

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions)	Years Ended December 31		
	2003	2002	2001
<b>Operating Revenues</b>			
Non-regulated electric, natural gas, natural gas liquids and other	\$ 14,561	\$ 9,109	\$ 12,405
Regulated electric	5,026	4,880	5,088
Regulated natural gas	2,942	2,200	922
Total operating revenues	22,529	16,189	18,415
<b>Operating Expenses</b>			
Natural gas and petroleum products purchased	11,568	5,436	6,986
Fuel used in electric generation and purchased power	2,087	2,191	2,022
Operation and maintenance	3,959	3,441	3,991
Depreciation and amortization	1,803	1,515	1,262
Property and other taxes	527	535	431
Impairment and other related charges	2,956	364	—
Impairment of goodwill	254	—	36
Total operating expenses	23,154	13,482	14,728
<b>(Losses) Gains on Sales of Other Assets, net</b>	(199)	32	238
<b>Operating (Loss) Income</b>	(824)	2,739	3,925
<b>Other Income and Expenses</b>			
Equity in earnings of unconsolidated affiliates	123	218	164
Gains on sales of equity investments	279	32	—
Other income and expenses, net	154	129	147
Total other income and expenses	556	379	311
<b>Interest Expense</b>	1,380	1,097	760
<b>Minority Interest Expense</b>	64	115	327
<b>(Loss) Earnings from Continuing Operations Before Income Taxes</b>	(1,712)	1,906	3,149
<b>Income Tax (Benefit) Expense from Continuing Operations</b>	(707)	611	1,150
<b>(Loss) Income from Continuing Operations</b>	(1,005)	1,295	1,999
<b>Discontinued Operations</b>			
Net operating loss, net of tax	(27)	(261)	(5)
Net loss on dispositions, net of tax	(129)	—	—
<b>Loss from Discontinued Operations</b>	(156)	(261)	(5)
<b>(Loss) Income Before Cumulative Effect of Change in Accounting Principle</b>	(1,161)	1,034	1,994
<b>Cumulative Effect of Change in Accounting Principle, net of tax and minority interest</b>	(162)	—	(96)
<b>Net (Loss) Income</b>	(1,323)	1,034	1,898
<b>Dividends and Premiums on Redemption of Preferred and Preference Stock</b>	15	13	14
<b>(Loss) Earnings Available for Common Stockholders</b>	\$ (1,338)	\$ 1,021	\$ 1,884

## CONSOLIDATED BALANCE SHEETS

	December 31	
(In millions)	2003	2002
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,160	\$ 874
Receivables (net of allowance for doubtful accounts of \$280 at 2003 and \$349 at 2002)	2,888	4,861
Inventory	1,156	1,134
Assets held for sale	424	—
Unrealized gains on mark-to-market and hedging transactions	1,566	2,144
Other	694	887
Total current assets	7,888	9,900
<b>Investments and Other Assets</b>		
Investments in unconsolidated affiliates	1,398	2,015
Nuclear decommissioning trust funds	925	708
Goodwill	3,962	3,747
Notes receivable	260	589
Unrealized gains on mark-to-market and hedging transactions	1,857	2,480
Assets held for sale	1,444	—
Other	1,117	1,645
Total investments and other assets	10,963	11,184
<b>Property, Plant and Equipment</b>		
Cost	47,157	48,677
Less accumulated depreciation and amortization	12,171	11,298
Net property, plant and equipment	34,986	37,379
<b>Regulatory Assets and Deferred Debits</b>		
Deferred debt expense	275	263
Regulatory asset related to income taxes	1,152	936
Other	939	460
Total regulatory assets and deferred debits	2,366	1,659
<b>Total Assets</b>	<b>\$ 56,203</b>	<b>\$ 60,122</b>

	December 31	
(In millions)	2003	2002
<b>LIABILITIES AND COMMON STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 2,331	\$ 3,637
Notes payable and commercial paper	130	915
Taxes accrued	—	156
Interest accrued	304	310
Liabilities associated with assets held for sale	651	—
Current maturities of long-term debt and preferred stock	1,200	1,331
Unrealized losses on mark-to-market and hedging transactions	1,283	1,918
Other	1,799	1,770
Total current liabilities	7,698	10,037
<b>Long-term Debt, including debt to affiliates of \$876 at 2003</b>	<b>20,622</b>	<b>20,221</b>
<b>Deferred Credits and Other Liabilities</b>		
Deferred income taxes	4,120	4,834
Investment tax credit	165	176
Unrealized losses on mark-to-market and hedging transactions	1,754	1,548
Liabilities associated with assets held for sale	737	—
Other	5,524	4,893
Total deferred credits and other liabilities	12,300	11,451
<b>Commitments and Contingencies</b>		
<b>Guaranteed Preferred Beneficial Interests in Subordinated Notes of Duke Energy Corporation or Subsidiaries</b>	<b>—</b>	<b>1,408</b>
<b>Minority Interests</b>	<b>1,701</b>	<b>1,904</b>
<b>Preferred and Preference Stock</b>		
Preferred and preference stock with sinking fund requirements	—	23
Preferred and preference stock without sinking fund requirements	134	134
Total preferred and preference stock	134	157
<b>Common Stockholders' Equity</b>		
Common stock, no par, 2 billion shares authorized; 911 million and 895 million shares outstanding at December 31, 2003 and 2002, respectively	9,519	9,236
Retained earnings	4,060	6,417
Accumulated other comprehensive income (loss)	169	(709)
Total common stockholders' equity	13,748	14,944
<b>Total Liabilities and Common Stockholders' Equity</b>	<b>\$ 56,203</b>	<b>\$ 60,122</b>

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Years Ended December 31		
	2003	2002	2001
<b>Cash Flows from Operating Activities</b>			
Net (loss) income	\$ (1,323)	\$ 1,034	\$ 1,898
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization (including amortization of nuclear fuel)	1,987	1,692	1,450
Cumulative effect of change in accounting principles	162	—	96
Gain on sales of equity investments and other assets	(86)	(81)	(238)
Impairment charges	3,495	545	36
Deferred income taxes	(534)	495	129
Purchased capacity levelization	194	175	156
Contribution to company-sponsored pension plan	(181)	—	—
(Increase) decrease in			
Net realized and unrealized mark-to-market and hedging transactions	(15)	596	91
Receivables	1,126	12	3,166
Inventory	(30)	134	(192)
Other current assets	(77)	(335)	694
Increase (decrease) in			
Accounts payable	(1,030)	798	(3,545)
Taxes accrued	(168)	(332)	183
Other current liabilities	79	(194)	325
Other, assets	349	380	351
Other, liabilities	(19)	(372)	(243)
Net cash provided by operating activities	3,929	4,547	4,357
<b>Cash Flows from Investing Activities</b>			
Capital expenditures, net of refund	(2,471)	(4,924)	(5,930)
Investment expenditures	(290)	(641)	(1,093)
Acquisition of Westcoast Energy Inc., net of cash acquired	—	(1,707)	—
Net proceeds from the sale of equity investments and other assets, and sales of and collections on notes receivable	1,966	516	943
Other	(136)	(53)	37
Net cash used in investing activities	(931)	(6,809)	(6,043)
<b>Cash Flows from Financing Activities</b>			
Proceeds from the			
Issuance of long-term debt	3,009	5,114	2,673
Issuance of common stock and common stock related to employee benefit plans	277	1,323	1,432
Payments for the redemption of			
Long-term debt	(2,849)	(1,837)	(1,298)
Preferred and preference stock and preferred member interests	(38)	(88)	(33)
Guaranteed preferred beneficial interests in subordinated notes	(250)	—	—
Notes payable and commercial paper	(1,702)	(1,067)	(246)
Distributions to minority interests	(2,508)	(2,260)	(3,063)
Contributions from minority interests	2,432	2,535	2,733
Dividends paid	(1,051)	(938)	(871)
Other	23	64	27
Net cash (used in) provided by financing activities	(2,657)	2,846	1,354
Changes in cash and cash equivalents associated with assets held for sale	(55)	—	—
Net increase (decrease) in cash and cash equivalents	286	584	(332)
<b>Cash and cash equivalents at beginning of period</b>	<b>874</b>	<b>290</b>	<b>622</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 1,160</b>	<b>\$ 874</b>	<b>290</b>
<b>Supplemental Disclosures</b>			
Cash paid for interest, net of amount capitalized	\$ 1,324	\$ 1,011	\$ 733
Cash (refunded) paid for income taxes	(18)	\$ 344	\$ 770
Significant non-cash transactions:			
Acquisition of Westcoast Energy Inc.			
Fair value of assets acquired	\$ —	\$ 9,254	\$ —
Liabilities assumed, including debt and minority interests	—	8,047	—
Issuance of common stock	—	1,702	—
Capital lease obligations related to property, plant and equipment	\$ —	\$ 117	\$ —

## CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)

(In millions)	Accumulated Other Comprehensive Income (Loss)						
	Common Stock Shares	Common Stock	Retained Earnings	Foreign Currency Adjustments	Net Gains (Losses) on Cash Flow Hedges	Minimum Pension Liability Adjustment	Total
<b>Balance December 31, 2000</b>	<b>739</b>	<b>\$ 4,797</b>	<b>\$ 5,379</b>	<b>\$ (120)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 10,056</b>
Net income			1,898				1,898
Other comprehensive income							
Cumulative change in accounting principle <sup>a</sup>					(921)		(921)
Foreign currency translation adjustments				(187)			(187)
Net unrealized gains on cash flow hedges <sup>c</sup>					1,324		1,324
Reclassification into earnings from cash flow hedges <sup>d</sup>					84		84
Total comprehensive income							2,198
Dividend reinvestment and employee benefits	13	329					329
Equity offering	25	1,091					1,091
Common stock dividends, including equity units contract adjustment			(973)				(973)
Preferred and preference stock dividends			(14)				(14)
Other capital stock transactions, net			2				2
<b>Balance December 31, 2001</b>	<b>777</b>	<b>\$ 6,217</b>	<b>\$ 6,292</b>	<b>\$ (307)</b>	<b>\$ 487</b>	<b>\$ —</b>	<b>\$ 12,689</b>
Net income			1,034				1,034
Other comprehensive income							
Foreign currency translation adjustments				(340)			(340)
Net unrealized gains on cash flow hedges <sup>c</sup>					37		37
Reclassification into earnings from cash flow hedges <sup>d</sup>					(102)		(102)
Minimum pension liability adjustment <sup>e</sup>						(484)	(484)
Total comprehensive income							145
Dividend reinvestment and employee benefits	13	342					342
Equity offering	55	975					975
Westcoast acquisition	50	1,702					1,702
Common stock dividends, including equity units contract adjustment			(905)				(905)
Preferred and preference stock dividends			(13)				(13)
Other capital stock transactions, net			9				9
<b>Balance December 31, 2002</b>	<b>895</b>	<b>\$ 9,236</b>	<b>\$ 6,417</b>	<b>\$ (647)</b>	<b>\$ 422</b>	<b>\$ (484)</b>	<b>\$ 14,944</b>
Net loss			(1,323)				(1,323)
Other comprehensive loss							
Foreign currency translation adjustments <sup>b</sup>				962			962
Net unrealized gains on cash flow hedges <sup>c</sup>					116		116
Reclassification into earnings from cash flow hedges <sup>d</sup>					(240)		(240)
Minimum pension liability adjustment <sup>e</sup>						40	40
Total comprehensive loss							(445)
Dividend reinvestment and employee benefits	16	283	(6)				277
Common stock dividends, including equity units contract adjustment			(993)				(993)
Preferred and preference stock dividends			(15)				(15)
Other capital stock transactions, net			(20)				(20)
<b>Balance December 31, 2003</b>	<b>911</b>	<b>\$ 9,519</b>	<b>\$ 4,060</b>	<b>\$ 315</b>	<b>\$ 298</b>	<b>\$ (444)</b>	<b>\$ 13,748</b>

<sup>a</sup> Cumulative change in accounting principle, net of \$573 tax benefit in 2001.

<sup>b</sup> Foreign currency translation adjustments, net of \$114 million tax benefit in 2003.

<sup>c</sup> Net unrealized gains on cash flow hedges, net of \$49 tax expense in 2003, \$72 tax expense in 2002 and \$748 tax expense in 2001.

<sup>d</sup> Reclassification into earnings from cash flow hedges, net of \$130 tax benefit in 2003, \$94 tax benefit in 2002 and \$116 tax expense in 2001.

<sup>e</sup> Minimum pension liability adjustment, net of \$27 tax expense in 2003 and \$309 tax benefit in 2002.

## Non-GAAP Financial Measures

(Loss) earnings before interest and taxes from continuing operations and ongoing (loss) earnings per share are non-GAAP (generally accepted accounting principles) financial measures as defined by the Securities and Exchange Commission under Regulation G.

(Loss) earnings before interest and taxes from continuing operations is one of the measures used by management to assess consolidated performance for continuing operations. It represents the combination of operating (loss) income, and other income and expenses as presented on the Consolidated Statements of Operations, and it excludes results and impacts of discontinued operations. Additionally, management believes its investors use (loss) earnings before interest and taxes from continuing operations as a supplemental measure to evaluate the company's consolidated results from continuing operations.

The company's management uses ongoing (loss) earnings per share, which represents net income adjusted for special items, as one of the measures to evaluate operations of the company. Special items represent certain charges or gains which management believes are not representative of the ongoing operations of the company. Management believes that the presentation and use of ongoing (loss) earnings per share provide useful information to investors, allowing them to more accurately compare the company's ongoing performance across all periods presented.

The following is a reconciliation of ongoing (loss) earnings per share to GAAP reported basic (loss) earnings per share for 2003 and 2002:

	Pre-tax Amount	Tax Effect	Full-year EPS
<b>2003</b>			
<b>Earnings per share, ongoing</b>			<b>\$1.28</b>
DENA plant impairments and DETM charges	\$(2,826)	\$1,046	(1.97)
DENA redesignation of hedging contracts to mark-to-market	(262)	97	(0.18)
Charges and impairments for Australia and Europe	(292)	69	(0.25)
Cumulative effect of accounting changes	(256)	94	(0.18)
DENA goodwill write-off	(254)	90	(0.18)
Severance and related charges	(153)	55	(0.11)
Net gain on asset sales	185	(66)	0.13
DEI reserve and charges for environmental settlements in Brazil	(26)	10	(0.02)
Write-off of risk management system	(51)	19	(0.04)
Settlement with the South Carolina Public Service Commission	(46)	18	(0.03)
Settlement with the Commodity Futures Trading Commission	(17)	—	(0.02)
Tax benefit on 2002 impairment of goodwill at DEI for European gas trading	—	52	0.06
Tax adjustments	—	23	0.03
			(2.76)
<b>Earnings per share, as reported</b>			<b>\$(1.48)</b>
<b>2002</b>			
<b>Earnings per share, ongoing</b>			<b>\$1.88</b>
Impairment of goodwill at DEI for European gas trading	\$(194)	\$ —	(0.22)
Expenses at Franchised Electric associated with December 2002 ice storm	(89)	35	(0.06)
Severance charges associated with workforce reduction	(103)	40	(0.08)
Partial impairment of a merchant plant as a result of current market outlook	(31)	9	(0.04)
Asset impairments at Field Services	(28)	10	(0.02)
Termination of certain turbines on order, plus write-down of other uninstalled turbines	(163)	59	(0.13)
Write-off of site development costs, primarily in California and Brazil	(80)	30	(0.06)
Information technology system write-off at DENA	(24)	9	(0.02)
Demobilization costs at DENA	(22)	8	(0.02)
Settlement with North Carolina Utility Commission and Public Service Commission of South Carolina	(19)	7	(0.01)
			(0.66)
<b>Earnings per share, as reported</b>			<b>\$1.22</b>