



AGL Resources™

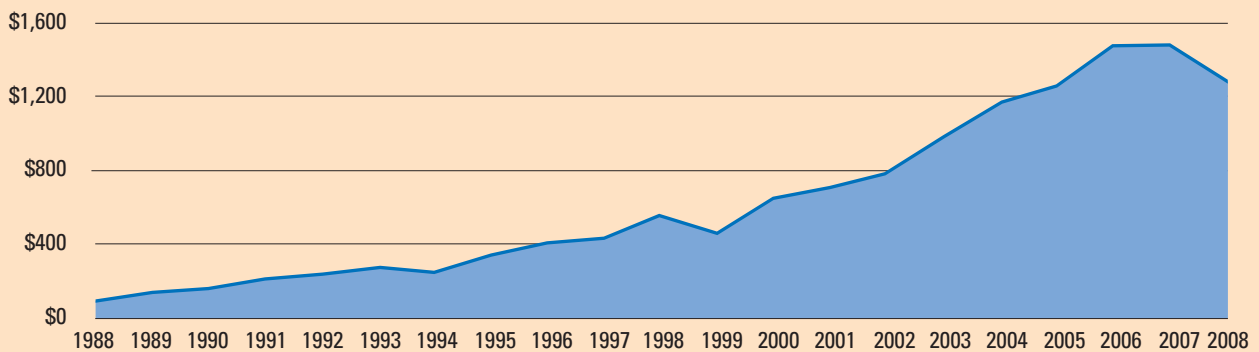
2008 Annual Report

# STRONG FUNDAMENTALS, SUSTAINABLE FUTURE



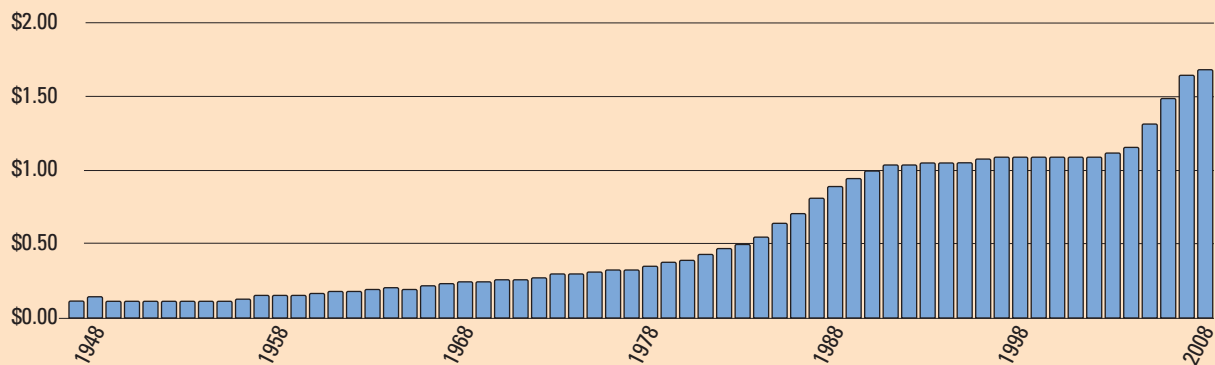
# A PROGRESSIVE COMPANY WITH A LONG-TERM TRACK RECORD

Cumulative Shareholder Return on 20-Year Investment\* in dollars



\* \$100 invested on December 31, 1988 in AGL Resources Inc. stock, including reinvestment of dividends for years ending December 31.

60-Year History of Dividend Growth\* in dollars



\* Adjusted for stock splits

## Letter to Shareholders

### To Our Shareholders,

For more than 150 years, AGL Resources and its predecessor companies have provided safe, reliable natural gas services to our valued customers. And since becoming a public company more than 60 years ago, we have delivered financial results that consistently have generated steady and stable returns for our shareholders.

Today our country faces some of the most challenging economic times we have seen in decades. The impact has been felt in nearly every industry and company in America, including ours. Despite those challenges, we performed very well in 2008 by continuing to do the things we have done well throughout our history – focusing on the fundamentals of our business and managing the company in a way that provides long-term stability and sustainable growth.

### 2008 Performance Highlights

**Record earnings** We achieved record diluted earnings per share of \$2.84 in 2008, 4.4 percent higher than in 2007, and at the upper end of our earnings guidance range for the year. Our utility and retail energy operations businesses performed well, despite the challenges of lower customer growth resulting from a significant downturn in the housing market that affected all of our service areas. Strong performance in our non-utility business, particularly wholesale services, drove

John W. Somerhalder II  
Chairman, President and  
Chief Executive Officer



## Financial Highlights

*In millions, except per share amounts and market price*

	2008	2007	Change
Operating revenues	<b>\$ 2,800</b>	\$ 2,494	12.3%
Net income	<b>\$ 217</b>	\$ 211	2.8%
Earnings per common share			
Basic	<b>\$ 2.85</b>	\$ 2.74	4.0%
Diluted	<b>\$ 2.84</b>	\$ 2.72	4.4%
Weighted average number of common shares outstanding			
Basic	<b>76.3</b>	77.1	(1.0)%
Diluted	<b>76.6</b>	77.4	(1.0)%
Market capitalization (year end)	<b>\$ 2,411</b>	\$ 2,876	(16.2)%
Market price (year end, closing)	<b>\$ 31.35</b>	\$ 37.64	(16.7)%
Total assets	<b>\$ 6,710</b>	\$ 6,258	7.2%

earnings improvement. Our wholesale services business generated higher economic results year-over-year by capitalizing on opportunities to market both storage and transportation capacity to customers throughout the U.S.

**Progress on major capital projects** We achieved several significant milestones on our major capital projects during the year. The largest project, Golden Triangle Storage, is a high-deliverability salt-dome storage facility in Beaumont, Texas that will serve producers and marketers throughout the Gulf Coast region. We began construction in May 2008 and expect the first storage cavern to begin commercial operation in late 2010. We also made significant progress on our Hampton Roads Crossing pipeline project in Virginia, which will connect the northern and southern parts of our Virginia Natural Gas system to enhance reliability and access to natural gas supply for our utility customers. The construction of this pipeline includes what we believe to be the longest underground horizontal directional drilling project in the world for 24-inch steel pipe — nearly a mile and a half under the Elizabeth River. We expect to complete the project by the end of this year.

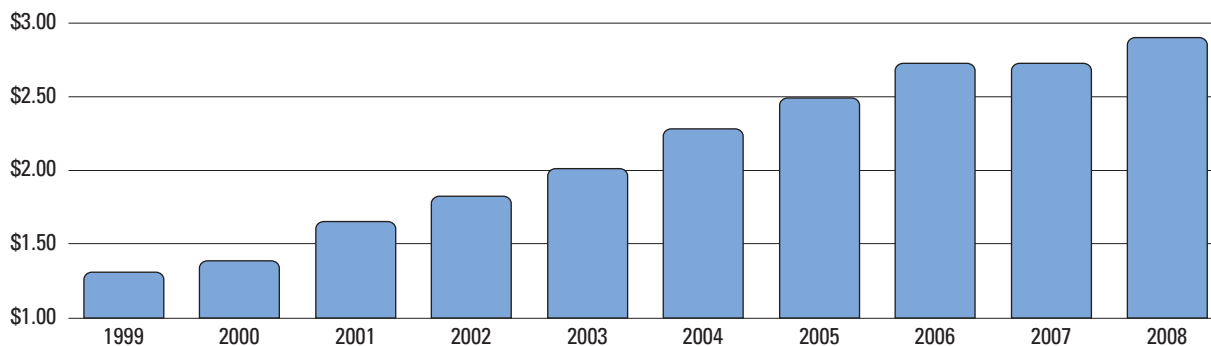
**Strong liquidity position and capital discipline** The turmoil in the financial markets in recent months only underscores the importance of financial strength and capital discipline in uncertain capital markets. We have a \$1 billion credit facility in place that does not expire until mid-2011, which puts us in a strong position to meet ongoing working capital needs. We have a diverse group of banks supporting our credit facility and strong investment-grade credit ratings that provide good access to the capital markets.

**Commitment to dividend growth** We recognize the importance of the dividend component of our total value proposition to investors. In 2008 and 2009 we maintained our commitment to growing the dividend by increasing our annual dividend \$0.04, or 2.4 percent each year, to an annual rate of \$1.68 per share in 2008 and \$1.72 per share in 2009.

### 2009 Operating Priorities

In 2009, we will continue to work toward completing our major capital projects, and we will continue to run each of our businesses by concentrating on operating fundamentals and discipline around operating costs and capital deployment. However, one of our highest

## Sustainable Growth in Earnings Per Share\* in dollars



\* Represents calendar-year diluted earnings per share amounts.

priorities in 2009 and 2010 will be the successful execution of our regulatory strategy.

Over the next 18 months, we will file required rate cases in our largest jurisdictions. In each of those states, we have been encouraged by recent regulatory decisions that recognize the need for utilities to recover costs associated with investments made to increase system reliability and to enhance the customer experience. While we have sought to maintain rate freezes and long-term rate stayouts in most of our jurisdictions over the past few years, we do expect to request modest and reasonable base rate increases to recover major infrastructure investments, inflation, the rising costs of health care and pension expense.

We also will continue to explore opportunities related to alternative and renewable energy supply. As the cleanest-burning fossil fuel, natural gas plays an important role in our country's long-term energy strategy. The direct use of natural gas is highly efficient and has a significantly lower carbon footprint than traditional fuel sources. We are evaluating a number of potential opportunities, ranging from new appliance technologies to the conversion of landfill methane gas to pipeline-quality natural gas.

## Strong Fundamentals, Sustainable Future

For more than 150 years, it's the way we have run our business, and it's the way we expect to run it for many years to come. Our success in 2008 and our ability to meet the challenges ahead of us are the direct result of the talent, skills and dedication of the more than 2,300 employees of AGL Resources. I am proud to work with such a committed group of people, who work tirelessly on behalf of customers and shareholders every day.

On behalf of our Board of Directors and our employees, we appreciate your investment and continued confidence in AGL Resources.

Sincerely,

John W. Somerhalder II  
Chairman, President and Chief Executive Officer  
February 27, 2009