



Second Quarter 2003 Earnings Review



Fred Fowler
President and Chief Operating Officer

Robert Brace
Executive Vice President and
Chief Financial Officer

July 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.

SEC Regulation G

Reconciliation of Non-GAAP Financial Measures

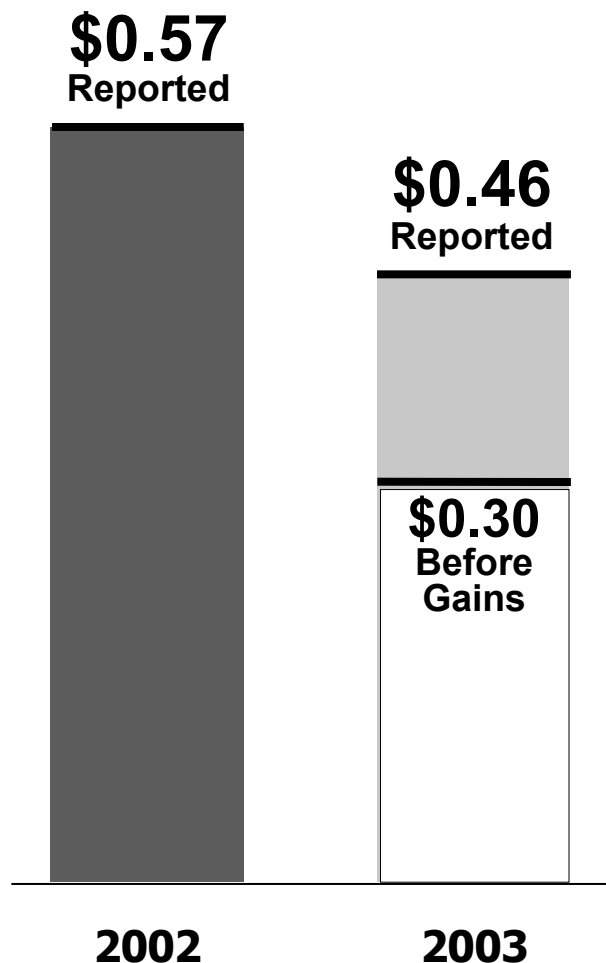
This presentation includes a discussion of Duke Energy's Total Segment and Other EBIT which represents a non-GAAP financial measure as defined under SEC rules. Included with this presentation is a reconciliation of Total Segment and Other EBIT to Net Income.

2003 Strategic Directives

Duke Energy is focused on reducing risks and restructuring for future success:

- Focus on positive net cash generation
- Invest in our strongest business sectors
- Size businesses to market realities
- Address merchant energy issues
- Strengthen relationships with customers
- Reduce regulatory and legal risk and uncertainty

Second Quarter 2003 Earnings per Share



■ Primary Drivers for Second Quarter 2003

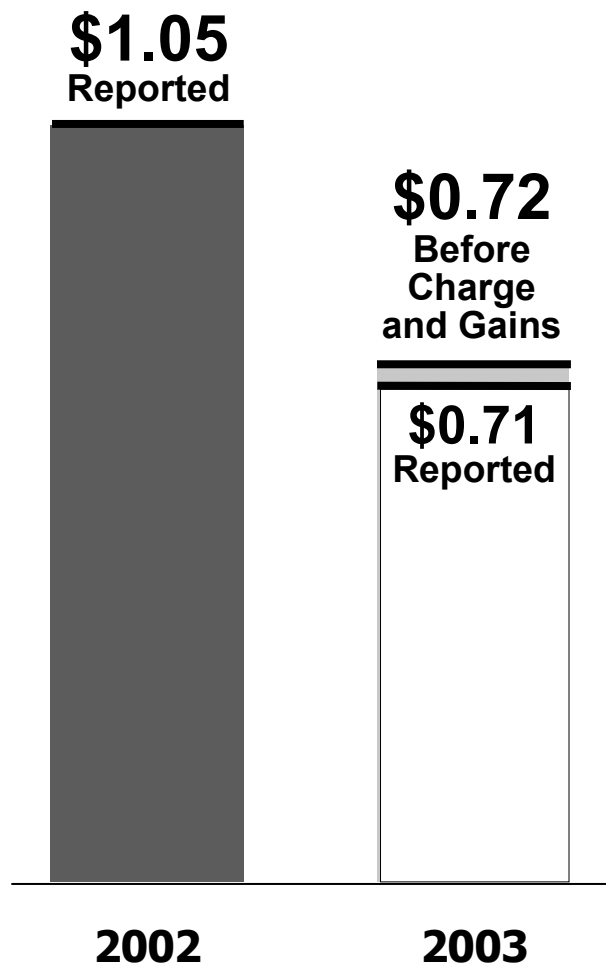
• Upsides

- ◆ Increased earnings from operations and lower operating costs at International
- ◆ Increased earnings from expansion projects at Natural Gas Transmission
- ◆ Gains on sales of assets
 - American Ref-Fuel 12¢
 - Alliance/Aux Sable 2¢
 - Field Services assets 2¢

• Downsides

- ◆ Unfavorable weather conditions for Franchised Electric and DENA
- ◆ Lower earnings at DENA due to challenging market conditions
- ◆ Higher interest expense

Year to Date 2003 Earnings per Share



■ Primary Drivers for the Year to Date 2003

- Upsides
 - ◆ Increased earnings from Westcoast and expansion projects at Natural Gas Transmission
 - ◆ Increased earnings from operations and lower operating costs at International
 - ◆ Gains on sales of assets

– American Ref-Fuel	12¢
– Alliance	2¢
– Field Services assets	2¢
– Northern Border	1¢
- Downsides
 - ◆ Lower earnings at DENA and Other Operations
 - ◆ Higher interest expense
- Results for the YTD include a 18¢ charge related to the cumulative effect of change in accounting principles

Franchised Electric

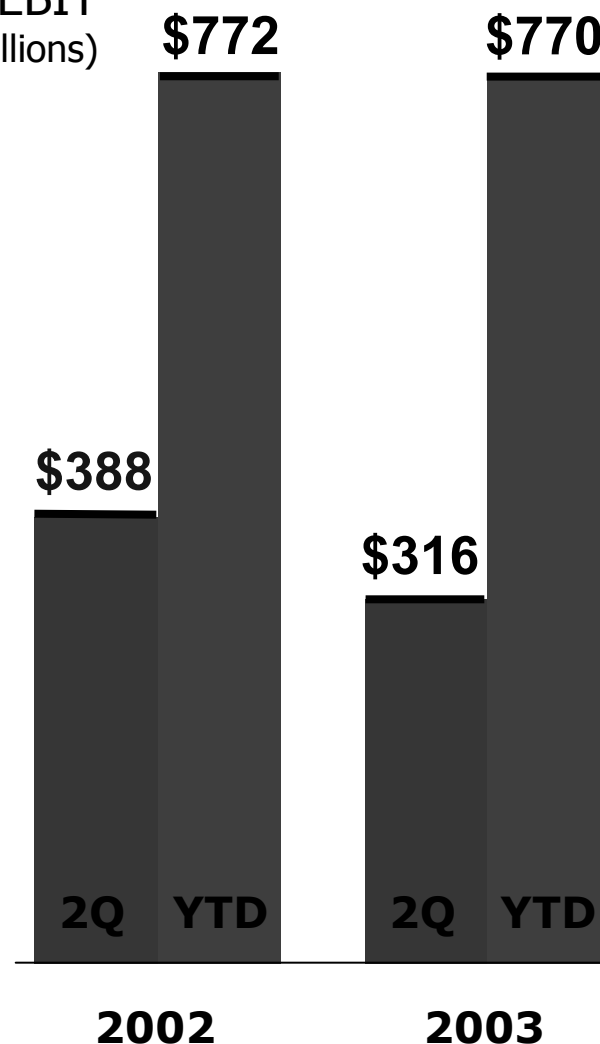
■ Second Quarter 2003

- Lower residential and commercial sales driven by milder than normal weather
- Wholesale power sales increased due to higher gas prices in the region
- Clean Air amortization – \$18 million

■ Year to Date 2003

- Wholesale power sales increased due to higher gas prices in the region
- Clean Air amortization – \$35 million

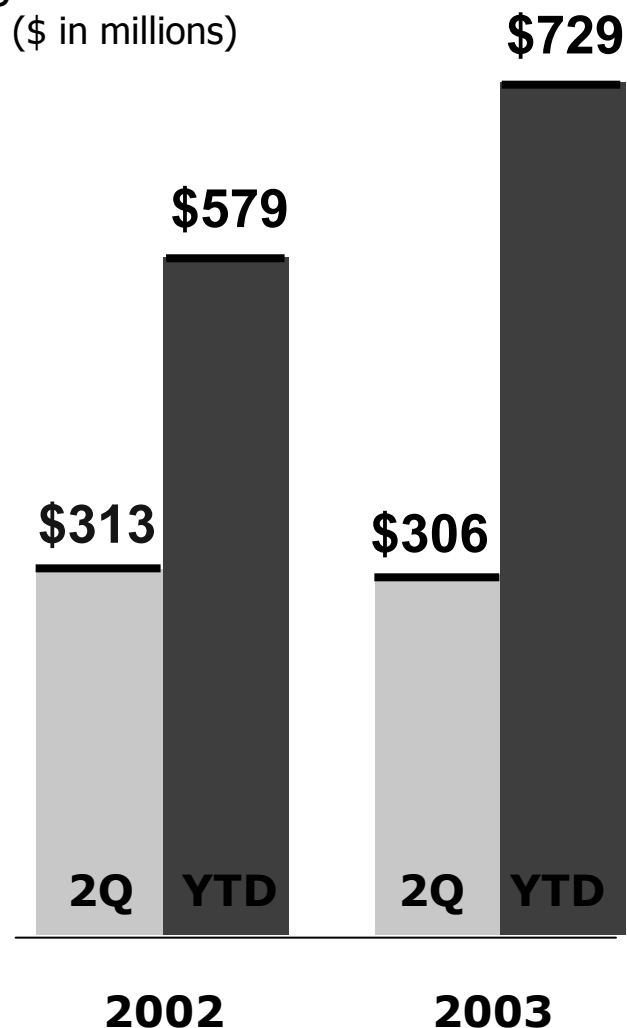
Segment EBIT
(\$ in millions)



Natural Gas Transmission

- Second Quarter 2003
 - Incremental earnings from business expansion projects
 - Foregone segment EBIT from asset sales is approx. \$13 million
 - \$31 million gain on sale of Alliance assets
- Second Quarter 2002 included \$27 million success fee for Gulfstream completion
- Year to Date 2003
 - Additional two months of earnings from Westcoast of approximately \$135 million

Segment EBIT
(\$ in millions)



Duke Energy North America

■ Second Quarter and YTD 2003

- Includes \$175 million gain on sale of American Ref-Fuel
- Lower earnings due to the exit from proprietary trading and changes in accounting methodology from mark-to-market to accrual basis
- Increased depreciation due to new plants added over the last year
- Results for 2Q02 included a \$46 million benefit resulting from the application of improved and standardized MTM valuation modeling techniques

Segment EBIT
(\$ in millions)



Duke Energy North America Gross Margin



(\$ in millions)

	1Q-2Q03	3Q - 4Q03	Total 2003
Total Gross Margin	\$ 409	\$ 591 *	\$ 1,000
Operating Expenses:			
Depreciation	(111)	(124)	(235)
O&M	(140)	(215)	(355)
General and Admin	(99)	(111)	(210)
Total Operating Expenses	(350)	(450)	(800)
Gain on Sale of Ref-Fuel	175	---	175
DENA Segment EBIT	\$ 234	\$ 141	\$ 375

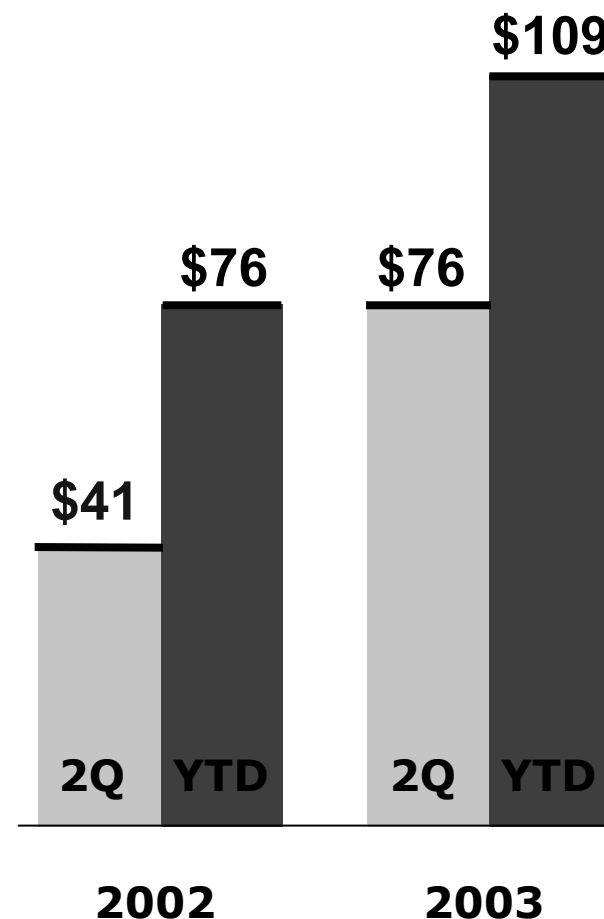
* Includes approximately \$325 million of low-risk gross margin

Field Services

■ Second Quarter and YTD 2003

- Higher average NGL price for the quarter was 49¢ compared with 37¢ last year, offset by higher natural gas prices and hedging activities
- Average NGL price for the YTD was 54¢ compared with 34¢ for the first half of 2002
- Includes gains on sales of assets of approximately \$29 million
- O&M expenses of \$160 million; remain on target for annual expectation of approximately \$600 million

Segment EBIT
(\$ in millions)

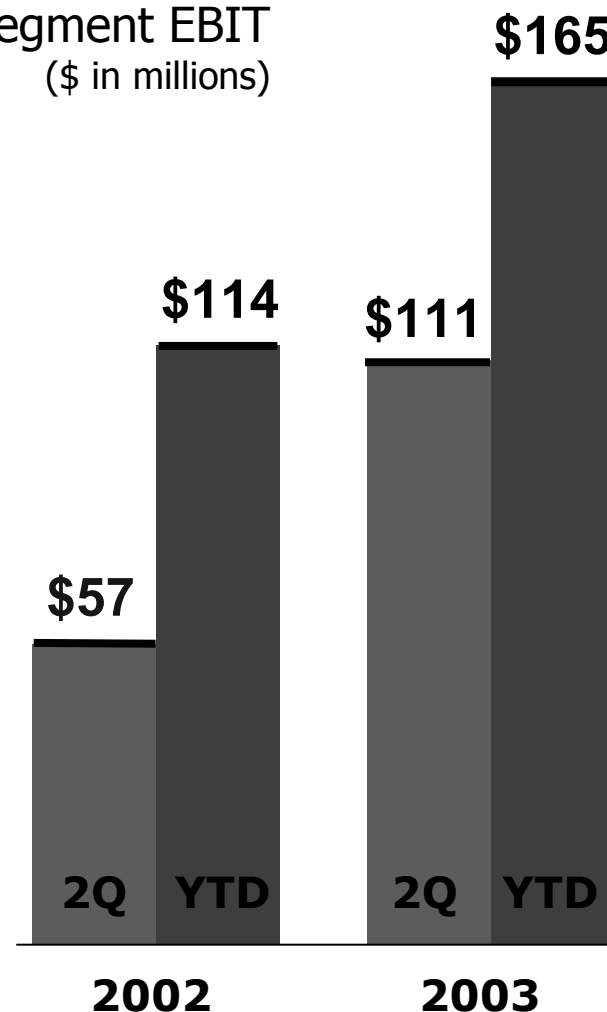


International Energy

■ Second Quarter and YTD 2003

- Increased earnings from operations
- Lower G&A expenses
- 2Q03 benefits from a regulatory audit in Brazil and early termination of an LNG contract totaling \$37 million
- 1Q03 included a charge of \$11 million related to timing of revenue recognition associated with the Cantarell project in Mexico

Segment EBIT
(\$ in millions)



2Q03 Segment and Other Earnings Before Interest and Taxes



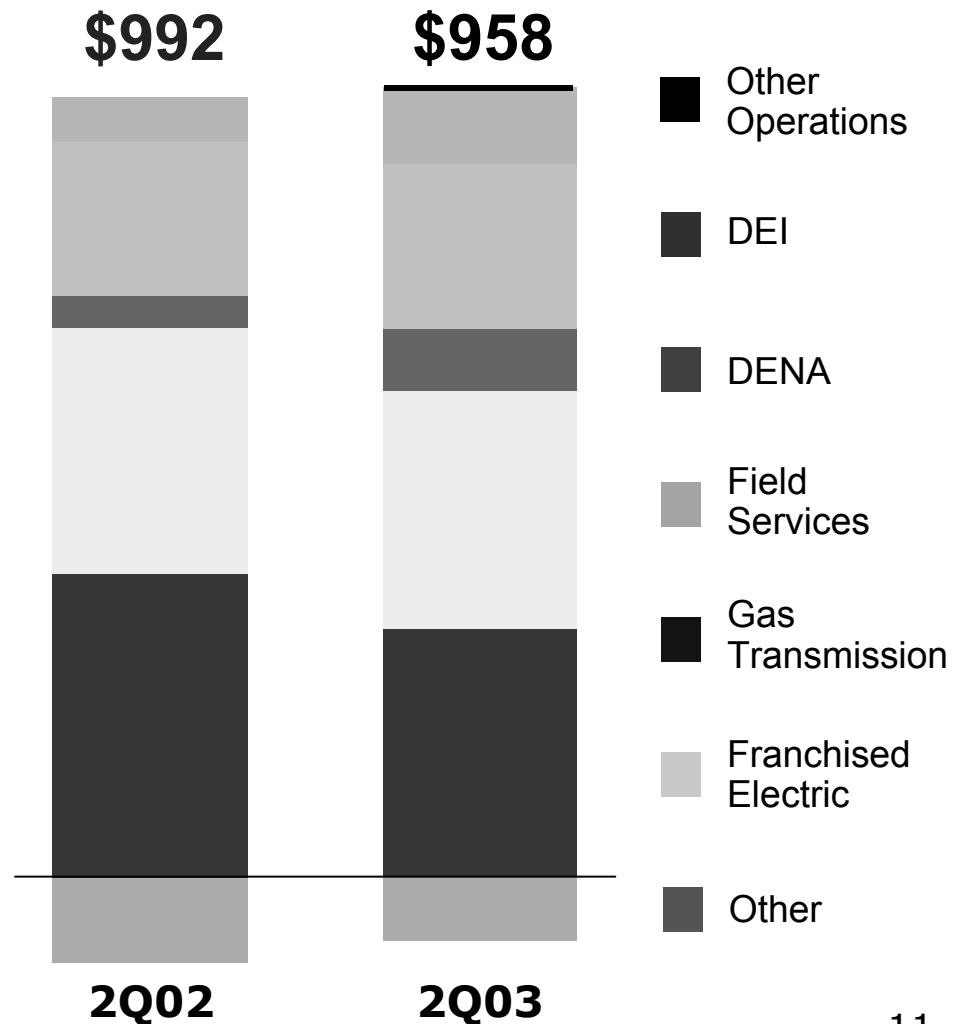
■ Other Operations is comprised of:

- Ongoing – Crescent Resources, Duke/Fluor Daniel and DukeNet
 - ◆ Duke/Fluor Daniel (D/FD) will wind down its current project portfolio over the next two years and dissolve the partnership
- Exiting – Duke Energy Merchants, Duke Capital Partners

■ Other Operations’ results for the quarter are lower due to decreased earnings from D/FD and the lack of earnings from proprietary trading

- Results for 2002 included gains on sales of certain assets, such as Duke Engineering & Services and water operations

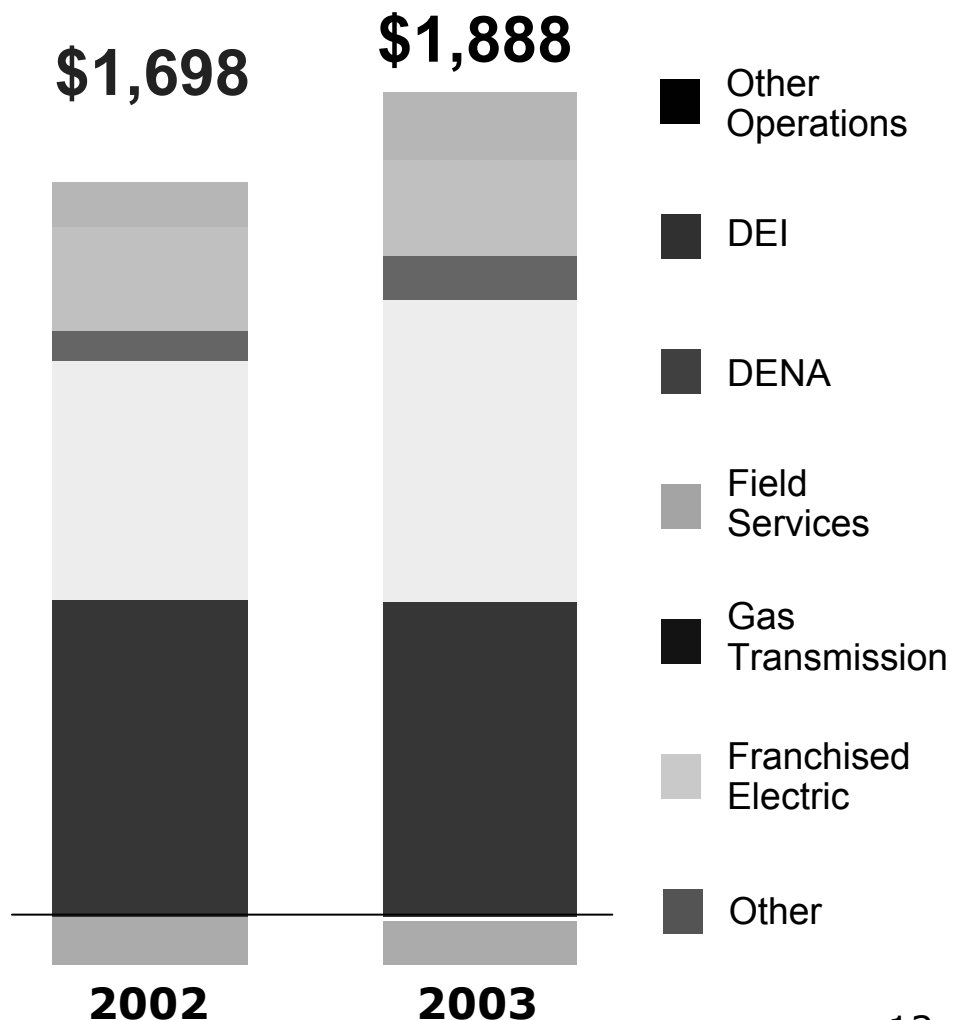
Segment and Other EBIT
(\$ in millions)



YTD Segment and Other Earnings Before Interest and Taxes

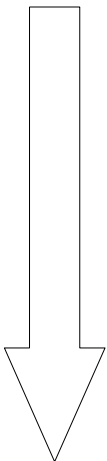
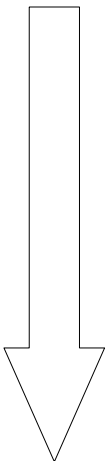
- Expect to reach total segment EBIT goal for 2003
- Regulated businesses are expected to provide 80% of total segment and other EBIT

Segment and Other EBIT
(\$ in millions)



2003 Non-Strategic Asset Sales

(\$ in millions)

	Gross Proceeds	After-tax Proceeds	Annual Op. Income Reduction
<i>Announced/Closed</i>			
Empire Pipeline	\$ 240 ⁽¹⁾		
American Ref-Fuel	306		
Alliance/Aux Sable	245		
Northern Border units	24		
TEPPCO units	114		
DCP loan monetization	198		
Field Services assets	91		
Foothills Pipeline	72		
Puncakjaya (Indonesia)	300 ⁽²⁾		
<i>Total Asset Sales for 2003</i>	\$ 1,590		

(1) Includes \$58 million of debt assumed

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

Liquidity Position

(as of June 30, 2003)

	Duke Energy	Duke Capital	Other *
Credit Facilities	\$950 million	\$1.4 billion	\$1.5 billion
LOC Facilities	n/a	\$790 million	n/a
TOTAL CAPACITY		\$4.7 billion	
CP Outstanding	\$475 million	\$160 million	\$110 million
LOC Outstanding	n/a	\$570 million	n/a
Other Borrowings	n/a	n/a	\$260 million
TOTAL OUTSTANDING		\$1.6 billion	
TOTAL UNUSED CAPACITY		\$3.1 billion	
Cash and Cash Equivalents		\$1.5 billion	

* Includes Westcoast, Union Gas, Field Services and Australia

Trading Disclosures

as of June 30, 2003

- Daily Value at Risk (DVaR): Favorable or unfavorable impact of one day's price movement on the existing portfolio
 - 95% confidence level, one-day holding period, two-tailed
 - Average DVaR for 2Q03: \$13 million

- Owned Assets – Merchant Plant Production and Hedging Information

(in millions of MWh, unless stated otherwise)	Jul - Dec		
	2003 *	2004	2005
Total Estimated Available Capacity	47	99	108
Estimated Production			
Combined Cycle	15	32	35
Peaker	1	2	2
Total Estimated Production	16	34	37
Estimated Production Hedged	93%	85%	68%
Average Price Hedged (\$/MWh)	\$50	\$44	\$39

Summary

- Solid progress toward achieving 2003 goals
 - Regulated businesses will provide strong earnings and cash flows
 - Exceeded asset sales goal of \$1.5 billion in gross proceeds, including \$280 million of debt assumed
 - Net debt reductions expected to reach \$1.8 billion
 - Continued focus on reducing capex and operating expenses
- Expect 2003 earnings per share to be in the range of \$1.35 to \$1.60 per share, before the charges related to cumulative effect of changes in accounting principles



Q&A



**Reconciliation of Total Segment and Other EBIT to Net Income
and Earnings Available for Common Stockholders
(unaudited)**

<i>(In millions, except where noted)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
EBIT BY BUSINESS SEGMENT				
Franchised Electric	\$ 316	\$ 388	\$ 770	\$ 772
Natural Gas Transmission	306	313	729	579
Field Services	76	41	109	76
Duke Energy North America	211	196	234	250
International Energy	111	57	165	114
Other Operations (b)	18	128	(8)	145
Other	(80)	(131)	(111)	(238)
Total Segment and Other EBIT	958	992	1,888	1,698
EBIT Attributable to:				
Minority Interests	46	42	92	56
Third Party Interest Income	8	15	11	56
Foreign Currency Remeasurement Gain	8	8	3	17
Total EBIT	1,020	1,057	1,994	1,827
Interest Expense	341	274	681	472
Minority Interest Expense (a)	60	62	112	94
Income Taxes	195	247	390	405
Cumulative Effect of Change in Accounting Principles, net of tax and minority interest	-	-	(162)	-
Net Income	424	474	649	856
Dividends and Premiums on Redemptions of Preferred and Preference Stock	7	4	10	7
Earnings Available for Common Stockholders	\$ 417	\$ 470	\$ 639	\$ 849

(a) Includes financing expenses related to securities of subsidiaries of \$28 million and \$35 million for the three months ended June 30, 2003 and 2002, respectively, and \$55 million and \$70 million for the six months ended June 30, 2003 and 2002, respectively.

(b) Beginning in 2003, Other Energy Services and Duke Ventures were combined into Other Operations.