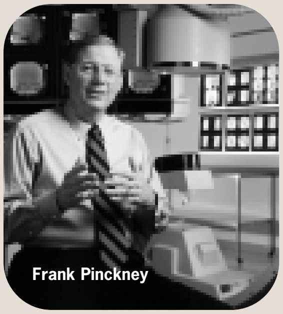
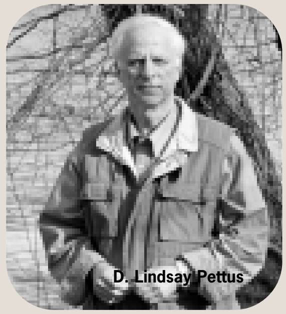


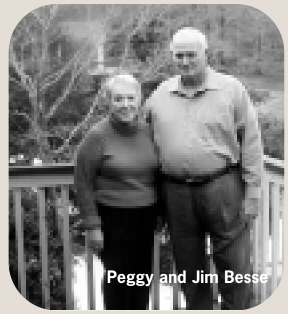
Frank Pinckney

"As one of the largest hospital systems in the state, our physicians, nurses and patients depend on Duke Power. Together we save lives and keep patients breathing hour after hour, every day of the week."

Frank Pinckney, CEO and President
Greenville Hospital System
Greenville, S.C.



D. Lindsay Pettus



Peggy and Jim Besse

"In view of the prices of other services available to retirees who live on fixed incomes, such as health insurance and medication, you and your company are stand-outs for efficiency and concern for your customers."

Peggy and Jim Besse,
Duke Power customers
Hickory, N.C.

"For a glass packaging manufacturer, electric energy is one of the main raw materials in the industrial process. Choosing Duke Energy as our electric energy supplier assured Cisper a real competitive advantage. Our partnership has always been based on clear and objective negotiations."

José Antonio Ramos Lorente,
President, Cisper S/A
(affiliated company of Owens-Illinois Inc.)
São Paulo, São Paulo, Brazil

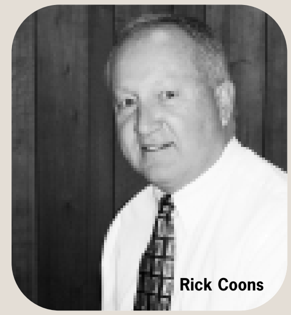
José Antonio Ramos Lorente

"Crescent Resources has been exceptionally responsive in working with our organization over the years. Our third land purchase from the company is now pending, and we hope to continue to partner with Crescent in our efforts to protect the natural resources and water quality of the Catawba River valley."

D. Lindsay Pettus, President
The Katawba Valley Land Trust
Lancaster, S.C.

"We have worked closely with Duke Energy when we wanted to obtain more ownership of electric generation facilities. Duke Energy's experience and ability to react to our needs has made them a company with whom we have enjoyed a positive business relationship."

Rick Coons,
Chief Operating Officer
Wabash Valley Power Association
Indianapolis, Ind.



Rick Coons

"Texas Parks and Wildlife has accomplished a lot at San Jacinto Battleground over the past few years. Restoration, revegetation, interpretation and construction projects have become realities, thanks to our partners. Some of our partners donate materials or money. Other partners donate volunteer labor. Duke Energy contributes both. TPW and Duke Energy are not just partners; we're members of a team, and in some ways, that's the most valuable donation of all!"

Ted Hollingsworth,
Cultural Resources Manager
Texas Parks and Wildlife Dept.
La Porte, Texas

Ted Hollingsworth

"Over the last 10 years, the Capital City has enjoyed tremendous economic growth, placing a great demand on the infrastructure. One of the City's greatest assets is the power plant. In 1996 the City of Dover became partners with Duke Energy for the management and operation of that plant. I can honestly say that was one of the smartest decisions this City has ever made to protect that asset."

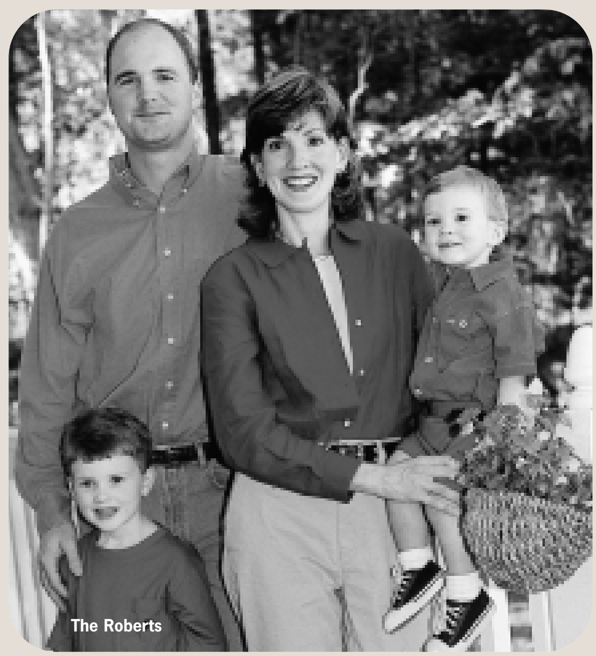
James L. Hutchison, Mayor
City of Dover, Del.

James L. Hutchison

Del Fischer

"While planning our Pinedale field development, we recognized the need for a large pipeline expansion to meet our growth projections. We were pleased that Duke was willing to work out a mutually beneficial solution that met both our timing and capacity needs. "

Del Fischer,
Gas Planning and Transportation
Shell Exploration & Production Co.
Houston, Texas



The Roberts

Ken Lacivita

"During the massive power blackout in August 2003, Union Gas personnel were able to assist OPGI in sourcing and supplying natural gas to the Lennox Generating Station near Kingston, Ontario. By ensuring natural gas was available, the station was able to continue to operate and contributed to meeting the electricity needs of Ontario consumers during a very difficult time."

Ken Lacivita,
Director, Electricity Trading
Ontario Power Generation Inc.
Toronto, Ontario

"After Isabel ripped through, Gloucester was left powerless and gloomy. We wouldn't have gotten power as fast as we did if it weren't for your crews. I thought my family was not going to have power for a month. We got it in a week! Thank you so much for all you did."

Drew Whitlow, 7th grade student
Page Middle School
Gloucester, Va.

Drew Whitlow

"Our relationship with Duke Energy is all about them understanding our business, from our perspective, as evidenced during a compressor station outage this winter. They shared critical information with us, so that we could understand how the outage might affect our system operations. We consider the Duke team to be our partner in delivering safe, reliable energy to our customers, every day."

Dennis E. Welch,
President and
Chief Operating Officer
Yankee Gas Services Co.
Berlin, Conn.

Dennis E. Welch

"Sugarloaf was the first place we saw that had all the things we wanted in one place – golf, lakes, a pool for our kids, sidewalks for bikes, good schools and a sense of security."

Dawn and Scott Roberts,
Crescent community homeowners
Sugarloaf Country Club,
Duluth, Ga.

We come to work every day to serve these and all of our customers. We know that we will succeed as a company if we serve them well. On the following pages, we describe our main business units, their primary areas of focus, and how they are meeting customer expectations and responding to changing markets.

WHAT WE DO

Duke Energy is a diversified energy company with a portfolio of natural gas and electric businesses, both regulated and non-regulated, and an affiliated real estate company. Duke Energy supplies, delivers and processes energy for customers in North America and selected international markets. Headquartered in Charlotte, N.C., Duke Energy is a Fortune 500 company traded on the New York Stock Exchange under the symbol DUK.

DUKE POWER

Profile: Duke Power is one of the nation's largest electric utilities and provides safe, reliable, competitively priced electricity and value-added products and services to more than 2 million customers in North Carolina and South Carolina. In 2004, Duke Power celebrates 100 years of service. The company operates three nuclear generating stations, eight coal-fired stations, 31 hydroelectric stations and numerous combustion turbine units. Total system generating capability is approximately 19,900 megawatts. Duke Power is based in Charlotte.

Operating Data:

	2003	2002	2001	2000	1999
Franchised Electric					
Sales, gigawatt-hours	**82,828**	83,783	79,685	84,766	81,548
Nuclear capacity factor[a]	**91%**	95%	92%	92%	90%
Average number of customers	**2,160,000**	2,117,000	2,117,000	2,072,000	2,023,000

[a] Includes 100 percent of Catawba Nuclear Station, which is 12.5 percent owned by Duke Power.

Performance Highlights:

- Duke Power achieved a critical milestone last year, with the Nuclear Regulatory Commission's renewal of Catawba and McGuire Nuclear Stations' operating licenses – allowing the stations to continue providing electricity, jobs and revenue into the 2040s. Oconee Nuclear Station's license renewal was approved in 2000. Duke Power is the first utility in the United States to have seven nuclear units with extended licenses.
- Oconee celebrated 30 years of operation in 2003, and was the first U.S. nuclear station to reach 500 million megawatt-hours of electric generation. McGuire generated more electricity than in any previous year, and also set station records for reliability and cost efficiency. Even with planned maintenance and refueling outages, Duke Power's three nuclear stations produced at more than 91 percent of their capacity in 2003.
- Duke Power's fossil and hydroelectric fleets achieved 98 percent commercial availability for the second year, and the hydro stations set a new generation record of 6.4 million megawatt-hours.
- Duke Power is investing nearly $2.2 billion in emission controls for its fossil-fueled power plants over the next decade, to bring air emissions well under current federal limits. At Belews Creek, Duke Power's largest coal-fired station, new environmental equipment is expected to reduce the utility's nitrogen oxide emissions by 75 percent from 1998 levels by this summer.
- The formal relicensing process is underway for Duke Power's Catawba-Wateree hydroelectric operations. The utility is working closely with stakeholder groups to ensure that its hydro facilities continue to serve customers and communities in an environmentally responsible manner.
- In 2003, Duke Power renewed its commitment to economic development in its service area, the surest way to draw new customers to the region and keep existing ones. The Carolinas have seen substantial and ongoing declines in traditional industries such as textiles, furniture, chemicals and tobacco, and Duke Power is working with government and community interests to spur a more diverse business and manufacturing economy. It's working – General Dynamics has moved a division headquarters to Charlotte and will open a plant in the area, and Sterilite is building a manufacturing facility in Laurens, S.C.

- Duke Power received the 2003 Edison Electric Institute Emergency Response Award, recognizing the swift restoration of electric service to 1.4 million customers affected by the December 2002 ice storm. That unprecedented effort heightened the utility's readiness for weather events like Hurricane Isabel, which hit the U.S. East Coast in September. After restoring service to thousands of Duke Power customers, crews moved on to help Dominion repair Isabel's damage in harder-hit areas in Virginia and eastern North Carolina.
- Duke Power launched an electronic billing and payment service in 2003. This new service allows customers to receive and pay their bills online. Nearly 5 percent of customers have already signed up for e-Bill, saving the mailing of more than a million bills annually. If just half of Duke Power's customers were to choose this option, the utility would save approximately $2 million per year.
- Mill Creek Combustion Turbine Station is the newest addition to Duke Power's generation fleet. The $300 million, 640-megawatt natural gas-fired station in Cherokee County, S.C., can generate enough power to serve more than 500,000 homes.

Strategy Going Forward:

- Deliver on the financial plan through management of cash, costs and capital, and through win-win regulatory policy.
- Operate assets with superior safety, reliability, efficiency, availability and responsibility.
- Improve customer satisfaction and deliver valued products and services.
- Create and realize opportunities for sustainable sales growth.
- Earn trust and build confidence with employees, customers, communities, regulators and elected officials.

DUKE ENERGY GAS TRANSMISSION

Profile: Duke Energy Gas Transmission (DEGT) transports and stores natural gas from North America's major supply areas for customers in the northeastern and southeastern United States and in Canada. DEGT also distributes natural gas to retail customers in Ontario, and gathers and processes natural gas for customers in western Canada. DEGT is based in Houston.

Operating Data:

	2003	2002	2001	2000	1999
Natural Gas Transmission					
Throughput, trillion British thermal units (TBtu)[a]	**3,362**	3,160	1,781	1,771	1,893
Storage capacity, billion cubic feet	**257**	254	101	98	75

[a] Represents share of capacity owned by DEGT.

Performance Highlights:

- DEGT capped a great year in 2003 by placing five major pipeline expansion projects into service in three key growth regions – in time for the winter heating season. The five expansions provide a combined 850 million cubic feet per day of added capacity for customers in the northeastern and southeastern United States, eastern Canada, British Columbia and the U.S. Pacific Northwest.
- DEGT is moving forward with plans to construct the Dominion Expansion Project, which will transport natural gas for distribution by DEGT customer Dominion Transmission in Maryland and Virginia, increasing the reliability and efficiency of natural gas supplies in the Mid-Atlantic region.
- January 2004 brought the U.S. Northeast some of the lowest temperatures in two decades. DEGT's Algonquin and Texas Eastern systems had some of their top delivery days in company history in that region. DEGT's pipelines and storage facilities met shippers' supply demands with the consistently reliable service they expect from DEGT. More than 99 percent of DEGT's Northeast shippers whose contracts came up for renewal in 2003 showed their satisfaction by renewing agreements with the company.

- Natural gas storage has become an increasingly critical part of the energy infrastructure in North America. In August, customers began preparing for winter by storing natural gas in the new Saltville Gas Storage facility in southwest Virginia, the only salt cavern storage facility in the South Atlantic market. Jointly developed by DEGT and NUI Corp.'s Virginia Gas Co., the field has storage capacity for 1 billion cubic feet of natural gas; that capacity will double in 2004 and expand to a planned 6 billion cubic feet by 2007. DEGT also has storage capacity in Texas, Louisiana, Pennsylvania and Maryland, and the largest natural gas storage facility in North America, Union Gas' Dawn facility in Ontario.
- The Gulfstream Natural Gas System, jointly developed by DEGT and Williams, signed a 23-year agreement with Florida Power & Light Co. (FPL), to transport up to 350 million cubic feet of natural gas per day beginning in 2005. Gulfstream, the first interstate transmission pipeline across the Gulf of Mexico, is extending its Florida mainline by approximately 110 miles to enable two FPL plants to serve an additional 400,000 customers on Florida's East Coast.
- DEGT's Union Gas provided transportation and distribution of 1,250 billion cubic feet of natural gas and experienced a net increase of 24,000 customers.
- DEGT's U.S. operations recorded their lowest ever number of preventable safety incidents in 2003, achieving a 17.6 percent reduction over 2002. Eighty-two U.S. transmission locations were accident-free, and five have recorded more than 1 million work-hours without a lost-time injury.
- In Canada, DEGT's BC Pipeline and Field Services group exceeded its safety performance targets by 45 percent for personal injuries and 22 percent for vehicle accidents, and incurred no lost-time incidents.
- In line with Duke Energy's strategy to strengthen its financial position by selling non-core assets, the company sold ownership interests in a number of pipeline systems and related facilities in 2003.

Strategy Going Forward:

- Produce superior financial results through increased productivity and balanced growth.
- Provide superior customer service.
- Optimize existing asset portfolio.
- Capture efficiencies and control costs.
- Develop new high-return expansion projects.

DUKE ENERGY FIELD SERVICES

Profile: Duke Energy Field Services (DEFS) gathers, processes, transports, markets and stores natural gas, and produces, transports and markets natural gas liquids (NGLs) like propane, butane and ethane. DEFS gathers natural gas from producers' wells in western Canada and from Wyoming to the Gulf Coast, and processes it at more than 60 plants.

Headquartered in Denver, DEFS is the largest producer of NGLs in North America – with twice the production of its nearest competitor – and one of the largest marketers. DEFS also owns the general partner of TEPPCO, a master limited partnership which owns and operates pipelines for refined products, NGLs and crude oil, and owns natural gas gathering assets. Duke Energy owns approximately 70 percent of DEFS, and ConocoPhillips owns the remainder.

Operating Data:

	2003	2002	2001	2000	1999
Field Services					
Natural gas gathered and processed/transported, TBtu/day	**7.7**	8.1	8.3	7.3	4.9
Natural gas liquids production, thousand barrels per day	**365.3**	388.7	394.0	354.9	186.3
Average natural gas price per million Btu	**$ 5.39**	$ 3.22	$ 4.27	$ 3.89	$ 2.27
Average natural gas liquids price per gallon	**$ 0.53**	$ 0.38	$ 0.45	$ 0.53	$ 0.34

Performance Highlights:

- DEFS has benefited from higher NGL prices, which have risen with increasing demand for NGLs along with natural gas and crude oil, and the "frac spread" (the difference between the thermal value of NGLs and natural gas) has increased as well. DEFS continues to lead the NGL industry with 20 percent of market share.
- DEFS has realized strong margins from its natural gas processing business, especially on percent-of-proceeds contracts, under which DEFS keeps a percentage of the natural gas and NGLs as payment for services.
- One of DEFS' strategies for 2003 was to support the growth strategy at TEPPCO. TEPPCO expanded the pipeline and processing capacity on its Jonah Gas Gathering System in Wyoming, and increased to 50 percent its ownership interest in the Centennial Pipeline from the Gulf Coast to the Midwest.
- DEFS sold several non-strategic assets according to plan in 2003, including various gas processing plants and gathering pipelines in the Gulf Coast region and Oklahoma.

Strategy Going Forward:

- Capitalize on size and focus of existing operations.
- Be a top-3 player in every producing region where DEFS has assets.
- Optimize and rationalize the asset base.
- Focus on operational and commercial excellence.
- Maintain strong financial position and self-funding status.
- Support the growth of TEPPCO.

DUKE ENERGY AMERICAS

As 2003 drew to a close, Duke Energy took a close look at opportunities to streamline operations for higher efficiency. As a result, in January 2004, the major merchant energy businesses, Duke Energy North America (DENA) and Duke Energy International (DEI), were combined into Duke Energy Americas, based in Houston. These businesses will more narrowly focus on key markets in North America and Latin America.

Duke Energy North America

Profile: Duke Energy North America operates merchant power generation facilities, and markets electricity, natural gas, energy management and related services to wholesale customers throughout North America.

Of all of Duke Energy's business units, DENA faced the toughest challenges in 2003. A period of rapid growth in merchant power markets was followed by regulatory and market upheavals and the aftershocks of Enron's collapse. An oversupply of merchant generation in many regions and low spark spreads (the difference between the cost of natural gas and the price of the electricity it generates) have prevented many DENA facilities from generating power profitably. As a result, the company made the strategic decision to exit the Southeast region in 2004, but to retain operations in the West, Northeast and Midwest regions – markets that have value for the company long-term.

Operating Data:

	2003	2002	2001	2000	1999
Duke Energy North America					
Actual plant production, gigawatt-hours	**24,046**	24,962	20,516	18,523	11,307
Capacity in operation, megawatts[a]	**15,820**	14,157	6,799	5,134	3,532

[a] Represents share of capacity owned by DENA.

Performance Highlights:

- DENA reduced the scope and scale of its trading and marketing organization to align with current market conditions, limited commercial transactions to those that directly benefit DENA operations and customers, and implemented new levels of control and risk management.
- In May, DENA announced it would end proprietary (purely financial) trading, which typically represented less than 10 percent of DENA's gross margin. In 2003, DENA also began to wind down the Duke Energy Trading & Marketing joint venture, which is 60 percent owned by Duke Energy and 40 percent by ExxonMobil. DENA's stand-alone trading and marketing operation continues with a focus around the company's own assets.
- DENA sold 15 significant new tolls related to its plants. A toll is an agreement to sell all or part of the generating capacity of a power plant for a fee. Duke Energy expects tolling deals to play an increasingly important role in merchant energy, allowing DENA to capture margin at relatively low risk.
- In 2003, DENA initiated a new customer relationship program, enhancing and renewing ties with key providers and buyers in the areas where DENA plants are located.
- Consistent with its sharpened focus on its merchant natural gas-fired fleet, DENA sold its interest in American Ref-Fuel, which converts municipal solid waste into energy, and Duke Energy Hydrocarbons, which was involved in the exploration and production of natural gas and petroleum, primarily in the Gulf of Mexico.
- As DENA employees faced tough challenges in 2003, their resolve to work safely resulted in a 50 percent reduction in recordable injuries.

Strategy Going Forward:

- Selectively reduce merchant energy exposure by selling plants in the southeastern United States, and by selling DENA's interest in deferred plants in Washington, Nevada and New Mexico, or seeking a partner to fund their completion.
- Rationalize the natural gas transportation and storage business around DENA's generation assets.
- Return the base business to profitability as the market recovers.
- Retain an option for future regional growth in wholesale merchant energy.

Duke Energy International

Profile: Duke Energy International operates power generation facilities, and engages in sales and marketing of electric power and natural gas outside the United States and Canada. Its primary focus is on power generation activities in Latin America, where it owns approximately 4,100 net megawatts of capacity in seven countries.

During 2003, DEI made the strategic decision to exit the European and Asia-Pacific markets, reducing the overall exposure of Duke Energy to international markets. DEI sold its investment in Indonesia, a power plant in northwest France and its Dutch gas marketing business, collectively generating gross proceeds of over $400 million for Duke Energy. Duke Energy retains a diversified portfolio of generating assets that are well-positioned to benefit from strengthening energy markets and economies in Latin America. This table presents operating data for DEI's continuing operations.

Operating Data:

	2003	2002	2001	2000	1999
International Energy					
Sales, gigawatt-hours	**16,374**	18,350	15,749	14,154	4,812
Capacity in operation, megawatts[a]	**4,121**	3,917	3,968	3,768	2,415

[a] Represents share of capacity owned by DEI.

Performance Highlights:

- 2003 was a solid year from an operating standpoint for DEI's continuing operations in Latin America and its investment in National Methanol Company in Saudi Arabia.
- Strong operating results were driven by successful recontracting efforts in Brazil, stronger market prices in Peru, completion of the second phase of a greenfield plant in Guatemala, solid results from National Methanol and significant cost reductions of approximately $30 million over 2002.
- DEI Guatemala brought the second phase of the 160-megawatt Planta Arizona on line, and is completing a conversion this year which will allow the plant to run on Orimulsion® in addition to fuel oil. The plant's dual-fuel capability will position Planta Arizona as one of the most flexible, efficient and low-cost generators in the region.
- DEI Peru became the first company in Peru, and the first Duke Energy company, to obtain simultaneous international certifications for operations management (ISO 9001), environmental management (ISO 14001) and occupational health and safety practices (OHSAS 18001).
- For the second consecutive year, DEI Brazil Paranapanema received the Medalha Eloy Chaves Award as recognition for the best safety record in the Brazilian electric generation sector. It is the only company ever to have received this award for two consecutive years. DEI Brazil also reached 4 million work-hours without a lost-time incident.

Strategy Going Forward:

- Focus on Latin America, with an emphasis on increasing overall returns through:
  - Organic growth through sales and marketing efforts
  - Asset optimization for all facilities
  - Cost reduction
  - Portfolio/balance sheet management.
- Identify and assess opportunities in Latin America to capitalize on economic growth, regulatory reform and strengths of the existing portfolio.
- Complete exit from the European and Asia-Pacific regions.

CRESCENT RESOURCES

Profile: As part of Duke Energy for over 40 years, Crescent Resources manages land holdings and develops high-quality commercial, residential and multi-family real estate projects in nine states. Crescent Resources has received numerous awards for its environmentally sensitive property development strategies and partnerships with environmental and wildlife groups. The company is based in Charlotte.

Operating Data:

	2003	2002	2001	2000	1999
Crescent Resources					
Residential lots sold	**2,060**	1,221	1,075	955	1,049
Commercial square footage sold, in millions	**1.7**	1.2	3.1	2.0	2.0
Multi-family units sold	**950**	—	—	—	—
Surplus (legacy) land sold, acres	**5,088**	10,982	11,402	8,562	29,648

Performance Highlights:

- Crescent is the master developer of Potomac Yard, a 300-acre mixed-use development adjacent to Reagan National Airport in Arlington and Alexandria, Va. The approved plans for Potomac Yard include high-quality mixed-use communities of townhouses, apartments, hotels, retail stores, offices, open space, pedestrian-friendly neighborhoods, parks, playfields and a transit system. In 2003, Crescent sold two parcels of land for apartment and condominium units and retail developments, and began work on two office buildings.

- Two major transactions underway in 2003 demonstrate Crescent's commitment to strike a balance between property developed in an environmentally sensitive manner and land sold for long-term preservation.
  - The N.C. Wildlife Resources Commission will manage the 4,400-acre Needmore area that hosts a diverse array of aquatic and forest wildlife along a 27-mile stretch of the Little Tennessee River in the N.C. mountains. Supported by individual donations and environmental groups, the N.C. chapter of The Nature Conservancy worked with the state and Crescent to facilitate the purchase, completed in January 2004.
  - In December 2003, Crescent accepted a letter of intent from The Katawba Valley Land Trust (KVLT) to buy the Heritage Tract, a 2,000-acre area of environmental, cultural and historical significance along the Catawba River in South Carolina. Crescent has sold more than 1,200 acres to KVLT for the expansion of Landsford Canal State Park, home of the world's largest known colony of the rare Rocky Shoals spider lilies. In recent years, Crescent has also conveyed several conservation easements along the stream banks feeding into the Catawba River to KVLT for permanent stewardship.
- More than one-third of the property in Palmetto Bluff, Crescent's 20,000-acre recreational and residential community in South Carolina's lowcountry, will remain undeveloped, including a 6,500-acre managed forest. Crescent has sold close to $50 million in residential real estate at Palmetto Bluff since sales opened last year. A luxury inn and spa and an 18-hole Nicklaus Signature Golf Course are set to open in 2004.
- In 2003, Crescent maintained strong market share in its residential markets.
  - The company sold 57 percent of the total value of homesites with an average price of $50,000 or more in new communities in the greater Charlotte, N.C., area.
  - In the metro Atlanta area, Sugarloaf Country Club has been the top-selling luxury golf club community for million-dollar homes for the past six years.
  - In Palm Coast, Fla., Crescent's residential venture partner LandMar Group's Grand Haven exceeded 2003 sales projections by 55 percent.
  - Crescent welcomed the first families to its new country club community in the Atlanta area, the River Club, on the Chattahoochee River in Suwanee, Ga.
  - Crescent opened three new communities at Lake Keowee in South Carolina, and announced plans for a new family-oriented residential development near Lake Norman in North Carolina.
- Since establishing its retail division three years ago, Crescent's strategy has been to sell select neighborhood retail centers it develops and re-invest in the development of new retail centers. The company closed four sales in the month of December 2003 alone for more than $50 million, and has five retail centers under development.
- Crescent's multi-family division realized a gain of $11.6 million when it sold two apartment communities in 2003. Both Lighthouse Court in the Jacksonville, Fla., area and CrossWynde in the Tampa vicinity opened less than two years ago.

Strategy Going Forward:

- Generate earnings through:
  - Opportunity-driven development in carefully selected target markets
  - Land sales that maximize the return to shareholders.
- Continue to focus on existing business lines, executing a proven development strategy without significantly increasing risk.
- Continue to generate significant cash flows through asset sales, while maintaining current capital expenditure levels.