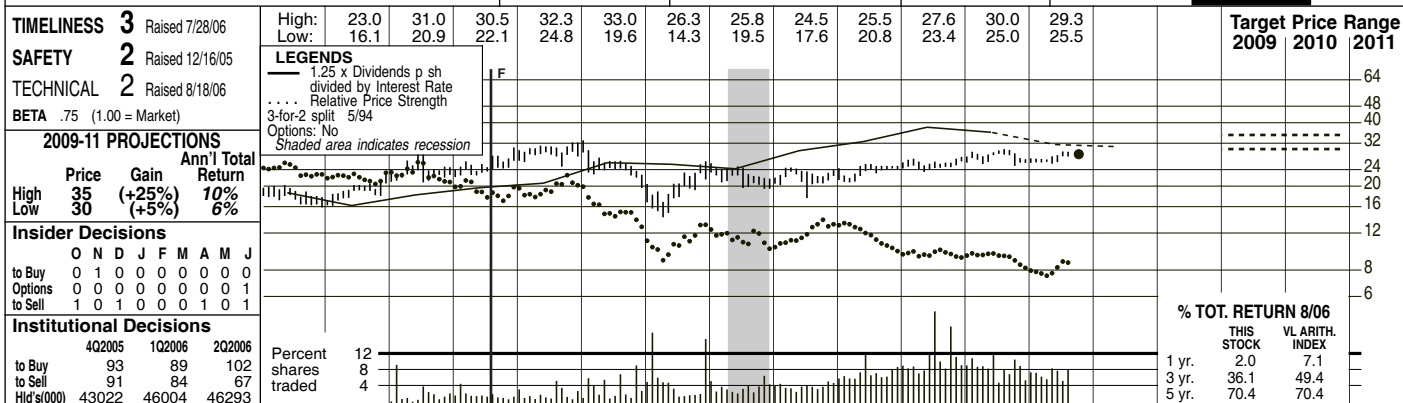


ATMOS ENERGY CORP. NYSE-ATO

RECENT PRICE **28.36** P/E RATIO **15.6** (Trailing: 18.3 Median: 16.0) RELATIVE P/E RATIO **0.92** DIV'D YLD **4.5%** VALUE LINE



Atmos Energy's history dates back to 1906 in the Texas Panhandle. Over the years, through various mergers, it became part of Pioneer Corporation, and, in 1981, Pioneer named its gas distribution division Energas. In 1983, Pioneer organized Energas as a separate subsidiary and distributed the outstanding shares of Energas to Pioneer shareholders. Energas changed its name to Atmos in 1988. Atmos acquired Trans Louisiana Gas in 1986, Western Kentucky Gas Utility in 1987, Greeley Gas in 1993, United Cities Gas in 1997, and others.

CAPITAL STRUCTURE as of 6/30/06
 Total Debt \$2481.2 mill. Due in 5 Yrs \$860.0 mill.
 LT Debt \$2180.8 mill. LT Interest \$135.0 mill.
 (LT interest earned: 2.7x; total interest coverage: 2.6x)
 Leases, Uncapitalized Annual rentals \$15.3 mill.
 Pfd Stock None
 Pension Assets-9/05 \$355.9 mill. Oblig. \$359.9 mill.
 Common Stock 81,595,723 shs. as of 7/31/06
 MARKET CAP: \$2.3 billion (Mid Cap)

CURRENT POSITION (\$MILL.)	2004	2005	6/30/06
Cash Assets	201.9	40.1	26.8
Other	475.2	1224.3	1023.4
Current Assets	677.1	1264.4	1050.2
Accts Payable	185.3	461.3	306.8
Debt Due	5.9	148.1	300.4
Other	223.3	503.4	407.6
Current Liab.	414.5	1112.8	1014.8
Fix. Chg. Cov.	384%	395%	400%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-'11
Revenues	6.0%	16.5%	11.5%
"Cash Flow"	3.5%	2.0%	8.0%
Earnings	4.0%	6.5%	7.0%
Dividends	3.0%	2.0%	2.0%
Book Value	6.5%	8.5%	5.0%

Fiscal Year Ends	QUARTERLY REVENUES (\$ mill.) ^A				Full Fiscal Year
	Dec.31	Mar.31	Jun.30	Sep.30	
2003	680.4	1194.1	488.5	436.9	2799.9
2004	763.6	1117.5	546.1	492.8	2920.0
2005	1371.0	1687.8	909.9	1004.6	4973.3
2006	2283.8	2033.8	863.2	1099.2	6280
2007	1675	1675	1675	1675	6700

Fiscal Year Ends	EARNINGS PER SHARE ^{A B E}				Full Fiscal Year
	Dec.31	Mar.31	Jun.30	Sep.30	
2003	.60	1.24	--	d.05	1.71
2004	.57	1.12	.09	d.11	1.58
2005	.79	1.11	.06	d.21	1.72
2006	.88	1.10	d.22	.04	1.80
2007	.85	1.15	.08	d.13	1.95

Calendar	QUARTERLY DIVIDENDS PAID ^C				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2002	.295	.295	.295	.30	1.19
2003	.30	.30	.30	.305	1.21
2004	.305	.305	.305	.31	1.23
2005	.31	.31	.31	.315	1.25
2006	.315	.315	.315		

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
Revenues per sh ^A	30.19	30.59	27.90	22.09	26.61	35.36	22.82	54.39	46.50	61.75	76.60	79.75		105.00
"Cash Flow" per sh	2.80	2.85	3.38	2.62	3.01	3.03	3.39	3.23	2.91	3.90	4.05	4.30		5.30
Earnings per sh ^{A B}	1.51	1.34	1.84	.81	1.03	1.47	1.45	1.71	1.58	1.72	1.80	1.95		2.50
Div'ds Decl'd per sh ^C	.96	1.01	1.06	1.10	1.14	1.16	1.18	1.20	1.22	1.24	1.26	1.28		1.35
Cap'l Spending per sh	4.84	4.13	4.44	3.53	2.36	2.77	3.17	3.10	3.03	4.14	5.00	5.90		7.30
Book Value per sh	10.75	11.04	12.21	12.09	12.28	14.31	13.75	16.66	18.05	19.90	20.45	21.50		24.10
Common Shs Outst'g ^D	16.02	29.64	30.40	31.25	31.95	40.79	41.68	51.48	62.80	80.54	82.00	84.00		100.00
Avg Ann'l P/E Ratio	15.1	17.9	15.4	33.0	18.9	15.6	15.2	13.4	15.9	16.1				13.0
Relative P/E Ratio	.95	1.03	.80	1.88	1.23	.80	.83	.76	.84	.84				.85
Avg Ann'l Div'd Yield	4.2%	4.2%	3.7%	4.1%	5.9%	5.1%	5.4%	5.2%	4.9%	4.5%				4.2%
Revenues (\$mill) ^A	483.7	906.8	848.2	690.2	850.2	1442.3	950.8	2799.9	2920.0	4973.3	6280	6700		10500
Net Profit (\$mill)	23.9	39.2	55.3	25.0	32.2	56.1	59.7	79.5	86.2	135.8	150	165		250
Income Tax Rate	35.7%	37.5%	36.5%	35.0%	36.1%	37.3%	37.1%	37.1%	37.4%	37.7%	37.5%	37.5%		38.0%
Net Profit Margin	5.0%	4.3%	6.5%	3.6%	3.8%	3.9%	6.3%	2.8%	3.0%	2.7%	2.4%	2.5%		2.3%
Long-Term Debt Ratio	41.5%	48.1%	51.8%	50.0%	48.1%	54.3%	53.9%	50.2%	43.2%	57.7%	57.0%	57.0%		55.0%
Common Equity Ratio	58.5%	51.9%	48.2%	50.0%	51.9%	45.7%	46.1%	49.8%	56.8%	42.3%	43.0%	43.0%		45.0%
Total Capital (\$mill)	294.6	630.2	769.7	755.1	755.7	1276.3	1243.7	1721.4	1994.8	3785.5	3900	4200		5350
Net Plant (\$mill)	413.6	849.1	917.9	965.8	982.3	1335.4	1300.3	1516.0	1722.5	3374.4	3675	3975		5000
Return on Total Cap'l	10.6%	8.3%	9.0%	5.1%	6.5%	5.9%	6.8%	6.2%	5.8%	5.3%	5.5%	5.5%		6.5%
Return on Shr. Equity	13.9%	12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.0%	9.0%		10.5%
Return on Com Equity	13.9%	12.0%	14.9%	6.6%	8.2%	9.6%	10.4%	9.3%	7.6%	8.5%	9.0%	9.0%		10.5%
Retained to Com Eq	5.1%	3.9%	6.3%	NMF	NMF	2.1%	1.9%	2.8%	1.7%	2.3%	3.0%	3.0%		5.0%
All Div'ds to Net Prof	64%	67%	58%	NMF	112%	79%	82%	70%	77%	73%	69%	65%		54%

BUSINESS: Atmos Energy Corporation is engaged primarily in the distribution and sale of natural gas to 3.2 million customers via seven regulated natural gas utility operations: Louisiana Division, Mid-States Division, West Texas Division, Mid-Tex Division, Mississippi Division, Colorado-Kansas Division, and Kentucky Division. Combined 2005 gas volumes: 296 MMcf. Breakdown: 55%, residential; 31%, commercial; 10%, industrial; and 4% other. 2005 depreciation rate 3.7%. Has around 4,330 employees. Officers and directors own approximately 2.6% of common stock (12/05 Proxy). Chairman and Chief Executive Officer: Robert W. Best. Incorporated: Texas. Address: P.O. Box 650205, Dallas, Texas 75265. Telephone: 972-934-9227. Internet: www.atmosenergy.com.

It appears that Atmos Energy's earnings per share increased around 5%, to \$1.80, in fiscal 2006 (ends September 30th). Within the non-utility division, the marketing segment benefited greatly from strategies to capture favorable arbitrage spreads created by natural gas volatility. But the performance of the utility operation was hampered by warmer temperatures, which especially affected the Mid-Tex and Louisiana units because they did not have a weather-normalized rate structure during that time. (Combined, these units account for over 60% of the customer base.) Also, we estimate that the after-effects of Hurricane Katrina reduced share net by about \$0.10.

We believe that the bottom line will advance about 8%, to \$1.95 a share, in fiscal 2007, assuming further expansion in operating margins. And it is important to note that weather-normalized rates will be effective for the Mid-Tex operation beginning October 1st. Moreover, a rate design calling for a partial decoupling from the impact of unfavorable temperatures will take effect for the Louisiana unit on December 1st. With these moves, some

90% of the utility's margins are protected by weather-normalization adjustments (versus about 33% previously).

Atmos looks poised to register steady, if measured, bottom-line increases over the 2009-2011 period. With the utility division now serving 3.2 million customers across 12 states, the company is not dependent on the economic climate in any one region of the country. Furthermore, the non-utility segments, particularly pipelines, have decent expansion prospects. In the present corporate configuration, share net ought to grow around 8% annually over the 3- to 5-year horizon.

These good-quality shares offer a healthy dose of dividend income. Prospects for additional increases in the distribution seem reasonable, too, as supported by our favorable 2009-2011 projections for Atmos Energy.

But long-term total-return potential is not spectacular, as capital appreciation possibilities are limited at the current quotation. Also, the equity is ranked to perform only in line with the market in the year ahead.

Frederick L. Harris, III September 15, 2006

(A) Fiscal year ends Sept. 30th. (B) Diluted shrs. Excl. nonrec. items: '97, d53c; '99, d23c; '00, 12c; '03, d17c. Next eggs. rpt. due early Nov. (C) Dividends historically paid in early March, June, Sept., and Dec. (D) In millions, adjusted for stock splits. (E) Qtrs may not add due to change in shrs outstanding. (F) ATO completed United Cities merger 7/97.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	30
Earnings Predictability	65

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