



news release

Progress Energy Announces Second Quarter Results

Highlights:

- ◆ **Reports \$0.56 EPS, \$0.83 before non-operating adjustments**
- ◆ **Reaches long-term rate stability accords in Florida and North Carolina**
- ◆ **Expects 2002 ongoing earnings of \$3.90 – \$4.00 per share, within range of previous guidance**

RALEIGH, N.C. (July 24, 2002) – Progress Energy [NYSE: PGN] today reported consolidated net income of \$120.6 million, or \$0.56 per share, for the second quarter of 2002 compared with \$111.7 million, or \$0.56 per share, for the second quarter of 2001. Excluding non-operating charges, ongoing earnings were \$0.83 per share for the quarter compared with \$0.77 per share for second quarter 2001. The company's intra-period tax allocations decreased EPS by \$0.27 for the quarter. Reported earnings for the first half of 2002 were \$253.1 million, or \$1.18 per share, compared with \$265.7 million, or \$1.33 per share, for the first half of 2001. Ongoing earnings were \$1.59 per share for the first half of 2002 compared with \$1.65 per share for the first half of 2001.

“The first half of 2002 has been eventful for Progress Energy. For both Florida Power and CP&L, we reached agreements that provide base rate freezes through 2005 and 2007, respectively, and that provide substantial benefits to our customers and our shareholders. Since approximately 75 percent of enterprise net income comes from these two subsidiaries, we are very pleased to have this extraordinary level of predictability and stability for the core of our business,” said William Cavanaugh, chairman, president and CEO, Progress Energy. “Despite the industrial slowdown that continues to impact CP&L and the slow start in the first quarter due to weather, we still expect to achieve our earnings target for 2002, though we will likely be in the lower half of our \$3.90 to \$4.10 range.”

A number of factors drove the year-over-year increase of \$0.06 per share for the second quarter. First, customer growth and improved weather resulted in higher retail and wholesale sales. Second, depreciation expense and interest charges were lower. Third, goodwill amortization has been eliminated. Partially offsetting these positive factors were higher O&M expenses related to increased benefit costs, decreased pension credits and additional O&M expenses at Florida Power to improve system reliability and customer service. Also, the common stock issued in August 2001 and in April 2002 as part of the Westchester Gas acquisition resulted in dilution.

Progress Energy, Inc.				
Reconciliation of Ongoing EPS				
June 30, 2002				
	Q2 2002	Q2 2001	YTD 2002	YTD 2001
Reported earnings	\$ 0.56	\$ 0.56	\$ 1.18	\$ 1.33
Intra-period tax allocation	0.27	0.13	0.37	0.23
CVO mark-to-market	---	0.03	(0.06)	0.04
One-time charge ⁽¹⁾	---	0.05	---	0.05
One-time retroactive revenue impact ⁽²⁾	---	---	0.10	---
Ongoing earnings	<u>\$ 0.83</u>	<u>\$ 0.77</u>	<u>\$ 1.59</u>	<u>\$ 1.65</u>
Average shares outstanding (000s)	215,007	200,043	213,999	199,922
⁽¹⁾ Reclassification of Progress Rail from "Assets Held for Sale" to operating assets.				
⁽²⁾ Due to Florida Power's rate settlement.				

SIGNIFICANT RECENT DEVELOPMENTS

North Carolina Clean Air Legislation

In June, the Governor of North Carolina signed into law a bill that requires CP&L to reduce nitrogen oxide and sulfur dioxide emissions by 62 percent and 76 percent, respectively, from emissions in 2000. These requirements exceed current federal standards. Implementation will be phased, with final compliance to be achieved by 2013. The bill contains a recovery mechanism for the full capital cost of the necessary upgrades. CP&L's total projected capital costs are approximately \$813 million and will be recovered over a seven-year period, which includes a five-year retail customer base rate freeze. The complete press release regarding the bill is available on the company's Web site at <http://www.progress-energy.com/cfusion/news/search/article.cfm?id=3242>.

Progress Ventures DeSoto Plant

In May, Progress Ventures began commercial operation of the DeSoto plant near Arcadia, Fla. The new combustion turbine plant adds approximately 320 megawatts to the company's merchant fleet, for a total of 1,555 megawatts currently in operation compared with 775 megawatts in operation last summer. The output and capacity of the DeSoto plant are under contract through May 2005. The complete press release regarding the plant's completion is available on the company's Web site at <http://www.progress-energy.com/cfusion/news/search/article.cfm?id=3122>.

North Carolina Natural Gas Rate Case

North Carolina Natural Gas (NCNG) filed a revised rate-increase request with the N.C. Utilities Commission (NCUC) in May. NCNG is seeking an increase of \$4.1 million to recover costs associated with system improvements. Earlier this year, the company filed for its first rate increase in seven years. Based on discussions with NCUC public staff and other interested parties, NCNG withdrew the original request and filed a lower rate-increase request for 2002. The complete press release regarding the rate case is available on the company's Web site at <http://www.progress-energy.com/cfusion/news/search/article.cfm?id=3063>.

LINE OF BUSINESS FINANCIAL INFORMATION

CP&L Electric

CP&L electric energy operations contributed earnings of \$131.7 million for the quarter compared with \$84.0 million for the same period last year. This quarter's earnings were positively affected by a \$28.3 million tax benefit reallocation from the holding company to CP&L. Details on the tax benefit reallocation are included in the "Corporate" line of business section of this release. Additional factors contributing to this quarter-over-quarter result were improved weather, increased revenues from customer growth and usage, and increased revenues from wholesale sales. These factors were partially offset by higher O&M expenses. Please see the table that follows for a breakdown of sales by customer class.

CP&L electric operations include \$22.3 million in earnings related primarily to wholesale energy marketing activities for the second quarter compared with \$15.0 million for the same period last year. These activities are managed on behalf of the utility by the Progress Ventures business unit, and the earnings are also included in the Progress Ventures business unit's earnings.

Florida Power

Florida Power electric energy operations had earnings of \$76.8 million for the quarter compared with \$84.3 million for the same period last year. Factors impacting quarter-over-quarter results were decreased revenues from wholesale sales and higher O&M expenses. The increase in O&M expenses was mainly related to decreased pension credits, increased benefit costs and Florida Power's system enhancement program. Year-to-date, Florida Power has spent \$13 million to improve its systems and reliability as part of this program. These factors were partially offset by improved weather and increased revenues from customer growth. The rate settlement had no impact on this quarter's results since the decrease in retail revenues was offset by lower depreciation expense. Please see the table that follows for a breakdown of sales by customer class.

Florida Power electric operations include \$3.7 million in earnings related primarily to wholesale energy marketing activities for the second quarter compared with \$3.4 million for the same period last year. These activities are managed on behalf of the utility by the Progress Ventures business unit, and the earnings are also included in the Progress Ventures business unit's earnings.

Electric Utility Kilowatt Hour Sales by Class

CP&L Sales for the Quarter Ended June 30, 2002			Florida Power Sales for the Quarter Ended June 30, 2002		
Sales (in billions of kWh)	Q2 2002	% Change from Q2 2001	Sales (in billions of kWh)	Q2 2002	% Change from Q2 2001
Residential	3.3	3.9%	Residential	4.5	11.1%
Commercial	3.0	4.3%	Commercial	2.9	2.8%
Industrial	3.4	(0.9)%	Industrial	1.0	(1.6)%
Government	0.3	1.7%	Government	0.7	5.8%
Wholesale	3.5	15.7%	Wholesale	1.0	(7.9)%
Unbilled	0.4	---	Unbilled	0.4	---
Total	13.9	8.2%	Total	10.5	3.5%

NCNG

NCNG reported a net loss of \$1.4 million in the second quarter compared with a net loss of \$5.2 million in the same period last year. This quarter's earnings were positively affected by improved industrial margins and a \$1.5 million tax benefit reallocation from the holding company to NCNG.

Progress Ventures

The Progress Ventures business unit had net income of \$79.5 million in the second quarter compared with \$74.3 million for the same period last year. The difference was primarily due to the addition of merchant plants. Total synthetic fuel sales were 3.4 million tons for the quarter and 6.4 million tons year-to-date compared with 3.4 million tons in second quarter 2001 and 6.3 million tons in the first half of 2001. The company anticipates total synthetic fuel production of approximately 12 to 13 million tons for the year.

One synthetic fuel entity, Colona Synfuel Limited Partnership, L.L.P., from which the company has been allocated approximately \$220 million in tax credits to date, is being audited by the IRS. In the company's opinion, it is complying with all the necessary requirements to be allowed such credits and believes it is likely, although it cannot be certain, that it will prevail if challenged by the IRS on any credits taken. The timing for the ultimate disposition of this audit is uncertain.

Other Diversified

Progress Rail reported revenues of \$211.4 million and net income of \$2.9 million for the quarter compared with revenues of \$226.4 million and a net loss of \$2.9 million in second quarter 2001. The earnings improvement was primarily due to a decrease in O&M expenses.

Progress Telecom, including CaroNet's operations, recorded revenues of \$16.0 million and a net loss of \$5.3 million for the quarter compared with revenues of \$15.9 million and a net loss of \$0.3 million for the same period last year. Earnings before interest, taxes, depreciation and amortization (EBITDA) for the quarter were \$0.8 million compared with \$4.1 million in the second quarter 2001. Due to the recent decline of the telecommunications industry, the company has initiated a valuation study to assess the recoverability of Progress Telecom's and CaroNet's long-lived assets, which totaled \$288.7 and \$111.3 million, respectively, at June 30, 2002. The company expects to conclude the review in the third quarter.

Corporate

Corporate results, which primarily include interest expense on holding company debt, posted an operating loss of \$74.5 million for the quarter, compared with an operating loss of \$58.3 million for the same period last year. The difference was primarily due to a \$33.0 million tax benefit reallocation from the holding company to the profitable subsidiary companies. Progress Energy, Inc. is subject to the Public Utility Holding Company Act (PUHCA) regulated by the SEC. Accordingly, recent guidance in an SEC order states that Progress Energy, Inc.'s tax benefit not related to acquisition interest expense is to be allocated to the profitable subsidiary companies. In June 2002, the company allocated Progress Energy, Inc.'s non-acquisition interest tax benefit for the 2000 tax year, the 2001 tax year, and year-to-date 2002 tax year to the profitable subsidiary companies. This allocation has no

impact on consolidated tax expense; however, it does decrease the tax expense on the profitable subsidiary results.

Negatively impacting this quarter's corporate results was the timing of allocations. This was offset by lower interest costs this quarter and the elimination of goodwill amortization, which was \$22.0 million in second quarter 2001.

Effective January 1, 2002, the company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." This statement clarifies the criteria for recording other intangible assets separately from goodwill. Effective January 1, 2002, goodwill is no longer subject to amortization over its estimated useful life. Instead, goodwill is subject to at least an annual assessment for impairment by applying a two-step, fair-value-based test. This assessment was completed during the second quarter with no resulting impairment charges for Progress Energy.

NON-OPERATING ADJUSTMENTS ASSOCIATED WITH SYNTHETIC FUELS

Intra-period Tax Allocation

Generally accepted accounting principles require companies to apply an effective tax rate to interim periods that is consistent with a company's estimated annual tax rate. The tax credits generated from synthetic fuel operations reduce Progress Energy's overall effective tax rate. The company's synthetic fuel earnings are not subject to seasonal fluctuation to the same extent as the electric utility earnings are. The company projects the effective tax rate for the year and then, based upon projected operating income for each quarter, raises or lowers the credits recorded in that quarter to reflect the projected tax rate. On the other hand, operating losses incurred to produce the tax credits are included in the current quarter. The resulting tax adjustment decreased earnings per share by \$0.27 for the quarter. These adjustments will reverse over the balance of the year, resulting in no impact to the company's annual earnings.

Contingent Value Obligation (CVO) Mark-to-Market

In connection with the acquisition of Florida Progress Corporation, Progress Energy issued 98.6 million CVOs. Each CVO represents the right to receive contingent payments based on production above certain levels of the four synthetic fuel facilities purchased by subsidiaries of Florida Progress Corporation in October 1999. The payments, if any, are based on the net after-tax cash flows the facilities generate. The CVOs are debt instruments and are valued at market value. Unrealized gains and losses from changes in market value are recognized in earnings each quarter. The CVO mark-to-market had no effect on earnings for the quarter. Since the company does not have any control over the market price of the CVOs, it does not consider the mark-to-market adjustment a component of ongoing earnings.

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This earnings announcement, as well as a package of detailed financial information, is available on the company's Web site at <http://www.progress-energy.com/>.

Progress Energy's conference call with the investment community will be held on July 24, 2002, at 10:00 a.m. EDT (7:00 a.m. PDT) and will be hosted by Peter Scott, executive vice president and chief financial officer. Investors, media and the public may listen to the conference call by dialing 719-457-2617, confirmation code 345293. Should you encounter problems, please contact Tammy Blankenship at 919-546-2233. A playback of the call will be available from 1:00 p.m. EDT July 24 through midnight August 7, 2002. To listen to the recorded call, dial 719-457-0820 and enter confirmation code 345293.

A Webcast of the live conference call will be available at <http://www.progress-energy.com/>. The Webcast will be available in Windows Media and RealPlayer streaming-media formats. The Webcast will be archived on the site for those unable to listen in real time.

Members of the media are invited to listen to the conference call and then participate in a media-only question and answer session with Peter Scott starting at 11:00 a.m. EDT. To participate in this session, please dial 719-457-2707, confirmation code 665671.

Progress Energy (NYSE: PGN) is a Fortune 250 diversified holding company headquartered in Raleigh, N.C., with more than 21,800 megawatts of generation capacity and \$8 billion in annual revenues. The company's diverse portfolio includes two major electric utility companies, CP&L and Florida Power, as well as NCNG, Progress Rail, Progress Telecom and Progress Ventures, which manages the company's non-regulated energy operations including fuel extraction, manufacturing and delivery; merchant generation; and energy marketing and trading. These companies serve 2.9 million customers across the Southeast, providing electricity, natural gas, energy services and broadband capacity. For more information about Progress Energy, visit the company's Web site at <http://www.progress-energy.com/>.

This press release contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements involve estimates, projections, goals, forecasts, assumptions, risk and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Examples of factors that you should consider with respect to any forward looking statements made in this presentation include, but are not limited to, the following: governmental policies and regulatory actions (including those of the Federal Energy Regulatory Commission, the Environmental Protection Agency, the Nuclear Regulatory Commission, and Department of Energy, the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, as amended, the North Carolina Utilities Commission, the Public Service Commission of South Carolina, and the Florida Public Service Commission), particularly legislative and regulatory initiatives that may impact the speed and degree of the restructuring of the electricity industry; the outcome of legal and administrative proceedings, including proceedings before our principal regulators; risks associated with operating nuclear power facilities, availability of nuclear waste storage facilities, and nuclear decommissioning costs; terrorist threats and activities, particularly with respect to our facilities, economic uncertainty caused by terror attacks on the United States, and potential adverse reactions to United States anti-terrorism activities; changes in the economy of areas served by CP&L, Florida Progress or NCNG; the extent to which we are able to obtain adequate and timely rate recovery of costs, including potential stranded costs arising from the restructuring of the electricity industry; weather conditions and catastrophic weather-related damage; general industry trends, increased competition from energy and gas suppliers, and market demand for energy; inflation and capital market conditions; the extent to which we are able to realize the potential benefits of our recent acquisition of Florida Progress Corporation and successfully integrate it with the remainder of our business; the extent to which we are able to realize the potential benefits of the conversion of Carolina Power & Light Company to a non-

regulated holding company structure and the success of our direct and indirect subsidiaries; the extent to which we are able to use tax credits associated with the operations of the synthetic fuel facilities; the extent to which we are able to realize the potential benefits of the Westchester Gas Company acquisition; the extent to which we are able to reduce our capital expenditures through the utilization of the natural gas expansion fund established by the North Carolina Utilities Commission; and unanticipated changes in operating expenses and capital expenditures. Other risk factors are detailed from time to time in the companies' SEC reports. All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond the ability of the company to control or estimate precisely.

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PROGRESS ENERGY, INC.
UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

STATEMENTS OF INCOME

(In thousands except per share amounts)	Three Months Ended June 30		Six Months Ended June 30	
	2002	2001	2002	2001
Operating Revenues				
Electric	\$1,600,581	\$1,565,947	\$ 3,098,503	\$ 3,197,994
Natural gas	64,498	68,575	150,603	207,149
Diversified businesses	373,185	681,121	677,472	818,591
Total Operating Revenues	2,038,264	2,315,643	3,926,578	4,223,734
Operating Expenses				
Fuel used in electric generation	372,852	378,288	739,700	748,144
Purchased power	224,078	211,876	412,696	429,424
Gas purchased for resale	49,849	57,184	102,772	166,778
Other operation and maintenance	351,526	304,400	686,216	599,497
Depreciation and amortization	215,279	264,131	431,891	580,920
Taxes other than on income	94,435	93,945	191,631	193,592
Diversified businesses	426,875	721,744	798,986	911,447
Total Operating Expenses	1,734,894	2,031,568	3,363,892	3,629,802
Operating Income	303,370	284,075	562,686	593,932
Other Income (Expense)				
Interest income	6,239	9,445	8,315	19,448
Other, net	(1,780)	(12,119)	4,890	(9,457)
Total Other Income (Expense)	4,459	(2,674)	13,205	9,991
Income before Interest Charges and Income Taxes	307,829	281,401	575,891	603,923
Interest Charges				
Gross interest charges	176,355	197,269	350,782	360,215
Allowance for borrowed funds used during construction and capitalized interest	(5,305)	(1,873)	(9,081)	(5,353)
Total Interest Charges, Net	171,050	195,396	341,701	354,862
Income before Income Taxes	136,779	86,005	234,190	249,061
Income Taxes	16,159	(25,697)	(18,957)	(16,644)
Net Income	\$120,620	\$111,702	253,147	265,705
Average Common Shares Outstanding	215,007	200,043	213,999	199,922
Basic Earnings per Common Share	\$0.56	\$0.56	\$1.18	\$1.33
Diluted Earnings per Common Share	\$0.56	\$0.56	\$1.18	\$1.32
Dividends Declared per Common Share	\$0.545	\$0.530	\$1.090	\$1.060

This financial information should be read in conjunction with the Company's 2001 Annual Report to shareholders. These statements have been prepared for the purpose of providing information concerning the Company and not in connection with any sale, offer for sale, or solicitation of an offer to buy any securities.

Progress Energy, Inc.

BALANCE SHEETS

June 30 December 31

(In thousands)

2002 2001

ASSETS

Utility Plant

Electric utility plant in service	\$19,260,446	\$19,176,021
Gas utility plant in service	521,001	491,903
Accumulated depreciation	(10,435,492)	(10,096,412)
Utility plant in service, net	9,345,955	9,571,512
Held for future use	15,027	15,380
Construction work in progress	1,143,029	1,065,154
Nuclear fuel, net of amortization	224,279	262,869
Total Utility Plant, Net	10,728,290	10,914,915

Current Assets

Cash and cash equivalents	304,442	54,419
Accounts receivable	758,985	738,740
Unbilled accounts receivable	233,478	209,960
Taxes receivable	-	32,325
Inventory	925,676	886,747
Deferred fuel cost	123,933	146,652
Prepayments	68,513	49,056
Other current assets	131,398	214,042
Total Current Assets	2,546,425	2,331,941

Deferred Debits and Other Assets

Regulatory assets	414,625	448,631
Nuclear decommissioning trust funds	839,529	822,821
Diversified business property, net	1,996,130	1,073,046
Miscellaneous other property and investments	507,177	456,880
Goodwill, net	3,722,237	3,690,210
Prepaid pension assets	497,542	489,600
Other assets and deferred debits	516,757	513,099
Total Deferred Debits and Other Assets	8,493,997	7,494,287
Total Assets	\$21,768,712	\$20,741,143

CAPITALIZATION AND LIABILITIES

Capitalization

Common stock (without par value, authorized 500,000,000, issued and outstanding 221,235,262 and 218,725,352 shares, respectively)	4,243,547	4,107,493
Unearned ESOP common stock	(104,703)	(114,385)
Accumulated other comprehensive loss	(28,923)	(32,180)
Retained earnings	2,061,224	2,042,605
Total Common Stock Equity	6,171,145	6,003,533
Preferred stock of subsidiary - redemption not required	92,831	92,831
Long-term debt, net	10,162,723	9,483,745
Total Capitalization	16,426,699	15,580,109

Current Liabilities

Current portion of long-term debt	702,860	688,052
Accounts payable	591,660	725,977
Taxes accrued	66,835	-
Interest accrued	225,950	212,387
Dividends declared	119,469	117,857
Short-term Obligations	346,983	77,529
Customer Deposits	159,900	154,343
Other current liabilities	396,609	419,398
Total Current Liabilities	2,610,266	2,395,543

Deferred Credits and Other Liabilities

Accumulated deferred income taxes	1,407,249	1,434,506
Accumulated deferred investment tax credits	216,159	226,382
Regulatory liabilities	285,014	287,239
Other liabilities and deferred credits	823,325	817,364
Total Deferred Credits and Other Liabilities	2,731,747	2,765,491

Total Capitalization and Liabilities

\$21,768,712 \$20,741,143

SUPPLEMENTAL DATA

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2002	2001	2002	2001
Operating Revenues (in thousands)				
Electric				
Retail	\$ 1,313,045	\$ 1,295,650	\$ 2,573,854	\$ 2,622,453
Wholesale	212,572	214,908	407,519	475,555
Unbilled	29,486	15,099	26,226	(46,780)
Miscellaneous revenue	45,478	40,290	90,904	146,766
Total Electric	1,600,581	1,565,947	3,098,503	3,197,994
Natural gas	64,498	68,575	150,603	207,149
Diversified businesses	373,185	681,121	677,472	818,591
Total Operating Revenues	\$ 2,038,264	\$ 2,315,643	\$ 3,926,578	\$ 4,223,734
Energy Sales				
Electric (millions of kWh)				
Retail				
Residential	7,777	7,204	15,822	15,926
Commercial	5,884	5,682	11,130	10,956
Industrial	4,354	4,401	8,223	8,594
Other retail	1,053	1,007	1,999	1,970
Total Retail	19,068	18,294	37,174	37,446
Unbilled	875	624	720	(543)
Wholesale	4,471	4,080	8,781	8,859
Total Electric	24,414	22,998	46,675	45,762
Natural Gas (thousands of dt)	15,390	11,096	32,498	25,942
Energy Supply (millions of kWh)				
Generated - steam	11,683	11,877	23,098	23,791
nuclear	7,693	6,813	14,920	13,950
hydro	107	64	246	117
combustion turbines	2,162	1,672	3,747	2,809
Purchased	3,857	3,711	6,850	7,385
Total Energy Supply (Company Share)	25,502	24,137	48,861	48,052
Detail of Income Taxes (in thousands)				
Income tax expense (credit) - current	\$ 76,178	\$ (6,730)	34,189	\$ 28,475
deferred	(55,289)	(12,723)	(42,933)	(31,904)
investment tax credit	(4,730)	(6,244)	(10,213)	(13,215)
Total Income Tax Expense	\$ 16,159	\$ (25,697)	(18,957)	\$ (16,644)
FINANCIAL STATISTICS				
Ratio of earnings to fixed charges			1.49	2.16
Return on average common stock equity			8.77%	11.95%
Book value per common share			\$28.60	\$27.28
Capitalization ratios				
Common stock equity			37.57%	36.48%
Preferred stock of subsidiary- redemption not required			0.57%	0.62%
Long-term debt, net			61.87%	62.90%
Total			100.00%	100.00%

Progress Energy, Inc.
Segment Earnings Variance Analysis
Second Quarter June 2002 vs 2001

(\$ per share)	CP&L (Electric)	Florida Power (Electric)	Progress Ventures	Other Businesses	Corporate	Consolidated
Reported 2001 Earnings	0.42	0.42	0.28	(0.05)	(0.51)	0.56
CVO Mark-to-Market - 2001					0.03	(A) 0.03
Intra-period tax levelization - 2001					0.13	(B) 0.13
Progress Rail - Reclassification					0.05	(C) 0.05
Ongoing 2001 Earnings	0.42	0.42	0.28	(0.05)	(0.30)	0.77
Weather	0.02	0.04				0.06
Florida Rate Reduction		(0.06)				(D) (0.06)
Other Margin	0.07	0.01				(D) 0.08
Depreciation	0.02	0.06				(E) 0.08
Goodwill Amortization					0.11	(E) 0.11
O&M	(0.04)	(0.09)				(F) (0.17)
Interest Charges	0.03				0.04	(G) 0.07
Diversified Businesses			(0.01)		(0.01)	(0.02)
Other Income/Expense					(0.03)	(0.03)
Share Dilution	(0.04)	(0.02)	(0.02)		0.02	(H) (0.06)
Tax Reallocation	0.13			0.01	(0.14)	(I) 0.00
Ongoing 2002 Earnings	0.61	0.36	0.25	(0.04)	(0.35)	0.83
CVO Mark-to-Market - 2002					0.00	(A) 0.00
Intra-period tax levelization - 2002					(0.27)	(B) (0.27)
Reported 2002 Earnings	0.61	0.36	0.25	(0.04)	(0.62)	0.56
Segment View:						
Second Quarter 2002	0.51	0.34	0.37	(0.04)	(0.62)	(J) 0.56
Second Quarter 2001	0.35	0.40	0.37	(0.05)	(0.51)	0.56

Other includes NCNG, SRS, Progress Telecom, and Progress Rail. Progress Rail's EPS contribution immaterial and, therefore, is not separately disclosed.

Corporate includes eliminations, holding company interest expense, goodwill (in 2001), CVO mark-to-market, intra-period tax allocations, and purchase accounting transactions.

- (A) Impact of change in market value of outstanding CVOs.
- (B) Intra-period income tax leveling impact, related to cyclical nature of energy demand.
- (C) Progress Rail was an asset held for sell from December 2000 until June 2001, when it was reclassified as an ongoing business.
- (D) Florida rate reduction: 9.2% reduction effective 5-1-02. Other margin: CP&L - favorable retail growth and usage \$0.05, wholesale/resale \$0.01, fuel/purchased power \$0.02, unfavorable industrial (\$0.01). FPC - favorable retail growth \$0.02, miscellaneous revenues \$0.01, unfavorable wholesale (\$0.02).
- (E) CP&L - Lower nuclear accelerated depreciation, FPC - rate case impact, Corporate - goodwill
- (F) CP&L: Increased infrastructure/IT costs, increased benefits.
FPC: Lower pension credits, increased system and reliability enhancements and employee benefits.
Corporate: Timing of allocating out total costs in Service Company.
- (G) Higher debt offset by lower interest rates.
- (H) Primarily impact of issuance in August, 2001 (12.7M shares) and purchase of Westchester Gas in April, 2002 (2.5M shares).
- (I) Moving impact of tax favorability from Holding Company to business segments.
- (J) Trading and marketing activities in CP&L (\$0.10) and Florida Power (\$0.02) that are managed by Progress Ventures

Progress Energy, Inc.
Segment Earnings Variance Analysis
Year-to-Date June 2002 vs 2001

(\$ per share)	CP&L (Electric)	Florida Power (Electric)	Progress Ventures	Other Businesses	Corporate	Consolidated
Reported 2001 Earnings	1.02	0.78	0.49	(0.04)	(0.92)	1.33
CVO Mark-to-Market - 2001					0.04 (A)	0.04
Intra-period tax levelization - 2001					0.23 (B)	0.23
Progress Rail - Reclassification					0.05 (C)	0.05
Ongoing 2001 Earnings	1.02	0.78	0.49	(0.04)	(0.60)	1.65
Weather	0.01	0.02				0.03
Florida Rate Reduction		(0.06)				(0.06) (D)
Other Margin	0.05	0.05				0.10 (D)
Depreciation	0.01	0.12				0.13 (E)
Goodwill Amortization					0.22 (E)	0.22
O&M	(0.11)	(0.14)			(0.01) (F)	(0.26)
Interest Charges	0.04		(0.01)		0.01 (G)	0.04
Diversified Businesses			(0.02)		(0.01) (H)	(0.03)
Other Income/Expense	(0.06)				(0.06) (H)	(0.12)
Share Dilution	(0.07)	(0.04)	(0.03)		0.03 (I)	(0.11)
Tax Reallocation	0.13			0.01	(0.14) (J)	0.00
Ongoing 2002 Earnings	1.02	0.73	0.43	(0.03)	(0.56)	1.59
Florida Retroactive Rate Refund		(0.10)				(0.10) (K)
CVO Mark-to-Market - 2002					0.06 (A)	0.06
Intra-period tax levelization - 2002					(0.37) (B)	(0.37)
Reported 2002 Earnings	1.02	0.63	0.43	(0.03)	(0.87)	1.18
Segment View:						
First Half 2002	0.88	0.60	0.60	(0.03)	(0.87)	1.18 (L)
First Half 2001	0.88	0.72	0.69	(0.04)	(0.92)	1.33

Other includes NCNG, SRS, Progress Telecom, and Progress Rail. Progress Rail's EPS contribution immaterial and, therefore, is not separately disclosed.

Corporate includes eliminations, holding company interest expense, goodwill (in 2001), CVO mark-to-market, intra-period tax allocations, and purchase accounting transactions.

- (A) Impact of change in market value of outstanding CVOs.
- (B) Intra-period income tax leveling impact, related to cyclical nature of energy demand.
- (C) Progress Rail was an asset held for sell from December 2000 until June 2001, when it was reclassified as an ongoing business.
- (D) Florida rate reduction: 9.2% reduction effective 5-1-02. Other margin: CP&L - favorable retail growth and usage \$0.07, fuel/purchased power \$0.03, unfavorable industrial (\$0.03), wholesale (\$0.02). FPC - favorable retail growth \$0.05, fuel/purchased power \$0.01, unfavorable wholesale (\$0.01).
- (E) CP&L - Lower nuclear accelerated depreciation, FPC - rate case impact, Corporate - goodwill
- (F) CP&L: Increased infrastructure/IT costs, increased benefits.
FPC: Lower pension credits, increased system reliability and enhancements and employee benefits.
- (G) Higher debt offset by lower interest rates.
- (H) CP&L - Lower AFUDC credits in 2002, lower interest income, and other nonoperating charges.
- (I) Primarily impact of issuance in August, 2001 (12.7M shares) and purchase of Westchester Gas in April, 2002 (2.5M shares).
- (J) Moving impact of tax favorability from Holding Company to business segments.
- (K) Impact of \$35M retroactive rate refund related to rate case settlement.
- (L) Trading and marketing activities in CP&L (\$0.14) and Florida Power (\$0.03) that are managed by Progress Ventures.