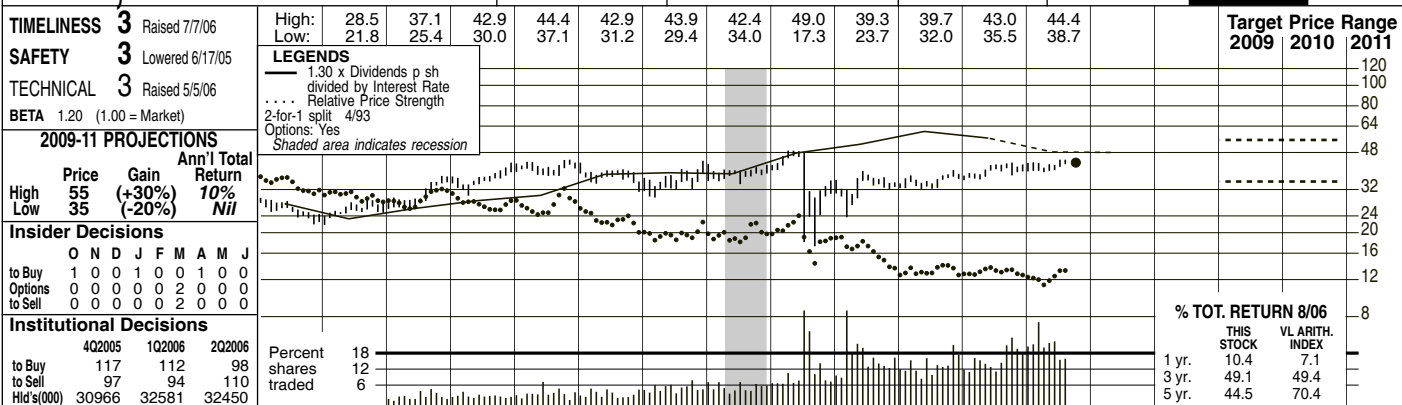


# NICOR, INC. NYSE-GAS

RECENT PRICE **43.05** P/E RATIO **17.2** (Trailing: 18.6; Median: 14.0) RELATIVE P/E RATIO **1.01** DIV'D YLD **4.3%**

## VALUE LINE



1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
26.52	26.46	28.90	31.02	31.23	29.42	37.39	41.33	30.84	34.45	50.52	57.30	43.11	60.46	62.12	76.00	<b>73.35</b>	<b>72.30</b>	Revenues per sh	71.25
3.86	3.92	4.14	3.80	4.11	4.19	4.97	5.29	5.21	5.59	6.16	6.41	6.03	5.37	6.00	6.19	<b>6.45</b>	<b>6.50</b>	"Cash Flow" per sh	6.80
1.93	1.86	1.92	1.97	2.07	1.96	2.42	2.55	2.31	2.57	2.94	3.01	2.88	2.11	2.22	2.27	<b>2.45</b>	<b>2.50</b>	Earnings per sh <sup>A</sup>	2.80
1.06	1.12	1.18	1.22	1.25	1.28	1.32	1.40	1.48	1.54	1.66	1.76	1.84	1.86	1.86	1.86	<b>1.86</b>	<b>1.92</b>	Div'ds Decl'd per sh <sup>B</sup>	2.02
3.00	3.65	3.12	2.62	3.34	3.12	2.42	2.34	2.87	3.28	3.48	4.18	4.37	4.12	4.32	4.57	<b>4.50</b>	<b>4.50</b>	Cap'l Spending per sh	4.50
11.67	12.28	12.76	13.05	13.26	13.67	14.74	15.43	15.97	16.80	15.56	16.39	16.55	17.13	16.99	18.36	<b>18.90</b>	<b>19.40</b>	Book Value per sh	21.60
57.93	57.30	55.77	53.96	51.54	50.30	49.49	48.22	47.51	46.89	45.49	44.40	44.01	44.04	44.10	44.18	<b>44.50</b>	<b>44.60</b>	Common Shs Outst'g <sup>C</sup>	44.90
10.7	11.5	11.6	14.1	12.5	13.1	12.5	14.2	17.6	14.6	11.9	12.8	13.1	15.8	15.9	17.3	<b>17.3</b>	<b>17.3</b>	Avg Ann'l P/E Ratio	16.0
.79	.73	.70	.83	.82	.88	.78	.82	.92	.83	.77	.66	.72	.90	.84	.91	<b>.91</b>	<b>.91</b>	Relative P/E Ratio	1.05
5.1%	5.2%	5.3%	4.4%	4.8%	5.0%	4.4%	3.9%	3.6%	4.1%	4.7%	4.6%	4.9%	5.6%	5.3%	4.7%	<b>4.7%</b>	<b>4.7%</b>	Avg Ann'l Div'd Yield	4.5%

**CAPITAL STRUCTURE as of 6/30/06**  
 Total Debt \$520.2 mill. Due in 5 Yrs \$215.0 mill.  
 LT Debt \$470.2 mill. LT Interest \$20.0 mill.  
 (Total interest coverage: 4.0x)

**Pension Assets-12/05** \$424.0 mill. **Oblig.** \$284.4 mill.

**Pfd Stock** \$.6 mill. **Pfd Div'd** \$.03 mill.  
 (11,681 shares of 4.48% mandatorily redeemable preferred stock)

**Common Stock** 44,536,603 shares as of 4/28/06

**MARKET CAP: \$1.9 billion (Mid Cap)**

1850.7	1992.6	1465.1	1615.2	2298.1	2544.1	1897.4	2662.7	2739.7	3357.8	<b>3265</b>	<b>3225</b>	Revenues (\$mill)	3200
121.2	124.3	111.1	121.9	136.4	136.3	128.0	93.1	98.1	101.1	<b>110</b>	<b>110</b>	Net Profit (\$mill)	125
35.8%	35.0%	34.4%	34.7%	34.8%	33.5%	31.0%	35.2%	31.8%	28.3%	<b>27.0%</b>	<b>30.0%</b>	Income Tax Rate	32.0%
6.5%	6.2%	7.6%	7.5%	5.9%	5.4%	6.7%	3.5%	3.6%	3.0%	<b>3.4%</b>	<b>3.4%</b>	Net Profit Margin	3.9%
41.3%	42.3%	42.1%	35.5%	32.7%	37.8%	35.1%	39.6%	39.8%	37.4%	<b>36.0%</b>	<b>35.0%</b>	Long-Term Debt Ratio	32.0%
58.1%	57.2%	57.4%	64.0%	66.7%	61.7%	64.5%	60.3%	60.1%	62.5%	<b>64.0%</b>	<b>65.0%</b>	Common Equity Ratio	68.0%
1255.1	1300.6	1322.6	1230.1	1061.2	1180.1	1128.9	1251.5	1246.0	1297.7	<b>1310</b>	<b>1335</b>	Total Capital (\$mill)	1430
1771.9	1735.8	1731.8	1735.2	1729.6	1768.6	1796.8	2484.2	2549.8	2659.1	<b>2750</b>	<b>2850</b>	Net Plant (\$mill)	3150
11.1%	11.1%	9.9%	10.9%	13.7%	12.3%	12.2%	8.3%	8.8%	9.4%	<b>10.0%</b>	<b>9.5%</b>	Return on Total Cap'l	10.0%
16.4%	16.6%	14.5%	15.4%	19.1%	18.6%	17.5%	12.3%	13.1%	12.5%	<b>13.0%</b>	<b>12.5%</b>	Return on Shr. Equity	13.0%
16.6%	16.7%	14.6%	15.4%	19.2%	18.7%	17.5%	12.3%	13.1%	12.5%	<b>13.0%</b>	<b>12.5%</b>	Return on Com Equity	13.0%
7.6%	7.6%	5.4%	6.2%	8.5%	7.9%	6.5%	1.5%	2.1%	2.3%	<b>3.0%</b>	<b>3.0%</b>	Retained to Com Eq	3.5%
54%	55%	63%	60%	56%	58%	63%	88%	84%	81%	<b>75%</b>	<b>77%</b>	All Div'ds to Net Prof	73%

**CURRENT POSITION**

	2004	2005	6/30/06
Cash Assets	83.2	126.9	226.6
Other	937.7	1218.8	477.4
Current Assets	1020.9	1345.7	704.0
Accts Payable	502.9	658.2	433.9
Debt Due	490.2	636.0	50.0
Other	178.3	328.7	511.4
Current Liab.	1171.4	1622.9	995.3
Fix. Chg. Cov.	428%	367%	NMF

**BUSINESS:** Nicor Inc. is a holding company with gas distribution as its primary business. Serves over 2.1 million customers in northern and western Illinois. 2005 gas delivered: 470.6 Bcf, incl. 219.4 Bcf from transportation. 2005 gas sales (251.2 bcf): residential, 80%; commercial, 18%; industrial, 3%. Principal supplying pipelines: Natural Gas Pipeline, Horizon Pipeline, and TGPC. Current operations include Tropical Shipping subsidiary and several energy related ventures. Divested inland barging, 7/86; contract drilling, 9/86; oil and gas E&P, 6/93. Has about 3,700 employees. Off./dir. own about 2.8% of common stock. (3/06 proxy). Chairman and CEO: Russ Strobel, Inc.: IL. Address: 1844 Ferry Road, Naperville, IL 60563. Telephone: 630-305-9500. Internet: www.nicor.com.

**ments should bolster the bottom line.** Nicor's Tropical Shipping unit is generating higher revenues, due to an increase in rates. But some of those gains are likely to be mitigated, in part, by incremental payroll and transportation costs. Separately, the energy ventures segment should post better results in the second half of this year, as deferred revenue, related to its utility bill management products, are recognized.

**ANNUAL RATES**

	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-11
Revenues	8.0%	11.5%	1.0%
"Cash Flow"	4.0%	0.5%	2.5%
Earnings	1.0%	-3.5%	4.0%
Dividends	4.0%	3.5%	1.5%
Book Value	3.0%	1.5%	3.0%

**Nicor's core gas distribution segment has posted mixed results.** In the first six months of the year, this unit posted a modest decline in operating profits from a year ago. Excluding the cost recovery of \$3.8 million related to a mercury repair and inspection program, operating earnings declined by 1%, to \$70.8 million, in the period. An increase in base rates, approved by the Illinois Commerce Commission last fall, helped to boost revenues, but was partially offset by unseasonably warm weather, which reduced the demand for gas deliveries. This decrease in demand lowered net profits by roughly \$7.5 million compared to management's forecast. In light of the weather-related losses, the gas distribution segment will probably weigh on the bottom line in the full year. Even so, this is considered a temporary issue, and an eventual return to normal weather conditions should benefit earnings. Too, operating and maintenance expenses have been running below management's expectations, with room for further cost reductions, barring an unforeseen spike in natural gas prices.

**The company's other business seg-**

**Nicor may be able to raise its dividend following a recent legal settlement.** In July, the company reached a settlement with the SEC regarding the investigation over its accounting for natural gas costs between 2000 and 2002. Under the terms of the settlement, Nicor will be subject to a \$10 million fine, without admitting or denying any wrongdoing. With the legal issues in the rearview mirror, there ought to be a greater amount of cash available to shareholders. As of June 30th, there was nearly \$227 million in cash on the balance sheet.

**These shares may interest income-oriented accounts.**

Charles W. Noh  
September 15, 2006

**QUARTERLY REVENUES (\$ mill.)**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	1171.3	452.8	294.8	743.8	2662.7
2004	1115.7	429.5	299.9	894.6	2739.7
2005	1179.9	484.4	336.0	1357.5	3357.8
2006	1319.4	451.3	<b>320</b>	<b>1174.3</b>	<b>3265</b>
2007	<b>1250</b>	<b>500</b>	<b>350</b>	<b>1125</b>	<b>3225</b>

**EARNINGS PER SHARE<sup>A</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2003	1.11	.21	.01	.78	2.11
2004	.96	.44	d.26	1.08	2.22
2005	.98	.35	d.06	1.02	2.27
2006	.94	.41	<b>d.05</b>	<b>1.15</b>	<b>2.45</b>
2007	<b>1.00</b>	<b>.40</b>	<b>d.05</b>	<b>1.15</b>	<b>2.50</b>

**QUARTERLY DIVIDENDS PAID<sup>B</sup>**

Cal-endar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2002	.46	.46	.46	.46	1.84
2003	.46	.465	.465	.465	1.86
2004	.465	.465	.465	.465	1.86
2005	.465	.465	.465	.465	1.86
2006	.465	.465	.465	.465	1.86

(A) Based on primary earnings thru '96, then diluted. Excl. nonrecurring gains/(loss): '89, 7c; '97, 6c; '98, 11c; '99, 5c; '00, (\$1.96); '01, 16c; '03, (27c); '04, (52c); '05, 80c; '06, (17c). Excl. items from discontinued ops.: '93, 4c; '96, 30c. Quarterly earnings may not sum to total due to rounding. Next earnings report due early Nov. (B) Dividends historically paid early February, May, August, November. ■ Dividend reinvestment plan available. (C) In millions, adjusted for stock split.

Company's Financial Strength A  
 Stock's Price Stability 35  
 Price Growth Persistence 55  
 Earnings Predictability 80