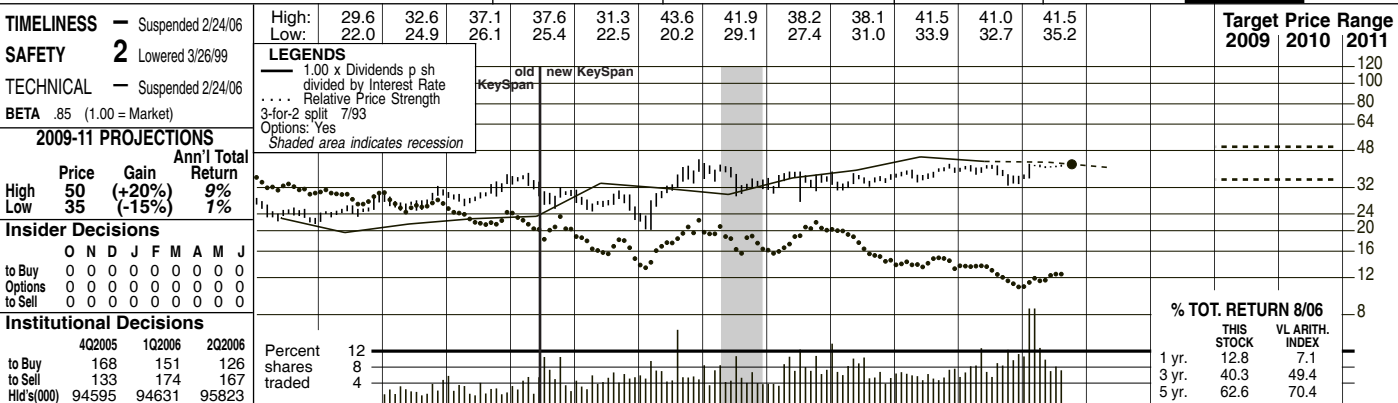


KEYSPAN CORP. NYSE-KSE

RECENT PRICE **41.26** P/E RATIO **16.4** (Trailing: 18.8 Median: 15.0) RELATIVE P/E RATIO **0.96** DIV'D YLD **4.5%** VALUE LINE



Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	© VALUE LINE PUB., INC.	09-11
Price	26.64	23.43	24.74	25.99	28.13	24.93	28.72	29.12	13.20	22.07	37.56	47.57	41.92	43.31	41.35	43.94	42.85	44.55	Revenues per sh ^A	54.80
Gain	2.62	2.38	3.03	3.04	3.29	3.35	3.54	4.27	.45	3.57	4.51	5.72	6.36	6.22	5.86	4.55	4.65	4.95	"Cash Flow" per sh	5.65
Return	1.62	1.45	1.35	1.73	1.85	1.90	1.96	2.12	d1.34	1.62	2.10	1.72	2.75	2.62	2.43	2.33	2.30	2.40	Earnings per sh ^B	2.90
Options	1.23	1.27	1.29	1.32	1.35	1.39	1.42	1.46	1.50	1.78	1.78	1.78	1.78	1.78	1.79	1.83	1.86	1.90	Div'ds Decl'd per sh ^C	2.10
Spending	3.51	3.44	3.95	4.37	4.15	4.36	6.04	5.60	5.19	5.42	4.64	7.60	7.96	6.34	4.89	3.09	3.60	3.25	Cap'l Spending per sh	3.60
Book Value	13.68	14.37	14.55	15.54	16.27	16.94	18.17	19.09	23.18	20.28	20.65	20.73	20.67	22.94	24.22	25.60	26.30	26.80	Book Value per sh ^D	29.35
Outstanding	37.30	42.28	43.45	46.38	47.59	48.79	49.86	50.77	130.42	133.87	136.36	139.43	142.42	159.66	160.82	174.37	175.00	175.00	Common Shs Outstg ^E	177.00
P/E Ratio	11.9	13.1	15.1	14.3	13.7	12.7	13.7	13.8	--	16.8	14.8	20.8	12.7	13.1	15.4	16.3	14.5	14.5	Avg Ann'l P/E Ratio	14.5
Relative P/E	.88	.84	.92	.84	.90	.85	.86	.80	--	.96	.96	1.07	.69	.75	.81	.87	0.96	0.96	Relative P/E Ratio	.95
Dividend Yield	6.4%	6.7%	6.4%	5.3%	5.3%	5.8%	5.3%	5.0%	4.8%	6.5%	5.7%	5.0%	5.1%	5.2%	4.8%	4.8%	4.8%	4.8%	Avg Ann'l Div'd Yield	4.7%

CAPITAL STRUCTURE as of 6/30/06
 Total Debt \$4.123 bill. Due in 5 Yrs \$1.9 bill.
 LT Debt \$3.920 bill. LT Interest \$260 mill.
 (total interest coverage: 3.4x)

Pension Assets 12/05 \$2.2 bill. **Oblig.** \$2.7 bill.

Pfd Stock None **Pfd Div'd** Nil

Common Stock 175,022,851 shs.
 as of 4/24/06
MARKET CAP: \$7.2 billion (Large Cap)

Current Position	2004	2005	6/30/06
Cash Assets	922.0	124.5	40.1
Other	2156.6	2895.6	2068.6
Current Assets	3078.6	3020.1	2108.7
Accts Payable	906.7	1087.0	683.2
Debt Due	928.3	670.6	203.4
Other	447.3	397.6	403.5
Current Liab.	2282.3	2155.2	1290.1
Fix. Chg. Cov.	257%	336%	NMF

1432.0	1478.2	1721.9	2954.6	5121.5	6633.1	5970.7	6915.2	6650.5	7662.0	7500	7800	Revenues (\$mill) ^A	9700
97.2	106.1	d166.9	258.6	300.8	243.7	397.4	424.2	396.0	398.6	405	420	Net Profit (\$mill)	525
28.9%	35.0%	--	34.5%	41.8%	46.4%	36.2%	39.5%	34.5%	37.5%	38.0%	37.5%	Income Tax Rate	37.5%
6.8%	7.2%	NMF	8.8%	5.9%	3.7%	6.7%	6.1%	6.0%	5.2%	5.4%	5.4%	Net Profit Margin	5.4%
43.8%	43.5%	31.8%	37.5%	59.6%	61.2%	63.3%	60.0%	53.0%	46.8%	47.0%	47.0%	Long-Term Debt Ratio	47.0%
55.8%	56.5%	59.4%	60.6%	39.2%	37.7%	35.7%	39.1%	46.7%	53.2%	53.0%	53.0%	Common Equity Ratio	53.0%
1624.4	1714.1	5089.9	4482.1	7175.0	7672.3	8252.5	9356.9	8333.1	8384.9	8450	8500	Total Capital (\$mill)	8700
1698.1	1810.6	3778.3	4240.0	6358.3	6605.9	7217.6	8894.3	7067.9	7336.9	7700	8000	Net Plant (\$mill)	9000
7.4%	7.3%	NMF	7.1%	5.3%	4.5%	6.2%	5.8%	6.4%	6.1%	6.5%	6.5%	Return on Total Cap'l	6.5%
10.7%	10.9%	NMF	9.2%	10.4%	8.2%	13.1%	11.3%	10.1%	8.9%	9.0%	9.5%	Return on Shr. Equity	9.5%
10.7%	10.9%	NMF	8.2%	10.0%	8.2%	13.3%	11.4%	10.0%	8.9%	9.0%	9.5%	Return on Com Equity	9.5%
2.9%	3.3%	NMF	NMF	1.4%	NMF	4.8%	3.9%	2.7%	2.0%	1.0%	2.5%	Retained to Com Eq	2.5%
73%	70%	NMF	110%	86%	103%	65%	66%	74%	77%	81%	80%	All Div'ds to Net Prof	72%

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '03-'05 to '09-11
of change (per sh)	5.0%	12.0%	4.0%
Revenues	5.0%	14.5%	-1.0%
"Cash Flow"	3.0%	25.5%	1.5%
Earnings	3.0%	1.5%	2.5%
Dividends	4.0%	2.5%	4.0%
Book Value			

Cal-endar	QUARTERLY REVENUES (\$mill.) ^A	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2003	2512 1408 1131 1862	6915.2
2004	2595 1365 1050 1638	6650.5
2005	2480 1342 1303 2535	7662.0
2006	2661 1378 1250 2211	7500
2007	2700 1500 1300 2300	7800

Cal-endar	EARNINGS PER SHARE ^{A B}	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2003	1.53 d.05 .07 1.07	2.62
2004	1.39 .13 .03 .88	2.43
2005	1.40 .11 .13 .69	2.33
2006	1.18 .17 .17 .78	2.30
2007	1.40 .11 .07 .82	2.40

Cal-endar	QUARTERLY DIVIDENDS PAID ^{A C}	Full Year
	Mar.31 Jun.30 Sep.30 Dec.31	
2002	.445 .445 .445 .445	1.78
2003	.445 .445 .445 .445	1.78
2004	.445 .445 .445 .445	1.78
2005	.455 .455 .455 .455	1.82
2006	.465 .465 .465	

KeySpan's sale to National Grid is on track to close early in 2007. KeySpan has agreed to be acquired by National Grid, of the U.K., for \$42 cash per share. The deal has received the approval of the Federal Trade Commission, the Committee of Foreign Investment, and the two companies' shareholders. We think the remaining approvals, by the FERC and three states, will be forthcoming in due course. KeySpan has said it will pay dividends until the merger closes. Assuming that it closes in March 2007, a KeySpan stockholder would earn an annual rate of about 11% until then, based on KSE's recent quote. Therefore, we suggest that KSE holders retain their stock.

Meanwhile, second-quarter earnings recovered somewhat from the first quarter's shortfall . . . In the June period, gas distribution profits rose 30%, overcoming a 5% decline in electricity net. Better pricing in the interruptible, commercial gas market helped, while an expected decline in power capacity payments, due to new generation capacity in New York City, hurt electricity profits. And the energy services business was in the black, versus

erates electricity and operates transmission/distr. sys. by contract with L.I. Power Author. Sold its stake in Houston Exploration, 2004. Owns 20% of Iroquois Pipeline. Non-regulated subs. market gas supplies, sell ind'l energy mgmt. svcs. Has 9,700 empls. Chrmn.: R.B. Catell, Inc.: NY. Address: 1 MetroTech Center, Brooklyn, NY 11201. Tel.: 718-403-1000. Internet: www.keyspanenergy.com.

... and we think that will continue over the balance of the year. KeySpan is meeting its goal of hooking up around 50,000 new gas customers this year, with an annual gross profit contribution of \$50 million. To date, it has connected 19,000 new accounts, which should bring in around \$19 million. (Gas connection activity is higher in the second half of the year.) Electricity results likely benefited from the summer heat, which probably increased usage and, perhaps, capacity payments.

With normal weather, earnings would probably rise about 4% in 2007. Despite its higher price, natural gas still has an advantage over oil at recent commodity quotes, and KeySpan will likely maintain its steady pace of connecting new accounts.

These unranked shares are trading according to their takeover price. We see no reason to believe the merger with National Grid will not go through, but KSE shares would probably fall around 15% if it does not.

Sigourney B. Romaine September 15, 2006

(A) Data for former KeySpan Energy through '97 (years ended 9/30); new KeySpan Corp. from '98 on a calendar fiscal year. (B) Diluted shs. Excl. nonrecur. gains (charges): '96, \$0.52; '97, \$0.16; '03, (\$0.23); '04, (\$0.40); '05, (\$0.5); 2Q '06, \$0.11. Excl. gain (loss) discount. ops.: '01, (\$0.14); '02, (\$0.14); '03, \$0.01; '04, \$0.81. Next egs. report due late October. (C) Divs historically paid early Feb., May, Aug., and Nov. Div'd reinvestment plan available. (D) Includes def. charges. At 12/31/05: \$9.57/sh. (E) In millions, adjusted for split.

Company's Financial Strength B++
 Stock's Price Stability 100
 Price Growth Persistence 50
 Earnings Predictability 30

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