

Nicor Inc.

AUTOMATIC DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Holders of Nicor common and preferred shares may purchase additional common shares under Nicor's Automatic Dividend Reinvestment and Stock Purchase Plan by reinvesting the dividends paid on all of their shares and/or making direct cash purchases of \$50 to up to \$5,000 per month.

The price of shares purchased under the Plan is equal to the actual weighted average cost (including brokerage commissions beginning June 1, 2003) at which the shares are purchased on the open market by the Independent Purchasing Agent appointed by Nicor. Nicor will pay all costs of administration of the Plan other than brokerage commissions.

Nicor's common shares are listed on the New York Stock Exchange and Chicago Stock Exchange, under the symbol "GAS."

Nicor Inc. is the sponsor, processing agent and administrator for the Plan. Any questions or requests with respect to the Plan or your holdings of Nicor's common or preferred shares should be directed to Nicor as shown below. The Plan is not registered with the Securities and Exchange Commission.

Questions about the Plan should be directed as follows:

By Telephone:
Nicor Inc.
Stockholder Services
(630) 388-2749

By Internet: www.nicor.com

By Mail
Nicor Inc.
Stockholder Services
P.O. Box 3014
Naperville, IL 60566-7014

May 1, 2003

WHERE YOU CAN FIND MORE INFORMATION

Nicor files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (SEC). You may read and copy any reports, statements or other information that Nicor files with the SEC at its public reference room at the following location:

Public Reference Room
450 Fifth Street, N.W.
Room 1024
Washington, DC 20549

Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. These SEC filings are also available to the public from commercial document retrieval services and at the Internet worldwide web site maintained by the SEC at <http://www.sec.gov>. Reports, proxy statements and other information concerning Nicor may also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Nicor will provide without charge to each stockholder, including any beneficial owner, upon their written or oral request, a copy of the information the company has filed with the SEC in its current form, other than certain exhibits to that information. Those requests should be directed to Investor Relations, Nicor Inc., P.O. Box 3014, Naperville, IL 60566-7014.

THE COMPANY

Nicor Inc. is a holding company and is currently included in the Standard & Poor's 500 Index. Nicor's principal businesses are Nicor Gas, one of the nation's largest natural gas distribution companies, and Tropical Shipping, a containerized shipping business serving the Caribbean region. Nicor also owns or has equity interests in several energy-related businesses.

NICOR AUTOMATIC DIVIDEND REINVESTMENT AND STOCK PURCHASE PLAN

Introduction

The Plan consists in its entirety of the questions and answers appearing below.

The Plan

1. *What is the purpose of the Plan?*

The purpose of the Plan is to give holders of common and preferred shares a convenient method of purchasing additional common shares through the reinvestment of dividends. Stockholders may also make optional cash payments of not less than \$50 per payment to purchase additional shares of Common Stock.

Optional cash payments of over \$5,000 per month are accepted only at the company's discretion. (See Question 10.)

2. *Who will administer the Plan for participants?*

Nicor will administer the Plan for participants, perform the other duties relating to the Plan and mail statements of account to the participants. Common Stock purchased under the Plan will be registered in the name of Nicor as agent for the participants in the Plan. Nicor will hold and act as custodian of shares purchased under the Plan, including shares purchased with optional cash payments.

3. *What procedure will be followed when shares are purchased for participants?*

Nicor will acquire shares of Common Stock on behalf of participants by purchases through an Independent Purchasing Agent on the open market on any securities exchange where Nicor Common Stock is traded, on the over-the-counter market or by negotiated transactions. The Independent Purchasing Agent may make such open market purchases on such terms as to price, delivery and otherwise as the Independent Purchasing Agent may determine in its sole discretion, and neither Nicor nor any participant will have any authority or power to direct the time or price at which Common Stock may be purchased or the selection of the broker or dealer through whom purchases may be made, except that such purchases must be made in accordance with terms of the Plan. The Independent Purchasing Agent may commingle each participant's funds with those of other participants for the purpose of executing purchases. For purposes of the Plan, all shares purchased will be deemed to have been acquired on the applicable dividend payment or optional cash purchase date and deemed to be credited to the participant's account on that date.

Purchase Price

4. *What is the purchase price of the shares to participants?*

The purchase price of Nicor Common Stock will be the actual weighted average cost (including brokerage commissions beginning June 1, 2003) paid by the Independent Purchasing Agent. Shares will be purchased during a period which begins five trading days prior to the dividend payment or optional cash purchase date and ends 10 trading days after such date, except where beginning earlier or ending later is necessary or advisable under applicable regulatory requirements or as a result of market conditions. Any fraction of a cent per share will be rounded up. The dividend payment purchase dates are the cash dividend payment dates.

Advantages

5. *What are the advantages of the Plan?*

Participants in the Plan may reinvest the cash dividends paid on their shares of Common and Preferred Stock in additional shares of Common Stock, and also may invest additional amounts by making optional cash payments. Optional cash payments may be made in amounts of not less than \$50 per payment, with payments

of more than \$5,000 per month subject to Nicor's discretion. (See Question 10.) Participants also achieve full investment of funds, because the Plan permits fractions of shares, as well as whole shares, to be credited to participants' accounts. (See Question 11.) Moreover, participants may deposit, for safekeeping in their Plan account, any physical stock certificates they may hold and thus be protected against the risks of loss, theft or destruction of such certificates. (See Question 18.) Statements of account will be issued after each purchase to provide simplified record keeping.

Participation in the Plan

6. *Who is eligible to participate in the Plan?*

All stockholders of record of Nicor's Common and Preferred Stock are eligible to participate in the Plan. Owners of Nicor's stock whose shares are registered in names other than their own, such as a broker or nominee, must either arrange with the registered owners to have all or a portion of their dividends reinvested or become holders of record by having those shares registered in their own names in order to participate in the Plan.

7. *How does an eligible stockholder participate?*

An eligible stockholder may join the Plan at any time by completing an Authorization Form provided by the company and returning it to Nicor Inc., Stockholder Services, P.O. Box 3014, Naperville, IL 60566-7014. Authorization Forms will be furnished to stockholders at any time upon request to Nicor at the above address.

8. *When may an eligible stockholder join the Plan?*

An eligible stockholder may join the Plan at any time. If a properly completed Authorization Form is received by Nicor on or before the first day of January, April, July or October (one month preceding each normal cash dividend payment date), the subsequent dividend amount will be used by the Independent Purchasing Agent to purchase shares of Common Stock for the account of the participant. If an Authorization Form is received after the first of the months mentioned above, the dividend payable on the next dividend payment date will be in cash and participation in the Plan will begin with the following dividend. For example, an August 1 cash dividend will be used to purchase shares of Common Stock under the Plan only if the Authorization Form is received on or before July 1.

9. *What does the Authorization Form provide?*

The Authorization Form provides for the reinvestment of all dividends paid on shares of stock owned. This includes certificated shares (shares held by you) and uncertificated shares (shares held for you in the Plan).

Optional Cash Payments

10. What is the procedure for making optional cash payments?

Any stockholder of record is eligible to make optional cash payments after joining the Plan. Cash payments must be a minimum of \$50 each and may exceed \$5,000 per month only at Nicor's discretion. Cash received by the last working day of each month will be used to purchase additional shares of Common Stock as of the next optional cash purchase date. Optional cash purchase dates are the first day of each month.

A form for making optional cash payments is attached to each participant's statement of account. (See Question 15.) In order to have optional cash payments invested, return the completed form to Nicor, with a check payable to "Nicor Inc., Agent".

NO INTEREST WILL BE PAID ON OPTIONAL CASH PAYMENTS. Therefore, it is suggested that optional cash payments be sent to Nicor no more than fifteen (15) days before an optional cash purchase date. Reasonable mail delay time should be taken into account so that the receipt by Nicor is on a timely basis.

A request to return optional cash payments will be honored if a written request is received by Nicor prior to the date on which such amounts would otherwise be invested. The same amount of cash need not be sent each time an optional cash payment is made and there is no obligation to make optional cash payments.

Purchases

11. How many shares will be purchased for participants?

The number of shares, including fractional shares, so purchased will depend on the amount of dividends reinvested, the amount of optional cash payments, if any, and the price per share as determined under Question 4. Both whole and fractional shares will be purchased, with the latter computed to three decimal places. Shares purchased, including fractional shares, will be credited to the participant's account.

Costs

12. What are the costs to a participant in the Plan?

Commencing June 1, 2003, Plan participants will bear the cost of brokerage commissions in connection with the purchase of shares. The current brokerage commission is 4 cents per share. Except for brokerage commissions, Nicor will bear the direct costs of administering the Plan. There will be no charges upon withdrawal of the Plan or upon termination if the Plan is terminated by Nicor.

Withdrawal

13. How does a participant withdraw from the Plan?

In order to withdraw from the Plan, a participant must notify Nicor in writing of the desire to withdraw. A form for withdrawal of all or a portion of the shares being held in the Plan is printed on the back of each participant's statement of account. Written notice should be addressed to Nicor Inc., Stockholder Services, P.O. Box 3014, Naperville, IL 60566-7014. In the event of a withdrawal, or in the event of termination of the Plan by Nicor, CERTIFICATES FOR WHOLE SHARES CREDITED TO THE PARTICIPANT'S ACCOUNT UNDER THE PLAN WILL BE ISSUED and a cash payment will be made for any fractional shares based on the average of the high and low sales prices of Nicor Common Stock in the New York Stock Exchange Composite Transactions reported for the date the withdrawal notice is received by Nicor, or on the termination date, or on the next previous trading day if the withdrawal or termination date is not a trading day.

14. When may a participant withdraw from the Plan?

A participant may withdraw from the Plan at any time subject to the following conditions:

If a request to withdraw is received by Nicor before the first day of January, April, July, or October (one month preceding each normal cash dividend payment date), a check will be sent to the participant for the subsequent dividend payment plus any optional cash payments received by Nicor which would otherwise have been invested as of that dividend payment date. For example, if Nicor receives a withdrawal notice before July 1, the August 1 dividend, any optional cash payments then held, and all subsequent dividends, will be paid directly to the withdrawing participant.

If a request to withdraw is received by Nicor after the first day of January, April, July, or October, the subsequent dividend plus any optional cash payments received by Nicor will be used to purchase shares of Common Stock under the Plan. Withdrawal requests received during January, April, July, or October will not be processed until the following month, so that the shares purchased with the subsequent dividend can be included. For example, if Nicor receives a withdrawal notice during July, the August 1 dividend will be invested in additional shares of Common Stock and the withdrawal will be processed in August. In this example, the November 1 dividend and all subsequent dividends will be paid directly to the withdrawing participant.

After withdrawing from the Plan, a stockholder may re-enroll by sending a new Authorization Form to Nicor. (See Questions 7 and 8.)

Account Statements

15. How will the participant be advised of purchases of stock?

Each participant in the Plan will receive a statement of account as soon as practicable after each purchase date. These statements are a participant's continuing record of the cost of shares purchased and should be retained for income tax purposes. Each participant will receive copies of all communications sent to other

stockholders including Nicor's Annual and Mid-Year Reports to Stockholders, Notices of Annual and Special Meetings of Stockholders, Proxy Statements and income tax information for reporting dividends paid.

Dividends

16. Will participants be credited with dividends on shares held in their account under the Plan?

Yes. Nicor pays dividends, as declared, to the stockholders of record of all of its shares of stock. As the holder of record for Plan participants, Nicor, as agent, will receive dividends for all Plan shares held on the record date. It will use those dividends to purchase additional shares of Common Stock.

Stock Certificates

17. Will stock certificates be issued for shares of Common Stock purchased?

No. The number of shares credited to an account under the Plan will be shown on the participant's statement of account. This service protects against, loss, theft or destruction of stock certificates.

Certificates for any number of whole shares credited to an account under the Plan will be issued upon the written request of a participant. A form for withdrawal of all or a portion of the shares being held in the Plan is printed on the back of each participant's statement of account. Any remaining full shares and fractional shares will continue to be credited to the participant's account. (See Question 19.)

Shares credited to an account of a participant in the Plan and held by Nicor may not be pledged or otherwise hypothecated. A participant who wishes to pledge such shares must first request that a certificate for such shares be issued.

When certificates are issued, they will be registered in the participant's name as shown on Nicor's stockholder records. Certificates for fractional shares will not be issued under any circumstances.

18. What is the safekeeping feature of the Plan and how does it work?

As a participant in the Plan, you may deposit for safekeeping any Common Stock certificates now registered in your name for credit to your account under the Plan. There is no charge for this service, and by making the deposit, you will be relieved of the responsibility for loss, theft or destruction of the certificates.

It is recommended that certificates be sent to Nicor by registered mail, return receipt requested, and properly insured. Participants should also include the top portion of their statement of account or a letter requesting that the certificates be deposited to their account. **THE STOCK CERTIFICATES SHOULD NOT BE ENDORSED.**

Other Information

19. What happens when participants sell or transfer all of the shares registered in their names on the books of Nicor other than shares held in the Plan?

When participants dispose of all shares of Nicor stock registered in their names, the company will continue to invest the dividends on the shares credited to their accounts under the Plan until otherwise notified. However, if less than one whole share is remaining in the participant's account, a check will be sent to the participant for the fractional share and the account will be closed.

20. What happens if Nicor has a rights offering?

In the case of a Common Stock rights offering, Plan participants will receive rights based upon whole shares of Common Stock registered in their names as of the record date for any such rights offered, and whole shares credited to their accounts under the Plan as of the record date.

21. What happens if Nicor issues a stock dividend or declares a stock split?

Any stock dividend or split shares distributed by Nicor on shares held directly by the participant and registered in the participant's name or shares credited to the account of a participant under the Plan will be added to the participant's account unless the participant instructs the company otherwise at least 10 days prior to the stock dividend or stock split payment date. Nicor will issue a certificate(s) for any stock dividend or split shares credited to a participant's account to the participant only upon written request to the company.

22. What are the federal income tax consequences of participation in the Plan?

Participants in the Plan have the same federal income tax obligations with respect to their dividends as do stockholders who do not participate in the Plan. Therefore, in general, reinvested dividends are taxable as having been received in cash even though the participant uses them to purchase additional shares under the Plan. Accordingly, the amount of any dividend reinvested through the Plan must be included in the participant's gross income in the year the dividend would have been paid to the participant had the participant not elected to participate in the Plan. If the participant's dividends are subject to United States income tax withholding, including backup withholding, Nicor will withhold the tax before purchasing shares for the participant under the Plan.

The tax basis of shares acquired under the Plan is equal to the cost of such shares, including any brokerage commissions. A participant will not realize any taxable income when certificates for shares credited to the participant's account under the Plan are issued to the participant, whether upon request or upon withdrawal from or termination of the Plan, unless a fraction of a share is sold in connection with the withdrawal or termination. The statements of account are a participant's continuing record of the cost of shares purchased and should be retained for income tax purposes.

A participant may realize gain or loss when shares (or a fraction of a share) are sold. The amount of any such gain or loss will be the difference between the amount which the participant receives for his or her shares (or fraction of a share) and their tax basis. Participants are advised to consult their tax advisor to determine the tax consequences that may result from their participation in the Plan and from the subsequent sale or other disposition of shares purchased under the Plan.

23. How will participants' shares held under the Plan be voted at meetings of stockholders?

For each meeting of stockholders, participants will receive proxies which will enable them to vote shares registered in their names and also shares credited to their accounts under the Plan.

24. Who interprets and regulates the Plan?

Nicor reserves the right to interpret and regulate the Plan, as it deems desirable or necessary, in connection with its operation.

25. May the Plan be modified or discontinued?

Nicor reserves the right to suspend, modify or terminate the Plan at any time. All stockholders, both participants and non-participants in the Plan, will be notified of any suspension, termination or significant modification to the Plan. If the Plan is terminated, shares held in the participant's account will be distributed as described in Question 13.

26. What is the responsibility of Nicor under the Plan?

In administering the Plan, Nicor will not be liable for any good faith act or for any good faith omission to act, including, without limitation, any claim of liability arising out of failure to terminate a participant's account upon such participant's death prior to receipt of notice in writing of such death. Participants should recognize that Nicor cannot assure them of a profit or protect them against loss on the shares purchased by them under the Plan.