

Third Quarter 2003 Earnings Review

October 30, 2003

Disclosures

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 the Company's accounting policies, 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

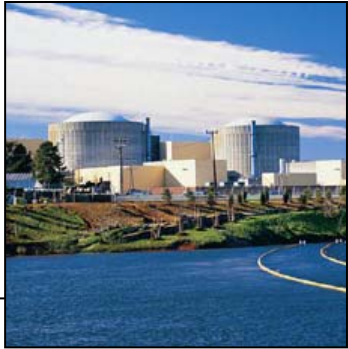
This document may include certain non-GAAP financial measures as defined under SEC Regulation G. In such an event, a reconciliation of those measures to the most directly comparable GAAP measures will be made available on our investor relations website at www.duke-energy.com/decorp/gaap.html or will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



Rick Priory

Chairman and CEO

Third Quarter 2003 Earnings
October 30, 2003



Robert Brace

Executive Vice President and CFO

Third Quarter 2003 Earnings
October 30, 2003

Earnings per Share



- Primary Drivers for Third Quarter 2003

Solid results from Franchised Electric, Natural Gas Transmission, Field Services and International Energy

Downsides

- Unfavorable weather conditions for Franchised Electric and DENA
- Lower earnings at DENA due to challenging market conditions and unfavorable commodity prices
 - Goodwill impairments
- Severance costs
- Higher interest expense

Income tax benefit

- 2003 earnings now expected to be in the range of \$1.20 to \$1.25 per share (1)

(1) The range of \$1.20 to \$1.25 per share excludes special items and the cumulative effect of accounting changes. The company is unable to estimate forward-looking, generally accepted accounting principle (GAAP) EPS for 2003 because the amount of special items, if any, impacting EPS in the fourth quarter cannot be reasonably estimated at present.

Third Quarter 2003 - Special Items

Earnings per Share, excluding special items below	\$0.35
• Franchised Electric	
SC settlement – rate decrement (\$30 million)	-2¢
Severance costs (\$46 million)	-3¢
• Gas Transmission	
Asset sales – gain on Foothills (\$30 million)	+2¢
Severance costs (\$18 million)	-1¢
• DENA	
CFTC settlement (\$17 million, no tax deduction)	-2¢
Asset sales – losses on Vermillion and turbines, and gain true-up on American Ref-Fuel (net \$81 million)	-5¢
Goodwill impairment (\$254 million)	-18¢
Severance costs (\$5 million)	---
• Other Items	
Severance costs (\$3 million at DEI, \$33 million at corporate)	-4¢
Asset sales – DCP write-down of assets held for sale (\$23 million)	-2¢
Interest Expense - SC settlement debt expense write-off (\$16 million)	-1¢
Tax benefit related to 2002 goodwill impairment at DEI (\$52 million)	+6¢
GAAP Earnings per Share	\$0.05

Note: Net losses on asset sales, goodwill impairment and the debt expense write-off related to the settlement with SC are non-cash in nature.

Earnings Before Interest and Taxes

- Excluding special items, segment EBIT targets are on track for Natural Gas Transmission, Field Services and International Energy
- Franchised Electric's segment EBIT expected to be between \$1.5 billion and \$1.6 billion as a result of additional Clean Air amortization, before special items

(\$ in millions)	3 rd Qtr 2003	3 rd Qtr 2002	YTD 2003	YTD 2002
Franchised Electric	\$ 436	\$ 575	\$ 1,206	\$ 1,347
Natural Gas Transmission	280	288	1,009	867
Field Services	53	23	162	99
International Energy	44	(41)	209	73
Duke Energy North America	(411)	(107)	(177)	143
Consolidated EBIT	\$ 352	\$ 666	\$ 2,346	\$ 2,493

Progress Made on Financial Plans

- ✓ Debt reduction has reached almost \$1.7 billion, net of cash

2003 activity through September 30



(\$ in millions)

Reduction of long-term debt, trust preferred securities, short-term debt and preferred member's interest	\$ 3,333
Long-term and short-term debt issued	(2,819)
Debt reduction related to assets sales	<u>317</u>
Net reduction in debt and trust preferred securities	831
Net increase in cash and cash equivalents	<u>894</u>
Total decrease in net debt position	<u><u>\$ 1,725</u></u>
Net increase in debt due to foreign currency changes/other	\$ 836

- ✓ Continuing to lower 2003 capital spending to \$2.8 billion
- ✓ Gross proceeds from asset sales have reached \$1.9 billion

2003 Non-Strategic Asset Sales

(\$ in millions)

	Gross Proceeds	After-tax Proceeds	Operating Income	
			2003	2004
<i>Announced/Closed</i>				
Empire Pipeline	\$ 237 (1)			
American Ref-Fuel	325			
Alliance/Aux Sable	251			
Northern Border units	24			
TEPPCO units	114			
DCP loan monetization	202			
Field Services assets	91			
Foothills Pipeline	75			
Puncakjaya (Indonesia)	300 (2)			
Vector	145			
Pacific Northern Gas	79 (3)			
Vermillion 25% interest	44			
<i>Total Asset Sales for 2003</i>	\$ 1,887			\$ 1,650

(1) Includes \$58 million of debt assumed

(2) Includes \$222 million of proportional debt assumed; balance sheet debt will be reduced by \$259 million

(3) Includes \$66 million of debt assumed



Liquidity Position

(as of September 30, 2003)

	Duke Energy	Duke Capital	Other *
Credit Facilities	\$750 million	\$550 million	\$1.4 billion
LOC Facilities	n/a	\$790 million	n/a
TOTAL CAPACITY		\$3.5 billion	
CP Outstanding	\$252 million	\$209 million	\$134 million
LOC Outstanding	n/a	\$519 million	n/a
Other Borrowings	n/a	n/a	\$257 million
TOTAL OUTSTANDING		\$1.4 billion	
TOTAL UNUSED CAPACITY		\$2.1 billion	
Cash and Cash Equivalents		\$1.8 billion	

* Includes Westcoast, Union Gas, Field Services and Australia

Duke Energy North America

EBIT Analysis



(\$ in millions)	Actual 1Q-3Q03	Forecast 4Q03	Forecast Total 2003
Total Gross Margin	\$ 513	\$ 149	\$ 662
Operating Expenses:			
O&M	(234)	(104)	(338)
Depreciation	(175)	(63)	(238)
General and Administrative	(132)	(62)	(194)
Minority Interest **	33	5	38
Total Operating Expenses	(508)	(224)	(732)
EBIT before special items	\$ 5	\$ (75)	\$ (70)
Net Gains on Asset Sales	94		
Goodwill impairment	(254)		
CFTC settlement (net to Duke)	(17)		
Severance costs	(5)		
Reported Segment EBIT	<u>\$ (177)</u>		

** Previously included in general and administrative expenses

Note: The company is unable to estimate forward-looking, generally accepted accounting principle (GAAP) segment EBIT for 2003 because the amount of special items, if any, impacting segment EBIT in the fourth quarter cannot be reasonably estimated at present.

Duke Energy North America

Third Quarter Earnings



(\$ in millions)

Actual 3Q03
Results

Total Gross Margin	\$ 104
Operating Expenses	
O&M	(94)
Depreciation	(64)
G&A	(27)
Minority Interest	27
Total Operating Expenses	\$ (158)
EBIT before special items	\$ (54)
Goodwill impairment	(254)
Net losses on asset sales	(81)
CFTC settlement (net to Duke)	(17)
Severance costs	(5)
Reported Segment EBIT	\$ (411)

Causes for Lower EBIT in Third Quarter

(\$ in millions)

3Q2003

Major Factors:

Negative MTM and credit movements

\$50

Plants – Lower production and spark spreads

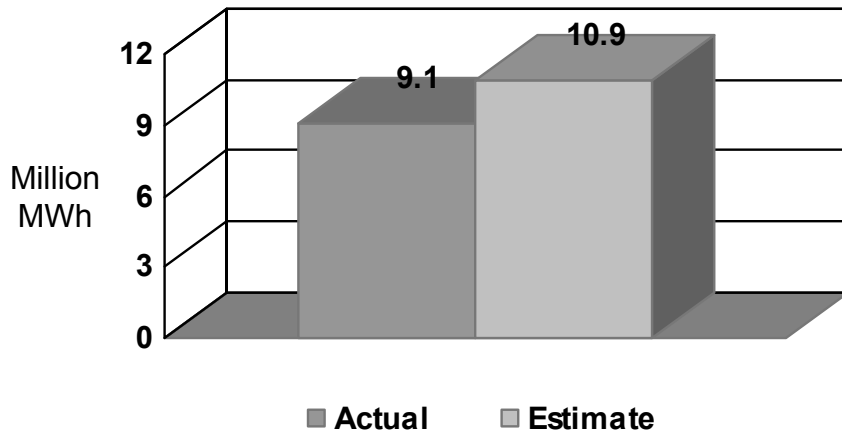
\$40 - \$60

Reduced scale and scope of DETM and DENA - -
gas storage and transportation

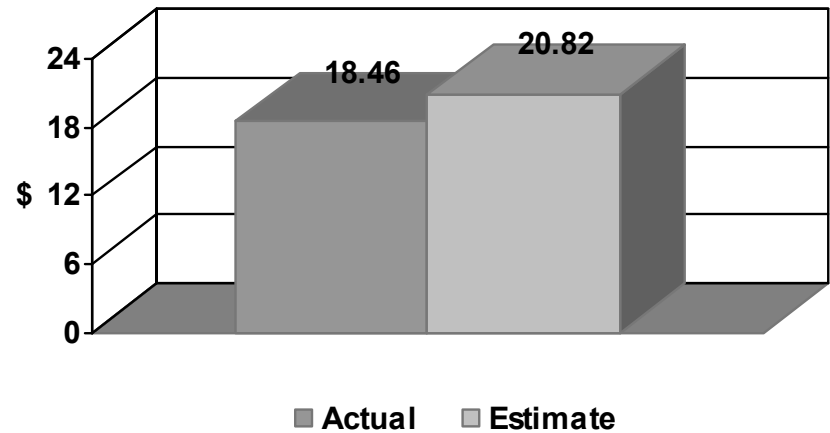
\$20 - \$30

Production Levels and Spark Spreads

3Q2003 Plant Production Levels



3Q2003 Average Spark Spread



Fourth Quarter Expectations

- Continued challenging market conditions
 - Spark spread compression
 - Soft demand
- Expected 4th quarter EBIT – loss of \$75 MM before special items
 - Expect full year loss of \$70 million before special items
- Actions being taken:
 - Aggressively cutting costs
 - Focusing on customer relationship growth and decreasing long-term earnings volatility

Cost Reduction Initiatives

Targeting cost reductions to reflect lower growth

LABOR

- Expect at least \$150 million in annual savings
- Headcount reduction of approximately 8%, or about 1,900 employees

OPERATIONS

- Expect at least \$50 million in annual savings
- Procurement and supply chain management
- Employee benefit plans
- IT contractors and infrastructure

Summary

- 2003 earnings expected to be in the range of \$1.20 to \$1.25 per share, excluding special items and cumulative effect of accounting change
- Exceeding goals for asset sales, capital spending and debt reduction
- Expecting at least \$200 million in annual savings from cost reductions across the company
- Addressing short-term challenges to ensure long-term financial strength and stability; positioning the company for future success

Reconciliation between reported EPS and EPS before special items

	EPS Impact 2003	EPS Impact 2002
Tax benefit on 2002 goodwill impairment of International Energy European gas trading -- \$52 million	\$0.06	\$ ---
DENA goodwill write-off -- \$254 million	(0.18)	
Severance cost associated with workforce reduction -- \$105 million in 2003; \$33 million in 2002	(0.08)	(0.02)
Settlement with the S.C. Public Service Commission -- \$46 million	(0.03)	---
Net gain/(loss) on asset sales -- (\$71 million) in 2003; \$14 million in 2002	(0.05)	0.01
Settlement with the Commodity Futures Trading Commission -- \$17 million	(0.02)	---
Write-offs of site development costs, termination of certain turbines on order; plus write-down of other uninstalled turbines, demobilization costs related to deferred plants and partial impairment of a merchant plant -- \$286 million	---	(0.23)
TOTAL	(0.30)	(0.24)
EPS, as reported	0.05	0.27
EPS, ongoing	0.35	0.51

RECONCILIATION OF NET DEBT REDUCTION
(\$ in millions)

	DEC		DCC
Long-term debt, including current maturities	\$ 21,550		\$ 16,851
Notes payable and CP	915		683
Trust preferred securities	1,408		825
Preferred members interest	61		61
Preferred stock with sinking fund requirements	25		-
Total adjusted debt at December 31, 2002	\$ 23,959	(a)	\$ 18,420
Year-to-date 2003 Financing Activity:			
Issuance of long-term debt	\$ 2,819		\$ 275
Redemption of long-term debt, guaranteed preferred beneficial interests and preferred member interests, and net paydown of commercial paper and notes payable	(3,333)		(2,526)
Non-cash reduction of long-term debt related to asset sales	(317)		(317)
Net reduction in debt as of September 30	\$ (831)	(b)	\$ (2,568)
Net Increase in cash and cash equivalents	894		395
Total change to debt from financing activities, net of cash, as of September 30	\$ (1,725)		\$ (2,963)
Total debt as of September 30, 2003	\$ 23,964		\$ 16,662
Adjusted debt as of September 30, 2003	23,128	a+b	15,852
Other increase in debt due primarily to foreign currency translation	\$ 836		\$ 810

Reconciliation of EBIT to Net Income

<i>(In millions, except where noted)</i>	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2003	2002	2003	2002
Earnings Before Interest and Taxes (EBIT)	352	666	2,346	2,493
Interest Expense	391	314	1,072	786
Minority Interest (Benefit) Expense	(10)	14	102	108
Income Tax (Benefit) Expense	(78)	108	312	513
Cumulative Effect of Change in Accounting Principles, net of tax and minority interest	-	-	(162)	-
Net Income	49	230	698	1,086