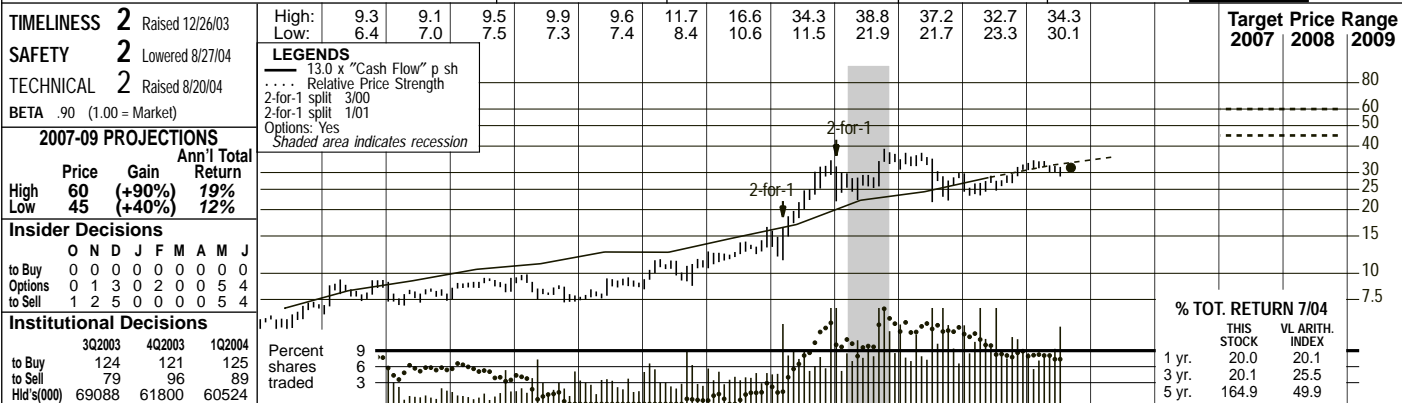


A.J. GALLAGHER & CO. NYSE-AJG

RECENT PRICE **31.58** P/E RATIO **15.0** (Trailing: 16.2 Median: 15.0) RELATIVE P/E RATIO **0.86** DIV'D YLD **3.2%** **VALUE LINE**



1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB., INC.	07-09
3.43	3.77	4.17	4.25	4.83	5.23	6.03	6.42	7.01	7.35	7.66	8.22	9.32	10.69	12.66	14.04	15.45	16.05	Revenues per sh	20.40
.43	.45	.49	.45	.53	.64	.71	.80	.85	.97	.97	1.13	1.31	1.71	1.87	2.19	2.50	2.75	"Cash Flow" per sh	3.50
.35	.36	.36	.33	.39	.51	.54	.64	.66	.81	.81	.88	1.05	1.39	1.53	1.78	2.10	2.30	Earnings per sh ^A	2.85
.12	.13	.15	.16	.16	.18	.22	.25	.29	.31	.35	.40	.46	.52	.60	.72	1.00	1.00	Div's Decl'd per sh ^B	1.32
.07	.10	.15	.14	.10	.11	.12	.15	.15	.17	.20	.22	.18	.29	.51	.28	.35	.45	Cap'l Spending per sh	.60
1.48	1.61	1.72	1.57	1.61	2.00	1.64	1.91	2.06	2.47	2.87	3.29	3.95	4.37	5.96	6.88	7.90	9.25	Book Value per sh ^D	14.35
45.55	45.95	47.55	54.48	56.52	60.74	59.14	61.70	65.17	66.44	70.58	73.68	79.50	85.11	88.55	90.00	92.00	92.00	Common Shs Outst'g ^C	92.00
11.8	14.7	15.8	17.2	15.9	16.3	14.6	13.9	12.8	10.5	12.9	14.3	20.6	21.0	20.2	15.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	18.0
.98	1.11	1.17	1.10	.96	.96	.96	.93	.80	.61	.67	.82	1.34	1.08	1.10	.89			Relative P/E Ratio	1.20
2.9%	2.5%	2.7%	2.8%	2.6%	2.1%	2.8%	2.8%	3.5%	3.6%	3.3%	3.2%	2.1%	1.8%	1.9%	2.6%			Avg Ann'l Div'd Yield	2.6%

CAPITAL STRUCTURE as of 6/30/04																							
Total Debt \$182.1 mill.																		Revenues (\$mill)		1880			
LT Debt \$143.4 mill.																		Operating Margin		22.0%			
				(16% of Cap'l)														Depreciation (\$mill)		42.0			
Leases, Uncapitalized Annual rentals \$53.7 mill.																		Net Profit (\$mill)		270			
Pension Assets-12/03 \$115.8 mill. Oblig. \$153.7 mill.																		Income Tax Rate		30.0%			
Pfd Stock None																		Net Profit Margin		14.5%			
Common Stock 91,876,000 shs.																		Working Cap'l (\$mill)		220			
MARKET CAP: \$2.9 billion (Mid Cap)																		Long-Term Debt (\$mill)		150			
CURRENT POSITION				2002	2003	6/30/04															Shr. Equity (\$mill)		850
Cash Assets				152.5	193.6	258.3															Return on Total Cap'l		18.5%
Receivables				1183.7	1286.4	1439.4															Return on Shr. Equity		20.5%
Investments				70.5	31.9	27.5															Retained to Com Eq		11.5%
Other				366.9	596.0	618.2															All Div'ds to Net Prof		45%
Current Assets				1773.6	2107.9	2343.4																	
Accts Payable				1488.2	1743.5	1930.3																	
Debt Due				22.8	30.9	38.7																	
Other				238.6	286.9	307.5																	
Current Liab.				1749.6	2061.3	2276.5																	

BUSINESS: Arthur J. Gallagher & Company provides insurance brokerage, risk management, and employee benefit services to a wide variety of commercial, industrial, institutional and governmental organizations through over 250 offices in nine countries. Risk management services analyze risks and determine the best protection through insurance and risk control (loss control and prevention). Commissions are generated through negotiation and placement of insurance for its clients. Officers & directors own about 5.6% of common stock; (3/04 proxy). Has about 7,200 employees. Chairman: Robert E. Gallagher. President & CEO: J. Patrick Gallagher, Inc.: DE. Address: Two Pierce Place, Itasca, Illinois 60143. Telephone: 630-773-3800. Internet: www.ajg.com.

Arthur Gallagher reported strong results in the second quarter. The company's share earnings rose by 26% year over year, driven by solid performances from its brokerage and risk management divisions. For instance, brokerage revenue rose by 11% aided by recent acquisitions, and to a smaller extent, through the addition of new producers over the past few years. Risk management revenue rose by an even stronger 19%, all of which was organic, as the company's operating environment steadily improved. Additionally, strong client retention is also aiding the top line. Moreover, cost-cutting initiatives, such as the reduction in the compensation-to-revenue percentage in the brokerage division, will likely continue to boost earnings. Operating margins should remain relatively stable, though, as revenue gains are slightly offset by the increase in expenditures related to new hires and acquired brokers.

We expect a softening in the insurance pricing environment over the coming year. Rate hikes have helped to drive Arthur Gallagher's top line over the past few years. But over the next six to 12 months, we project that property/casualty prices will likely remain stable or perhaps ease in certain segments, limiting the company's internal growth. Nonetheless, investment income should advance moderately in the next few years as the economic environment improves and interest rates gradually rise.

This stock is ranked to outpace the broader market averages in the year ahead. Arthur Gallagher is increasing its top and bottom lines at a steady pace through greater production from its new hires, its ongoing acquisition strategy, solid customer retention, and ongoing geographic expansion. Further, these shares are ranked 1 (Highest) for Safety, and have a solid Earnings Predictability rating, making them well suited for more-conservative investors. Also, in the beginning of this year, Gallagher raised its annual dividend payment by almost 40% from a year earlier, to \$1.00 per share. All told, the high-quality stock offers appeal through a combination of decent appreciation potential over the pull to 2007-2009 and an above-average dividend yield.

Randy Shrikishun August 27, 2004

(A) Primary earnings through 1997; Diluted thereafter. Incl. cap. gains; '97, \$0.26; '99, \$0.03. Excludes nonrecurring charge of \$0.21 in '03.	Next earnings report due late October.	(C) In millions. Adjusted for stock splits.	Company's Financial Strength	A+
(B) Dividends historically paid in mid-April, July, October, January. Dividend reinvestment plan available.	(D) Includes intangibles: '03, \$222.9 mill; \$2.48/sh.		Stock's Price Stability	75
			Price Growth Persistence	65
			Earnings Predictability	95