



# First Quarter Earnings Review

May 2, 2006



**Jim Rogers**

Chief Executive Officer

**David Hauser**

Group Executive and Chief Financial Officer

# Agenda

- Duke Energy's First Quarter Results
- Cinergy's First Quarter Results
- Commitment to Investors
- Q&A

# Safe Harbor Statement

Some of the statements in this document concerning future company performance will be forward-looking within the meanings of the securities laws. Actual results may materially differ from those discussed in these forward-looking statements, and you should refer to the additional information contained in Duke Energy and Cinergy's 2005 Form 10-Ks filed with the SEC and other SEC filings, concerning factors that could cause those results to be different than contemplated in today's discussion.

## Reg G Disclosure

In addition, today's discussion includes certain non-GAAP financial measures as defined under SEC Regulation G. A reconciliation of those measures to the most directly comparable GAAP measures is available on our Investor Relations website at [www.duke-energy.com](http://www.duke-energy.com).

# Earnings Summary

	1Q06	1Q05
DUK Ongoing Earnings per Diluted Share	\$ 0.48	\$ 0.43
DUK Reported Earnings per Diluted Share	\$ 0.37	\$ 0.88
CIN Ongoing Earnings per Diluted Share	\$ 0.62	\$ 0.60
CIN Reported Earnings per Diluted Share	\$ 0.39	\$ 0.60

- Record warm temperatures in the Carolinas, Midwest and Canada impacted results for both companies
- Despite weather conditions, Franchised Electric and Natural Gas Transmission results increased
- Cinergy realized fewer synfuels tax credits
- International Energy delivered outstanding results
- Lower ongoing results at Field Services reflect our reduced ownership position

- Segment EBIT increased nearly 7%, despite record warm weather
- Bulk power marketing sales increased by about \$12 million, mostly due to higher prices which overcame slightly lower volumes – this increase is net of our profit sharing agreement in the Carolinas
- Positive impact from lower regulatory amortizations for North Carolina’s Clean Air program
  - ◆ First quarter of 2005, we recorded \$15 million more than was originally planned
  - ◆ This quarter, we recorded one fourth of expected 2006 annual amortization of \$250 million
- Customer growth of 41,000 was a positive driver, contributing another \$12 million

**Reported & Ongoing Segment EBIT**  
(\$ millions)

	1Q06	1Q05
Franchised Electric	\$ 359	\$ 336

# Natural Gas Transmission

- Reported segment EBIT includes a \$24 million contract termination settlement
- Major benefits included system expansions and higher natural gas processing margins
- Continued strong Canadian currency had a positive impact of \$11 million
- Offsetting factors included warm weather and higher operating costs associated with system expansions
- Year-on-year expectation for Natural Gas Transmission ongoing segment EBIT is flat due to interest expense associated with the Gulfstream financing and the formation of the Canadian Income Trust

## Reported & Ongoing Segment EBIT

(\$ millions)

	1Q06	1Q05
Reported Segment EBIT	\$ 438	\$ 411
Special Items	(24)	-
Ongoing Segment EBIT	\$ 414	\$ 411

- Change in Special Items:
  - ◆ In 1Q05, combined gain-on-sales of interests in TEPPCO totaled approximately \$888 million, net of minority interest
  - ◆ Also last year, ownership change at DEFS shifted hedges from accrual to mark-to-market accounting resulting in a \$118 million charge
  - ◆ This year, Duke's 50% share of gain on the sale of some gathering and processing assets was \$14 million
- Ongoing equity earnings down from first quarter 2005 ongoing segment EBIT by \$19 million, primarily a result of decreased ownership interest
- Positive impact from strong commodity prices, partially offset by increased operating expenses

**Reported & Ongoing Segment EBIT**

(\$ millions)

	1Q06	1Q05
Reported Segment EBIT	\$ 144	\$ 919
Special Items	(14)	(770)
Ongoing Segment EBIT	\$ 130	\$ 149

# Field Services – Comparison to Pro-Forma 2005 Results



## Duke Energy Field Services (\$ millions)

DEFS Net Income 1Q05	\$ 1,351
Less Special Items (gain on TEPPCO)	(1,134)
Pro-Forma DEFS Net Income	\$ 217
Current Duke Energy Ownership	50%
Pro-Forma Ongoing Equity Earnings 1Q05	\$ 109

Ongoing Equity Earnings 1Q06	\$ 130
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Increase 2005 to 2006	+19%
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*Note: Results do not include impact of hedges outside of DEFS LLC*

# Duke Energy Corp

## International Energy



- Reported segment EBIT from continuing operations increased by 28% from 1Q05
- Increase is primarily attributable to higher volumes and prices in Latin America and continued solid performance of National Methanol
- The stronger Brazilian real also contributed approximately \$6 million
- With a small, opportunistic investment, we increased ownership in Aguaytia Energy in Peru to nearly 65% – as a result, our financial statements will reflect the full consolidation of this project
- It is currently not our intention to expand our presence in Latin America

### Reported & Ongoing Segment EBIT

(\$ millions)

	1Q06	1Q05
International Energy	\$ 87	\$ 68

# Duke Energy Corp

## Crescent Resources



- Reduction due to lower legacy land sales
- Continues to be a solid performer
- Confident expectations will continue to be met

### Reported & Ongoing Segment EBIT (\$ millions)

	1Q06	1Q05
Crescent Resources	\$ 42	\$ 52

- Ongoing losses considerably lower in first quarter 2006 than for first quarter 2005
- Special Items for 1Q05 included: \$54 million charge from the change in mark-to-market value of 2005 Field Services' de-designated hedges and a \$28 million mutual insurance liability adjustment
- Special Items for 1Q06 represent Merger Costs-to-Achieve
- Primary drivers for lower ongoing losses include: a \$33 million improvement on Field Services de-designated hedges and a \$10 million improvement for Duke Energy North America's continuing operations

### Reported & Ongoing EBIT

(\$ millions)

	1Q06	1Q05
Other Reported EBIT Loss	\$ (85)	\$ (202)
Special Items	5	82
Other Ongoing EBIT Loss	\$ (80)	\$ (120)

## Good progress on DENA exit

- Asset sales
  - ◆ On track to close the sale of power generation assets outside the Midwest to LS Power by end of June
- T&M contracts
  - ◆ Novations of gas and power derivatives contracts acquired by Barclays Capital are 95% complete
  - ◆ Disposition of gas transportation, storage, structured power and other commodity contracts is 98% complete
- Expect total net cash flow to Duke of at least \$700 million, excluding the return of collateral

- Cash, cash equivalents and short-term investments were approximately \$817 million, as of March 31
- Interest expense for the quarter was about \$40 million lower than last year, primarily due to deconsolidation of Field Services
- Duke Energy resumed stock buyback program on March 13
  - ◆ Board approved total stock buyback of up to \$1 billion in 2006
  - ◆ As of the end of April, we have repurchased almost 7.2 million shares at an average price of about \$28.98
- As our risk profile has improved, we have received some “good news” from the rating agencies

# Cinergy Corp

- Decline in Cinergy's reported earnings mostly attributable to merger-related costs of about \$0.19 per share
- Ohio's rate stabilization plan and retail base rate increases resulted in a positive variance of \$0.24 per share
- Combined optimization and trading and marketing contributed \$0.14 per share more than 1Q05
  - ◆ All mark-to-market movements are included in ongoing earnings
  - ◆ Cinergy's practice had been to adjust earnings for mark-to-market movements in gas, fuel and power contracts that hedged its gas storage and generation assets
- Offsets included mild temperatures, higher O&M costs in the regulated businesses and reduced synfuels benefits
- Continue to be comfortable with expectation of an \$800 million ongoing EBIT contribution from Cinergy for the remaining 9 months in 2006

## Earnings per Diluted Share

	1Q06	1Q05
Ongoing Earnings per Diluted Share	\$ 0.62	\$ 0.60
Reported Earnings per Diluted Share	\$ 0.39	\$ 0.60

# Commitment to Investors

## Focused on what matters most to you:


- ◆ Growing earnings and dividends over time
- ◆ Achieving the full value of our portfolio
- ◆ Reinvesting in the business
- ◆ Developing a strong leadership team with a deep bench
- ◆ Delivering clear and transparent communications



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- 
- A large blue arrow pointing from the left list to the right list.
- Comfortable with the \$1.90 target for our current portfolio of assets
  - Dividend increase continues to be part of our plan
  - Striving for earnings growth of 4-6% annually

# Commitment to Investors

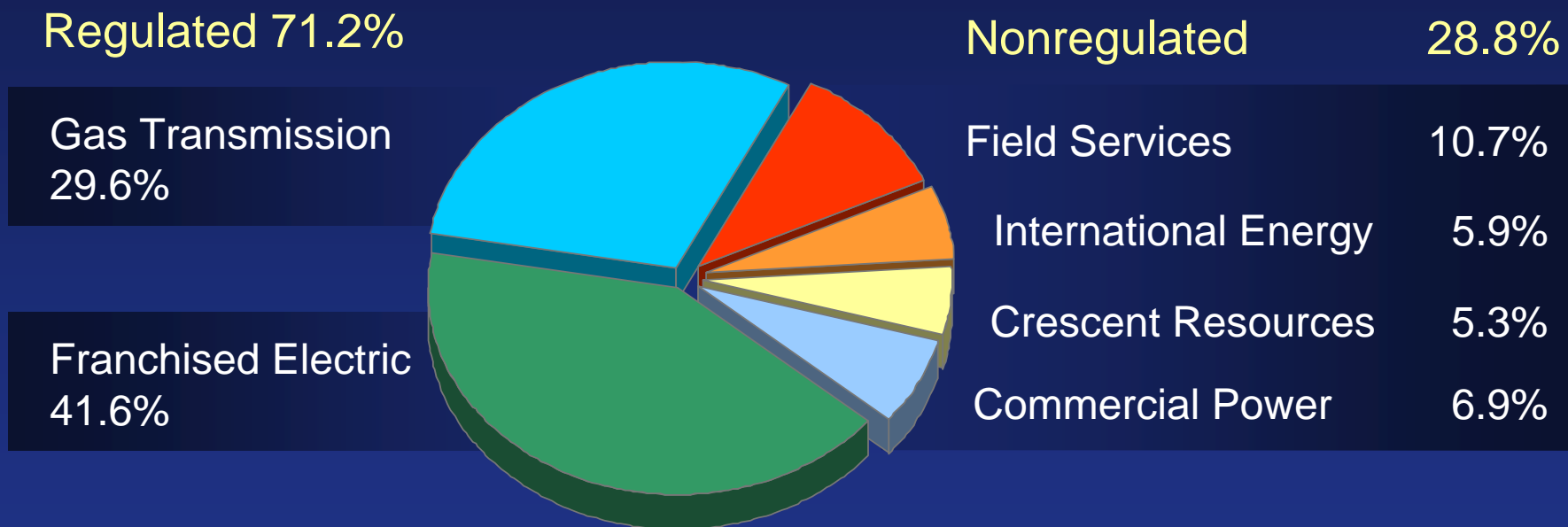
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- Evaluating potential of splitting electric and gas operations
- Evaluating all businesses for opportunities to further “de-risk” the portfolio
  - ◆ Non-core businesses
  - ◆ Commodity-related businesses

# Predictable, Stable Earnings Stream

## 2006 Total Ongoing Segment EBIT\*



\*Excludes "Other". Graph labels may not reflect exact reporting segment names.

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- Plans for new generation...
  - ◆ North Carolina coal plant
  - ◆ IGCC plant in Indiana
  - ◆ potential South Carolina nuclear plant
- Natural gas infrastructure projects adding...
  - ◆ storage flexibility in both supply and market areas
  - ◆ capacity expansions

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- ◆ Delivering clear and transparent communications

- Succession planning for senior management
- Combined Cinergy and Duke leadership represent the “best of the best”
- Visited plants & offices
  - ◆ Employees demonstrate depth in all fields
  - ◆ Culture of accountability

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- Merger Scorecard – tracking financial & operational results, customer & employee satisfaction, and integration milestones
- On track with Merger Cost-to-Achieve estimate of about \$400 million (both capital and expense) in the first 12 months
- Updated Scorecard will be shared in November with 3<sup>rd</sup> quarter results

# Value Proposition

## We are committed to:

- Long-term earnings growth of 4% - 6%
- Growing the dividend
  - ◆ Current yield at 4.3%
  - ◆ 70% payout target
- Improving our overall risk profile
  - ◆ Improving credit metrics

**Sum-of-the-parts analysis of our portfolio indicates our share price should be higher**



Duke Energy Corporation  
First Quarter 2006 Earnings Review – May 2, 2006  
Non-GAAP Reconciliations for SEC Regulation G

**Ongoing Diluted Earnings per Share – Duke Energy and Cinergy Corp.**

The slides and prepared remarks for Duke Energy's May 2, 2006, Earnings Review include a discussion of Duke Energy's ongoing diluted earnings per share ("EPS") and related anticipated future growth rates. Ongoing Diluted EPS for Duke Energy is a non-GAAP financial measure as it represents diluted EPS from continuing operations plus any discontinued operations from its Crescent Resources real estate unit, adjusted for the impact of special items, as a measure to evaluate operations of the company. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The amount presented as ongoing EPS for Cinergy Corp. represents reported diluted EPS adjusted for special items as defined by Duke Energy. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items. Due to the forward-looking nature of ongoing diluted EPS for future periods, information to reconcile such non-GAAP financial measures, and related growth rates to the most directly comparable GAAP financial measure is not available at this time as the company is unable to forecast any special items for future periods.

**2006 EPS Incentive Target Measure**

The slides and prepared remarks for Duke Energy's May 2, 2006, Earnings Review include a discussion of the company's 2006 EPS incentive target of \$1.90. This EPS measure is used for employee incentive bonuses and should track ongoing diluted EPS, which is a non-GAAP financial measure as it represents diluted EPS from continuing operations plus the per-share effect of any discontinued operations from the company's Crescent Resources real estate unit, adjusted for the per-share impact of special items. Special items represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for ongoing diluted EPS is reported diluted EPS from continuing operations, which includes the impact of special items. Due to the forward-looking nature of this non-GAAP financial measure, information to reconcile it to the most directly comparable GAAP financial measure is not available at this time, as the company is unable to project any special items for 2006.

**Ongoing EBIT**

The slides and prepared remarks for Duke Energy's May 2, 2006, Earnings Review include a discussion of ongoing EBIT for the following:

- Each existing Duke Energy reportable segment (including ongoing Duke Energy Field Services equity earnings) and Other – First quarter 2006 and 2005
- Cinergy Corp. operations – post-merger nine-month EBIT contribution from Cinergy Corp

- Regulated and Nonregulated operations, in total and by component – 2006

These ongoing EBIT amounts are non-GAAP financial measures, as they represent historical or forecasted reported amounts adjusted for “special items,” which represent certain charges and credits which management believes will not be recurring on a regular basis. The most directly comparable GAAP measure for these historical or forecasted ongoing EBIT amounts is segment or Other EBIT, or a combination of such amounts for the appropriate segments or operations, representing EBIT from continuing operations, including any “special items.” Due to the forward-looking nature of forecasted 2006 ongoing EBIT amounts, information to reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures is not available at this time, as the company is unable to project any “special items” for any future periods.

**DUKE ENERGY CORPORATION**  
**ONGOING TO REPORTED EARNINGS RECONCILIATION**  
**March 2005 Year-to-date**  
**(Dollars in Millions)**

**Special Items (Note 1)**

	Ongoing Earnings	Mutual insurance liability adjustment	Gains on sales of equity investments	Field Services hedge de- designation, net	MTM change on de-designated Field Services hedges for 2005, net	Discontinued Operations, excluding Crescent Resources	Total Adjustments	Reported Earnings
<b>SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS</b>								
Franchised Electric	\$ 336	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 336
Gas Transmission	411	-	-	-	-	-	-	411
Field Services	149	-	888 A	(118) B	-	-	770	919
International Energy	68	-	-	-	-	-	-	68
Crescent	52	-	-	-	-	-	-	52
<b>Total reportable segment EBIT</b>	<b>1,016</b>	<b>-</b>	<b>888</b>	<b>(118)</b>	<b>-</b>	<b>-</b>	<b>770</b>	<b>1,786</b>
Other	(120)	(28) C	-	-	(54) D	-	(82)	(202)
<b>Total reportable segment EBIT and other EBIT</b>	<b>\$ 896</b>	<b>\$ (28)</b>	<b>\$ 888</b>	<b>\$ (118)</b>	<b>\$ (54)</b>	<b>\$ -</b>	<b>\$ 688</b>	<b>\$ 1,584</b>
<b>EARNINGS FOR COMMON</b>								
Total reportable segment EBIT and other EBIT	\$ 896	\$ (28)	\$ 888	\$ (118)	\$ (54)	\$ -	\$ 688	\$ 1,584
Interest Expense	(290)	-	-	-	-	-	-	(290)
Interest Income and other	15	-	-	-	-	-	-	15
Income taxes from Continuing Operations	(195)	10	(329)	44	19	-	(256)	(451)
Discontinued operations, net of taxes	-	-	-	-	-	8 E	8	8
<b>Total Earnings for Common</b>	<b>\$ 426</b>	<b>\$ (18)</b>	<b>\$ 559</b>	<b>\$ (74)</b>	<b>\$ (35)</b>	<b>\$ 8</b>	<b>\$ 440</b>	<b>\$ 866</b>
<b>EARNINGS PER SHARE, BASIC</b>								
	<b>\$ 0.45</b>	<b>\$ (0.02)</b>	<b>\$ 0.59</b>	<b>\$ (0.08)</b>	<b>\$ (0.04)</b>	<b>\$ 0.01</b>	<b>\$ 0.46</b>	<b>\$ 0.91</b>
<b>EARNINGS PER SHARE, DILUTED</b>								
	<b>\$ 0.43</b>	<b>\$ (0.02)</b>	<b>\$ 0.57</b>	<b>\$ (0.07)</b>	<b>\$ (0.04)</b>	<b>\$ 0.01</b>	<b>\$ 0.45</b>	<b>\$ 0.88</b>

Note 1 - Amounts for special items are entered net of minority interest

A - Gain on sale of investment in units of TEPPCO LP, \$97 million, and TEPPCO GP, \$791 million net of \$343 million of minority interest.

B - De-designation of hedges due to proposed sell of 19.7% interest in DEFS to ConocoPhillips. \$125 million loss recorded in Impairment and other charges on the Consolidated Statements of Operations, reduced by \$7 million of hedge settlements recorded in Non-regulated electric, natural gas, natural gas liquids and other revenues on the Consolidated Statements of Operations.

C - Recorded in Operation, maintenance and other on the Consolidated Statements of Operations.

D - Recorded in Non-regulated electric, natural gas, natural gas liquids and other revenues on the Consolidated Statements of Operations.

E - Primarily DENA discontinued operations, net of tax.

Weighted Average Shares (reported and ongoing) - in millions

Basic	954
Diluted	990

**DUKE ENERGY CORPORATION**  
**ONGOING TO REPORTED EARNINGS RECONCILIATION**  
 March 2006 Year-to-date  
 (Dollars in Millions)

	Special Items (Note 1)						Reported Earnings
	Ongoing Earnings	Costs to Achieve	Initial Gain and Subsequent Net Gain on Contract Settlement	Gain on Sales of Assets	Discontinued Operations	Total Adjustments	
<b>SEGMENT EARNINGS BEFORE INTEREST AND TAXES FROM CONTINUING OPERATIONS</b>							
Franchised Electric	\$ 359		\$ -	\$ -	\$ -	\$ -	\$ 359
Gas Transmission	414	-	24 B	-	-	24	438
Field Services	130	-	-	14 C	-	14	144
International Energy	87	-	-	-	-	-	87
Crescent	42	-	-	-	-	-	42
<b>Total reportable segment EBIT</b>	<b>1,032</b>	<b>-</b>	<b>24</b>	<b>14</b>	<b>-</b>	<b>38</b>	<b>1,070</b>
Other	(80)	(5) A	-	-	-	(5)	(85)
<b>Total reportable segment EBIT and other EBIT</b>	<b>\$ 952</b>	<b>\$ (5)</b>	<b>\$ 24</b>	<b>\$ 14</b>	<b>\$ -</b>	<b>\$ 33</b>	<b>\$ 985</b>
<b>EARNINGS FOR COMMON</b>							
Total reportable segment EBIT and other EBIT	\$ 952	\$ (5)	\$ 24	\$ 14	\$ -	\$ 33	\$ 985
Interest Expense	(250)	-	-	-	-	-	(250)
Interest Income and other	9	-	-	-	-	-	9
Income taxes from Continuing Operations	(247)	2	(8)	(5)	-	(11)	(258)
Discontinued Operations, net of taxes	-	-	-	-	(128) D,E	(128)	(128)
<b>Total Earnings for Common</b>	<b>\$ 464</b>	<b>\$ (3)</b>	<b>\$ 16</b>	<b>\$ 9</b>	<b>\$ (128)</b>	<b>\$ (106)</b>	<b>\$ 358</b>
<b>EARNINGS PER SHARE, BASIC</b>	<b>\$ 0.50</b>	<b>\$ -</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>	<b>\$ (0.14)</b>	<b>\$ (0.11)</b>	<b>\$ 0.39</b>
<b>EARNINGS PER SHARE, DILUTED</b>	<b>\$ 0.48</b>	<b>\$ -</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>	<b>\$ (0.13)</b>	<b>\$ (0.11)</b>	<b>\$ 0.37</b>

Note 1 - Amounts for special items are entered net of minority interest

A - Recorded in Operation, maintenance and other on the Consolidated Statements of Operations.

B - \$23 million recorded in Gains on Sales of Other Assets, net and \$1 million recorded in Other income and expenses, net on the Consolidated Statements of Operations.

C - Recorded in Equity in earnings of unconsolidated affiliates on the Consolidated Statements of Operations. Transaction related to sale of Brookeland, Masterscreek and Jasper assets.

D - Excludes Crescent discontinued operations.

E - Primarily DENA discontinued operations. Recorded in Income (Loss) From Discontinued Operations, net of tax on the Consolidated Statements of Operations.

Weighted Average Shares (reported and ongoing) - in millions

Basic	928
Diluted	963

**Duke Energy Corporation**  
**Pro-Forma Equity Earnings for Field Services - 1Q 2005**  
**Non-GAAP Reconciliation for SEC Regulation G**

The slides and prepared remarks for Duke Energy's May 2, 2006 Earnings Release include a discussion of pro-forma DEFS equity earnings for the first quarter 2005, which is a non-GAAP measure as it reflects what ongoing equity earnings (see "Ongoing EBIT" discussion included herein) would have been had Duke Energy's ownership percentage in DEFS been reduced to 50% as of the beginning of 2005. The most directly comparable GAAP measure for pro-forma DEFS equity earnings for the first quarter 2005 is reported segment EBIT for Field Services for the first quarter 2005. A reconciliation of these two measures is included below.

(Amounts in millions)

	<u>Q1 2005</u>
Field Services Reported Segment EBIT 1Q05 (69.7% ownership)	\$ 919
Less: Special Items	
Gains on sale of TEPPCO (net of minority interest of \$343 million)	(888)
Field Services hedge de-designation	118 (770)
Field Services Ongoing Segment EBIT 1Q05	149
Adjustment for hedges not de-designated	34
Adjustment for 19.7% interest transferred $[(149 + 34) * (19.7\% / 69.7\%)]$	(52)
Adjustment for interest and taxes (included in Equity Earnings)	(19)
Other	(3)
Pro-Forma Equity Earnings 1Q05 (from Earnings Review Slides) (a)	\$ 109

(a) - Assumes DEFS LLC was 50% owned by Duke Energy during 1Q 2005 and there were no hedge impacts recognized during the quarter ended March 31, 2005.

**CINERGY CORP.****RECONCILIATION OF GAAP NET INCOME TO ONGOING NET INCOME - 2006***(Unaudited)**(In thousands)*

	<b>Q1 \$</b>	<b>Q1 EPS</b>
<b>Regulated Businesses</b>		
Net Income As Reported	\$ 34,198	\$ 0.17
Cumulative Effect of a Change in Accounting Principle	2,385	\$ 0.01
Special Items:		
Merger and Severance Costs (net of tax effects of \$15,055)	25,122	0.13
Ongoing Net Income	\$ 61,705	\$ 0.31
<b>Commercial Businesses</b>		
Net Income As Reported	\$ 50,196	\$ 0.25
Discontinued Operations	4,057	0.02
Cumulative Effect of a Change in Accounting Principle	1,094	0.01
Special Items:		
Merger and Severance Costs (net of tax effects of \$7,559)	12,558	0.06
Ongoing Net Income	\$ 67,905	\$ 0.34
<b>Power Technology &amp; Infrastructure Services</b>		
Net Income As Reported	\$ (5,030)	\$ (0.03)
Cumulative Effect of a Change in Accounting Principle	14	-
Special Items:		
Severance Costs (net of tax effects of \$75)	113	-
Ongoing Net Income	\$ (4,903)	\$ (0.03)
<b>Cinergy Corp.</b>		
Net Income As Reported	\$ 79,364	\$ 0.39
Discontinued Operations	4,057	0.02
Cumulative Effect of a Change in Accounting Principle	3,493	0.02
Special Items (net of tax effects of \$22,689)	37,793	0.19
Ongoing Net Income	\$ 124,707	\$ 0.62

**CINERGY CORP.****RECONCILIATION OF GAAP NET INCOME TO ONGOING NET INCOME - 2005***(Unaudited)**(In thousands)*

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	<b>Q1 \$</b>	<b>Q1 EPS</b>
<b>Regulated Businesses</b>		
Net Income As Reported	\$ 75,896	\$ 0.39
Special Items:		
Severance Costs (net of tax effects of \$458)	748	0.01
Ongoing Net Income	\$ 76,644	\$ 0.40
<b>Commercial Businesses</b>		
Net Income As Reported	\$ 45,192	\$ 0.23
Discontinued Operations	(2,477)	(0.01)
Special Items:		
Severance Costs (net of tax effects of \$283)	463	-
Ongoing Net Income	\$ 43,178	\$ 0.22
<b>Power Technology &amp; Infrastructure Services</b>		
Net Income As Reported	\$ (3,732)	\$ (0.02)
Special Items:		
Severance Costs (net of tax effects of \$67)	108	-
Ongoing Net Income	\$ (3,624)	\$ (0.02)
<b>Cinergy Corp.</b>		
Net Income As Reported	\$ 117,356	\$ 0.60
Discontinued Operations	(2,477)	(0.01)
Special Items (net of tax effects of \$808)	1,319	0.01
Ongoing Net Income	\$ 116,198	\$ 0.60

*Certain Regulated Businesses and Commercial Businesses amounts have been restated to conform with current presentation.*