



First Quarter 2004 Earnings Review

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Safe Harbor Statement

Under the Private Securities Litigation Act of 1995

This document contains forward looking information which is subject to risks and uncertainties, including, but not limited to, changes in the utility regulatory environment, the impact of competition from other energy suppliers, industrial, commercial and residential growth in the Company's service territory, the results of financing efforts, the effect of accounting pronouncements, growth in opportunities for the Company's subsidiaries and diversified operations, and other risks described in the Company's Securities and Exchange Commission filings.

Regulation G

This document may include certain non-GAAP financial measures as defined under SEC Regulation G. In such an event, a reconciliation of those measures to the most directly comparable GAAP measures is included in the printed version of these slides which can be downloaded from our investor relations website at:
www.duke-energy.com/investors/financial/gaap/

First Quarter Highlights

	<u>1Q04</u>	<u>1Q03</u>
Reported EPS	\$ 0.36	\$ 0.25
Special Items	(0.04)	0.17
EPS excluding special items	<u>\$ 0.32</u>	<u>\$ 0.42</u>

■ Key Events for First Quarter 2004

- Regulated businesses continue to deliver solid earnings and strong cash flow
- Field Services benefited from improved frac spreads and favorable hedging activities
- Crescent benefited from increased land and commercial sales
- DENA realized negative earnings impact of approx. \$93 million from mark-to-market (MTM) fluctuations and recorded a \$325 million pre-tax loss related to anticipated sale of SE assets
- Asset sales have reached target for the year; \$1.5 billion in cash proceeds
 - Sale of Australian business resulted in a \$238 million after-tax gain (Disc Ops)
- Debt reductions have reached \$200 million of the \$3.5 to \$4 billion target for the year
- Continued to make headway on resolving outstanding legal and regulatory issues

Franchised Electric

■ First Quarter 2004

- Lower sales to wholesale customers were partially offset by increased retail sales due to favorable weather
- Higher operating expenses were primarily due to increased costs associated with planned nuclear outages and \$11 million in expenses related to wind storm damages
- Higher residential and commercial sales were partially offset by lower industrial sales

- First Quarter 2003 results included a \$35 million charge for ice storm damages

Segment EBIT
(\$ millions)

	1Q04	1Q03
Reported Segment EBIT	\$ 424	\$ 454

Natural Gas Transmission

■ First Quarter 2004

- Pipelines: Foregone earnings of approximately \$17 million from 2003 asset sales were partially offset by incremental earnings from new business expansion projects
- Union Gas: Lower sales as a result of warmer weather compared with 1Q03
- Foreign currency translation related to the Canadian dollar also benefited results for the quarter

- First Quarter 2003 results included a \$16 million gain related to asset sales and \$13 million benefit from capitalized development costs

Segment EBIT
(\$ millions)

	1Q04	1Q03
Reported Segment EBIT	\$ 398	\$ 423

Field Services

- First Quarter 2004
 - Favorable results for the quarter were due to:
 - Higher margins from improved frac spread
 - More favorable hedging activities
 - Better results from NGL and natural gas trading and marketing activities
- EBIT sensitivities for forward 12 months (net to Duke)
 - NGL: + / - 1¢/gal = + / - \$6 million EBIT
- DEFS paid \$50 million dividend to its parent companies; Duke Energy's share was \$35 million

Segment EBIT from continuing operations
(\$ millions)

	1Q04	1Q03
Reported Segment EBIT	\$ 92	\$ 30

Duke Energy North America

■ First Quarter 2004

- Lower earnings from energy generation due to depressed spark spreads
- Lower depreciation offset by higher O&M and G&A expenses
- Special items during the quarter included:
 - \$325 million pre-tax loss related to a sale of DENA's Southeast generation assets
- Results for the quarter were negatively affected by \$93 million due to changes in the MTM portfolio
 - Driven by changes in gas and power prices

Segment EBIT
(\$ millions)

	1Q04	1Q03
Reported Segment EBIT	\$ (521)	\$ 23
Special Items	322	--
MTM activity	93	(31)
Segment EBIT before special items and MTM)	<u>\$ (106)</u>	<u>\$ (8)</u>

EBIT Analysis

(\$ in millions)

	<u>1Q04 Actual</u>
Total Gross Margin from Accrual Portfolio	\$ 54
Expenses:	
O&M	(79)
Depreciation	(47)
General and administrative	(48)
Minority interest	14
Total Expenses	<u>(160)</u>
Segment EBIT before net loss on asset sales and MTM	\$ (106)
Loss on SE generation assets	(325)
Changes in MTM portfolio	(93) *
Gains on sales of assets	3
Reported Segment EBIT	<u><u>\$ (521)</u></u>

* \$87 million, net of minority interest

International Energy

■ First Quarter 2004

- Higher earnings from Brazilian assets were offset by lower earnings from other Latin American assets
- Special item: \$13 million non-cash charge related to the expected sale of investment in Cantarell facility in Mexico

- Current year and prior year earnings and related charges for Australian and European operations are included in Discontinued Operations

Segment EBIT from continuing operations
(\$ millions)

	1Q04	1Q03
Reported Segment EBIT	\$ 29	\$ 40
Special Items	13	--
Ongoing Segment EBIT	<u>\$ 42</u>	<u>\$ 40</u>

Crescent Resources

- First Quarter 2004
 - Higher earnings from commercial property and legacy land sales
- Segment EBIT on target for the year

Segment EBIT from continuing operations
(\$ millions)

	1Q04	1Q03
Reported Segment EBIT	\$ 60	\$ 0

Discontinued Operations

- DEI: Australian asset portfolio
 - Closed asset sale transaction on April 23
 - Special item: First quarter 2004 includes an after-tax gain of \$238 million
- DEI: European trading business
 - Continuing wind-down of this business
 - Expect completion by mid-2004

Progress Made on Financial Plans

- ✓ Debt reduction has reached about \$200 million as of 1Q04
 - \$350 million redemption of Duke Energy trust preferred securities
 - Increase in short-term debt, primarily CP, of approximately \$145 million
- ✓ Capital spending for 2004 is now expected to be about \$2.5 billion, up from \$2.2 billion
- ✓ Gross proceeds from announced asset sales have reached \$1.5 billion

Liquidity Position

(as of March 31, 2004)

	Duke Energy	Duke Capital	Other *	Total
Credit Facilities	\$750 million	\$550 million	\$1.2 billion	\$2.5 billion
LOC Facilities	n/a	\$790 million	n/a	\$790 million
TOTAL CAPACITY				\$3.3 billion
CP Outstanding	\$371 million	n/a	\$34 million	\$405 million
LOC Outstanding	n/a	\$666 million	n/a	\$666 million
Other Borrowings	n/a	n/a	\$323 million	\$323 million
TOTAL OUTSTANDING				\$1.4 billion
TOTAL UNUSED CAPACITY				\$1.9 billion
Cash and Cash Equivalents				\$1.5 billion

* Includes Westcoast, Union Gas, Field Services and Australia. With the sale of the Australian assets the credit facilities would be reduced by \$467 million, of which \$34 million of CP is outstanding and \$323 of other borrowings is outstanding.

Momentum Continues

- Exceptional progress against financial plans
 - Met asset sales goal for the year
 - Debt reductions underway and ahead of schedule for the year
- Strong cash flow generation is contributing to accelerated debt reductions
- Basic businesses, except DENA, are performing well; delivering solid results and strong cash flows
- Increasing focus on improving earnings, particularly at DENA
- Financial strength and flexibility creates ability to pursue growth opportunities



Q&A

Duke Energy Corporation
Reg G Reconciliation
1Q04 Earnings Release

Exhibit 1: 2004 EPS compensation target

The Company's prepared remarks related to the First Quarter 2004 Earnings Review include a discussion of 2004 earnings per share (EPS) compensation targets and DENA's 2004 EBIT loss projection, which are non-GAAP financial measures as defined under SEC Regulation G. The \$1.20 EPS compensation target for 2004 is a non-GAAP financial measure as it excludes any "special items", as defined by the Company, occurring during the year. The most directly comparable GAAP measure is EPS based upon reported net income for 2004. DENA's \$300 million EBIT loss projection for 2004 is a non-GAAP financial measure as it excludes any mark-to-market (MTM) earnings and "special items", as defined by the Company, occurring during the year. The most directly comparable GAAP measure is DENA reported segment EBIT loss for 2004.

Due to the forward-looking nature of these non-GAAP financial measures, information to reconcile such non-GAAP financial measures to the most directly comparable GAAP financial measure is not available at this time as the Company is unable to project any "special items" or MTM earnings or losses for the remainder of 2004.

Exhibit 2: 1Q04 and 1Q03 Special Items

(\$ in Millions)	Pre-Tax Amount	Tax Effect	2004 EPS Impact	2003 EPS Impact
First Quarter				
Gain on sale of Australian assets	\$256	(\$18)	\$0.26	--
Net loss on sale of DENA assets, primarily southeast U.S. plants	(322)	119	(0.22)	--
Gains on sale of other assets, including Caribbean Nitrogen Co. (CNC)	14	(5)	0.01	--
Charge for intent to sell Cantarell investment	(13)	5	(0.01)	--
2003 gain on asset sales	16	(5)	--	\$0.01
2003 change in accounting principles	(256)	94	--	(\$0.18)
TOTAL EPS IMPACT			\$0.04	(\$0.17)
EPS, as reported			\$0.36	\$0.25
EPS, ongoing			\$0.32	\$0.42

Exhibit 3: Crescent Resources

**Duke Energy Corporation
Reg G reconciliation**

**Crescent EBIT
Full Year 2003**

(in millions)

Crescent EBIT, per presentation	\$150
Rounding	2
Less discontinued operations	<u>(18)</u>
Crescent EBIT from continuing operations	<u>\$ 134</u>