

GAAP Reconciliation

The following tables set forth a reconciliation of AGL Resources' operating margin to operating income and earnings before interest and taxes (EBIT) to earnings before income taxes to net income to net income attributable to AGL – as reported and net income attributable to AGL – as adjusted, for the indicated periods.

<i>In millions</i>	Six months ended June 30,					Nine months ended Sept 30,					Twelve months ended Dec 31,				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007	2010	2009	2008	2007	2006
Operating revenues	\$1,253	\$1,362	\$1,372	\$1,456	\$1,440	\$1,548	\$1,708	\$1,679	\$1,995	\$1,809	\$2,373	\$2,317	\$2,800	\$2,494	\$2,621
Cost of goods sold	589	712	741	932	828	701	832	840	1,193	987	1,164	1,142	1,654	1,369	1,482
Operating margin	664	650	631	524	612	847	876	839	802	822	1,209	1,175	1,146	1,125	1,139
Operating expenses															
Operation and maintenance	258	244	244	233	227	363	358	359	337	334	503	497	472	451	473
Depreciation and amortization	83	79	78	74	71	126	119	118	112	108	160	158	152	144	138
Taxes other than income	25	26	24	23	20	36	36	34	33	31	46	44	44	41	40
Total operating expenses	366	349	346	330	318	525	513	511	482	473	709	699	668	636	651
Operating Income	298	301	285	194	294	322	363	328	320	349	500	476	478	489	488
Other income (expense)	3	2	5	4	1	4	1	7	6	1	(1)	9	6	4	(1)
EBIT	301	303	290	198	295	326	364	335	326	350	499	485	484	493	487
Interest expense, net	61	54	49	56	58	92	81	75	85	92	109	101	115	125	123
Earnings before income taxes	240	249	241	142	237	234	283	260	241	258	390	384	369	368	364
Income tax expense	87	90	85	47	81	85	103	92	86	89	140	135	132	127	129
Net income	153	159	156	95	156	149	180	168	155	169	250	249	237	241	235
Less: net income attributable to the noncontrolling interest	11	11	17	17	24	10	10	17	12	24	16	27	20	30	23
Net income attributable to AGL - as reported	142	148	139	78	132	139	170	151	143	145	234	222	217	211	212
Impact of Nicor transaction costs, net of tax	11	-	-	-	-	16	-	-	-	-	4	-	-	-	-
Net income attributable to AGL - as adjusted	\$153	\$148	\$139	\$78	\$132	\$155	\$170	\$151	\$143	\$145	\$238	\$222	\$217	\$211	\$212

<i>In millions</i>	Three months ended Mar 31,					Three months ended June 30,					Three months ended Sept 30,					Three months ended Dec 31,				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007	2010	2009	2008	2007	2006
Operating revenues	\$878	\$1,003	\$995	\$1,012	\$973	\$375	\$359	\$377	\$444	\$467	\$295	\$346	\$307	\$539	\$369	\$665	\$638	\$805	\$685	\$707
Cost of goods sold	455	571	589	657	595	134	141	152	275	233	112	120	99	261	159	332	302	461	382	418
Operating margin	423	432	406	355	378	241	218	225	169	234	183	226	208	278	210	333	336	344	303	289
Operating expenses																				
Operation and maintenance	132	125	125	119	116	127	119	119	114	111	105	114	115	104	107	145	138	135	117	132
Depreciation and amortization	41	40	39	36	35	42	39	39	38	36	43	40	40	38	37	41	40	40	36	37
Taxes other than income	13	14	12	12	11	12	12	12	11	9	11	10	10	10	11	10	10	11	10	10
Total operating expenses	186	179	176	167	162	181	170	170	163	156	159	164	165	152	155	196	188	186	163	179
Operating Income	237	253	230	188	216	60	48	55	6	78	24	62	43	126	55	137	148	158	140	110
Other income (expense)	2	2	2	1	1	2	-	3	3	-	1	(1)	2	2	-	(2)	2	-	3	1
EBIT	239	255	232	189	217	62	48	58	9	78	25	61	45	128	55	135	150	158	143	111
Interest expense, net	29	28	25	30	31	32	26	24	26	27	31	27	26	29	34	29	26	30	33	32
Earnings (loss) before income taxes	210	227	207	159	186	30	22	34	(17)	51	(6)	34	19	99	21	106	124	128	110	79
Income tax expense (benefit)	76	82	72	54	62	11	8	13	(7)	19	(2)	13	7	39	8	36	43	46	38	28
Net income (loss)	134	145	135	105	124	19	14	21	\$(10)	32	(4)	21	12	60	13	70	81	82	72	51
Less: net income (loss) attributable to the noncontrolling interest	10	11	16	16	22	1	-	1	1	2	(1)	(1)	-	(5)	-	6	10	8	6	4
Net income attributable to AGL - as reported	124	134	119	89	102	18	14	20	(11)	30	(3)	22	12	65	13	64	71	74	66	47
Impact of Nicor transaction costs, net of tax	3	-	-	-	-	8	-	-	-	-	5	-	-	-	-	4	-	-	-	-
Net income attributable to AGL - as adjusted	\$127	\$134	\$119	\$89	\$102	\$26	\$14	\$20	\$(11)	\$30	\$2	\$22	\$12	\$65	\$13	\$68	\$71	\$74	\$66	\$47

	Three months ended			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2010
Basic earnings per share – as reported	\$1.60	\$0.23	\$(0.04)	\$0.82
Transaction costs of Nicor merger	0.04	0.10	0.06	0.05
Basic earnings per share – as adjusted	\$1.64	\$0.33	\$0.02	\$0.87

	Three months ended			
	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2010
Diluted earnings per share – as reported	\$1.59	\$0.23	\$(0.04)	\$0.81
Transaction costs of Nicor merger	0.04	0.10	0.06	0.05
Diluted earnings per share – as adjusted	\$1.63	\$0.33	\$0.02	\$0.86

	Six months ended	Nine months ended	Twelve months ended
	June 30, 2011	September 30, 2011	December 31, 2010
Basic earnings per share – as reported	\$1.83	\$1.79	\$3.02
Transaction costs of Nicor merger	0.14	0.21	0.05
Basic earnings per share – as adjusted	\$1.97	\$2.00	\$3.07

	Six months ended	Nine months ended	Twelve months ended
	June 30, 2011	September 30, 2011	December 31, 2010
Diluted earnings per share – as reported	\$1.82	\$1.78	\$3.00
Transaction costs of Nicor merger	0.14	0.21	0.05
Diluted earnings per share – as adjusted	\$1.96	\$1.99	\$3.05

A reconciliation of operating margin and EBIT by segment is available in our quarterly reports (Form 10-Q) and annual reports (Form 10-K) filed with the Securities and Exchange Commission.

Our management evaluates segment financial performance based on EBIT, which includes the effects of corporate expense allocations. EBIT is a non-GAAP (accounting principles generally accepted in the United States of America) financial measure. Items that are not included in EBIT are financing costs, including debt and interest expense and income taxes. We evaluate each of these items on a consolidated level and believe EBIT is a useful measurement of our performance because it provides information that can be used to evaluate the effectiveness of our businesses from an operational perspective, exclusive of the costs to finance those activities and exclusive of income taxes, neither of which is directly relevant to the efficiency of those operations.

We also use EBIT internally to measure performance against budget and in reports for management and the Board of Directors. Projections of forward-looking EBIT are used in our internal budgeting process, and those projections are used in providing forward-looking business segment EBIT projections to investors. We are unable to reconcile our forward-looking EBIT business segment guidance to GAAP net income, because we do not predict the future impact of unusual items and mark-to-market gains or losses on energy contracts. The impact of these items could be material to our operating results reported in accordance with GAAP.

Operating margin is a non-GAAP measure calculated as revenues minus cost of gas, excluding operation and maintenance expense, depreciation and amortization, taxes other than income taxes, and the gain or loss on the sale of our assets. These items are included in our calculation of operating income. We believe operating margin is a better indicator than operating revenues of the contribution resulting from customer growth, since cost of gas is generally passed directly through to customers.

EBIT and operating margin should not be considered as alternatives to, or more meaningful indicators of, our operating performance than operating income or net income, as determined in accordance with GAAP. In addition, our EBIT or operating margin may not be comparable to similarly titled measures of another company.

Net income attributable to AGL Resources, as adjusted and Basic and Diluted earnings per share, as adjusted are non-GAAP measures and exclude transaction costs related to the proposed merger with Nicor. We believe these financial measures are useful to investors because they provide an alternative method for assessing the Company's operating results in a manner that is focused on the performance of the Company's ongoing operations. The presentation of these financial measures is not meant to be a substitute for financial measures prepared in accordance with GAAP.