three Months Ended**

Period Ending	Physical Volume (Bcf)	Economic Value (EV) (\$ per mcf)			Total (\$ in millions)	GAAP Reported Value - MTM (\$ per mcf)		Market Spread (\$ per mcf)		Total (\$ in millions)
		WASP	WACOG	EV		Total	Total	Total		
9/30/2009	15.9	7.8995	5.9370	1.9625	31.2	(0.9294)	(14.8)	2.8919	46.0	
12/31/2009	19.0	6.9027	5.5497	1.3530	25.7	1.4297	27.2	(0.0767)	(1.5)	
<b>2010 Variance</b>	3.1	\$ (0.9968)	\$ (0.3873)	\$ (0.6095)	\$ (5.5)	\$ 2.3591	\$ 42.0	\$ (2.9686)	\$ (47.5)	
9/30/2010	15.7	4.8276	5.3041	(0.4765)	(7.5)	(0.9100)	(14.3)	0.4335	6.8	
12/31/2010	19.6	4.4769	4.6103	(0.1334)	(2.6)	(0.5200)	(10.2)	0.3866	7.6	
<b>2011 Variance</b>	3.9	\$ (0.3507)	\$ (0.6938)	\$ 0.3431	\$ 4.9	\$ 0.3900	\$ 4.1	\$ (0.0469)	\$ 0.8	

WASP: Weighted average sales price for gas held in storage

WACOG: *Historical* weighted average cost of AEM's gas in storage

EV: "Economic Value" which equals gas sales price (WASP) minus cost of gas (WACOG) on a per unit basis

Atmos Energy Corporation  
Jurisdictional Rate Data  
as of February 8, 2011

Jurisdiction	Effective Date of Last Rate Action	Date of Last Rate Filing (pending)	Authorized Operating Income (in millions)	Requested Operating Income (in millions)	Rate Base (in thousands) <sup>1</sup>	Requested Rate Base (in thousands)	Authorized Rate of Return	Requested Rate of Return	Authorized Return on Equity	Requested Return on Equity	Authorized Debt/Equity Ratio	Requested Debt/Equity Ratio	Annual Revenue Stabilization	Bad debt Rider <sup>3</sup>	WNA	12/31/2010 Meters
Atmos Pipeline-Texas	5/24/04	9/17/10		\$35.3	417,111	814,127	8.26%	9.84%	10.00%	12.75%	50/50	49.5/50.5		n/a	n/a	n/a
Atmos Pipeline-Texas - GRIP	7 4/20/10		\$13.4		799,841		8.26%		10.00%		50/50			n/a	n/a	n/a
Mid-Tex - Settled Cities RRM	10/1/10		\$23.1		2	5	8.19%		9.60%		52/48		Y	Y	Y	1,252,354
Mid-Tex - Dallas Appeal & Environs	1/26/10		\$3.0	8	1,279,647		8.60%		10.40%		51/49		Y	Y	Y	313,088
Mid-Tex - Dallas & Environs GRIP	7 9/1/10		\$3.0		1,283,357		8.60%		10.40%		51/49			n/a	n/a	n/a
Lubbock RRM	9/1/10		-\$0.9		57,074	6	8.19%		9.60%		52/48		Y	Y	Y	73,745
West Texas Cities RRM	8/15/10		\$0.7		135,565		8.19%		9.60%		52/48		Y	Y	Y	155,260
Amarillo RRM	8/1/10		\$1.2		55,537	6	8.19%		9.60%		52/48		Y	Y	Y	70,342
Colorado	1/4/10		\$1.9		86,189		8.57%		10.25%		50/50			Y <sup>9</sup>	N	109,550
Kansas	8/1/10		\$3.9		144,583	4	2		2		2			Y	Y	128,640
Georgia	3/31/10		\$2.9		88,583		8.61%		10.70%		52/48			N	Y	62,643
Illinois	11/1/00				24,564		9.18%		11.56%		67/33			N	N	23,069
Iowa	3/1/01				5,000		2		11.00%		57/43			N	N	3,500
Kentucky	6/1/10		\$6.6		184,697	4	2		2		2			Y	Y	178,123
Missouri	9/1/10		\$4.0		66,459	4	2		2		49/51			N	N	57,304
Tennessee	4/1/09		\$2.5		190,100		8.24%		10.30%		52/48			Y	Y	132,909
Virginia	11/23/09		\$1.4		36,861		8.48%		10.00%		51/49			Y	Y	23,300
TransLa	4/1/10	12/29/10	\$1.7	\$0.4	96,400		8.22%	8.45%	10.00%	10.00%	52/48	52/48	Y	N	Y	76,852
LGS	7/1/10		\$3.9		251,591		8.54%		10.40%		52/48		Y	N	Y	278,374
Mississippi	12/15/09	9/3/10	\$3.2	\$0.0	227,055	240,213	8.27%	8.04%	10.04%	9.44%	52/48	50/50	Y	N	Y	267,233

<sup>1</sup> The rate base, authorized rate of return and authorized return on equity presented in this table are those from the last base rate case for each jurisdiction.

These rate bases, rates of return and returns on equity are not necessarily indicative of current or future rate bases, rates of return or returns on equity.

<sup>2</sup> A rate base, rate of return, return on equity or debt/equity ratio was not included in the respective state commission's final decision.

<sup>3</sup> The bad debt rider allows us to recover from ratepayers the gas cost portion of uncollectible accounts.

<sup>4</sup> The rate base per the last filing was not included in the respective state commission's final decision; however, the amount presented represents the filed rate base included in the latest filing.

<sup>5</sup> Mid-Tex rate base for settled cities and Dallas both represented on a 'system-wide' basis.

<sup>6</sup> The Amarillo and Lubbock City Councils approved three year RRM plans for their respective cities in the spring of 2009.

<sup>7</sup> GRIP filings are based on existing returns and the change in net utility plant investment.

<sup>8</sup> Net of GRIP 2008 rates that will be superceded, operating income should increase \$0.2 million

<sup>9</sup> Recovery of gas portion of uncollectible accounts through GCA approved for a two year pilot