

What does the new Duke Energy look like?

The merger of Duke Energy and Cinergy creates a premier energy company serving 3.8 million electric customers in five states, and 1.7 million gas customers.

Our six major lines of business form a strong platform for future growth, and give Duke Energy the ability to succeed in both regulated and nonregulated markets.

On the pages that follow, you will learn more about how the new Duke Energy is structured for future growth, highlights of our combined companies' 2005 accomplishments, and a strategic look ahead.

You will also see the benefits of the merger from the perspective of our shareholders, our customers, our employees and our communities.

Read on...



As an investor, what can I expect from this merger?

We expect the financial strength of the new Duke Energy to deliver steady earnings-per-share (EPS) growth. Our targeted earnings will be \$2 per ongoing diluted share in 2007, our first full year as a combined company, and 4 to 6 percent ongoing annual EPS growth thereafter. Our diverse portfolio of assets and operations, both regulated and nonregulated, will enable us to sustain that growth. With the merger complete, we are resuming our stock buyback program and will consider increasing the dividend, based on our target payout ratio of 70 percent.

Farmer, conservationist and Duke Energy shareholder Ernie Averett. The Averett family has owned and operated Flatwood Farms in Oxford, N.C., for seven generations. Averett began investing in Duke Energy more than 10 years ago to smooth out his seasonal income with reliable dividends.

DUKE ENERGY + CINERGY = THE NEW DUKE ENERGY

With this merger, our newly combined power business joins our natural gas businesses to rank among the largest in North America. While the merger benefits our entire company and all of its stakeholders, the key advantages are largely related to our electric business:

- The combined strength and diversity of our franchised electric utilities put us in a better position for sustained growth, and our greater size and scope give us a stronger platform for participation in the consolidation of the electric power industry.
- We will continue to grow our earnings by investing in the expansion and reliability of our operations — focusing on new generating capacity, environmental controls and the modernization of our power delivery system.
- In our competitive supply markets, we will reap the benefits of fuel, asset and geographic diversity.
- Approximately \$650 million in net cost savings aggregated over the first five years will be shared equitably with customers and shareholders.
- Our public voice on energy and environmental policy issues will be stronger and heard more broadly.
- We can better maintain our commitments to support our communities and to be the “employer of choice.”
- Most importantly, this merger reinforces our focus on understanding and balancing the needs of all of our stakeholders, which is fundamental to continued leadership as a sustainable business.

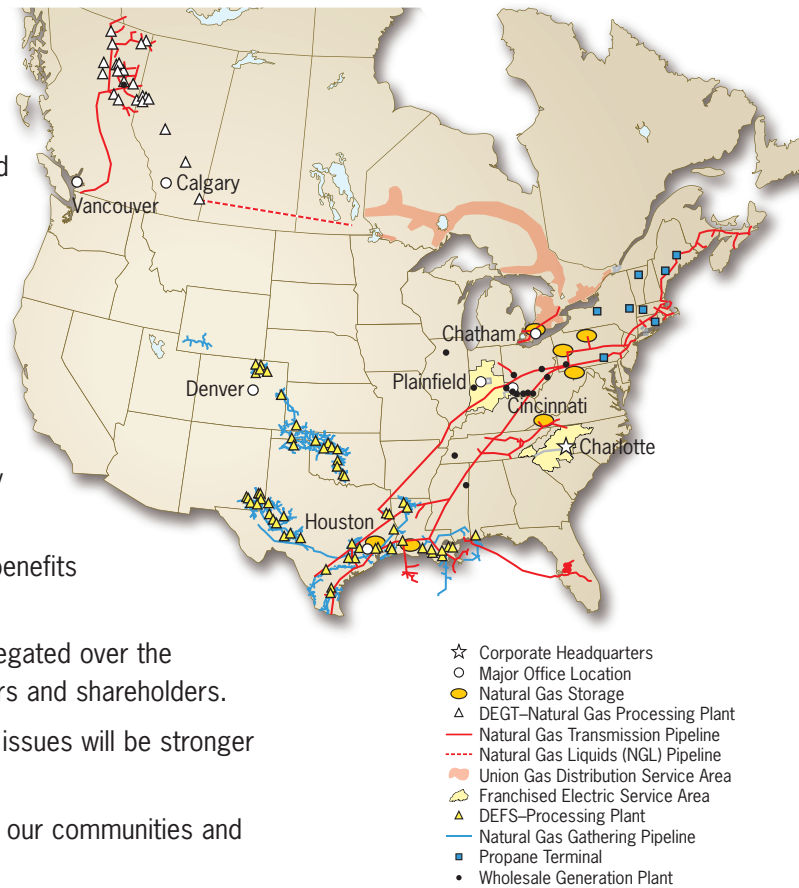
With the merger, some of our business names have changed. What has not changed is their commitment to our shared purpose: to create value for our investors, customers, communities and employees.

Our U.S. franchised electric and gas utilities — formerly Duke Power in the Carolinas, Cincinnati Gas & Electric in Ohio, Union Light, Heat and Power in Kentucky and PSI Energy in Indiana — are now known simply as Duke Energy.

Cinergy Solutions is now Duke Energy Generation Services. Duke Energy Americas, Duke Energy International, Duke Energy Gas Transmission, Duke Energy Field Services, Crescent Resources and Union Gas, our local distribution company in Canada, retain their names.

The following summaries recap the primary accomplishments of our major businesses in 2005 and their main areas of focus going forward.

Combined North American Assets



President and CEO Jim Rogers (left) is responsible for the company's day-to-day operations and business decisions, while Chairman Paul Anderson's role focuses on high-level strategy development and management succession.



As customers, what can we expect from this merger?

We know that the energy and related services we supply to millions of customers are essential to their way of life. We are committed to keeping our electric and gas utility rates, which in 2005 were below the U.S. national average, as competitive and stable as possible, while earning a fair return for our investors. We will continue to strive for the highest standards in customer service and satisfaction. We will work diligently to maintain outstanding system reliability and safety, and to help our customers find the energy solutions they need.

Heather Hallenberg, Frank Satogata and their son Sean, at their home in Cincinnati's Mount Washington neighborhood. The Satogatas have been Cincinnati Gas & Electric customers for nearly 20 years. Active in the Greater Cincinnati arts community, Frank is a graphic designer and painter, Heather is arts services director of Cincinnati's Fine Arts Fund, and Sean is a freshman in high school.

U.S. FRANCHISED ELECTRIC AND GAS

Duke Energy's franchised electric and gas operations deliver safe, reliable and competitively priced electricity to more than 3.8 million electric customers in North Carolina, South Carolina, Ohio, Indiana and Kentucky. A diverse fuel mix of nuclear, coal-fired, hydroelectric and combustion-turbine generation provides approximately 28,000 megawatts of total generating capability. These operations also serve more than 500,000 natural gas customers in Ohio and Kentucky.

Our regulated utilities are focused on revenue growth, operational performance and continued partnerships with customers and communities. For the first time in 20 years, future demand is projected to outpace generation capacity — in the Carolinas alone, we foresee a need for 20 percent more capacity, about 4,000 megawatts, by 2015, and we are pursuing options to build both coal and nuclear generation plants. In Indiana, we are evaluating the construction of a state-of-the-art coal gasification project to replace a more than 50-year-old coal-fired plant. New generation will support our already diverse portfolio of low-cost coal and nuclear baseload generation, supplemented by hydroelectric, combustion-turbine and purchased power for peak periods.

The successful integration of our franchised electric businesses will achieve cost savings and enhance customer service and reliability across all service territories.

Ongoing segment earnings before interest and taxes (EBIT) for U.S. Franchised Electric and Gas in 2006 is expected to be approximately \$1.95 billion.

2005 Highlights

Duke Power

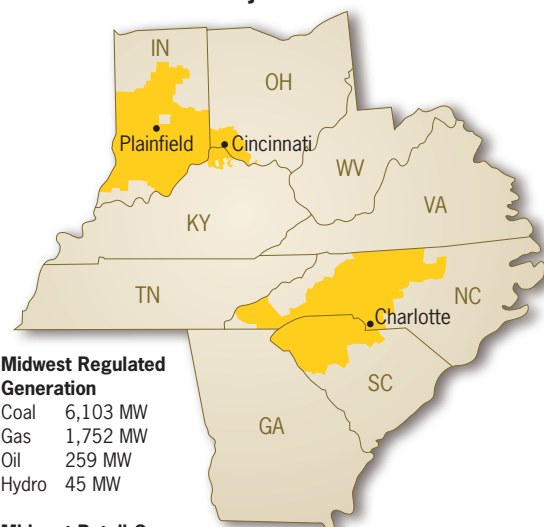
Duke Power contributed approximately \$1.5 billion in segment EBIT in 2005, slightly higher than 2004 segment EBIT of \$1.47 billion due to favorable weather, strong bulk power sales and the impact of continued economic development efforts — partially offset by a charge for December ice storm expenses and by higher operating and maintenance expenses.

Population growth — and demand for Duke Power's attractive electric rates — continue in the Piedmont Carolinas. New high-tech industries such as biotechnology and automotive research moved to the region, replacing lost business and jobs in the textile sector.

These leaders are responsible for providing franchised electric and gas customers with efficient and reliable operations (from left): Patty Walker, group vice president, Ohio and Kentucky gas operations; Brew Barron, group vice president, nuclear generation and chief nuclear officer; Bill McCollum, group vice president, regulated fossil/hydro generation; Theopolis Holeman, group vice president, power delivery; and Todd Arnold, group vice president, customer service.



U.S. Franchised Electric and Gas Service Area and Major Offices



Midwest Regulated Generation

| | |
|-------|----------|
| Coal | 6,103 MW |
| Gas | 1,752 MW |
| Oil | 259 MW |
| Hydro | 45 MW |

Midwest Retail Gas Operations

6,350 miles of distribution pipelines

Southeast Regulated Generation

| | |
|---------|----------|
| Nuclear | 6,996 MW |
| Coal | 7,699 MW |
| Gas | 2,424 MW |
| Hydro | 2,800 MW |



What can my community expect from this merger?

We are committed to maintaining a local presence with “go to” people who live in and are actively involved in the communities we serve. We will continue to support local economic development efforts — in many communities, we’re already a catalyst for those efforts. We will help provide energy assistance to our low-income customers through flexible billing and assistance programs. We pledge that our corporate foundation giving in support of community health, education and cultural enrichment will continue. And we will provide leadership in environmental responsibility and sustainability — a corporate priority.

Charlotte Otto, Global External Relations Officer for The Procter & Gamble Co. Active in her community's business and cultural life, Otto currently chairs the Cincinnati USA Regional Chamber and Downtown Cincinnati Inc., and serves on the board of Cincinnati Playhouse in the Park.

Regional growth continued to add to Duke Power's total customer base, which grew by 43,000 customers — about a 2 percent net increase — in 2005. In July, the company set a new peak demand record of 18,687 megawatts.

To meet growing demand, Duke Power focused on new generation plans — and on operating its current generation and delivery systems as efficiently as possible. In 2005, the company's fossil/hydro fleet set a new all-time generation record, beating the previous record by more than 2 million megawatt-hours. Duke Power's two largest steam stations, Marshall and Belews Creek, were ranked second and third in efficiency among U.S. coal-fired stations by Electric Light & Power magazine. And our nuclear fleet achieved its second highest capacity factor ever — 93.68 percent, up from 2004's 90.23 percent. (Capacity factor measures how much electricity the system produces as a percent of its total capability.)

In October, Duke Power confirmed it is proceeding with the federal application process for a combined construction and operating license for two Westinghouse AP1000 nuclear reactors. A potential site in South Carolina has been selected for a joint project with Southern Company.

Cinergy

Cinergy's regulated businesses contributed approximately \$645 million in adjusted EBIT in 2005, compared to approximately \$586 million in 2004, while advancements in reliability and customer service were recognized by regulatory authorities and earned national recognition.

Ohio regulators approved a \$51.5 million electric distribution rate increase, the first in a decade, for Cincinnati Gas & Electric Co. (CG&E). Effective in 2006, the increase recognized CG&E's reliability improvements over the past 12 years. Kentucky regulators approved an \$8.1 million natural gas distribution rate increase for Union Light, Heat and Power (ULH&P) for continued improvement of its gas distribution system. PSI Energy (PSI) reached a settlement to recover approximately \$1 billion to comply with new federal clean air and mercury rules. The five-year plan will result in further significant reductions in the emissions of sulfur dioxide and nitrogen oxides as well as mercury emissions.

These leaders are the face of Duke Energy in their business communities (from left): Bill Easter, president and CEO, Duke Energy Field Services; Martha Wyrsh, president, Duke Energy Gas Transmission; Art Fields, president and CEO, Crescent Resources; Ellen Ruff, president, Duke Energy Carolinas; Sandra Meyer, president, Duke Energy Ohio and Kentucky; Kay Pashos, president, Duke Energy Indiana; and Richard McGee, president, Duke Energy International.





As an employee, what can I expect from this merger?

We recognize that employees are the foundation of our company. They create value for our stakeholders, day in and day out. We believe our larger scale and scope will help us maintain competitive pay and benefits, and provide more opportunities for employees to grow and develop in their careers. We will continue to recognize employees for their work and to foster a diverse, inclusive, performance-based culture where they feel valued and can reach their full potential. Above all, we are committed to our employees' health and safety, both on and off the job.

James W. Bowden, General Manager of Power Delivery Operations for Duke Power's Northern Region. Bowden oversees the operation, modification and maintenance of Duke Power's transmission system in a region serving 830,000 customers. His family history with Duke Power goes back more than 100 years — his grandfather joined the company in 1905 and his father also worked for Duke Power.

And state and federal regulators also agreed to the transfer of approximately 1,100 megawatts of generation assets from CG&E to ULH&P to meet future customer demand.

In January 2006, the CG&E and PSI customer call centers in Ohio and Indiana were recertified by J.D. Power and Associates. Last year, Cinergy was the first energy company in the United States to be certified for providing "An Outstanding Customer Service Experience." (Duke Power was the second.) And, for the second year in a row, Cinergy received the Edison Electric Institute's emergency assistance award, this time for the help it gave Gulf Coast utilities in the wake of Hurricanes Katrina and Rita last fall. In December after a severe ice storm, Cinergy crews worked alongside their Duke Power counterparts in the Carolinas to restore service to 700,000 customers.

DUKE ENERGY GAS TRANSMISSION

Duke Energy Gas Transmission has more than 17,500 miles of transmission pipelines; 250 billion cubic feet of natural gas storage; gathering and processing assets; a natural gas liquids processing operation; and a local distribution company serving more than 1.2 million customers in Canada. DEGT is well positioned to connect new and existing natural gas supplies to growing markets, with timely pipeline expansions and the development of highly flexible natural gas storage capacity.

Duke Energy Gas Transmission (DEGT) continues to make a consistent contribution to cash flow and earnings by providing natural gas transmission and storage, gathering and processing, and local distribution services to premium markets in North America.

Going forward, DEGT is expected to deliver ongoing segment EBIT of approximately \$1.39 billion, which is essentially flat with 2005. Ongoing earnings for this business are anticipated to grow by 3 to 5 percent annually — driven by opportunities for continued pipeline development, optimization of existing transmission, distribution, gathering and processing systems, storage development and control of costs. Demand for natural gas is expected to grow 2 to 3 percent in DEGT's key markets.

2005 Highlights

DEGT contributed approximately \$1.39 billion in segment EBIT, compared to approximately \$1.33 billion in 2004 — an increase driven by improved operations, U.S. system expansions, newly acquired Canadian assets and a favorable currency exchange rate.

The geographic strength of DEGT's system was evident following last year's devastating hurricanes. Although the company's Gulf Coast-area assets were temporarily affected, not a single contracted customer in our Northeast market area missed a natural gas delivery during that trying time.

Other key 2005 successes included:

- An agreement with CenterPoint Energy on a proposed pipeline to connect supply from East Texas basins to growing eastern U.S. markets
- Acquisition from AGL Resources of the remaining 50 percent interest in Saltville Gas Storage, strengthening DEGT's storage position in the Mid-Atlantic
- A high rate of long-term contract renewals
- Successful regulatory settlements which reduced volatility and created a stable rate environment for customers
- In Canada, acquisition of the Empress liquids processing system, the transfer of Duke Energy Field Services' gas processing operations to DEGT and the establishment of the Duke Energy Income Fund investment vehicle

- Agreements to expand Union Gas' Dawn–Trafalgar transportation system to reach markets in Ontario, Quebec and the U.S. Northeast
- Precedent agreements to expand the Maritimes & Northeast pipeline to transport natural gas to U.S. and Canadian markets from proposed liquefied natural gas import terminals in Atlantic Canada.

DUKE ENERGY FIELD SERVICES

Duke Energy Field Services gathers, treats, compresses, processes, transports, markets and stores natural gas; and produces, fractionates, transports, trades and markets natural gas liquids (NGL). DEFS is one of the largest natural gas gatherers in the United States, the largest NGL producer and one of the largest NGL marketers. DEFS owns or operates 54 plants and 56,000 miles of pipeline. It is a 50-50 joint venture between Duke Energy and ConocoPhillips.

Duke Energy Field Services (DEFS) is moving from a period of rapid growth to focus on selective growth and performance excellence — rigorously driving improvement in operations and in commercial and support activities. DEFS' new master limited partnership, DCP Midstream Partners, will be an important growth vehicle, allowing for capital-efficient growth and solid cash flow. DEFS' solid financial position provides options for deploying cash through reinvestment, debt repayment and dividends to its parent companies, Duke Energy and ConocoPhillips.

For 2006, ongoing equity earnings to Duke Energy are anticipated to be approximately \$500 million, assuming an average crude oil price of \$61 per barrel.

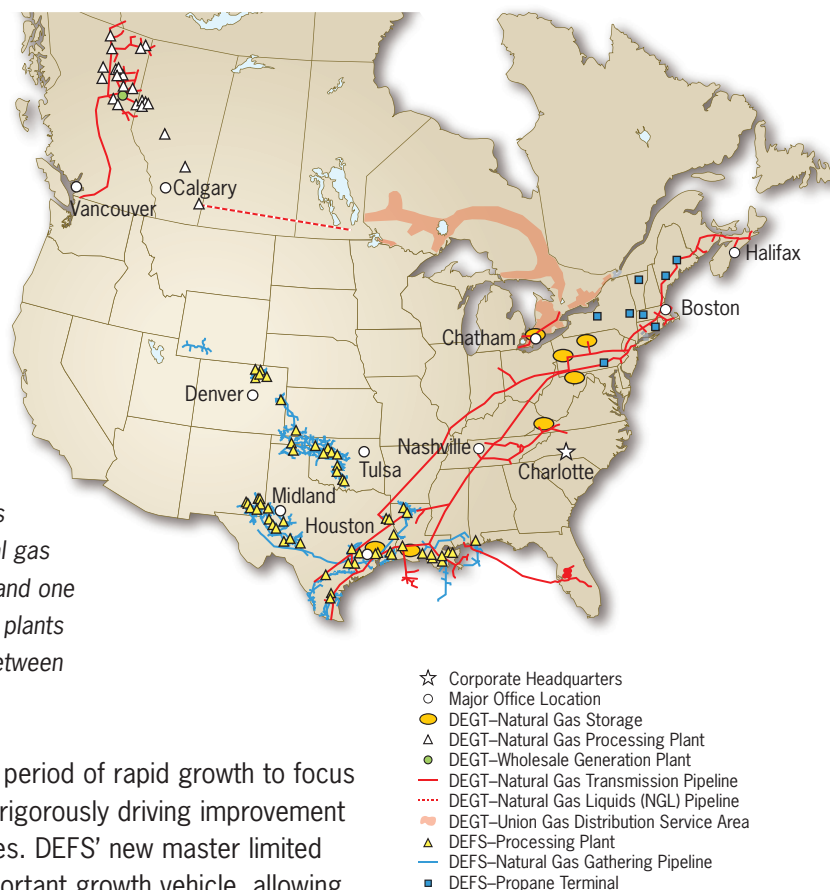
2005 Highlights

Strong commodity prices as well as operational and commercial improvements more than offset disruptions from the Gulf Coast hurricanes to net record earnings for DEFS, which contributed \$291 million in ongoing segment EBIT for the first six months of 2005. For the second half of the year, DEFS contributed \$214 million in ongoing equity earnings as a result of a change in ownership with ConocoPhillips.

It was a year to position DEFS for future success. In a restructuring move, Duke Energy sold nearly 20 percent of its ownership interest to DEFS partner ConocoPhillips, forming a 50/50 joint venture. DEFS' natural gas gathering and processing assets in western Canada moved to Duke Energy Gas Transmission.

DEFS also sold the general partner of TEPPCO to Enterprise GP Holdings L.P. for more than \$1.1 billion, and created a new master limited partnership (MLP), DCP Midstream Partners LP. DEFS owns the general partner of the new MLP and operates its assets in Texas and Louisiana.

Natural Gas Operations



DUKE ENERGY AMERICAS

Duke Energy Americas includes the company's major wholesale energy operations and commercial businesses. With approximately 7,000 megawatts and 4,000 megawatts, respectively, in the United States and internationally, Duke Energy Americas has a diverse mix of power generation facilities, and is engaged in the sale and marketing of electric power, natural gas and generation services.

Duke Energy International

Duke Energy International (DEI) will continue to pursue organic growth opportunities for our existing generation assets in Latin America and improve operational efficiency to increase the returns on those assets.

For 2006, DEI is expected to deliver ongoing segment EBIT of approximately \$275 million.

2005 Highlights

DEI exceeded expectations with segment EBIT of \$314 million, compared to \$222 million in 2004. Those results were largely driven by improved Latin American operations (due primarily to favorable pricing and weather conditions in Peru and Argentina), favorable currency exchange impacts in Brazil and record earnings from National Methanol Co. due to higher commodity prices.

The improved results achieved by DEI in total, as well as on its portfolio of Latin American generation assets, continued a positive earnings trend that began in 2003.

DEI's operations continued to generate strong cash flow. During 2005, DEI took advantage of a one-time opportunity to repatriate more than \$500 million in foreign earnings to Duke Energy Corp. at a lower tax rate.

North American Nonregulated Generation and Marketing

The merger with Cinergy gives our nonregulated generation and trading and marketing businesses a fresh start. CG&E's coal-fired merchant generation portfolio gains fuel diversity and reliability with the addition of DENA's Midwest fleet of new and efficient natural gas-fired plants. Now that the exit from DENA's legacy trading business is nearly complete, we are moving to Cinergy's commercial business model which focuses on transactions with contract terms of less than one year — a stronger platform for growth.

Ongoing segment EBIT for North American Nonregulated Generation and Marketing in 2006 is expected to be approximately \$325 million.

2005 Highlights

Cinergy

Cinergy's commercial businesses contributed approximately \$443 million in adjusted EBIT in 2005, compared to approximately \$345 million in 2004. Power Operations, the group responsible for operating and maintaining Cinergy's nonregulated power generation assets, set records for generation, productivity and safety last year. The 26,608,001 megawatt-hours (MWH) of generation and an average 40,503 MWH generated per employee beat previous Cinergy records set in 2000. Power Operations employees and contractors also achieved their best-ever safety incident rate and logged the lowest number of recordable incidents in company history.

The Power Trading and Portfolio Optimization groups each benefited from market conditions to deliver a solid year. Power Trading gross margins were up \$46 million from the prior year. Portfolio Optimization sold emission allowances no longer needed to meet future non-retail commitments, which increased emission allowance gross margins by \$121 million.

Cinergy's commercial businesses also realized a \$37 million increase in retail margins, primarily resulting from implementation of our rate stabilization plan in Ohio.

Cinergy Solutions implemented new efficiency measures for Procter & Gamble manufacturing plants, and was engaged to design, build, own and operate a new steam generating plant for Dow Chemical's Union Carbide subsidiary.

Duke Energy North America

Duke Energy put most of Duke Energy North America's (DENA) assets up for sale in September 2005, and announced in November the transfer of virtually all of DENA's trading book of outstanding gas and power derivative contracts to Barclays Bank. That move essentially eliminated all credit, collateral, market and legal risk associated with DENA's derivative trading positions.

In January 2006, Duke Energy announced an agreement to sell DENA's 6,200 megawatts of power generation in the western and northeastern United States to LS Power Equity Partners for approximately \$1.5 billion. DENA's remaining 3,600 megawatts of generation in the Midwest are being combined with Cinergy's commercial operations.

(Note: For 2005, approximately \$120 million of ongoing EBIT losses for DENA's continuing operations were included in Other, and its discontinued results are reported in Discontinued Operations.)

CRESCENT RESOURCES

Crescent Resources manages land holdings and develops high-quality commercial, residential and multi-family real estate projects in nine states. Crescent Resources has received numerous awards for its environmentally sensitive property development strategies and partnerships with environmental and wildlife groups.

Crescent Resources continues to focus on real estate development in growth markets, primarily in the southeastern and southwestern United States. The company will invest in commercial and residential opportunities based on earnings potential and geographic market demand.

Crescent Resources is expected to deliver ongoing segment EBIT of approximately \$250 million in 2006.

2005 Highlights

Crescent Resources continued to benefit from robust commercial and residential real estate markets, to end 2005 with segment EBIT of \$314 million, compared to \$240 million in 2004 — generating more earnings than anticipated for the second consecutive year.

Crescent actively managed its real estate holdings to achieve gains on the sale of a site in Nashville, Tenn., to Nissan for its North American corporate headquarters, a legacy land tract in South Carolina, its interest in a portfolio of office buildings in Georgia and Florida, and 2,483 residential lots in the Carolinas, Georgia, Florida, Texas and Arizona.

The book value of Crescent's portfolio was \$1.3 billion at year-end 2005, compared with \$1.1 billion at the end of 2004.