



2004 Earnings Review and 2005 Outlook

February 2, 2005

Paul Anderson

Chairman and Chief Executive Officer

David Hauser

Group Vice President and Chief Financial Officer

Safe Harbor Statement

Under the Private Securities Litigation Act of 1995

This document contains forward looking information which is subject to risks and uncertainties that could cause actual results to be different than those contemplated, including, but not limited to, changes in state, federal or international regulatory environments; commercial, industrial and residential growth in the Company's service territory; the weather and other natural phenomena; the timing and extent of changes in commodity prices, interest rates, and foreign currency exchange rates; general economic conditions; changes in environmental and other laws and regulations to which Duke Energy and its subsidiaries are subject or other external factors over which Duke Energy has no control; the results of financing efforts; the effect of accounting pronouncements; growth in opportunities for Duke Energy's business units, and other risks described in the Company's fourth quarter earnings release filed with the Securities and Exchange Commission on Form 8-K and other Securities and Exchange Commission filings.

Regulation G

This document 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 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/

Annual Highlights for 2004

	2004	2003
Reported Basic EPS	\$ 1.59	\$ (1.48)
Special Items	(0.21)	2.76
EPS excluding special items	<u>\$ 1.38</u>	<u>\$ 1.28</u>

- Regulated businesses delivered solid earnings and strong cash flow
- Field Services delivered record earnings; benefited from strong NGL prices
- Crescent Resources had a record year; boosted by Washington DC area real estate sales
- DENA realized an ongoing segment EBIT loss of \$288 million, including \$25 million of mark-to-market (MTM) losses
 - Exceeded original target of \$300 million ongoing segment EBIT loss, excluding MTM earnings
- Debt reductions reached \$4.6 billion* for 2004; exceeding target by 15%
- Asset sales exceeded target for the year; \$3.1 billion in proceeds, including \$750 million in tax benefits and \$840 million in non-cash debt reductions

* Includes approximately \$890 million of debt associated with the Australian asset sale classified in Liabilities Associated with Assets Held for Sale at year-end 2003

Special Items for 2004

	Franchised Electric	Natural Gas Transmission	Field Services (Cont Ops)	DENA (Cont Ops)	International (Cont Ops)	Crescent Resources (Cont Ops)	Other (Cont Ops)	Total Segment and Other EBIT
Reported Segment EBIT	\$ 1,467	\$ 1,310	\$ 380	\$ (535)	\$ 222	\$ 240	\$(77)	\$ 3,007
<u>Special Items:</u>								
Gains/(losses) on asset sales, net	3	32	(15)	(228)	(1)		2	(207)
Impairments and contract termination			(10)	(22)	(13)			(45)
Enron/California settlements, net			1	3			21	25
Adjustment for captive ins. reserves							64	64
Total Special Items	\$ 3	\$ 32	\$ (24)	\$ (247)	\$ (14)	--	\$ 87	\$ (163)
Ongoing Segment EBIT	\$ 1,464	\$ 1,278	\$ 404	\$ (288)	\$ 236	\$ 240	\$(164)	\$ 3,170

	Segment & Other EBIT	Interest Income	Interest Expense	Minority Int. – Interest Exp.	Income Taxes (Cont Ops)	Disc Ops, net of tax	Trust Pref/ Pref Div.	Earnings for Common
Reported	\$3,007	\$ 76	\$(1,349)	\$ 38	\$ (540)	\$ 258	\$ (9)	\$ 1,481
<u>Special Items:</u>	(163)							(163)
Interest on litigation reserve			(12)					(12)
Tax restructuring					48			48
Tax effect of EBIT special items					60			60
Gains on asset sales, net						262		262
Ongoing	\$ 3,170	\$ 76	\$(1,337)	\$ 38	\$ (648)	\$ (4)	\$ (9)	\$1,286

2004 Scorecard

	Goal	Dec 31, 2004
\$1.20 EPS for target incentive payout	\$1.20/sh	\$1.38/sh ⁽¹⁾
Lower debt balances	\$3.5 to \$4 billion	\$4.6 billion ⁽²⁾
Sell non-strategic asset positions	\$1.5 billion	\$3.1 billion ⁽³⁾
Reduce regulatory and litigation risk		
DENA: mark-to-market exposure	Mitigate	
Cash and cash equivalents	\$1 billion	\$1.85 billion
Credit ratings	Investment grade and stable	DEC: BBB Positive/Baa1 Stable DCC: BBB- Positive/Baa3 Stable

(1) Based on ongoing basic earnings per share

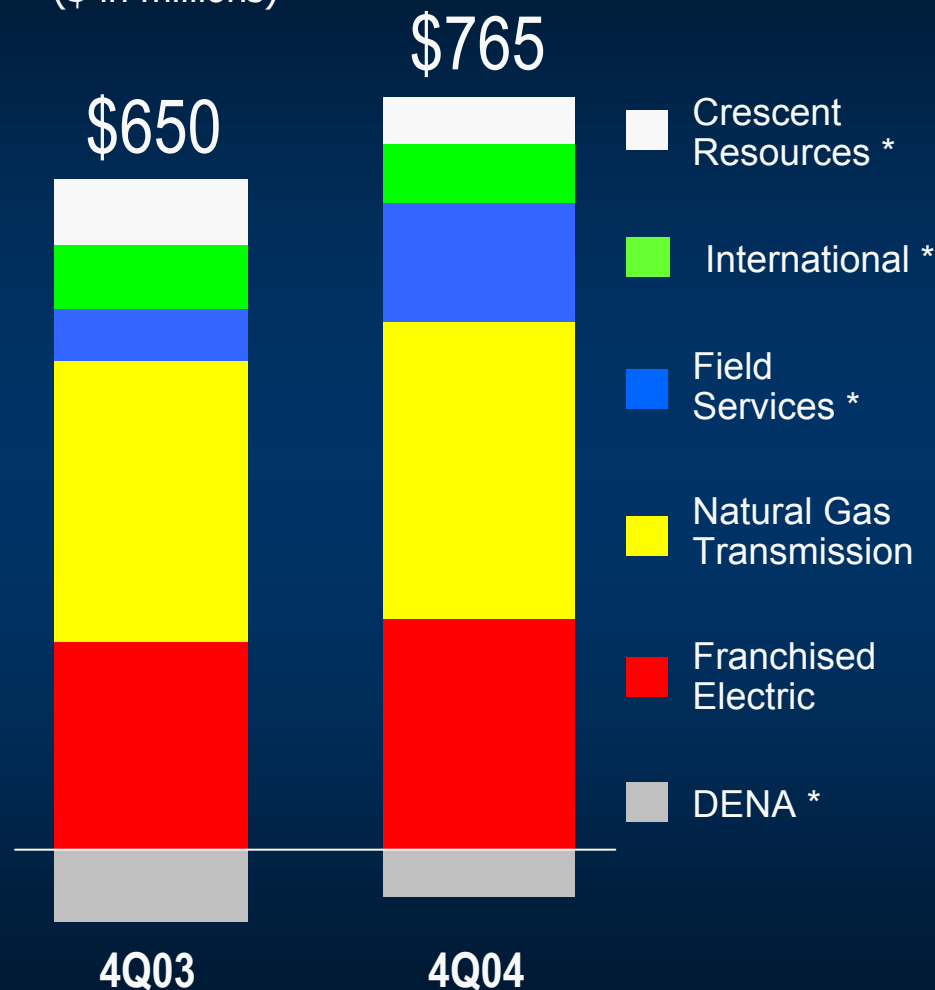
(2) Includes approximately \$890 million of debt associated with Australian asset sale classified in Liabilities Associated with Assets Held for Sale at year-end 2003

(3) Includes \$1.5 billion in cash proceeds, \$750 million in tax benefits and \$840 million in related non-cash debt reduction

Highlights for Fourth Quarter 2004

- Franchised Electric and Natural Gas Transmission delivered solid earnings
- Field Services benefited from strong commodity prices
- Lower losses at DENA were primarily due to lower operating costs and lower MTM losses partially offset by lower margins and lower than expected production due to market conditions and Moss Landing
- Solid operations for International were offset by higher allocated corporate costs
- Crescent Resources had impairment and other charges of \$38 million, net of \$12 million in minority interest, partially offset by higher real estate sales

Ongoing Segment EBIT
(\$ in millions)



* Ongoing segment EBIT from continuing operations

Expectations for 2005 and Beyond

■ Franchised Electric

- Ongoing segment EBIT growth: Flat to 2% CAGR through 2007
- Evaluating future requirements to fulfill increasing demand

■ Natural Gas Transmission

- Ongoing segment EBIT growth: 3 - 5% CAGR through 2007
- Growing gas demand driving additional investment in gas pipelines and storage facilities

Expectations for 2005 and Beyond

■ Field Services

- 2005 ongoing segment EBIT expected in the range of \$350 - \$500 million based upon crude oil prices averaging between \$30 - \$40/bbl
- NGL production hedged as of Dec 31, 2004
 - 2005: 64% at \$38 per barrel
 - 2006: 30% at \$43 per barrel
- Anticipate direct operating costs to be approximately \$615 million
 - Higher expenses due to asset integrity work and financial process improvements planned for 2005

Expectations for 2005 and Beyond

■ Duke Energy North America

- Expect 2005 ongoing segment EBIT loss of \$150 million
- EBIT improvements driven by higher gross margin and lower operating costs
- Sale of last remaining deferred plant expected to close in 1Q05
- Focus on defining a sustainable business model for long-term success of merchant energy
 - Need fuel and geographic diversity
 - Potential scale of 50,000 MW
 - Lower overhead costs per MW

Expectations for 2005 and Beyond

■ International Energy

- Ongoing segment EBIT growth: 2 – 3% CAGR through 2007
- Increase sales and marketing of available capacity
- Optimize energy output and operating efficiencies
- Reduce costs

■ Crescent Resources

- 2005 ongoing segment EBIT expected to trend back to normal run rate of approximately \$150 million annually
- Contribute to Duke Energy positive net cash flow from operating and investing activities of at least \$100 million annually

Expectations for 2005 and Beyond

- Other
 - Run rate of approximately \$200 million in net expenses
 - Primarily corporate overhead
- Income Taxes
 - Effective tax rate in the low- to mid-30% range

Duke Energy: Cash Flow

(\$ in millions)

	2005 Estimate
Primary Sources:	
Net income	\$ 1,525
(Based on \$1.60 per ongoing basic share target)	
Depreciation & amortization	2,125
NBV of ongoing Crescent sales	475
Cash tax carryforwards	450
Other sources/(uses), net	(150)
Total Sources	\$ 4,425
Primary Uses:	
Capital expenditures	\$ (2,575)
Dividends	(1,050)
Clean Air expenditures	(300)
Total Uses	\$ (3,925)
Positive Net Cash	\$ 500

Incentive Plans

- 2005 short-term incentive plan
 - Earnings per share incentive
 - Incentive target of \$1.60 per ongoing basic share
 - Minimum payout at \$1.45 per ongoing basic share
 - Also includes ROCE and individual performance objectives
 - 5% reduction in management incentive in the event of any employee, contractor or sub-contractor fatality
- Long-term incentive plan tied to total shareholder return vs. S&P 500
 - Performance shares vest after three years
 - Phantom shares vest ratably over five years

Duke Energy 2005 Charter

We are Duke Energy, a leading energy company located in the Americas with an affiliate real estate operation

Our purpose is to create superior value for our customers, employees, communities and investors through the production, conversion, delivery and sale of energy and energy services

To provide a stable platform for future growth, we must:

- Enhance a high-performance culture by focusing on safety, inclusion and diversity, employee development, business structure and process simplification
- Position DENA to be a successful merchant operator with a sustainable business model
- Deliver on our financial plan and provide superior total shareholder return
- Establish industry-leading positions in core businesses and identify new energy-related growth strategies
- Build stakeholder relationships and future shareholder value through effective leadership on key policy issues related to energy, regulation and the environment

