

**Duke Energy Corporation**  
**Special Items Reconciliation**  
**2003**

(dollars in millions except per share amounts)

	<u>Pre-tax Amount</u>	<u>Tax Effect</u>	<u>EPS Impact</u>
<b>Ongoing EPS</b>			<b>\$1.20 to \$1.25</b>
<b>Fourth quarter special items:</b>			
DENA plant impairments and DETM charges	(\$2,800)	\$1,039	(1.95)
DENA redesignation of power contracts to mark-to-market	(235)	90	(0.16)
DEI charges and impairments	(280)	26	<u>(0.28)</u>
subtotal - 4th quarter			<b>(2.39)</b>
<b>Prior 2003 special items:</b>			
Net gain on asset sales	170	(60)	0.12
Tax benefit on 2002 goodwill impairment of International Energy European gas trading	-	52	0.06
Cumulative effect of accounting changes	(256)	94	(0.18)
DENA goodwill writeoff	(254)	90	(0.18)
Severance associated with work force reductions	(105)	37	(0.08)
Settlement with the South Carolina Public Service Commission	(46)	18	(0.03)
Settlement with the Commodities Futures Trading Commission	(17)	-	<u>(0.02)</u>
subtotal - prior 2003			<b>(0.31)</b>
<b>Reported EPS</b>			<b><u>(\$1.50) to (\$1.45)</u></b>

**Duke Energy Corporation Consolidated and Duke Capital Corporation Consolidated**  
**Cash Flow Reconciliation Required by SEC Regulation G**

(\$ in Millions)

	2004	
	Duke Energy	Duke Capital
<b>Excerpts from Duke Energy Corporation Analyst Call (January 7, 2004)</b>		
Primary Sources of Cash per Presentation:		
Net income	(a) \$ 1,100	\$ 450
Depreciation and amortization	(a) 2,075	1,050
NBV of ongoing Crescent inventory sales	(a) 550	550
NBV of energy asset sales	(b) 1,500	1,500
Deferred income taxes	(a) 450	475
Other sources/(uses), net	(a) (225)	25
Subtotal	5,450	4,050
Equity (DRIP, mandatory converts, parent infusion)	(c) 1,875	-
Total Sources	<u>\$ 7,325</u>	<u>\$ 4,050</u>
Primary Uses of Cash per Presentation:		
Capital expenditures	(b) (2,225)	(1,300)
Dividends	(c) (1,050)	-
Total Uses	<u>(3,275)</u>	<u>(1,300)</u>
Positive Net Cash	<u>\$ 4,050</u>	<u>\$ 2,750</u>
<b>Reconciliations to amounts per U.S. GAAP reporting:</b>		
Operating cash flow components from above [summation of (a)]	\$ 3,950	\$ 2,550
Reconciling items to GAAP operating cash flow (1)	175	175
Net cash provided by operating activities per GAAP Consolidated Statement of Cash Flows	<u>\$ 4,125</u>	<u>\$ 2,725</u>
Investing cash flow components from above [summation of (b)]	\$ (725)	\$ 200
Reconciling items to GAAP investing cash flow (2)	(925)	(925)
Net cash used in investing activities per GAAP Consolidated Statement of Cash Flows	<u>\$ (1,650)</u>	<u>\$ (725)</u>
Financing cash flow components from above [summation of (c)]	\$ 825	\$ -
Reconciling items to GAAP financing cash flow (3)	(3,475)	(2,200)
Net cash used by financing activities per GAAP Consolidated Statement of Cash Flows	<u>\$ (2,650)</u>	<u>\$ (2,200)</u>

Notes:

- (1) Amount primarily consists of non-operating cash flow items, such as net distributions to/contributions from minority interests.
- (2) Amount primarily consists of disposition of debt associated with energy asset sales.
- (3) Amount primarily consists of estimated net debt repayments and net distributions to/contributions from minority interests.

**Duke Energy Corporation Consolidated**  
**Coverage Ratio Reconciliations Required by SEC Regulation G (1)**

(\$ in Billions)

	Actual		Forecast			
	2001	2002	2003	2004	2005	
<b>Funds From Operations (FFO) to Average Debt:</b>						
<i>Numerator</i>						
Net cash provided by operating activities per U.S. GAAP Consolidated Statement of Cash Flows (2)	[a]	\$ 4.5	\$ 3.8	\$ 4.1	\$ 3.7	
Adjustments to operating cash flows (3)		(0.4)	(0.1)	(0.1)	0.1	
Total FFO	[b]	\$ 4.1	\$ 3.7	\$ 4.0	\$ 3.8	
<i>Denominator (average of BOY and EOY)</i>						
Total Debt per U.S. GAAP Balance Sheet	\$	14.2	\$ 22.5	\$ 23.0	\$ 18.8	\$ 18.0
Minority interest in financing subsidiary (4)		1.0	0.0	0.0	0.0	0.0
Other debt adjustments (5)		(5.0)	(6.5)	(7.1)	(4.2)	(4.2)
Adjusted Debt		\$ 10.2	\$ 16.0	\$ 15.9	\$ 14.5	\$ 13.8
Averages:						
Adjusted Debt	[c]	\$ 13.1	\$ 15.9	\$ 15.2	\$ 14.2	
Debt per U.S. GAAP Balance Sheet	[d]	\$ 18.3	\$ 22.7	\$ 20.9	\$ 18.4	
Ratio of FFO to Average Adjusted Debt per Presentation 2002-2005 Average	[b / c]		31.6%	23.2%	26.4%	27.2%
Ratio of Operating Cash Flows to Average Debt (ratio presented based on U.S. GAAP amounts) 2002-2005 Average	[a / d]		24.7%	16.5%	19.7%	20.2%

**Funds From Operations Interest Coverage:**

<i>Numerator</i>						
Total FFO	[e]	\$ 4.1	\$ 3.7	\$ 4.0	\$ 3.8	
Cash interest paid-per U.S. GAAP financial statements	[f]	1.0	1.4	1.3	1.1	
Adjustments to interest paid (6)		(0.3)	(0.4)	(0.4)	(0.3)	
Adjusted Cash Interest Paid	[g]	0.8	1.0	0.9	0.8	
Total FFO + Interest	[h = e + g]	\$ 4.9	\$ 4.6	\$ 4.9	\$ 4.6	
<i>Denominator</i>						
Interest expense, net-per U.S. GAAP Financial Statements	[i]	\$ 1.1	\$ 1.5	\$ 1.4	\$ 1.1	
Interest expense adjustments (6)		(0.3)	(0.5)	(0.4)	(0.3)	
Adjusted Interest Expense	[j]	\$ 0.8	\$ 1.0	\$ 0.9	\$ 0.8	
FFO Interest Coverage Ratio per Presentation 2002-2005 Average	[h / j]		5.8	4.6	5.3	5.5
Operating Income Interest Coverage Ratio (ratio presented based on U.S. GAAP amounts) 2002-2005 Average	[(a + f) / i]		5.0	3.5	4.0	4.2

Amounts may not foot or recalculate due to rounding

Notes:

- Regulation G of the SEC's rules now requires reconciliations to U.S. GAAP measures for certain publicly disclosed financial information. This schedule is presented to meet the requirements of Regulation G. The ratios presented based on U.S. GAAP amounts are not measures that are normally used by Duke Energy Corporation in assessing performance.
- The Consolidated Statement of Cash Flows also includes amounts for investing and financing activities as follows:

	Actual	Forecast		
	2002	2003	2004	2005
Net cash used in investing activities per Consolidated Statement of Cash Flows	\$ (6.8)	\$ (1.0)	\$ (1.6)	\$ (1.9)
Net cash provided (used) by financing activities per Consolidated Statement of Cash Flows	\$ 2.8	\$ (2.5)	\$ (2.7)	\$ (1.7)

- Adjustments primarily consist of changes in working capital balances and adjustments for off-credit entities.
- 2001 amount consists of adjustment for minority interest in financing subsidiary, which was restructured and recorded as debt in 2002.
- Adjustments primarily consist of Equity Units, trust preferred securities, and off-credit entity debt. In addition, an adjustment to debt was made for available cash.
- Adjustments primarily consist of interest paid on Equity Units, trust preferred securities, and off-credit entity debt, as well as capitalized interest, which includes allowance for funds used during construction (AFUDC) interest.

**Duke Capital Corporation Consolidated**  
**Coverage Ratio Reconciliations Required by SEC Regulation G (1)**

(\$ in Billions)

	Actual		Forecast		
	2001	2002	2003	2004	2005
<b>Funds From Operations (FFO) to Average Debt:</b>					
<i>Numerator</i>					
Net cash provided by operating activities per U.S. GAAP Consolidated Statement of Cash Flows (2)	[a]	\$ 3.5	\$ 2.4	\$ 2.7	\$ 2.5
Adjustments to operating cash flows (3)		(0.9)	(0.4)	(0.4)	(0.3)
Total FFO	[b]	\$ 2.6	\$ 2.0	\$ 2.3	\$ 2.2
<i>Denominator (average of BOY and EOY)</i>					
Total Debt per U.S. GAAP Balance Sheet		\$ 10.8	\$ 17.5	\$ 15.9	\$ 12.4
Minority interest in financing subsidiary (4)		1.0	-	-	-
Other debt adjustments (5)		(5.6)	(6.5)	(6.5)	(4.2)
Adjusted Debt		\$ 6.3	\$ 11.0	\$ 9.4	\$ 8.1
<i>Averages:</i>					
Adjusted Debt	[c]	\$ 8.7	\$ 10.2	\$ 8.8	\$ 7.9
Debt per U.S. GAAP Balance Sheet	[d]	\$ 14.2	\$ 16.7	\$ 14.1	\$ 12.1
<b>Ratio of FFO to Average Adjusted Debt per Presentation</b>	[b / c]		29.6%	19.3%	26.5%
<b>2002-2005 Average</b>					26%
<b>Ratio of Operating Cash Flows to Average Debt (ratio presented based on U.S. GAAP amounts)</b>	[a / d]		24.7%	14.2%	19.2%
<b>2002-2005 Average</b>					20%

**Funds From Operations Interest Coverage:**

<i>Numerator</i>					
Total FFO	[e]	\$ 2.6	\$ 2.0	\$ 2.3	\$ 2.2
Cash interest paid-per U.S. GAAP financial statements	[f]	\$ 0.8	\$ 1.1	\$ 1.0	\$ 0.8
Adjustments to interest paid (6)		(0.3)	(0.4)	(0.4)	(0.3)
Adjusted Cash Interest Paid	[g]	\$ 0.6	\$ 0.7	\$ 0.6	\$ 0.5
Total FFO + Interest	[h = e + g]	\$ 3.1	\$ 2.6	\$ 2.9	\$ 2.7
<i>Denominator</i>					
Interest expense, net-per U.S. GAAP Financial Statements	[i]	\$ 0.9	\$ 1.1	\$ 1.0	\$ 0.8
Interest expense adjustments (6)		(0.3)	(0.4)	(0.4)	(0.3)
Adjusted Interest Expense	[j]	\$ 0.6	\$ 0.7	\$ 0.6	\$ 0.5
<b>FFO Interest Coverage Ratio per Presentation</b>	[h / j]		5.3	3.7	4.8
<b>2002-2005 Average</b>					4.7
<b>Operating Income Interest Coverage Ratio (ratio presented based on U.S. GAAP amounts)</b>	[(a + f) / i]		4.9	3.0	3.6
<b>2002-2005 Average</b>					3.9

Amounts may not foot or recalculate due to rounding

Notes:

- Regulation G of the SEC's rules now requires reconciliations to U.S. GAAP measures for certain publicly disclosed financial information. This schedule is presented to meet the requirements of Regulation G. The ratios presented based on U.S. GAAP amounts are not measures that are normally used by Duke Capital Corporation in assessing performance.
- The Consolidated Statement of Cash Flows also includes amounts for investing and financing activities as follows:

	Actual	Forecast		
	2002	2003	2004	2005
Net cash used in investing activities per Consolidated Statement of Cash Flows	\$ (5.6)	\$ 0.2	\$ (0.7)	\$ (1.0)
Net cash provided (used) by financing activities per Consolidated Statement of Cash Flows	\$ 2.7	\$ (2.3)	\$ (2.2)	\$ (1.3)

- Adjustments primarily consist of changes in working capital balances and adjustments for off-credit entities.
- 2001 amount consists of adjustment for minority interest in financing subsidiary, which was restructured and recorded as debt in 2002.
- Adjustments primarily consist of Equity Units, trust preferred securities, and off-credit entity debt. In addition, an adjustment to debt was made for available cash.
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