

Conference Call to Review
Fiscal 2006 First Quarter
Financial Results

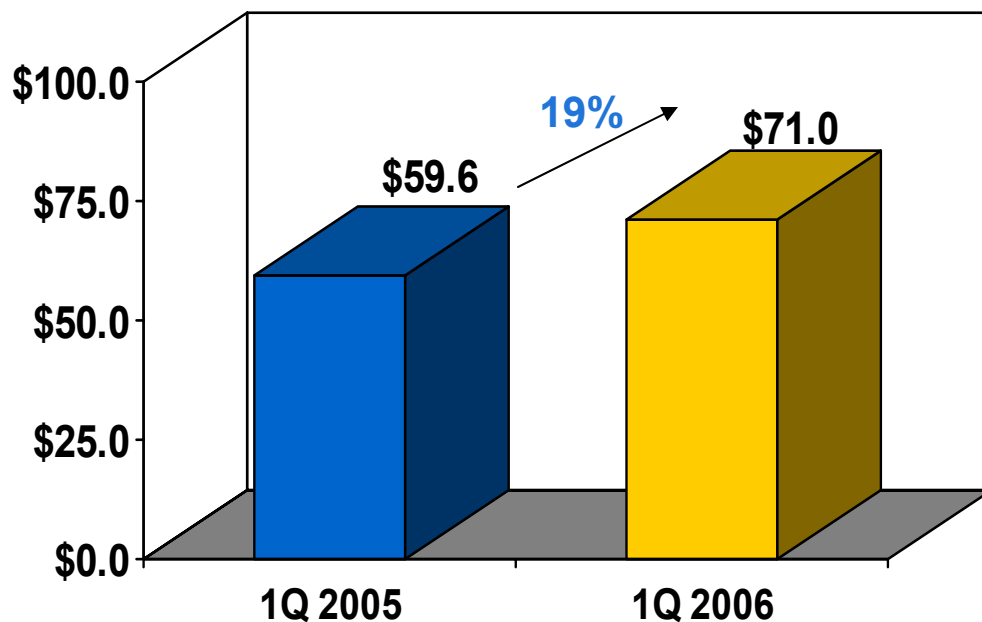
February 8, 2006
8:00 a.m. EST

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 the Company’s other documents or oral presentations, the words “anticipate,” “believes,” “estimate,” “expect,” “forecast,” “goal,” “intends,” “objective,” “plans” “projection,” “seek,” “strategy” or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this presentation, including the Company’s acquisition of the operations of TXU Gas, the Company’s ability to continue to access the capital markets and the other factors discussed in the Company’s SEC filings. These factors include the risks and uncertainties discussed in the Company’s Form 10-K for the fiscal year ended September 30, 2005. 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 forward-looking statements, whether as a result of new information, future events or otherwise.

Net Income

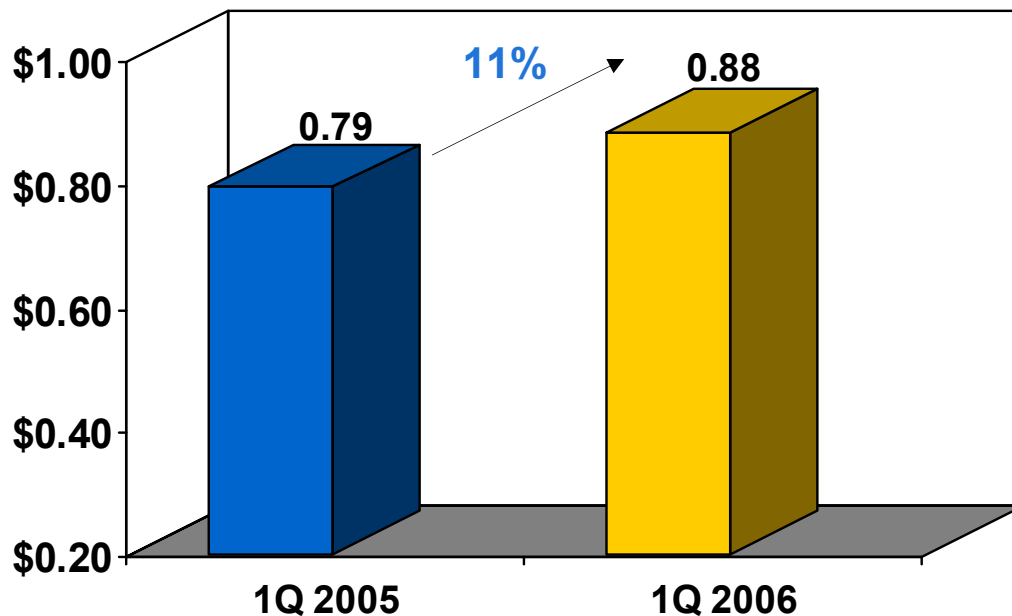


(\$ in millions)

Key Drivers

- Contribution of \$33.5 million from Mid-Tex and Atmos Pipeline-Texas (APT) Divisions, an increase of \$9.2 million quarter-over-quarter
- Weather was 7% warmer than normal but 7% colder than the prior-year quarter, as adjusted for jurisdictions with weather normalized rates
- Rate adjustments and expanded WNA coverage in Mississippi
- Increased taxes, other than income, due to higher franchise fees and higher gross receipts taxes resulting from higher gas prices
- Increased interest expense due to higher average short-term debt balances and an increase in the 3-month LIBOR rate
- Decreased O&M expenses from elimination of outsourced administrative and meter reading functions, offset in part by the impact of Hurricane Katrina and an increase in bad debt expense

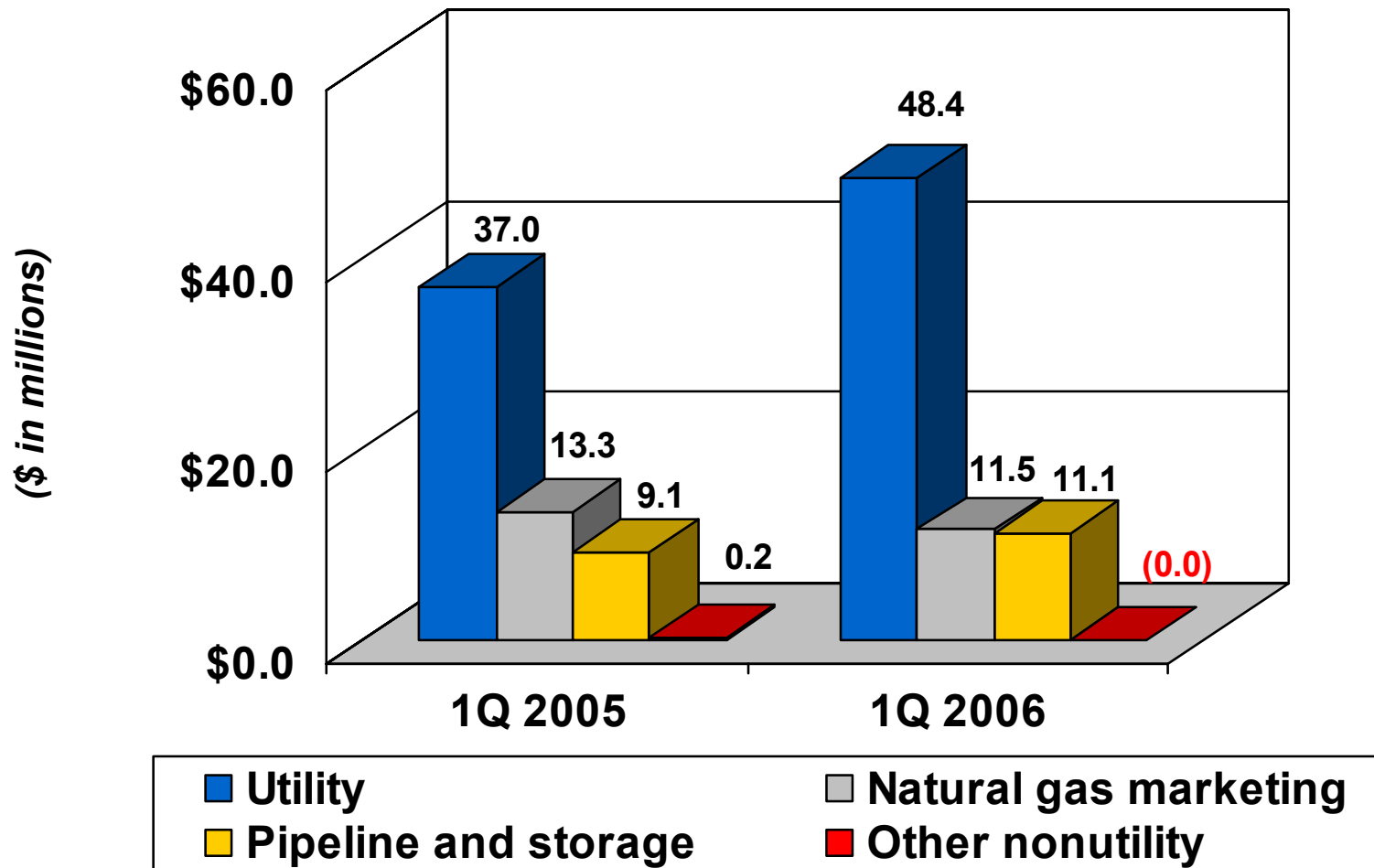
Earnings per Diluted Share



Notes

- Quarter-over-quarter increase of about 5 million weighted average diluted shares outstanding
- Increases in shares outstanding primarily due to 26 million shares issued in July and October 2004 to partially fund the TXU Gas acquisition

Net Income by Segment



Drivers

- \$24.5 million *increase* in gross profit
 - \$22.9 million *increase* in utility gross profit
 - \$25.0 million *increase* primarily due to increased throughput of 6.9 Bcf, due to weather that was 7 percent colder than last year
 - \$2.1 million *decrease* due to the impact of Hurricane Katrina

Weather Adjusted for WNA Jurisdictions

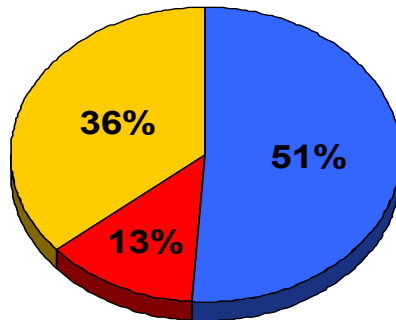
- For the first quarter of fiscal 2006, weather was 7 percent warmer than normal, and 7 percent colder than the same period last year, as adjusted for jurisdictions with weather-normalized operations
- At December 31, 2005, we had WNA in the following service areas for the following periods as noted, which covered approximately 1.0 million of our meters in service:

■ Tennessee	November – April
■ Georgia	October – May
■ Mississippi	November – April*
■ Kentucky	November – April
■ Kansas	October – May
■ Amarillo, TX	October – May
■ West Texas	October – May
■ Lubbock, TX	October – May
■ Virginia	January – December

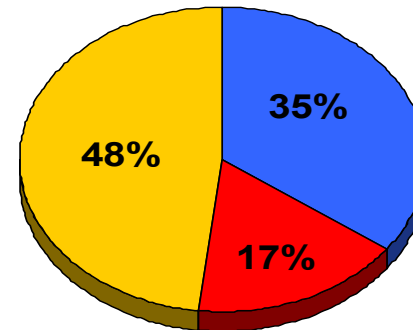
*Effective in fiscal 2006, WNA period was 11/1 – 4/30. Prior to October 1, 2005, WNA period was 11/15 – 5/15.

Utility Margin Sensitivity

2003–2004
Heating Season



2004–2006E
Heating Season



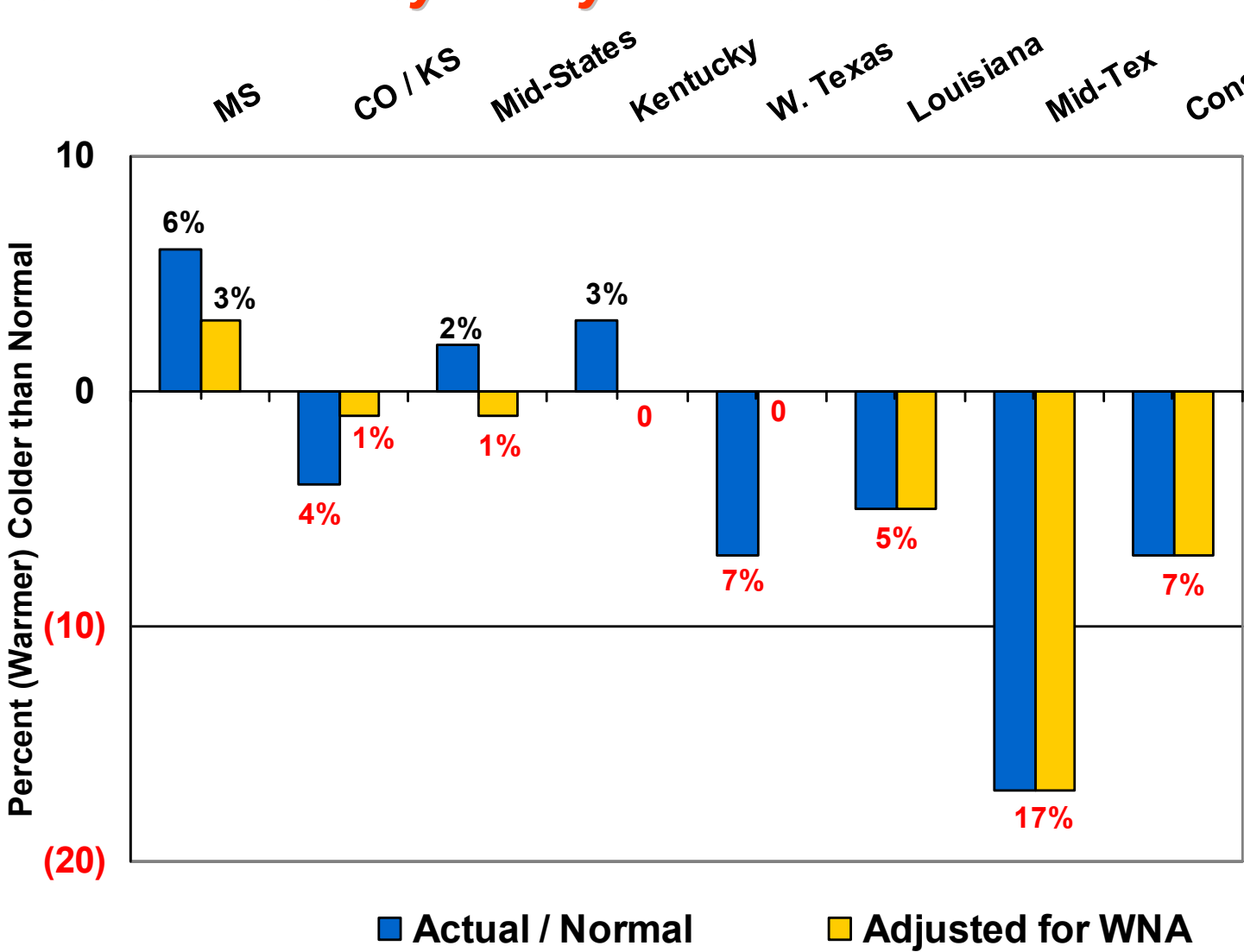
 Weather Normalized

 Weather-Sensitive Margin

 Nonweather-Sensitive Margin

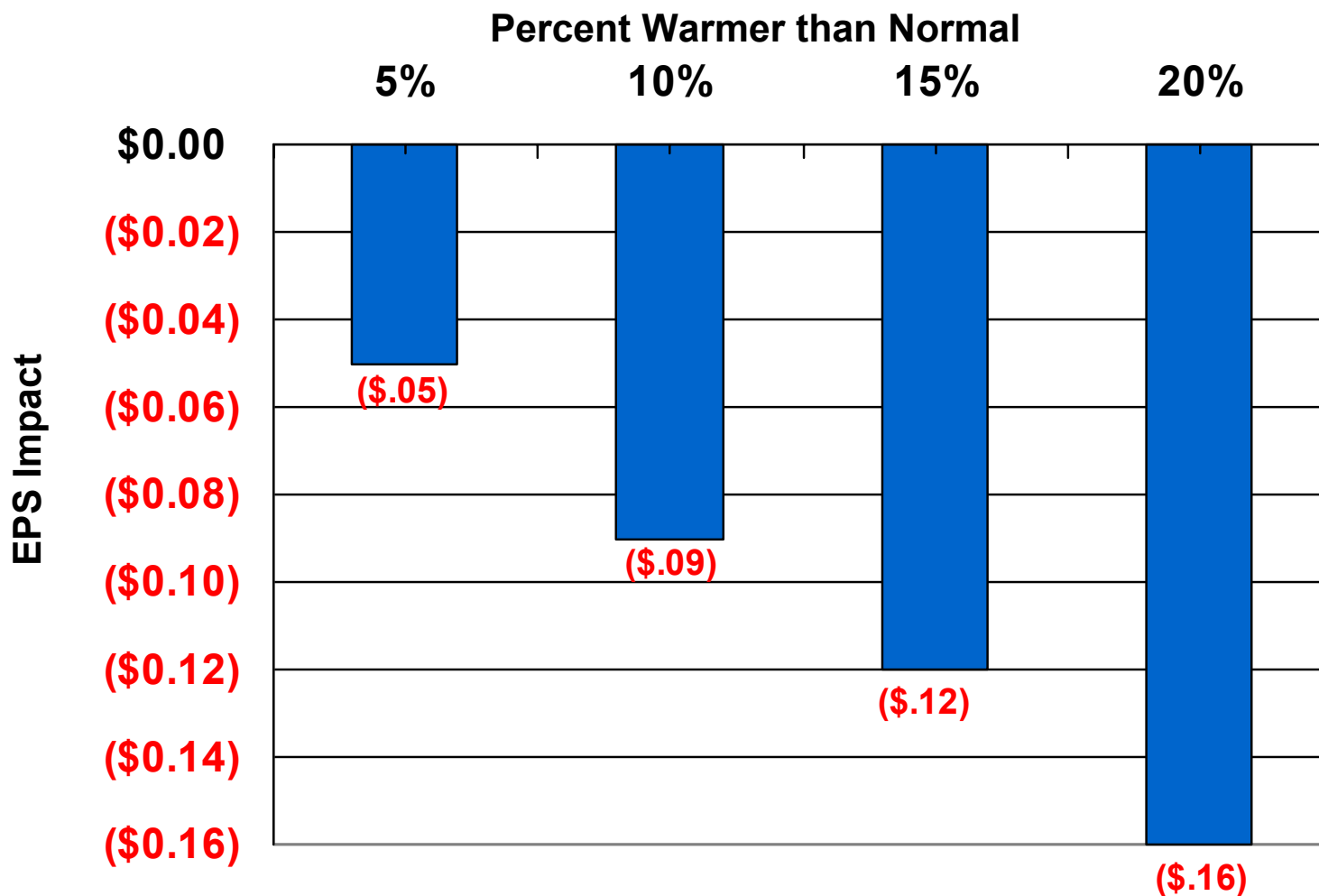


Weather Effect by Utility Division



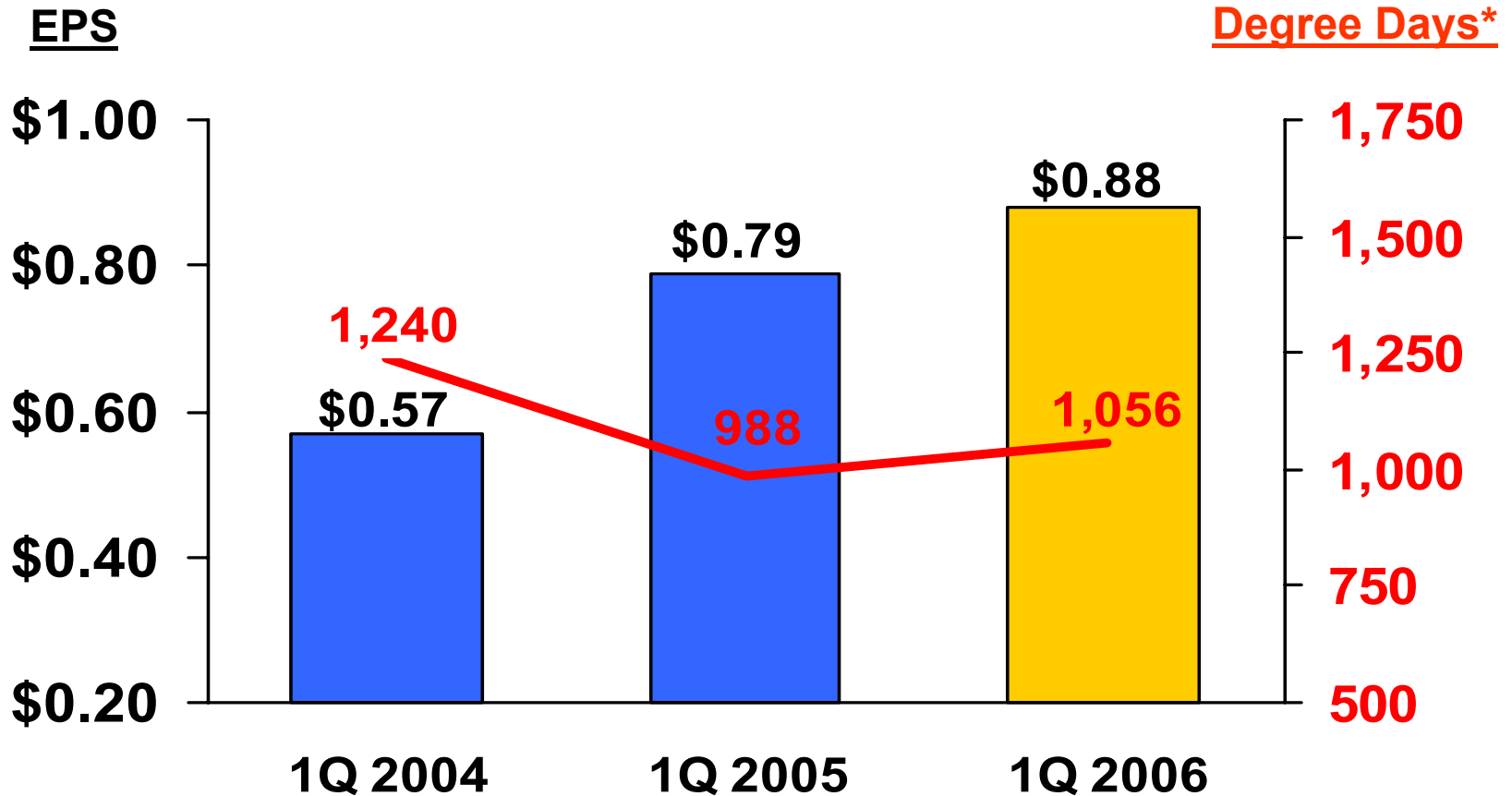
- Gross profit in the quarter was adversely affected by \$8.0 million due to weather that was 7% warmer than normal, as adjusted for jurisdictions with weather normalized rates
- Louisiana and Mid-Tex Divisions do not have weather normalized rates, and experienced warmer than normal weather of 5% and 17%, respectively

*Mid-Tex Division Estimated Annual Earnings Impact of Warmer Than Normal Weather**



*Reflects changes in gross profit and related changes in bad debt and state and federal taxes

*Relationship of Diluted EPS to Heating Degree Days**



*Adjusted for WNA

Drivers

- \$24.5 million *increase* in gross profit (*continued*)
 - \$2.2 million *increase* in pipeline and storage gross profit primarily due to 16.8 Bcf of increased transportation volumes largely at Atmos Pipeline – Texas, coupled with higher transportation services margins
 - \$0.5 million *decrease* in natural gas marketing gross profit primarily due to
 - \$36.3 million *decrease* in unrealized mark-to-market gains on storage margins, primarily due to unfavorable movement in the prices used to mark physical storage inventory, coupled with an increase in storage inventory of 6.4 Bcf quarter-over-quarter
 - \$21.5 million *increase* in realized storage contribution primarily due to favorable arbitrage spreads as a result of increased market volatility
 - \$18.2 million *increase* in realized natural gas marketing margins primarily due to increased volumes sold of 11.2 Bcf quarter-over-quarter and capturing margins in certain market areas that experienced increased volatility
 - \$3.9 million *decrease* in unrealized marketing margins

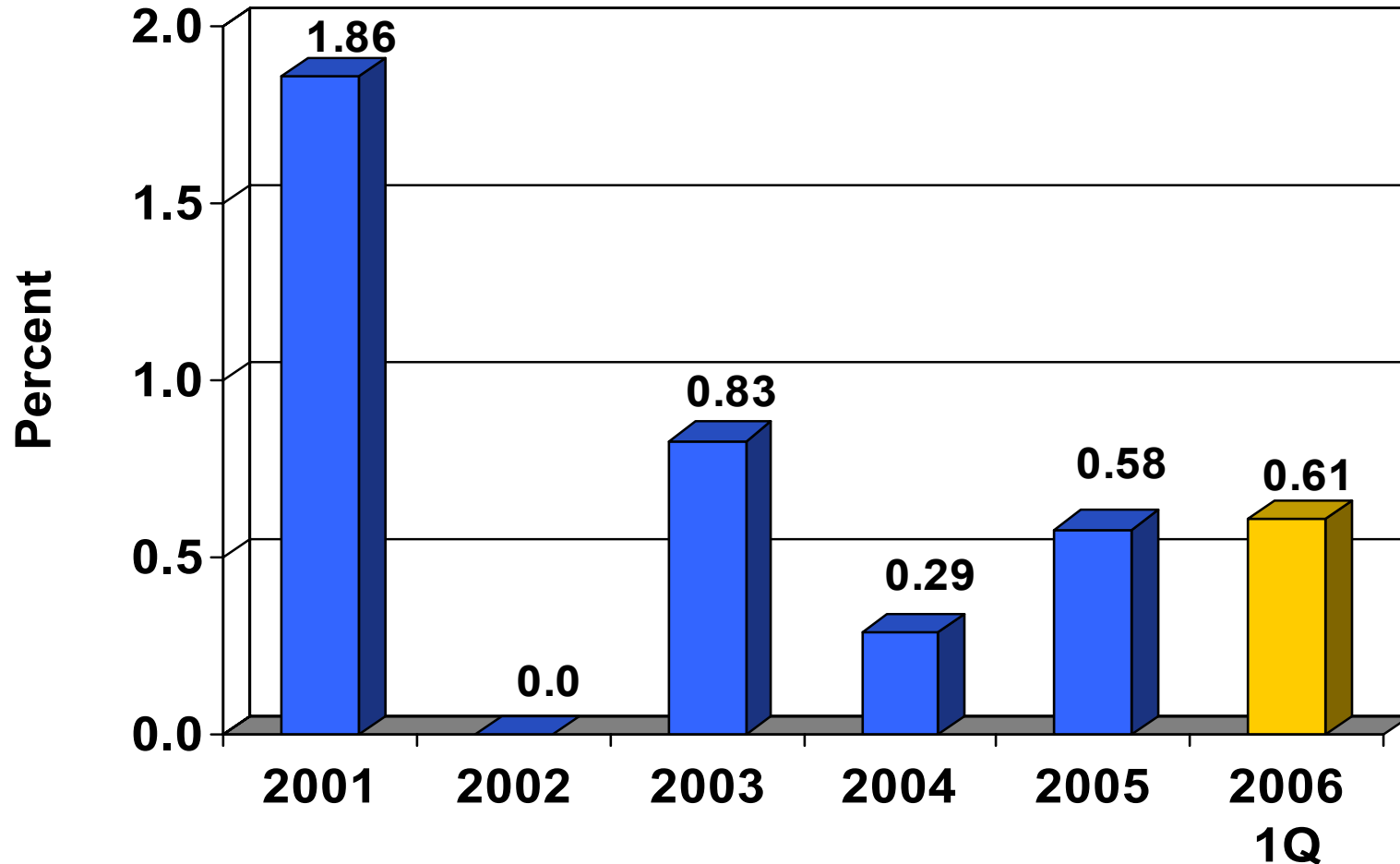
Natural Gas Marketing Segment	Three Months Ended December 31		
	2005	2004	Change
	(In thousands, except storage balances)		
Storage Activities			
Realized margin	\$26,272	\$4,776	\$21,496
Unrealized margin	(23,792)	12,519	(36,311)
Total Storage Activities	2,480	17,295	(14,815)
Marketing Activities			
Realized margin	29,567	11,414	18,153
Unrealized margin	(5,728)	(1,865)	(3,863)
Total Marketing Activities	23,839	9,549	14,290
GROSS PROFIT	\$26,319	\$26,844	(\$525)
Net physical position (Bcf)	12.8	6.4	6.4

Source of Fair Value	Fair Value of Contracts at December 31, 2005				Total Fair Value
	Maturity in Years				
	< 1	1 - 3	4 - 5	> 5	
	(In thousands)				
Prices actively quoted	\$(14,784)	\$(10,449)	\$ —	\$ —	\$(25,233)
Prices provided by other external sources	4,323	388	—	—	4,711
Prices based on models & other valuation methods	(93)	(480)	—	—	(573)
Total Fair Value	\$(10,554)	\$(10,541)	\$ —	\$ —	\$(21,095)

Drivers

- *Decreased* O&M expenses of \$2.6 million primarily due to
 - \$6.8 million *decrease* in contract labor due to lower 3rd party charges for outsourcing
 - \$3.9 million net *increase* in labor and benefits
 - \$2.1 million *decrease* due to absence of UCG acquisition-related M&I costs which became fully amortized in December 2004
 - \$2.0 million *increase* in Hurricane Katrina related losses
 - \$1.2 million *increase* in provision for doubtful accounts primarily due to increased collection risk associated with higher gas prices

Utility Bad Debt Expense as a Percent of Revenues



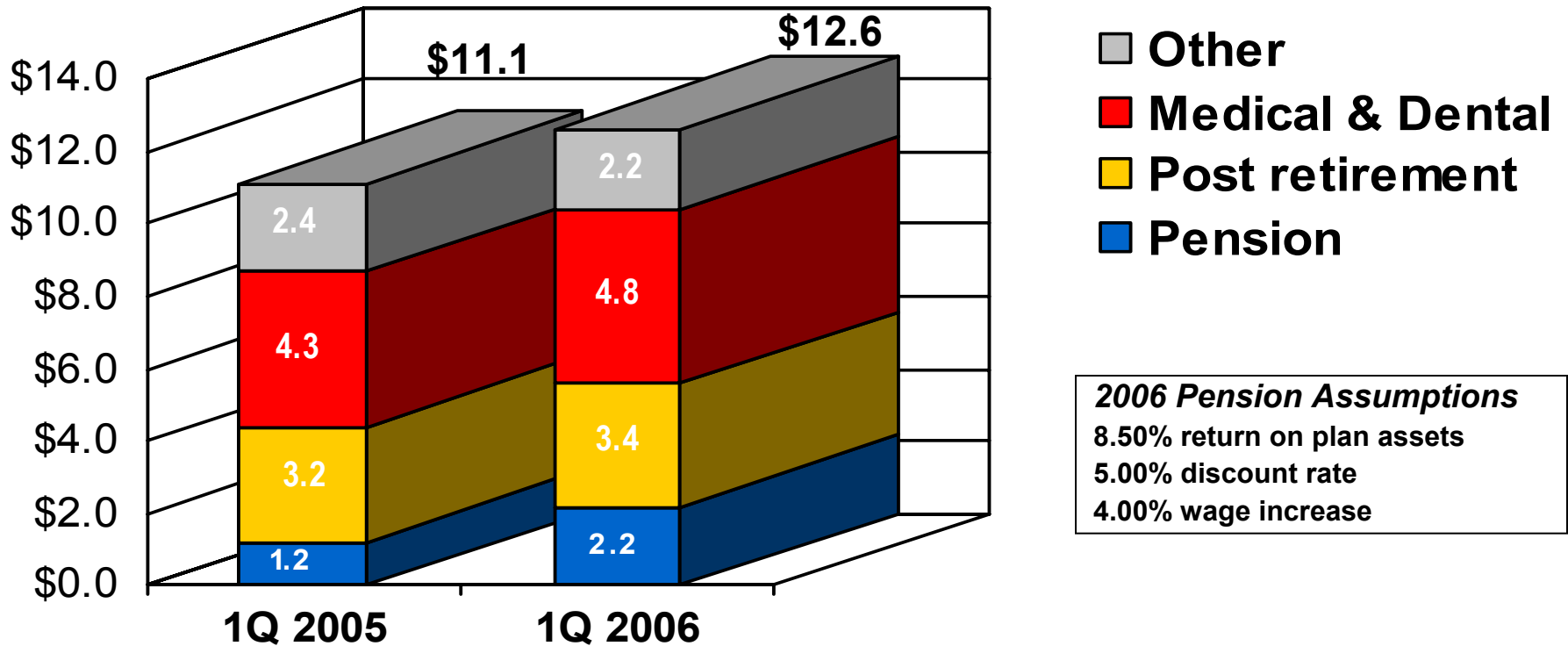
Drivers

- *Increased* taxes, other than income, of \$6.7 million
 - Primarily due to increased franchise fees and state gross receipts taxes resulting from higher revenues

- *Increased* interest charges of \$3.7 million
 - \$4.9 million *increase* primarily due to higher short-term debt balances used for natural gas purchases made at significantly higher prices coupled with an increase in the 3-month LIBOR rate, partially offset by
 - \$1.2 million *decrease* in interest charges from the early payoff of \$72.5 million of First Mortgage Bonds in June 2005

Pension, Post Retirement & Other Benefits Expense

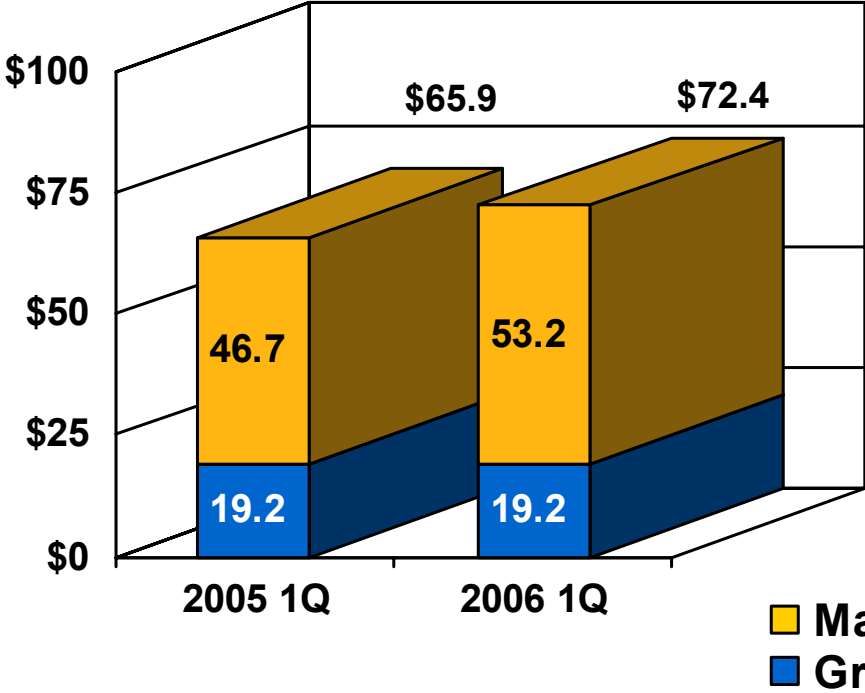
(in millions)



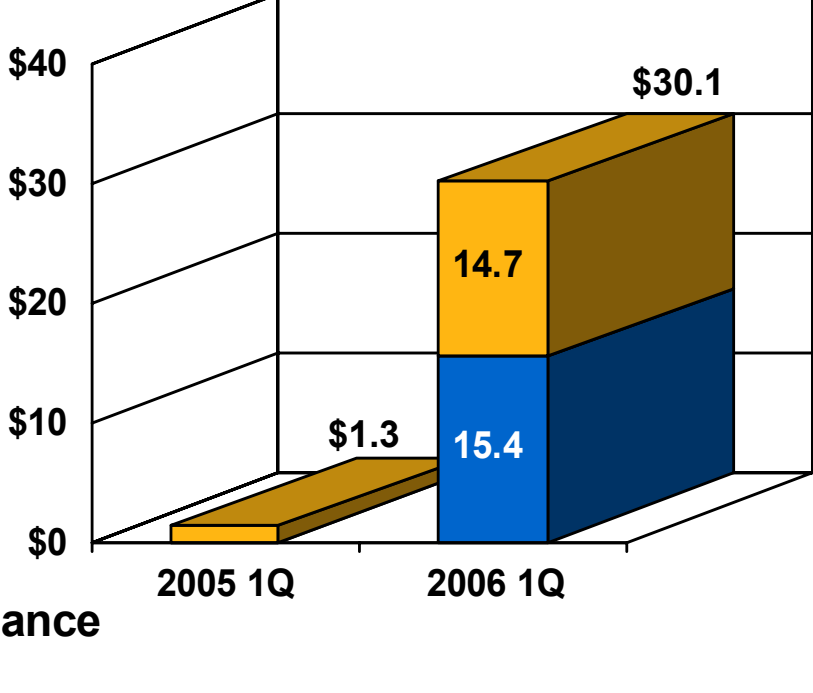
2006 Pension Assumptions
 8.50% return on plan assets
 5.00% discount rate
 4.00% wage increase

Capital Expenditures

Utility CAPEX
(in millions)



Nonutility CAPEX
(in millions)



Fiscal 2006 1Q Expenditures
 Maintenance Capital: \$67.9 million
 Growth Capital: \$34.6 million

Rate Stabilization Results - Mississippi

- October 3, 2005, Mississippi Public Utilities Staff reached an agreement with the Mississippi Division of Atmos Energy, requiring an up-front rate reduction of \$600,000 effective October 1, 2005 and the following revisions:
- Annual filings to be made, effective November 1 each year, beginning September 5, 2006
- New earnings sharing mechanism established
 - 50/50 sharing of all earnings above allowed ROE for the first year
 - Thereafter Atmos allowed to retain up to 250 additional basis points above ROE
- Calculated ROE plus a performance adjuster of up to 50 basis points (currently 9.8%)
- Shifts \$10 million in annual margins from volumetric to customer charge
- Revised WNA to include approximately 4% of additional heating degree days
- Reduces regulatory lag, adjusts for forward-looking known and measurable expenses and utilizes an average expected rate base
- Changes affect approximately 251,000 customers

GRIP Filings – State of Texas

- September 2005, **Mid-Tex Division** 2004 GRIP filing of \$6.7 million related to return and capital-related expenses on \$29 million increase in net investment during calendar 2004
 - Approved by the Texas Railroad Commission in January 2006
 - Implementation of new charges in February 2006
- September 2005, **Atmos Pipeline-Texas** 2004 GRIP filing of \$1.9 million revenue increase related to return and capital-related expenses on \$10.6 million in net investment during calendar 2004
 - Approved by the Texas Railroad Commission in December 2005
 - Implementation of new charges in January 2006
- September 2005, **West Texas Division** 2004 GRIP filing for \$3.8 million on increase in net investment of \$22.6 million
 - Implementation of new charges in January 2006, except for the inside city limits customers in the West Texas service area who rejected the filings. Filed appeal with the RRC which is still pending; expect approval in March 2006

Energy Transfer Partners Agreement

- November 30, 2005, Atmos entered into agreement with Energy Transfer Partners, L.P., to jointly construct, own and operate a 45-mile, 30-inch pipeline in northern part of DFW Metroplex
- Energy Transfer will provide initial capital to build the pipeline
- Approximately 21 miles of pipeline was placed into service in December 2005; anticipate remainder of pipeline to be placed into service by March 31, 2006
 - Total of \$19.2 million spent through December 31, 2005
 - \$1.6 million spent in fiscal 2005; \$17.6 million spent YTD in fiscal 2006, and \$29.7 million additional expenditure expected for the remainder of fiscal 2006
- Designed to meet present and future operational needs as a result of utility customer growth on the northern end of the Mid-Tex distribution system

Credit Facilities

- October 18, 2005, Atmos Energy entered into a \$600 million, 3 - year committed revolving credit facility through October 18, 2008
 - Replaces \$600 million, 364-day working capital facility on essentially the same terms
 - Serves as a backup liquidity facility for our commercial paper program
- November 10, 2005, Atmos Energy entered into a new \$300 million 364-day committed revolving credit facility
 - Supplements amounts available under existing \$18 million committed credit facility and \$25 million uncommitted credit facility under essentially the same terms as the \$600 million 3-year committed revolving credit facility
- November 28, 2005, Atmos Energy Marketing (AEM) amended its \$250 million uncommitted credit facility to a maximum of \$580 million
 - Expires March 31, 2006
 - Contains essentially same terms as previous credit facility

Investment Grade Credit Ratings

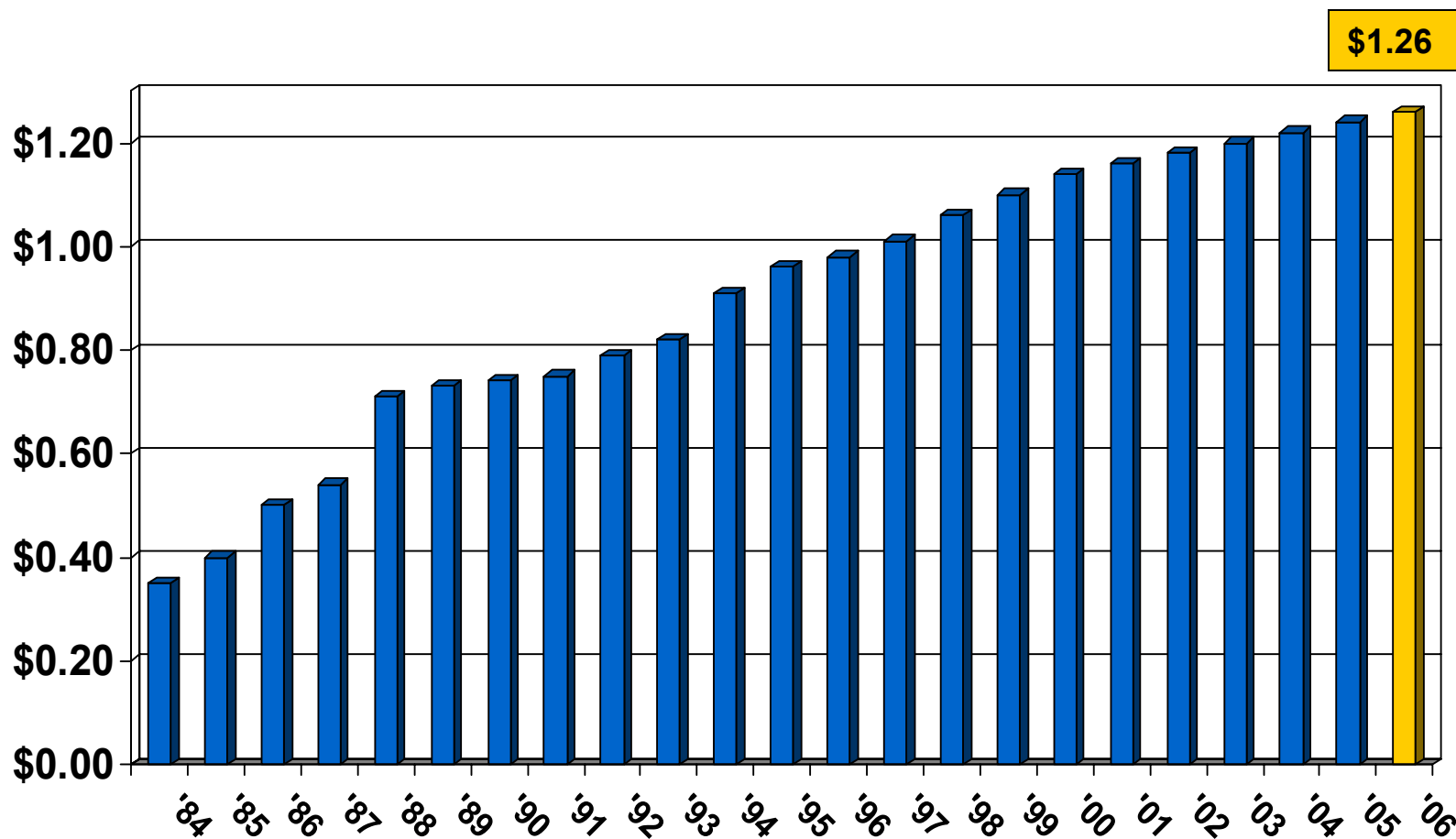
<i>Moody's</i>	<u>Rating</u>
■ Senior Unsecured Debt:	Baa3
■ Commercial Paper:	P-3
■ Outlook:	stable
<i>Standard & Poor's</i>	
■ Senior Unsecured Debt:	BBB
■ Commercial Paper:	A-2
■ Outlook:	stable
<i>Fitch</i>	
■ Senior Unsecured Debt:	BBB+
■ Commercial Paper:	F-2
■ Outlook:	stable*

* On January 13, 2006, Fitch upgraded outlook from “negative” to “stable”

Quarterly Dividend

- On February 7, 2006, the Atmos Board of Directors declared a quarterly dividend of \$0.315 per share
- 89th consecutive dividend declared
- To be paid on March 10, 2006, to shareholders of record on February 27, 2006
- Indicated annual dividend of \$1.26 per share

Annual Dividend Growth - 1984 to 2006E



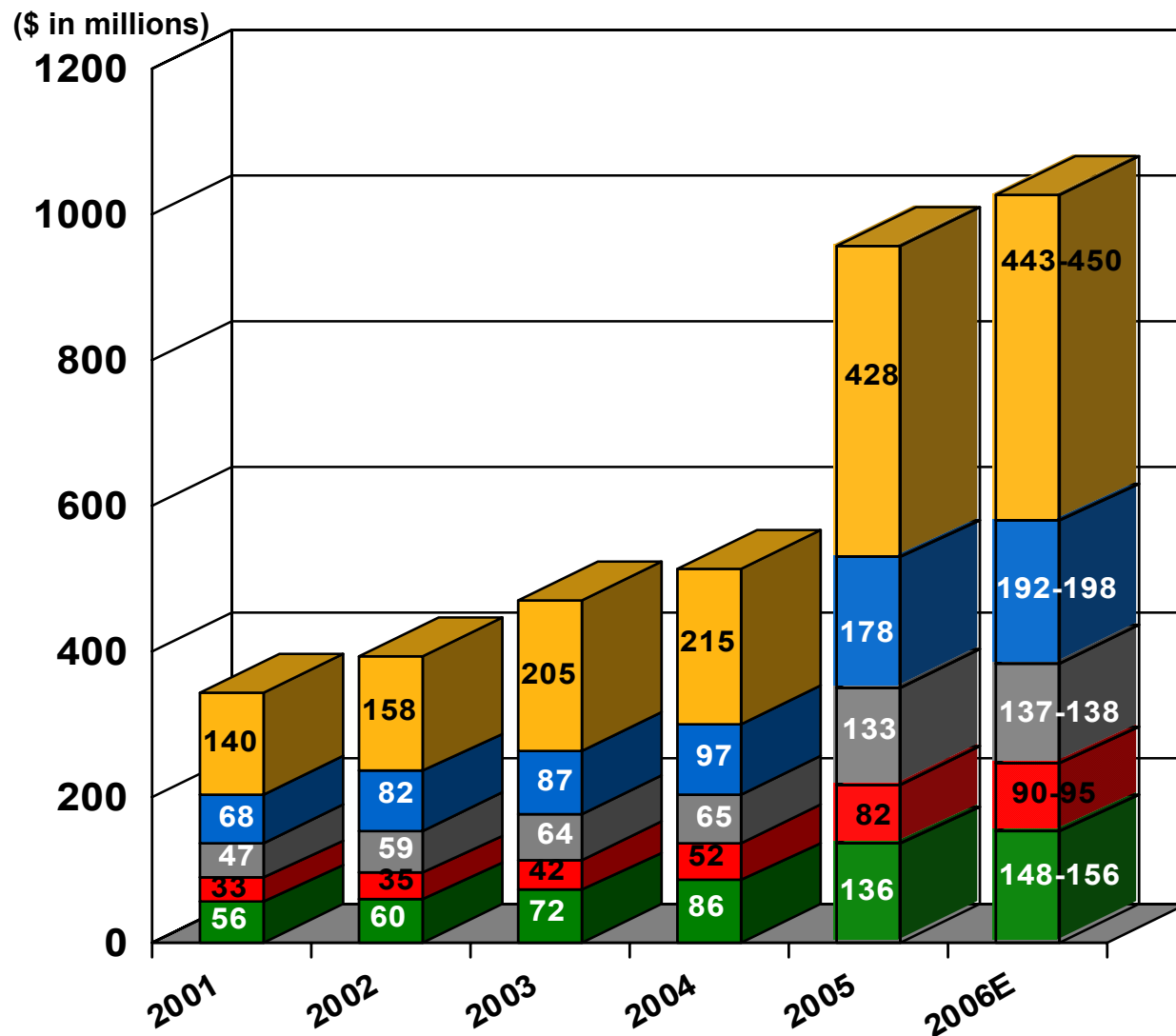
Note: Amounts are adjusted for mergers and acquisitions. For fiscal 2006, \$1.26 is the indicated annual dividend.

Earnings Guidance – 2006 Fiscal Year

- Atmos Energy anticipates earnings to be in the range of \$1.80 - \$1.90 per fully diluted share for the 2006 fiscal year
- Updated assumptions include:
 - 30-year normal weather from February to September 2006
 - Adverse impact of Hurricane Katrina on margin of between \$10 million and \$12 million
 - Greater contribution from nonutility businesses due to higher gas price volatility
 - Expect gross margin contribution from the marketing segment at the revised range of between \$80 million to \$90 million
 - Continued execution of rate strategy and collections efforts
 - Bad debt expense of no more than \$20 million
 - Average short-term interest rate @ 4.5 %
 - No material acquisitions
- Capital expenditures are expected to be between \$400 million and \$415 million

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 2006 significantly above or below this outlook.

Selected Income Statement Components

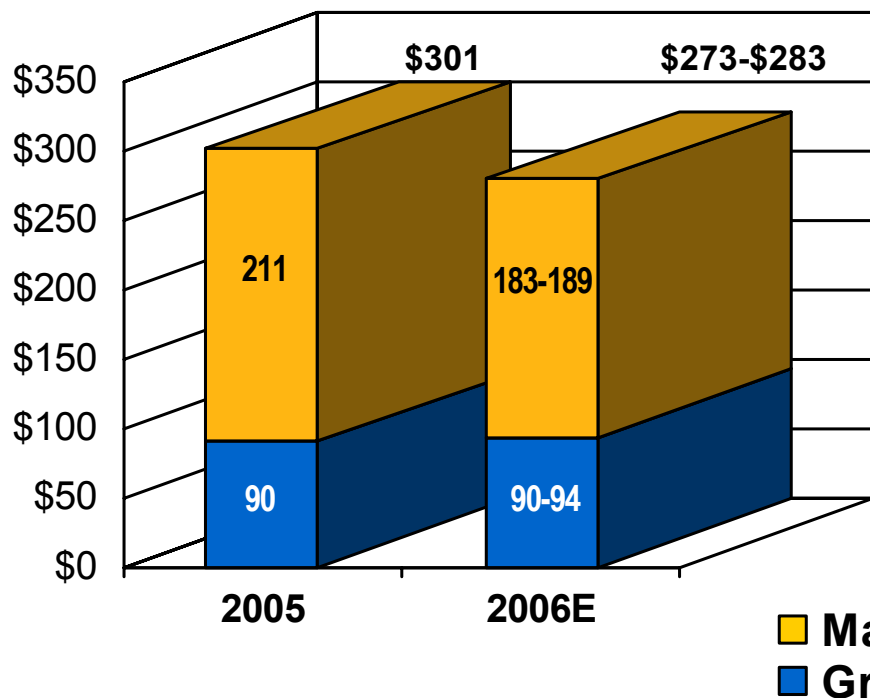


2006E Consolidated (\$ millions)

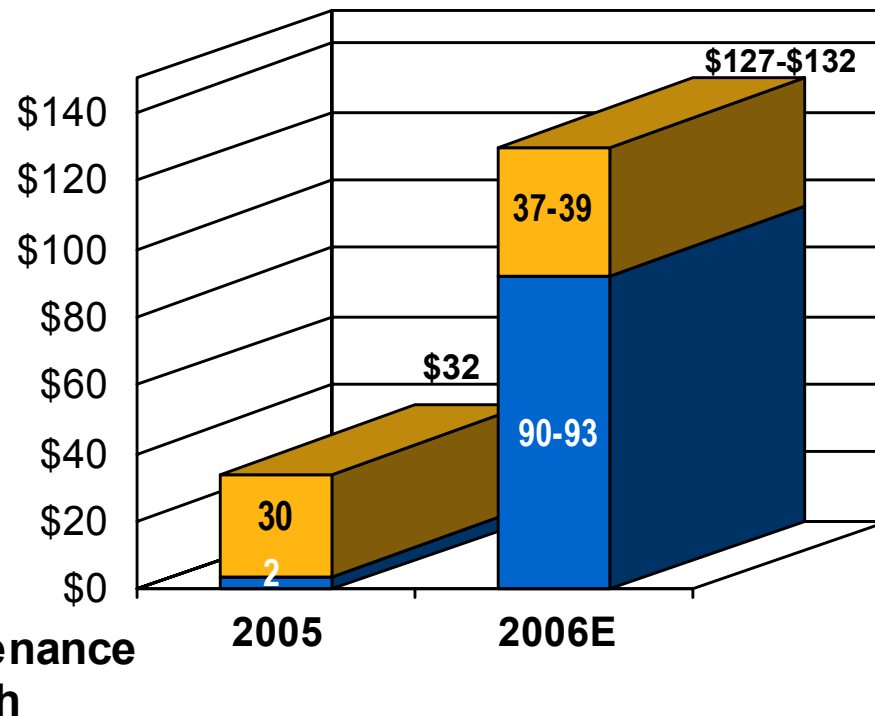
O & M	\$443 - \$450
D & A	\$192 - \$198
Interest	\$137 - \$138
Income Tax	\$90 - \$95
Net Income	\$148 - \$156

Estimated Capital Expenditures – 2006 Fiscal Year

Utility CAPEX (in millions)



Nonutility CAPEX (in millions)



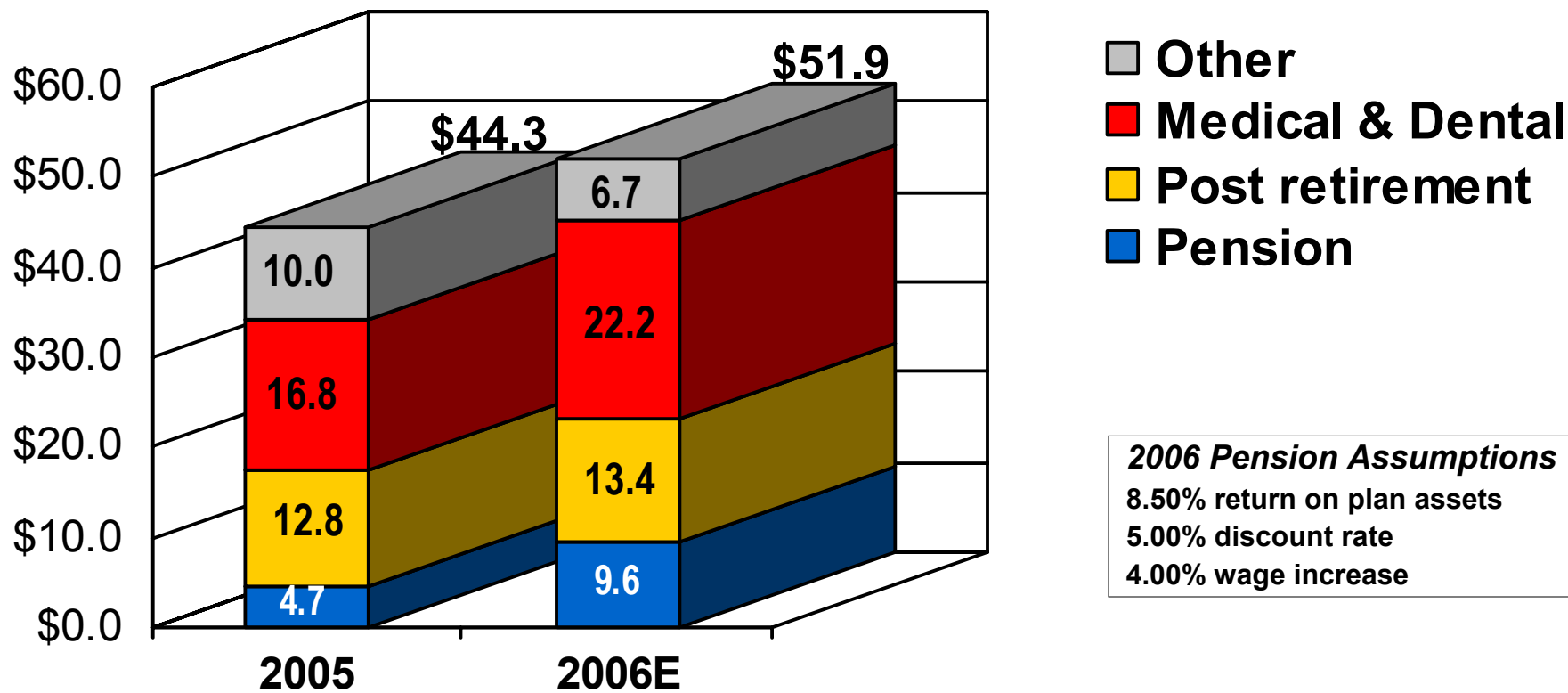
Consolidated fiscal 2006 CAPEX projection is \$400-\$415 million

Minimizing Volatility Through Gas Supply Hedging

- For the 2005-2006 heating season, Atmos Energy is hedging approximately 46 percent of its expected winter gas utility supply requirements
 - 22 percent are naturally hedged through a combination of owned underground storage assets and contract pipeline storage
 - 24 percent is hedged through the use of financial derivatives (primarily futures and fixed forward contracts)
- We project the weighted-average cost for storage gas and financial contracts to be approximately \$9.11 per Mcf. This compares to a weighted-average cost of approximately \$6.23 per Mcf for the prior-year heating season
- Hedging provides relative protection to the company and its customers against volatility in gas prices
 - Customers will pay a blended rate for gas costs
 - Atmos Energy should be able to reduce the effects of higher gas prices on its customer receivables and working capital requirements

Pension, Post Retirement & Other Benefits Expense

(in millions)



2006 Pension Assumptions
 8.50% return on plan assets
 5.00% discount rate
 4.00% wage increase

Consolidated Financial Results

Fiscal 2006 1Q

Consolidated Income Statements – Fiscal 2006 1Q



(000s except EPS)	Three Months Ended December 31	
	2005	2004
Operating Revenues:		
Utility Segment	\$ 1,405,010	\$ 913,681
Natural Gas Marketing Segment	1,101,845	493,801
Pipeline and Storage Segment	39,712	43,690
Other Nonutility Segment	1,492	1,359
Intersegment Eliminations	(264,239)	(83,907)
	<u>2,283,820</u>	<u>1,368,624</u>
Purchased Gas Cost:		
Utility Segment	1,124,829	656,370
Natural Gas Marketing Segment	1,075,526	466,957
Pipeline and Storage Segment	-	6,221
Other Nonutility Segment	-	-
Intersegment Eliminations	(263,125)	(83,027)
	<u>1,937,230</u>	<u>1,046,521</u>
Gross Profit	346,590	322,103
Operation and Maintenance Expense	108,217	110,777
Depreciation and Amortization	43,260	43,997
Taxes, other than income	45,416	38,655
Miscellaneous Income	448	385
Interest Charges	36,189	32,542
Income Before Income Taxes	113,956	96,517
Income Tax Expense	42,929	36,918
Net Income	<u>\$ 71,027</u>	<u>\$ 59,599</u>
Net Income Per Share:		
Basic	\$ 0.88	\$ 0.79
Diluted	\$ 0.88	\$ 0.79
Average Shares Outstanding:		
Basic	80,259	75,306
Diluted	80,722	75,725

Utility Operating Income – By Division - Fiscal 2006 1Q



	Three Months Ended December 31	
	2005	2004
Utility Operating Income		
Colorado-Kansas Division	\$ 8,610	\$ 8,235
Kentucky Division	6,192	5,845
Louisiana Division	7,891	6,333
Mid-States Division	14,298	11,138
Mid-Tex Division	50,787	38,548
Mississippi Division	9,993	8,607
West Texas Division	6,131	5,786
Other	2,347	595
Total Utility Operating Income	\$ 106,249	\$ 85,087

Utility Volumes - Fiscal 2006 1Q



	Three Months Ended December 31			
	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>% Change</u>
Sales Volumes (MMcf)				
Residential	53,709	50,769	2,940	6%
Commercial	29,139	27,863	1,276	5%
Public authority and other	3,291	4,016	(725)	(18%)
Industrial	9,009	8,243	766	9%
Irrigation	40	66	(26)	(39%)
Total	<u>95,188</u>	<u>90,957</u>	<u>4,231</u>	<u>5%</u>
Transportation (MMcf)	<u>30,602</u>	<u>27,978</u>	<u>2,624</u>	<u>9%</u>
Total Consolidated				
Utility Volumes (MMcf)	<u><u>125,790</u></u>	<u><u>118,935</u></u>	<u><u>6,855</u></u>	<u><u>6%</u></u>

Cash Flow Statements - Fiscal 2006 1Q



	Quarter Ended December 31	
	2005	2004
(000s)		
Net income	\$ 71,027	\$ 59,599
Depreciation and amortization	43,407	44,251
Deferred income taxes	20,448	8,308
Other	3,680	977
Net change in operating assets and liabilities	<u>(333,931)</u>	<u>(45,231)</u>
Operating cash flow	(195,369)	67,904
Acquisitions	-	(1,912,532)
Capital expenditures - growth	(34,573)	(19,230)
Capital expenditures - non-growth	(67,892)	(47,971)
Other, net	<u>(1,121)</u>	<u>(1,051)</u>
Operating cash flow after investing activities	(298,955)	(1,912,880)
Repayment of long-term debt	(1,695)	(3,373)
Settlement of Treasury lock agreements	-	(43,770)
Dividends paid	<u>(25,429)</u>	<u>(24,521)</u>
Cash flow after acquisitions and growth capital	<u>\$ (326,079)</u>	<u>\$ (1,984,544)</u>

Capitalization - Fiscal 2006 1Q



	As of December 31			
	2005		2004	
(000s)				
Short-term debt	\$ 474,059	11.0%	\$ 28,797	0.7%
Long-term debt	2,184,783	50.9%	2,261,070	59.1%
Shareholders' equity	1,637,617	38.1%	1,539,078	40.2%
Total capitalization	<u>\$ 4,296,459</u>	<u>100.0%</u>	<u>\$ 3,828,945</u>	<u>100.0%</u>

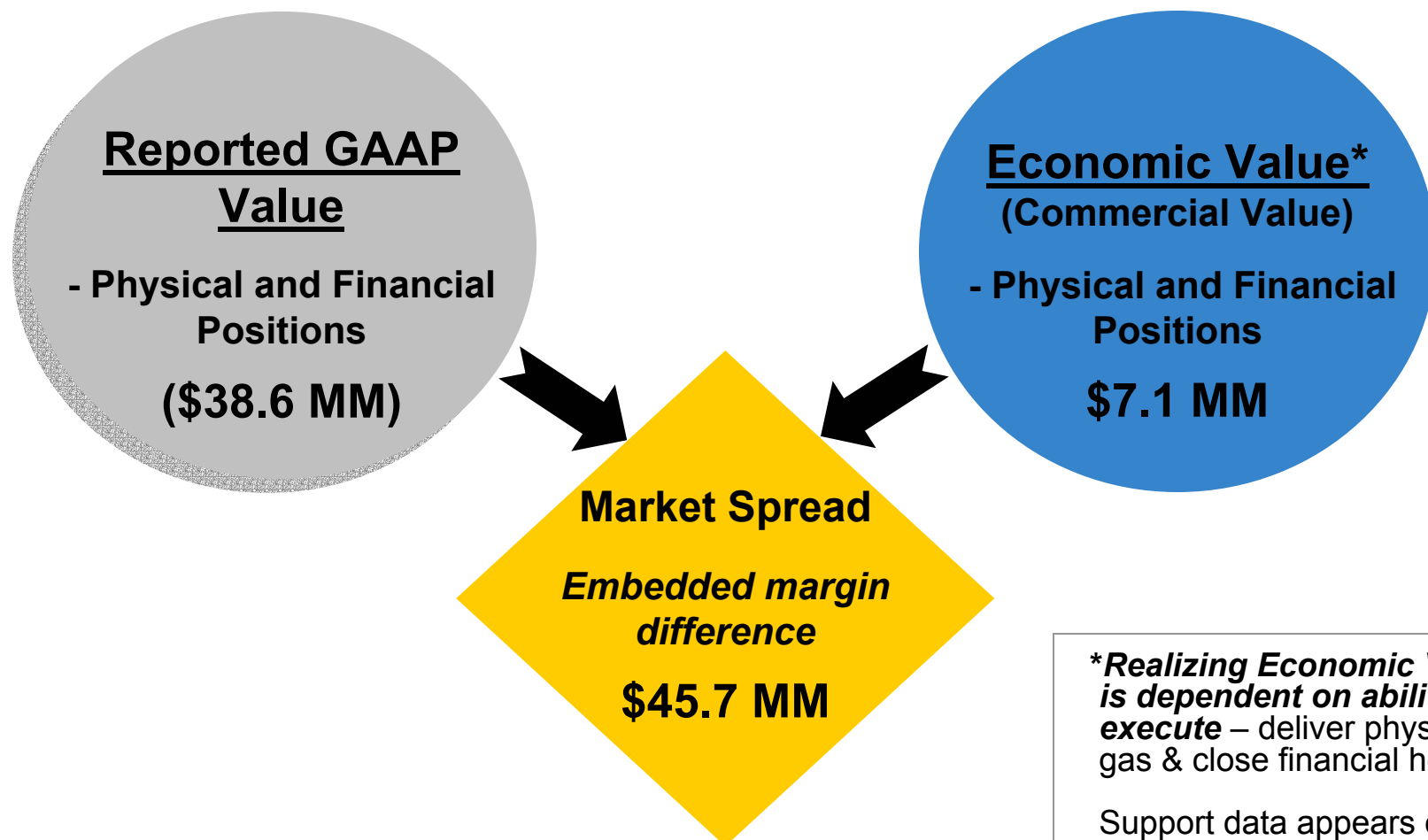
- The audio and slide presentation of this conference call will be available on Atmos Energy's Web site by 8:00 a.m. Eastern Standard Time on February 8, 2006, through midnight on May 5, 2006. Atmos Energy's Web site address is:
www.atmosenergy.com.
- To listen to the live conference call, dial 800-218-0204 by 8:00 a.m. Eastern Standard Time on February 8, 2006.

Appendix

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 financially report the transactions for external reporting purposes in accordance with 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 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 will 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 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



**Realizing Economic Value is dependent on ability to execute – deliver physical gas & close financial hedges*

Support data appears on the following slide

At December 31, 2005

Economic Value vs. GAAP Reported Results

Period Ending	Physical Volume (Bcf)	Economic Value (EV)				GAAP Reported Value - MTM		Market Spread	
		(\$ per mmbtu)			Total	(\$ per mmbtu)	Total	(\$ per mmbtu)	Total
		WASP	WACOG	EV	(\$ in millions)		(\$ in millions)		(\$ in millions)
9/30/2004	5.4	7.9121	5.6406	2.2715	12.3	(0.1394)	(0.8)	2.4109	13.0
12/31/2004	6.4	8.3569	6.3385	2.0184	12.9	1.8401	11.8	0.1783	1.0
9/30/2005	6.9	6.3466	4.4435	1.9031	13.1	(2.1502)	(14.8)	4.0533	27.9
12/30/2005	12.8	9.3918	8.8366	0.5552	7.1	(3.0094)	(38.6)	3.5646	45.7

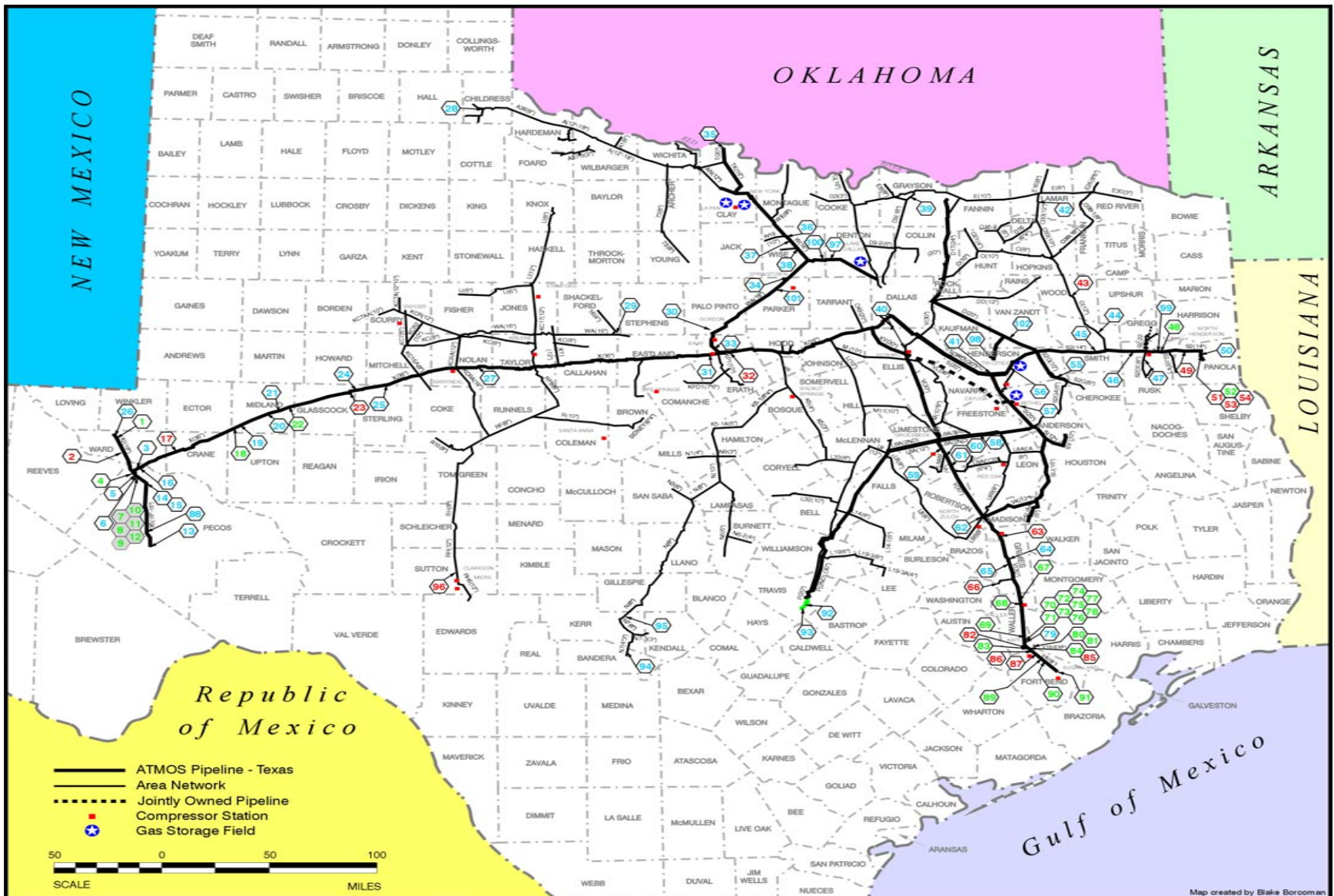
Project Update

Project	CAPEX		GRIP Filings *	
	Actual 2005	Estimated 2006	2005	2006
Northside Loop JV with Energy Transfer	\$1.6 million	\$47.3 million	\$15.2 million	\$33.7 million
Enbridge Line/Corridor Compression	\$4.0 million	\$17.8 million	---	\$21.8 million
Devon Line/Corridor Compression	----	----	----	----
Katy Capacity Expansion/Compression	\$1.3 million	\$13.7 million	----	\$15.0 million
Total:	\$6.9 million	\$78.8 million	\$15.2 million	\$70.5 million

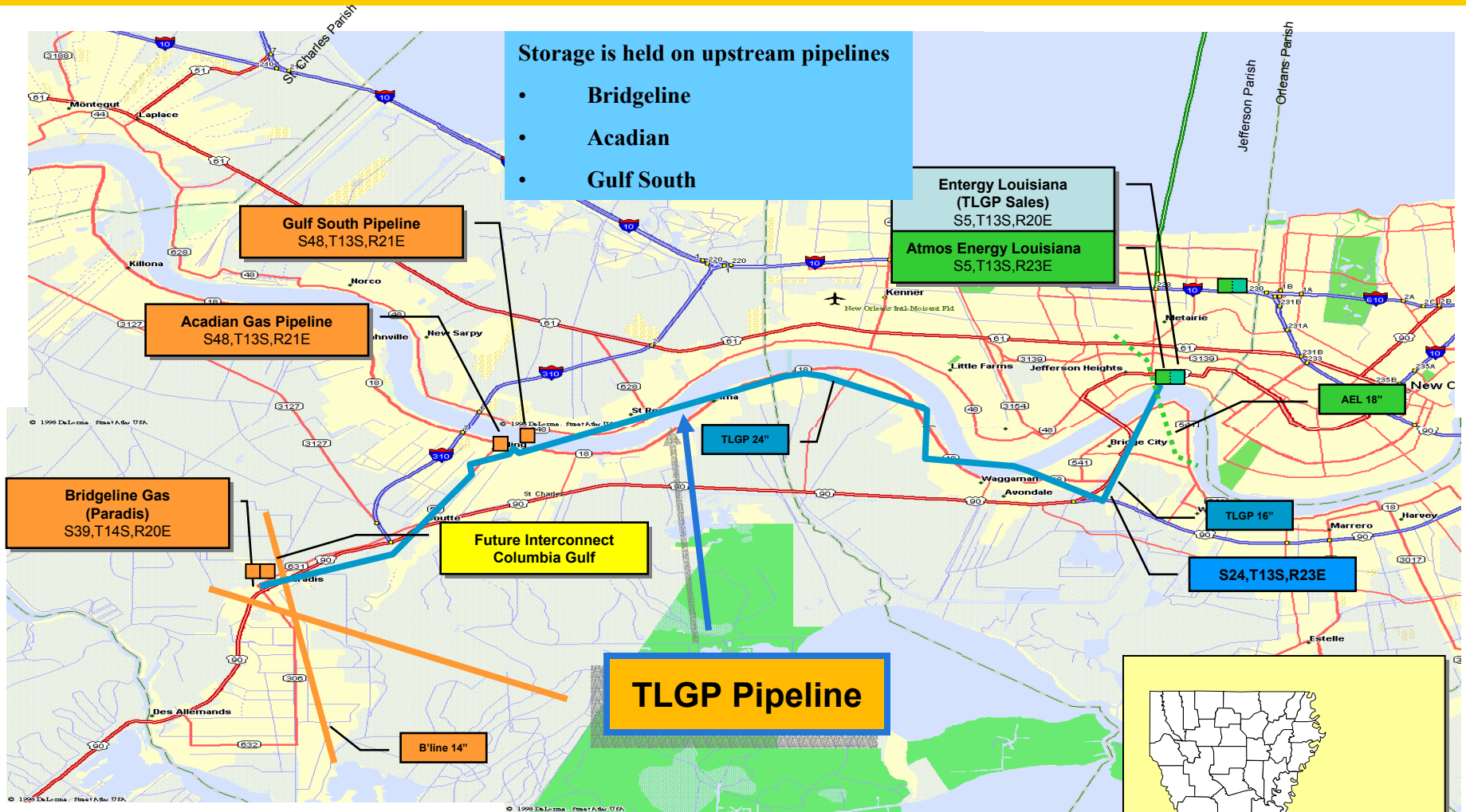
Estimated total annual revenues are \$15.0 million; of which \$6.7 million are expected to occur in fiscal 2006.

* Capital expenditures on a calendar year basis are included in GRIP filings when the asset is operational

Atmos Pipeline - Texas



Trans Louisiana Gas Pipeline



Storage is held on upstream pipelines

- Bridgeline
- Acadian
- Gulf South

Gulf South Pipeline
S48,T13S,R21E

Acadian Gas Pipeline
S48,T13S,R21E

Bridgeline Gas (Paradis)
S39,T14S,R20E

Future Interconnect
Columbia Gulf

TLGP Pipeline

Entergy Louisiana (TLGP Sales)
S5,T13S,R20E

Atmos Energy Louisiana
S5,T13S,R23E

AEL 18"

TLGP 16"
S24,T13S,R23E

Metropolitan New Orleans Area
TLGP Transmission / TLGP Sales Points

21 Miles of 24" TLGP Pipe
.95 Miles of 12" TLGP Pipe

