

FINANCIAL HIGHLIGHTS

(In millions, except per-share amounts)	Years Ended December 31				
	2004	2003 ^b	2002	2001	2000
Statement of Operations					
Operating revenues	\$ 22,503	\$ 22,080	\$ 15,860	\$ 17,889	\$ 15,800
Operating expenses	19,456	22,818	13,258	14,311	12,775
Gains on sales of investments in commercial and multi-family real estate	192	84	106	106	75
(Losses) gains on sales of other assets, net	(225)	(199)	32	238	214
Operating income (loss)	3,014	(853)	2,740	3,922	3,314
Other income and expenses, net	302	584	379	311	707
Interest expense	1,349	1,380	1,097	760	887
Minority interest expense	195	61	116	326	302
Earnings (loss) from continuing operations before income taxes	1,772	(1,710)	1,906	3,147	2,832
Income tax expense (benefit) from continuing operations	540	(707)	611	1,149	1,032
Income (loss) from continuing operations	1,232	(1,003)	1,295	1,998	1,800
Income (loss) from discontinued operations, net of tax	258	(158)	(261)	(4)	(24)
Income (loss) before cumulative effect of change in accounting principle	1,490	(1,161)	1,034	1,994	1,776
Cumulative effect of change in accounting principle, net of tax and minority interest	—	(162)	—	(96)	—
Net income (loss)	1,490	(1,323)	1,034	1,898	1,776
Dividends and premiums on redemption of preferred and preference stock	9	15	13	14	19
Earnings (loss) available for common stockholders	\$ 1,481	\$ (1,338)	\$ 1,021	\$ 1,884	\$ 1,757
Ratio of Earnings to Fixed Charges	2.3	— ^c	2.2	3.9	3.7
Common Stock Data^a					
Shares of common stock outstanding					
Year-end	957	911	895	777	739
Weighted average	931	903	836	767	736
Earnings (loss) per share (from continuing operations)					
Basic	\$ 1.31	\$ (1.13)	\$ 1.53	\$ 2.59	\$ 2.42
Diluted	1.27	(1.13)	1.53	2.57	2.41
Earnings (loss) per share (from discontinued operations)					
Basic	\$ 0.28	\$ (0.17)	\$ (0.31)	\$ (0.01)	\$ (0.03)
Diluted	0.27	(0.17)	(0.31)	(0.01)	(0.03)
Earnings (loss) per share (before cumulative effect of change in accounting principle)					
Basic	\$ 1.59	\$ (1.30)	\$ 1.22	\$ 2.58	\$ 2.39
Diluted	1.54	(1.30)	1.22	2.56	2.38
Earnings (loss) per share					
Basic	\$ 1.59	\$ (1.48)	\$ 1.22	\$ 2.45	\$ 2.39
Diluted	1.54	(1.48)	1.22	2.44	2.38
Dividends per share	1.10	1.10	1.10	1.10	1.10
Balance Sheet					
Total assets	\$ 55,470	\$ 57,225	\$ 60,122	\$ 49,624	\$ 59,276
Long-term debt including capital leases, less current maturities	\$ 16,932	\$ 20,622	\$ 20,221	\$ 12,321	\$ 10,717
Capitalization					
Common equity	45%	37%	36%	41%	37%
Preferred stock	0%	0%	1%	1%	1%
Trust preferred securities	0%	0%	3%	5%	5%
Total common equity and preferred securities	45%	37%	40%	47%	43%
Minority interests	4%	5%	5%	7%	9%
Total debt	51%	58%	55%	46%	48%

^a Amounts prior to 2001 were restated to reflect the two-for-one common stock split effective January 26, 2001.

^b As of January 1, 2003, Duke Energy adopted the remaining provisions of Emerging Issues Task Force Issue No. 02-03, "Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and for Contracts Involved in Energy Trading and Risk Management Activities" and Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations."

In accordance with the transition guidance for these standards, Duke Energy recorded a net-of-tax and minority interest cumulative effect adjustment for change in accounting principles.

^c Earnings were inadequate to cover fixed charges by \$1,707 million for the year ended December 31, 2003.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31		
(In millions, except per-share amounts)	2004	2003	2002
Operating Revenues			
Non-regulated electric, natural gas, natural gas liquids and other	\$ 14,275	\$ 14,178	\$ 8,780
Regulated electric	5,111	4,960	4,880
Regulated natural gas	3,117	2,942	2,200
Total operating revenues	22,503	22,080	15,860
Operating Expenses			
Natural gas and petroleum products purchased	11,335	11,419	5,360
Operation, maintenance and other	3,568	3,796	3,304
Fuel used in electric generation and purchased power	2,098	2,075	2,191
Depreciation and amortization	1,851	1,792	1,506
Property and other taxes	539	526	533
Impairment and other related charges	65	2,956	364
Impairments of goodwill	—	254	—
Total operating expenses	19,456	22,818	13,258
Gains on Sales of Investments in Commercial and Multi-Family Real Estate	192	84	106
(Losses) Gains on Sales of Other Assets, net	(225)	(199)	32
Operating Income (Loss)	3,014	(853)	2,740
Other Income and Expenses			
Equity in earnings of unconsolidated affiliates	161	123	218
(Losses) Gains on sales and impairments of equity investments	(4)	279	32
Other income and expenses, net	145	182	129
Total other income and expenses	302	584	379
Interest Expense	1,349	1,380	1,097
Minority Interest Expense	195	61	116
Earnings (Loss) from Continuing Operations Before Income Taxes	1,772	(1,710)	1,906
Income Tax Expense (Benefit) from Continuing Operations	540	(707)	611
Income (Loss) from Continuing Operations	1,232	(1,003)	1,295
Discontinued Operations			
Net operating loss, net of tax	(10)	(27)	(261)
Net gain (loss) on dispositions, net of tax	268	(131)	—
Income (Loss) from Discontinued Operations	258	(158)	(261)
Income (Loss) Before Cumulative Effect of Change in Accounting Principle	1,490	(1,161)	1,034
Cumulative Effect of Change in Accounting Principle, net of tax and minority interest	—	(162)	—
Net Income (Loss)	1,490	(1,323)	1,034
Dividends and Premiums on Redemption of Preferred and Preference Stock	9	15	13
Earnings (Loss) Available for Common Stockholders	\$ 1,481	\$ (1,338)	\$ 1,021
Common Stock Data			
Weighted-average shares outstanding	931	903	836
Earnings (Loss) per share (from continuing operations)			
Basic	\$ 1.31	\$ (1.13)	\$ 1.53
Diluted	\$ 1.27	\$ (1.13)	\$ 1.53
Earnings (Loss) per share (from discontinued operations)			
Basic	\$ 0.28	\$ (0.17)	\$ (0.31)
Diluted	\$ 0.27	\$ (0.17)	\$ (0.31)
Earnings (Loss) per share (before cumulative effect of change in accounting principle)			
Basic	\$ 1.59	\$ (1.30)	\$ 1.22
Diluted	\$ 1.54	\$ (1.30)	\$ 1.22
Earnings (Loss) per share			
Basic	\$ 1.59	\$ (1.48)	\$ 1.22
Diluted	\$ 1.54	\$ (1.48)	\$ 1.22
Dividends per share	\$ 1.10	\$ 1.10	\$ 1.10

CONSOLIDATED BALANCE SHEETS

	December 31	
(In millions)	2004	2003
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 533	\$ 397
Short-term investments	1,319	763
Receivables (net of allowance for doubtful accounts of \$276 at 2004 and \$280 at 2003)	3,237	2,953
Inventory	942	941
Assets held for sale	40	361
Unrealized gains on mark-to-market and hedging transactions	962	1,566
Other	938	694
Total current assets	7,971	7,675
Investments and Other Assets		
Investments in unconsolidated affiliates	1,292	1,398
Nuclear decommissioning trust funds	1,374	925
Goodwill	4,148	3,962
Notes receivable	232	260
Unrealized gains on mark-to-market and hedging transactions	1,379	1,857
Assets held for sale	84	1,444
Investments in residential, commercial and multi-family real estate (net of accumulated depreciation of \$15 and \$32 at December 31, 2004 and 2003, respectively)	1,128	1,353
Other	1,896	2,137
Total investments and other assets	11,533	13,336
Property, Plant and Equipment		
Cost	46,806	45,987
Less accumulated depreciation and amortization	13,300	12,139
Net property, plant and equipment	33,506	33,848
Regulatory Assets and Deferred Debits		
Deferred debt expense	297	275
Regulatory assets related to income taxes	1,269	1,152
Other	894	939
Total regulatory assets and deferred debits	2,460	2,366
Total Assets	\$ 55,470	\$ 57,225

December 31

(In millions)	2004	2003
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 2,414	\$ 2,317
Notes payable and commercial paper	68	130
Taxes accrued	273	14
Interest accrued	287	304
Liabilities associated with assets held for sale	30	651
Current maturities of long-term debt	1,832	1,200
Unrealized losses on mark-to-market and hedging transactions	819	1,283
Other	1,815	1,849
Total current liabilities	7,538	7,748
Long-term Debt , including debt to affiliates of \$876 at 2003	16,932	20,622
Deferred Credits and Other Liabilities		
Deferred income taxes	5,228	4,120
Investment tax credit	154	165
Unrealized losses on mark-to-market and hedging transactions	971	1,754
Liabilities associated with assets held for sale	14	737
Asset retirement obligations	1,926	1,707
Other	4,646	4,789
Total deferred credits and other liabilities	12,939	13,272
Commitments and Contingencies		
Minority Interests	1,486	1,701
Preferred and Preference Stock without Sinking Fund Requirements	134	134
Common Stockholders' Equity		
Common stock, no par, 2 billion shares authorized; 957 million and 911 million shares outstanding at December 31, 2004 and 2003, respectively	11,252	9,519
Retained earnings	4,539	4,060
Accumulated other comprehensive income	650	169
Total common stockholders' equity	16,441	13,748
Total Liabilities and Common Stockholders' Equity	\$ 55,470	\$ 57,225

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)	Years Ended December 31		
	2004	2003	2002
Cash Flows from Operating Activities			
Net income (loss)	\$ 1,490	\$ (1,323)	\$ 1,034
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization (including amortization of nuclear fuel)	2,037	1,987	1,692
Cumulative effect of change in accounting principle	—	162	—
Gains on sales of investments in commercial and multi-family real estate	(201)	(103)	(106)
Gains on sales of equity investments and other assets	(193)	(86)	(81)
Impairment charges	194	3,495	545
Deferred income taxes	867	(534)	495
Purchased capacity levelization	92	194	175
Contribution to company-sponsored pension plans	(278)	(192)	(9)
(Increase) decrease in			
Net realized and unrealized mark-to-market and hedging transactions	216	(15)	596
Receivables	(188)	1,126	12
Inventory	(48)	(30)	134
Other current assets	(35)	(77)	(335)
Increase (decrease) in			
Accounts payable	(5)	(1,047)	798
Taxes accrued	188	(168)	(332)
Other current liabilities	116	79	(194)
Capital expenditures for residential real estate	(322)	(196)	(179)
Cost of residential real estate sold	268	167	117
Other, assets	(305)	(249)	205
Other, liabilities	246	206	(368)
Net cash provided by operating activities	4,139	3,396	4,199
Cash Flows from Investing Activities			
Capital expenditures, net of refund	(2,055)	(2,242)	(4,745)
Investment expenditures	(46)	(153)	(584)
Acquisition of Westcoast Energy Inc., net of cash acquired	—	—	(1,707)
Purchases of available-for-sale securities	(64,594)	(40,032)	(12,393)
Proceeds from sales and maturities of available-for-sale securities	64,092	39,641	11,859
Net proceeds from the sales of equity investments and other assets, and sales of and collections on notes receivable	1,542	1,966	516
Proceeds from the sales of commercial and multi-family real estate	606	314	169
Other	(309)	(162)	(69)
Net cash used in investing activities	(764)	(668)	(6,954)
Cash Flows from Financing Activities			
Proceeds from the:			
Issuance of long-term debt	153	3,009	5,114
Issuance of common stock and common stock related to employee benefit plans	1,704	277	1,323
Payments for the redemption of:			
Long-term debt	(3,646)	(2,849)	(1,837)
Preferred stock of a subsidiary	(176)	(38)	—
Preferred and preference stock	—	—	(88)
Guaranteed preferred beneficial interests in subordinated notes	—	(250)	—
Notes payable and commercial paper	(67)	(1,702)	(1,067)
Distributions to minority interests	(1,477)	(2,508)	(2,260)
Contributions from minority interests	1,277	2,432	2,535
Dividends paid	(1,065)	(1,051)	(938)
Other	19	23	64
Net cash (used in) provided by financing activities	(3,278)	(2,657)	2,846
Changes in cash and cash equivalents associated with assets held for sale	39	(55)	—
Net increase in cash and cash equivalents	136	16	91
Cash and cash equivalents at beginning of year	397	381	290
Cash and cash equivalents at end of year	\$ 533	\$ 397	\$ 381
Supplemental Disclosures			
Cash paid for interest, net of amount capitalized	\$ 1,323	\$ 1,324	\$ 1,011
Cash (refunded) paid for income taxes	\$ (339)	\$ (18)	\$ 344
Significant non-cash transactions:			
Debt retired in connection with disposition of businesses	\$ 840	\$ 387	\$ —
Note receivable from sale of southeast plants	\$ 48	\$ —	\$ —
Remarketing of senior notes	\$ 1,625	\$ —	\$ —
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
Balance December 31, 2001	777	\$ 6,217	\$ 6,292	\$ (307)	\$ 487	\$ —	\$ 12,689
Net income			1,034				1,034
Other Comprehensive Income							
Foreign currency translation adjustments				(340)			(340)
Net unrealized gains on cash flow hedges ^b					37		37
Reclassification into earnings from cash flow hedges ^c					(102)		(102)
Minimum pension liability adjustment ^d						(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			(905)				(905)
Preferred and preference stock dividends			(13)				(13)
Other capital stock transactions, net			9				9
Balance December 31, 2002	895	\$ 9,236	\$ 6,417	\$ (647)	\$ 422	\$ (484)	\$ 14,944
Net loss			(1,323)				(1,323)
Other Comprehensive Loss							
Foreign currency translation adjustments ^a				986			986
Foreign currency translation adjustments reclassified into earnings as a result of the sale of European operations				(24)			(24)
Net unrealized gains on cash flow hedges ^b					116		116
Reclassification into earnings from cash flow hedges ^c					(240)		(240)
Minimum pension liability adjustment ^d						40	40
Total comprehensive loss							(445)
Dividend reinvestment and employee benefits	16	283	(6)				277
Common stock dividends			(993)				(993)
Preferred and preference stock dividends			(15)				(15)
Other capital stock transactions, net			(20)				(20)
Balance December 31, 2003	911	\$ 9,519	\$ 4,060	\$ 315	\$ 298	\$ (444)	\$ 13,748
Net income			1,490				1,490
Other Comprehensive Income							
Foreign currency translation adjustments				279			279
Foreign currency translation adjustments reclassified into earnings as a result of the sale of Asia-Pacific Business				(54)			(54)
Net unrealized gains on cash flow hedges ^b					311		311
Reclassification into earnings from cash flow hedges ^c					(83)		(83)
Minimum pension liability adjustment ^d						28	28
Total comprehensive income							1,971
Dividend reinvestment and employee benefits	5	108	20				128
Equity offering	41	1,625					1,625
Common stock dividends			(1,018)				(1,018)
Preferred and preference stock dividends			(9)				(9)
Other capital stock transactions, net			(4)				(4)
Balance December 31, 2004	957	\$ 11,252	\$ 4,539	\$ 540	\$ 526	\$ (416)	\$ 16,441

^a Foreign currency translation adjustments, net of \$114 tax benefit in 2003

^b Net unrealized gains on cash flow hedges, net of \$170 tax expense in 2004, \$49 tax expense in 2003 and \$72 tax expense in 2002

^c Reclassification into earnings from cash flow hedges, net of \$45 tax benefit in 2004, \$130 tax benefit in 2003 and \$94 tax benefit in 2002

^d Minimum pension liability adjustment, net of \$18 tax expense in 2004, \$27 tax expense in 2003 and \$309 tax benefit in 2002

NON-GAAP FINANCIAL MEASURES

Pages 1 and 4 of the Chairman's letter reference a 2004 ongoing basic earnings-per-share goal of \$1.20, which we beat by 18 cents. Page 4 of the Chairman's letter also references the 2005 ongoing basic earnings-per-share target of \$1.60. Ongoing basic earnings per share is a non-GAAP (generally accepted accounting principles) financial measure because it excludes the per-share effects of any "special items," which represent certain income or charges which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure is basic earnings per share.

Information to reconcile the 2005 ongoing basic earnings-per-share target to the most directly comparable GAAP financial measure is not available at this time, as management is unable to project special items for 2005. The following is a reconciliation of ongoing to reported basic earnings per share for 2004:

Ongoing Basic Earnings per Share – 2004

(In millions, except earnings per share)

	Pre-tax Amount	Tax Effect	Basic EPS Impact
Ongoing Basic Earnings per Share			\$ 1.38
Net gain on sale of discontinued operations (net of minority interest of \$7 million)	\$ 278	\$ (16)	0.28
Net loss on asset sales, primarily sale of southeast U.S. plants (including minority interest benefit of \$25 million)	(206)	72	(0.14)
Impairments and other related charges (net of minority interest of \$12 million)	(25)	9	(0.02)
Litigation reserves and settlements (net of minority interest of \$5 million) and contract termination charges	(5)	2	0.00
Tax benefit from restructuring	–	48	0.05
Adjustment to captive insurance reserve	64	(22)	0.04
Net loss on sales of equity investments (including minority interest benefit of \$7 million) and loss on asset exchanges	(8)	3	0.00
Total basic earnings-per-share impact of special items			0.21
Basic Earnings per Share, as Reported			\$ 1.59

Page 1 of the Chairman's letter references a debt reduction of \$4.6 billion. This amount represents a non-GAAP measure because it includes changes in amounts presented in the Consolidated Balance Sheets as other than "debt," including amounts classified as "liabilities associated with assets held for sale" and "minority interests." The following is a reconciliation of the \$4.6 billion to the changes in the amounts reported in the Consolidated Balance Sheets as "debt":

Reconciliation of Debt Paydown to Consolidated Balance Sheets – 2004

(In millions)

	12/31/03	12/31/04	Difference
Long-term debt	\$20,622	\$16,932	\$ (3,690)
Current maturities of long-term debt and preferred stock	1,200	1,832	632
Notes payable and commercial paper	130	68	(62)
Total Debt	21,952	18,832	(3,120)
Changes due to foreign currency			(300)
Other cash changes			(89)
Sub-total			(389)
Redeem Australia debt			(890)
Redeem Westcoast Energy, Inc. preferred securities			(176)
Total Change			\$(4,575)
Total debt paydown disclosed			\$ (4,600)

Page 1 of the Chairman's letter references \$3.1 billion of proceeds from asset sales in 2004. This amount represents a non-GAAP measure because it includes amounts that are presented in the Consolidated Statements of Cash Flows as other than net "proceeds from sales of equity investments and other assets, and sales of and collections on notes receivable," including \$750 million of tax benefits and \$840 million of non-cash debt reductions.

The Financial Highlights on page 2 include amounts for "earnings (loss) before interest and taxes from continuing operations." This non-GAAP measure represents the combination of "operating income (loss)" and "other income and expenses" as presented in the Consolidated Statements of Operations, and it excludes results and impacts from discontinued operations.

Page 3 of the Chairman's letter mentions a 2004 contribution from Crescent Resources of more than \$440 million. This amount represents the cash that Crescent Resources generated from its operating and investing activities and contributed to Duke Energy.

In this report, for certain segments we use ongoing segment EBIT (earnings before interest and taxes) as a measure of historical and anticipated future performance. For some segments we also use a forecasted ongoing segment EBIT growth rate, which is based on historical and forecasted ongoing segment EBIT, as an indicator of anticipated future compound annual growth rates. When used for future periods, ongoing segment EBIT may also include amounts that may be reported as discontinued operations. Ongoing segment EBIT and related growth rates are non-GAAP financial measures because they represent reported segment EBIT adjusted for special items. The most directly comparable GAAP measure for ongoing segment EBIT is reported segment EBIT, which represents EBIT from continuing operations, including any special items.

For future periods, information to reconcile ongoing segment EBIT and related growth rates to the most directly comparable GAAP financial measures is not available at this time, as management is unable to forecast special items or amounts that may be reported as discontinued operations. The following is a reconciliation of ongoing segment EBIT to reported segment EBIT for 2004:

Reconciliation of Ongoing to Reported Segment EBIT – 2004

(In millions)

	Ongoing Segment EBIT	Special Items						Reported Segment EBIT
		Gains (Losses) on Sales of Assets	Gains (Losses) on Sales of Equity Investments	Impairment and Other Related Charges	Early Contract Termination Charges	Enron/California Settlements, net	Total	
Earnings Before Interest and Taxes from Continuing Operations								
Duke Energy North America	\$(288)	\$(228) ^a	\$–	\$ (2)	\$(20) ^b	\$3 ^{b,c}	\$(247)	\$(535)
International Energy	236	(2)	1	(13) ^b	–	–	(14)	222

a Net of minority interest benefit of \$26 million

b Recorded in operation and maintenance expense

c Net of minority interest of \$5 million