



Analyst Call

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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/

Today's Call

- Fourth Quarter 2003 Actions and Outlook
- 2004 Financial Performance
 - ▶ Dividend Action
 - ▶ Incentive Compensation: Target for EPS Component
 - ▶ Cash Flow Outlook – Sources and Uses
 - ▶ Liquidity and Credit Metrics

Expectations for Fourth Quarter 2003

4Q03 charges expected to total approximately \$3.3 billion pre-tax

- DENA - Change in management intent and expectations for business will result in pre-tax charges of approximately \$2.8 billion
 - More than half relates to impairments for Southeastern merchant generation assets
 - Remaining balance primarily relates to impairment of previously deferred facilities in the West and charges associated with the wind down of the DETM joint venture
- DENA - A pre-tax charge of approximately \$235 million relates to the reclassification of hedging transactions associated with the impaired plants from normal purchases and sales to derivatives (accrual accounting to mark-to-market accounting)
- DEI – Significant reduction of exposure to international markets outside the Americas will result in a pre-tax charge of approximately \$280 million

2003: Impact on Full-Year Earnings

- Reported earnings expected to be in the range of \$(1.45) - \$(1.50) per share
- Ongoing earnings still expected in the range of \$1.20 - \$1.25 per share

2004 Dividend

- Maintaining current dividend of \$1.10 per share supported by:
 - Predictable and steady cash flows from major operations – Duke Power, Gas Transmission, Field Services and Crescent Resources
 - Continued improvement of balance sheet metrics due to significant debt reduction, asset sales and mandatory conversion of equity units
- Investment proposition of income and modest growth is attractive for long-term investors in Duke Energy
- Management EPS incentive target directly linked to shareholder interests

2004 Overview

- Management EPS incentive threshold set at \$1.10 per share
 - Target level for EPS component set at \$1.20 per share
 - No payout for any incentive components for results below \$1.10 per share
- Capital expenditures of approximately \$2.2 billion
 - Maintenance of \$1.5 billion
 - Expansion of \$700 million
- Annual cost savings of more than \$200 million
- Sources of cash forecasted to exceed Uses by approximately \$4 billion
- DENA's segment EBIT loss expected to be approximately \$300 million

Duke Energy: 2004 Cash Flow

(\$ in millions)

Primary Sources:	2004
Net income (<i>based on \$1.20 per share target</i>)	\$ 1,100
Depreciation & amortization	2,075
NBV of ongoing Crescent inventory sales	550
NBV of energy asset sales	1,500
Deferred income taxes	450
Other sources/(uses), net	(225)
Subtotal	<u>\$ 5,450</u>
Equity (DRIP, mandatory converts)	<u>1,875</u>
Total Sources	<u>\$ 7,325</u>
Primary Uses:	
Capital expenditures	\$ (2,225)
Dividends	(1,050)
Total Uses	<u>\$ (3,275)</u>
Positive Net Cash	<u><u>\$ 4,050</u></u>

Duke Capital: 2004 Cash Flow

(\$ in millions)

Primary Sources:	2004
Net income	\$ 450
Depreciation & amortization	1,050
NBV of ongoing Crescent inventory sales	550
NBV of energy asset sales	1,500
Deferred income taxes	475
Other sources/(uses), net	25
Total Sources	<u>\$ 4,050</u>
Primary Uses:	
Capital expenditures	(1,300)
Dividends	--
Total Uses	<u>\$ (1,300)</u>
Positive Net Cash	<u><u>\$ 2,750</u></u>

Duke Energy: Capital Structure

(\$ in millions)

	2003E	2004E
Debt Issuances	\$ 3,200	\$ 1,700
Debt Maturities & Reductions *	\$ (5,190)	\$ (5,700)
Ending Debt Balance	\$ 23,000	\$ 19,000
Debt/Total Capitalization **	\$ 60%	\$ 52%

* Includes the effect of changes in commercial paper.

** Includes the effect of special charges taken in the fourth quarter of 2003.

Liquidity Position

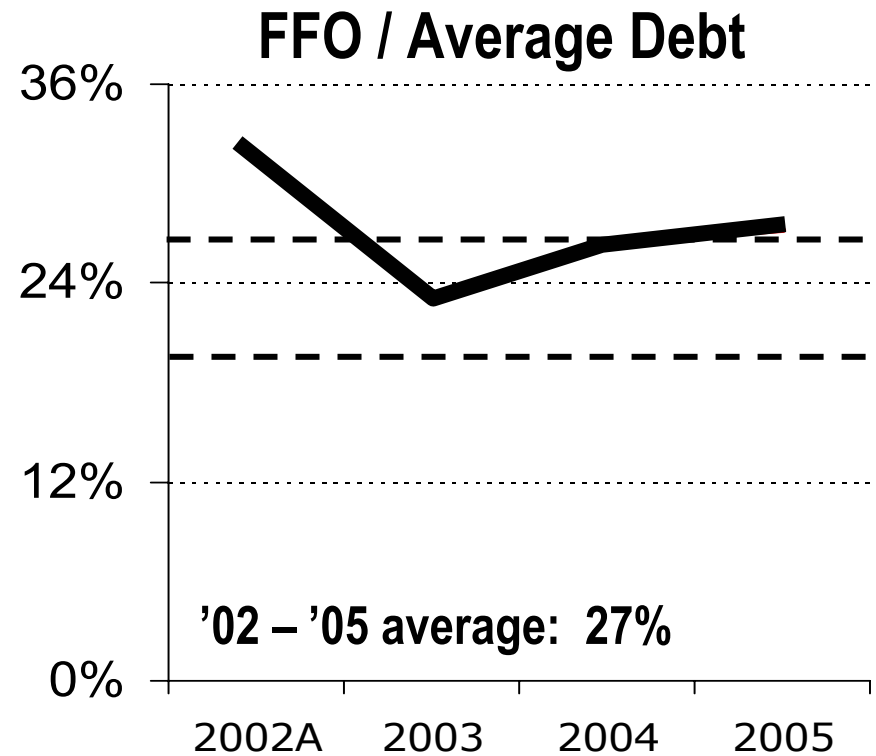
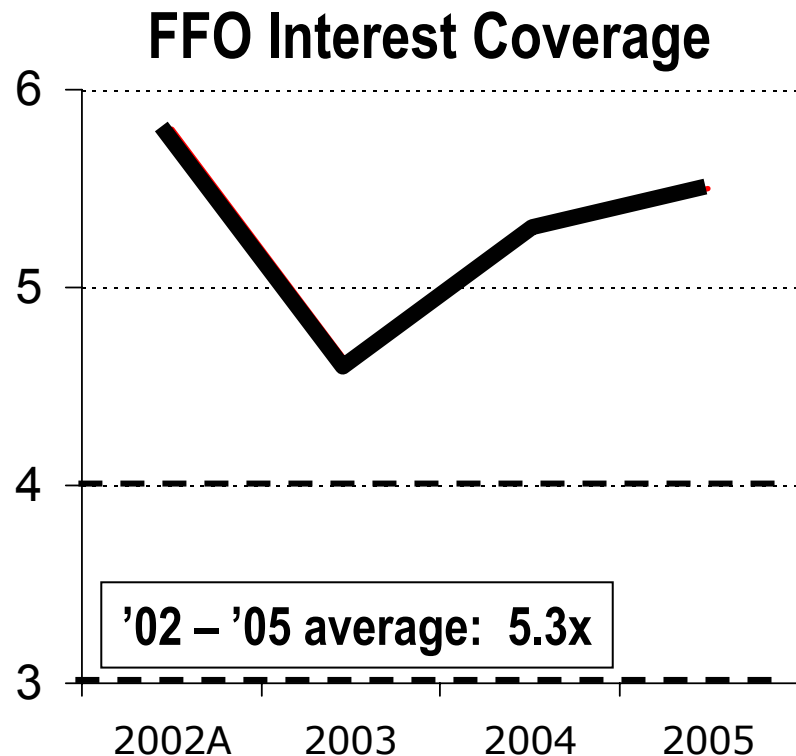
(as of December 31, 2003)

	Duke Energy	Duke Capital	Other *	Total
Credit Facilities	\$750 million	\$550 million	\$1.3 billion	\$2.6 billion
LOC Facilities	n/a	\$790 million	n/a	\$790 million
TOTAL CAPACITY				\$3.4 billion
CP Outstanding	\$227 million	n/a	\$148 million	\$375 million
LOC Outstanding	n/a	\$489 million	n/a	\$489 million
Other Borrowings	n/a	n/a	\$212 million	\$212 million
TOTAL OUTSTANDING				\$1.1 billion
TOTAL UNUSED CAPACITY				\$2.3 billion
Cash and Cash Equivalents (estimated)				\$1.1 billion

* Includes Westcoast, Union Gas, Field Services and Australia

Debt Reductions Improve FFO Ratios

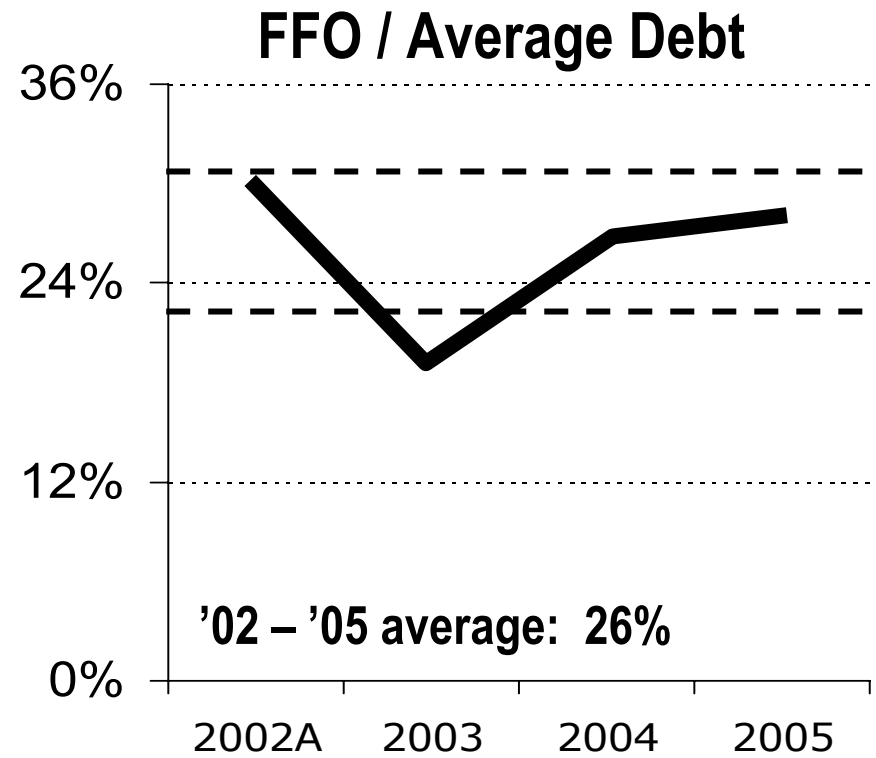
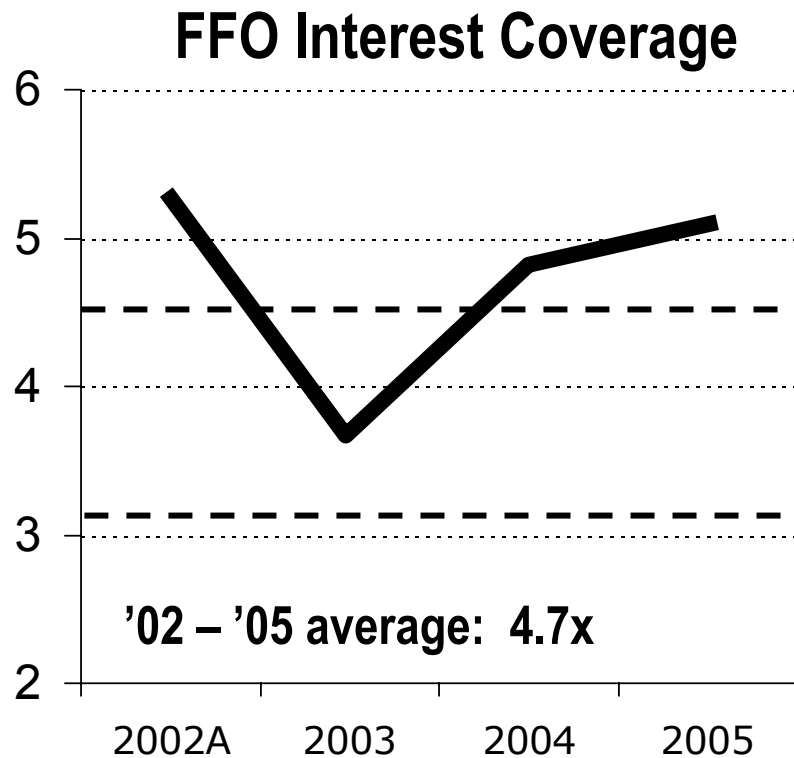
Duke Energy Corporation



- Duke Energy Corporation (BBB+/Baa1)
- S&P ratios for "BBB" range (5)

Debt Reductions Improve FFO Ratios

Duke Capital Corporation



— Duke Capital Corporation (BBB/Baa3)
 S&P ratios for "BBB" range (6)

Summary

- Approximately \$3.3 billion in pre-tax charges expected in 4Q03 reflect management's intention to operate smaller and more focused DENA and DEI businesses
- Dividend of \$1.10 per share supported by steady cash flow and expectation of modest growth in earnings
- Financial flexibility and balance sheet strength enhanced by \$3.5 to \$4 billion debt reduction in 2004
- Strong liquidity position with \$1 billion cash on hand
- New management team and organization in place to execute plan
- Management's EPS incentive directly linked to earnings per share of at least \$1.10 with a target of \$1.20



Duke Energy Corporation
Special Items Reconciliation
2003

(dollars in millions except per share amounts)

	<u>Pre-tax Amount</u>	<u>Tax Effect</u>	<u>EPS Impact</u>
Ongoing EPS			\$1.20 to \$1.25
Fourth quarter special items:			
DENA plant impairments and DETM charges	(\$2,800)	\$1,039	(1.95)
DENA redesignation of power contracts to mark-to-market	(235)	90	(0.16)
DEI charges and impairments	(280)	26	<u>(0.28)</u>
subtotal - 4th quarter			(2.39)
Prior 2003 special items:			
Net gain on asset sales	170	(60)	0.12
Tax benefit on 2002 goodwill impairment of International Energy European gas trading	-	52	0.06
Cumulative effect of accounting changes	(256)	94	(0.18)
DENA goodwill writeoff	(254)	90	(0.18)
Severance associated with work force reductions	(105)	37	(0.08)
Settlement with the South Carolina Public Service Commission	(46)	18	(0.03)
Settlement with the Commodities Futures Trading Commission	(17)	-	<u>(0.02)</u>
subtotal - prior 2003			(0.31)
Reported EPS			<u>(\$1.50) to (\$1.45)</u>

Duke Energy Corporation Consolidated and Duke Capital Corporation Consolidated
Cash Flow Reconciliation Required by SEC Regulation G

(\$ in Millions)

	2004	
	Duke Energy	Duke Capital
Excerpts from Duke Energy Corporation Analyst Call (January 7, 2004)		
Primary Sources of Cash per Presentation:		
Net income	(a) \$ 1,100	\$ 450
Depreciation and amortization	(a) 2,075	1,050
NBV of ongoing Crescent inventory sales	(a) 550	550
NBV of energy asset sales	(b) 1,500	1,500
Deferred income taxes	(a) 450	475
Other sources/(uses), net	(a) (225)	25
Subtotal	5,450	4,050
Equity (DRIP, mandatory converts, parent infusion)	(c) 1,875	-
Total Sources	<u>\$ 7,325</u>	<u>\$ 4,050</u>
Primary Uses of Cash per Presentation:		
Capital expenditures	(b) (2,225)	(1,300)
Dividends	(c) (1,050)	-
Total Uses	<u>(3,275)</u>	<u>(1,300)</u>
Positive Net Cash	<u>\$ 4,050</u>	<u>\$ 2,750</u>
Reconciliations to amounts per U.S. GAAP reporting:		
Operating cash flow components from above [summation of (a)]	\$ 3,950	\$ 2,550
Reconciling items to GAAP operating cash flow (1)	175	175
Net cash provided by operating activities per GAAP Consolidated Statement of Cash Flows	<u>\$ 4,125</u>	<u>\$ 2,725</u>
Investing cash flow components from above [summation of (b)]	\$ (725)	\$ 200
Reconciling items to GAAP investing cash flow (2)	(925)	(925)
Net cash used in investing activities per GAAP Consolidated Statement of Cash Flows	<u>\$ (1,650)</u>	<u>\$ (725)</u>
Financing cash flow components from above [summation of (c)]	\$ 825	\$ -
Reconciling items to GAAP financing cash flow (3)	(3,475)	(2,200)
Net cash used by financing activities per GAAP Consolidated Statement of Cash Flows	<u>\$ (2,650)</u>	<u>\$ (2,200)</u>

Notes:

- (1) Amount primarily consists of non-operating cash flow items, such as net distributions to/contributions from minority interests.
- (2) Amount primarily consists of disposition of debt associated with energy asset sales.
- (3) Amount primarily consists of estimated net debt repayments and net distributions to/contributions from minority interests.

Duke Energy Corporation Consolidated
Coverage Ratio Reconciliations Required by SEC Regulation G (1)

(\$ in Billions)

	Actual		Forecast		
	2001	2002	2003	2004	2005
Funds From Operations (FFO) to Average Debt:					
<i>Numerator</i>					
Net cash provided by operating activities per U.S. GAAP Consolidated Statement of Cash Flows (2)	[a]	\$ 4.5	\$ 3.8	\$ 4.1	\$ 3.7
Adjustments to operating cash flows (3)		(0.4)	(0.1)	(0.1)	0.1
Total FFO	[b]	\$ 4.1	\$ 3.7	\$ 4.0	\$ 3.8
<i>Denominator (average of BOY and EOY)</i>					
Total Debt per U.S. GAAP Balance Sheet		\$ 14.2	\$ 22.5	\$ 23.0	\$ 18.8
Minority interest in financing subsidiary (4)		1.0	0.0	0.0	0.0
Other debt adjustments (5)		(5.0)	(6.5)	(7.1)	(4.2)
Adjusted Debt		\$ 10.2	\$ 16.0	\$ 15.9	\$ 14.5
<i>Averages:</i>					
Adjusted Debt	[c]	\$ 13.1	\$ 15.9	\$ 15.2	\$ 14.2
Debt per U.S. GAAP Balance Sheet	[d]	\$ 18.3	\$ 22.7	\$ 20.9	\$ 18.4
Ratio of FFO to Average Adjusted Debt per Presentation 2002-2005 Average	[b / c]		31.6%	23.2%	26.4%
					27.2%
Ratio of Operating Cash Flows to Average Debt (ratio presented based on U.S. GAAP amounts) 2002-2005 Average	[a / d]		24.7%	16.5%	19.7%
					20.2%

Funds From Operations Interest Coverage:

<i>Numerator</i>					
Total FFO	[e]	\$ 4.1	\$ 3.7	\$ 4.0	\$ 3.8
Cash interest paid-per U.S. GAAP financial statements	[f]	1.0	1.4	1.3	1.1
Adjustments to interest paid (6)		(0.3)	(0.4)	(0.4)	(0.3)
Adjusted Cash Interest Paid	[g]	0.8	1.0	0.9	0.8
Total FFO + Interest	[h = e + g]	\$ 4.9	\$ 4.6	\$ 4.9	\$ 4.6
<i>Denominator</i>					
Interest expense, net-per U.S. GAAP Financial Statements	[i]	\$ 1.1	\$ 1.5	\$ 1.4	\$ 1.1
Interest expense adjustments (6)		(0.3)	(0.5)	(0.4)	(0.3)
Adjusted Interest Expense	[j]	\$ 0.8	\$ 1.0	\$ 0.9	\$ 0.8
FFO Interest Coverage Ratio per Presentation 2002-2005 Average	[h / j]		5.8	4.6	5.3
					5.5
Operating Income Interest Coverage Ratio (ratio presented based on U.S. GAAP amounts) 2002-2005 Average	[(a + f) / i]		5.0	3.5	4.0
					4.2

Amounts may not foot or recalculate due to rounding

Notes:

- Regulation G of the SEC's rules now requires reconciliations to U.S. GAAP measures for certain publicly disclosed financial information. This schedule is presented to meet the requirements of Regulation G. The ratios presented based on U.S. GAAP amounts are not measures that are normally used by Duke Energy Corporation in assessing performance.
- The Consolidated Statement of Cash Flows also includes amounts for investing and financing activities as follows:

	Actual	Forecast		
	2002	2003	2004	2005
Net cash used in investing activities per Consolidated Statement of Cash Flows	\$ (6.8)	\$ (1.0)	\$ (1.6)	\$ (1.9)
Net cash provided (used) by financing activities per Consolidated Statement of Cash Flows	\$ 2.8	\$ (2.5)	\$ (2.7)	\$ (1.7)

- Adjustments primarily consist of changes in working capital balances and adjustments for off-credit entities.
- 2001 amount consists of adjustment for minority interest in financing subsidiary, which was restructured and recorded as debt in 2002.
- Adjustments primarily consist of Equity Units, trust preferred securities, and off-credit entity debt. In addition, an adjustment to debt was made for available cash.
- Adjustments primarily consist of interest paid on Equity Units, trust preferred securities, and off-credit entity debt, as well as capitalized interest, which includes allowance for funds used during construction (AFUDC) interest.

**Duke Capital Corporation Consolidated
Coverage Ratio Reconciliations Required by SEC Regulation G (1)**

(\$ in Billions)

	Actual		Forecast		
	2001	2002	2003	2004	2005
Funds From Operations (FFO) to Average Debt:					
<i>Numerator</i>					
Net cash provided by operating activities per U.S. GAAP Consolidated Statement of Cash Flows (2)	[a]	\$ 3.5	\$ 2.4	\$ 2.7	\$ 2.5
Adjustments to operating cash flows (3)		(0.9)	(0.4)	(0.4)	(0.3)
Total FFO	[b]	\$ 2.6	\$ 2.0	\$ 2.3	\$ 2.2
<i>Denominator (average of BOY and EOY)</i>					
Total Debt per U.S. GAAP Balance Sheet		\$ 10.8	\$ 17.5	\$ 15.9	\$ 12.4
Minority interest in financing subsidiary (4)		1.0	-	-	-
Other debt adjustments (5)		(5.6)	(6.5)	(6.5)	(4.2)
Adjusted Debt		\$ 6.3	\$ 11.0	\$ 9.4	\$ 8.1
<i>Averages:</i>					
Adjusted Debt	[c]	\$ 8.7	\$ 10.2	\$ 8.8	\$ 7.9
Debt per U.S. GAAP Balance Sheet	[d]	\$ 14.2	\$ 16.7	\$ 14.1	\$ 12.1
Ratio of FFO to Average Adjusted Debt per Presentation	[b / c]		29.6%	19.3%	26.5%
2002-2005 Average					26%
Ratio of Operating Cash Flows to Average Debt (ratio presented based on U.S. GAAP amounts)	[a / d]		24.7%	14.2%	19.2%
2002-2005 Average					20%

Funds From Operations Interest Coverage:

<i>Numerator</i>					
Total FFO	[e]	\$ 2.6	\$ 2.0	\$ 2.3	\$ 2.2
Cash interest paid-per U.S. GAAP financial statements	[f]	\$ 0.8	\$ 1.1	\$ 1.0	\$ 0.8
Adjustments to interest paid (6)		(0.3)	(0.4)	(0.4)	(0.3)
Adjusted Cash Interest Paid	[g]	\$ 0.6	\$ 0.7	\$ 0.6	\$ 0.5
Total FFO + Interest	[h = e + g]	\$ 3.1	\$ 2.6	\$ 2.9	\$ 2.7
<i>Denominator</i>					
Interest expense, net-per U.S. GAAP Financial Statements	[i]	\$ 0.9	\$ 1.1	\$ 1.0	\$ 0.8
Interest expense adjustments (6)		(0.3)	(0.4)	(0.4)	(0.3)
Adjusted Interest Expense	[j]	\$ 0.6	\$ 0.7	\$ 0.6	\$ 0.5
FFO Interest Coverage Ratio per Presentation	[h / j]		5.3	3.7	4.8
2002-2005 Average					4.7
Operating Income Interest Coverage Ratio (ratio presented based on U.S. GAAP amounts)	[(a + f) / i]		4.9	3.0	3.6
2002-2005 Average					3.9

Amounts may not foot or recalculate due to rounding

Notes:

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- The Consolidated Statement of Cash Flows also includes amounts for investing and financing activities as follows:

	Actual	Forecast		
	2002	2003	2004	2005
Net cash used in investing activities per Consolidated Statement of Cash Flows	\$ (5.6)	\$ 0.2	\$ (0.7)	\$ (1.0)
Net cash provided (used) by financing activities per Consolidated Statement of Cash Flows	\$ 2.7	\$ (2.3)	\$ (2.2)	\$ (1.3)

- Adjustments primarily consist of changes in working capital balances and adjustments for off-credit entities.
- 2001 amount consists of adjustment for minority interest in financing subsidiary, which was restructured and recorded as debt in 2002.
- Adjustments primarily consist of Equity Units, trust preferred securities, and off-credit entity debt. In addition, an adjustment to debt was made for available cash.
- Adjustments primarily consist of interest paid on Equity Units, trust preferred securities, and off-credit entity debt, as well as capitalized interest, which includes allowance for funds used during construction (AFUDC) interest.