

## Progress Energy Posts Strong Results, Meets Ongoing Earnings Expectations for 2001

### Highlights:

- ◆ Reports \$2.65 EPS, \$3.40 before one-time charges; meets ongoing earnings expectations
- ◆ Non-regulated businesses offset mild weather, industrial slowdown
- ◆ Receives Private Letter Rulings for four synthetic fuel plants
- ◆ Reaffirms 2002 guidance of \$3.90 to \$4.10 per share

RALEIGH, N.C. (January 23, 2002) – Progress Energy [NYSE: PGN] today reported consolidated net income of \$541.6 million, or \$2.65 per share for 2001. Earnings were \$3.40 per share in 2001 before one-time after-tax charges of \$0.75 per share or \$152.8 million. The one-time charges result from the writedown of the Interpath investment and certain assets in the SRS subsidiary.

“In our first full year as Progress Energy, the benefits of being a larger, more diverse entity are evident in our financial performance,” said William Cavanaugh, chairman, president and CEO, Progress Energy. “We are extremely pleased to have met our 2001 earnings goal in this challenging economic climate.”

The Progress Ventures business unit – which participates in the wholesale energy business – contributed \$1.41 per share for the year. Of this total, \$0.42 per share is related to the management of wholesale contracts and trading on behalf of the utility operating companies.

Progress Energy reaffirms 2002 guidance of \$3.90 to \$4.10 per share. This is consistent with the company’s commitment to grow earnings at an average annual rate of 7 to 8 percent from 2001’s original earnings target of \$3.25 to \$3.35 per share. Progress Energy expects solid growth in its

### Progress Energy, Inc. Reconciliation of Ongoing Earnings December 31, 2001

|                               | 4 <sup>th</sup><br>Quarter | 2001           |
|-------------------------------|----------------------------|----------------|
| Reported earnings             | \$ (0.43)                  | \$ 2.65        |
| Impairments/one-time charges* | \$ 0.72                    | \$ 0.75        |
| Intra-period tax allocation   | \$ 0.13                    | --             |
| CVO mark-to-market            | \$ 0.04                    | --             |
| Ongoing earnings              | <u>\$ 0.46</u>             | <u>\$ 3.40</u> |
| Shares outstanding (000s)     | 212,866                    | 204,683        |

\*Quarter and year-end difference due to share dilution

primary businesses and will record an increase in earnings per share of approximately \$0.45 due to the elimination of goodwill amortization in 2002.

“Even with the recession and continued effects from the events of September 11, we remain committed to our earnings target, and we are confident that we can deliver excellent results, along with a solid dividend, to our shareholders in 2002,” said Cavanaugh.

## **SIGNIFICANT RECENT DEVELOPMENTS**

### ***Private Letter Rulings***

The company recently received Private Letter Rulings (PLRs) from the Internal Revenue Service for four synthetic fuel facilities. All majority-owned synthetic fuel facilities, representing 98 percent of production, are now covered by PLRs. The operating criteria reflected in the PLRs are consistent with the way the company has historically operated these facilities. As stated previously, the company is exploring the possible sale of an interest in its synthetic fuel facilities to optimize the total value of this line of business.

### ***Florida Rate Case***

In May 2001, the Florida Public Service Commission (FPSC) issued an order initiating a rate case for Florida Power. The calculation of the company’s revenue requirements, along with supporting testimony, was filed on September 14, 2001, and certain updated information was filed on November 15, 2001. The FPSC staff testimony is scheduled to be filed on January 28, 2002. Hearings are scheduled to begin March 20, 2002, with a final staff recommendation expected May 2002. The commissioners have encouraged the FPSC staff and the company to negotiate a settlement before then if possible.

### ***Progress Ventures – Generation***

In November 2001, Progress Energy announced the acquisition of 1,182 megawatts of gas-fired generation in Georgia from LG&E. The transaction includes a power sales agreement for the entire output of the plants through December 31, 2004, and is expected to close in the first half of 2002.

### ***Progress Ventures – Fuels***

On January 11, 2002, Progress Energy announced that it had entered into a letter of intent with Westchester Gas Company to acquire approximately 215 producing natural gas wells, 52 miles of intrastate gas pipeline and 170 miles of gas-gathering systems. The properties are located within a 25-mile radius of Jonesville, Texas, on the Texas-Louisiana border. This will add 140 billion cubic feet (Bcf) of gas reserves to Progress Ventures’ fuel business, which more than doubles its gas reserves and potential annual production levels. The investment is expected to be immediately accretive to company earnings in 2002.

### ***Nuclear Operations World Record***

On January 21, 2002, Brunswick Plant Unit 1 surpassed the 668-day continuous run record that had been set in 1999. Breaking this record means that the Brunswick Plant now holds the world record for operating a light water reactor without a shutdown.

## LINE OF BUSINESS/SEGMENT FINANCIAL INFORMATION

The operations of Florida Progress were included in Progress Energy's earnings subsequent to the acquisition date of November 30, 2000, and, therefore, one month of operations is reflected in the period ended December 31, 2000, except for Progress Rail, which was classified as assets held for sale. 2001 includes a full year of Florida Progress operations in Progress Energy results.

The discussion below for Florida Power, Progress Telecom and Progress Rail compares full-year data for 2000 and 2001.

### UTILITIES

#### *CP&L*

For the year, CP&L electric operations contributed earnings of \$468.3 million compared to \$373.8 million in 2000. 2000 results included accelerated depreciation expense on nuclear assets of \$275 million while 2001 results included \$75 million. In addition, CP&L's earnings were positively impacted by an operating expense reduction of \$24.6 million in 2001 and the addition of approximately 31,000 new CP&L customers, a 2.4 percent increase over 2000. These factors were partially offset by mild weather in 2001 and a continued weakness in industrial wholesale sales, as shown in the table after the discussion of Florida Power's results.

CP&L electric operations include earnings of \$62.7 million in 2001 compared to \$84 million in 2000 related to energy marketing and trading, which are managed on behalf of the utility by Progress Ventures business unit. These amounts are also included in Progress Ventures business unit's earnings.

#### *Florida Power*

Florida Power electric operations had earnings of \$309.6 million in 2001 compared to \$322.2 million in 2000. Factors negatively impacting this year's earnings were milder than normal weather, a slowdown in industrial sales and accelerated amortization on the Tiger Bay regulatory asset. Please see the table that follows for a breakdown of sales by customer class. Earnings were positively impacted by the addition of approximately 35,000 new Florida Power customers, a 2.5 percent increase over 2000.

The Tiger Bay regulatory asset was created as a result of the early termination of certain long-term cogeneration contracts. The company amortizes the regulatory asset according to a plan approved by the Florida Public Service Commission in 1997 but also has the option to accelerate the amortization. In 2001, \$97 million of accelerated amortization was recorded on the Tiger Bay regulatory asset, of which \$63 million was associated with deferred revenue from 2000 and had no impact on 2001 earnings. The remaining \$34 million of accelerated amortization did impact 2001 earnings. The balance of the regulatory asset at December 31, 2001, was \$95.3 million.

Florida Power electric operations include earnings of \$24.0 million in 2001 compared to \$21.9 million in 2000 related to energy marketing and trading, which are managed on behalf of the utility by Progress Ventures business unit. These amounts are also included in Progress Ventures business unit's earnings.

### *Electric Utility Kilowatt Hour Sales by Class*

| <b>CP&amp;L Sales<br/>for the Year Ended December 31, 2001</b> |             |                               | <b>Florida Power Sales<br/>for the Year Ended December 31, 2001</b> |             |                               |
|--|-------------|-------------------------------|---|-------------|-------------------------------|
| <b>Sales<br/>(in billions of kWh)</b>                          | <b>2001</b> | <b>% Change<br/>from 2000</b> | <b>Sales<br/>(in billions of kWh)</b>                               | <b>2001</b> | <b>% Change<br/>from 2000</b> |
| Residential  | 14.4        | 2.0%                          | Residential   | 17.6        | 2.9%                          |
| Commercial   | 12.0        | 4.7%                          | Commercial  | 11.1        | 2.3%                          |
| Industrial   | 13.3        | (7.7)%                        | Industrial  | 3.9         | (8.9)%                        |
| Government   | 1.4         | –                             | Government  | 2.7         | 2.7%                          |
| Wholesale  | 13.0        | (10.9)%                       | Wholesale   | 4.7         | (9.4)%                        |
| <b>Total</b>   | <b>54.1</b> | <b>(3.4)%</b>                 | <b>Total</b>  | <b>40.0</b> | <b>(0.2)%</b>                 |

### *NCNG*

NCNG had gross margin of \$78.0 million in 2001 and \$76.5 million in 2000 and earnings of \$2.5 million and \$6.5 million for comparable periods. The increase in margin was mainly attributable to the Sandhills pipeline that was completed in March 2001 and was offset by declines in industrial sales. The decrease in earnings was primarily due to higher overall operating expenses. NCNG's 2001 results include \$5.9 million of goodwill amortization.

In January 2002, NCNG filed a notice of intent for a rate case with the North Carolina Utilities Commission.

## **DIVERSIFIED BUSINESSES**

### *Progress Ventures*

The Progress Ventures business unit had net income of \$288.7 million for the year compared to \$123.0 million in 2000. The increase in earnings is primarily due to the inclusion of Florida Progress subsidiaries in the current year. Progress Ventures business unit manages marketing and trading operations on behalf of the utility companies. Total synthetic fuel sales were 13.3 million tons for the year compared to 8.2 million tons in 2000.

### *Progress Telecom*

Progress Telecom, including CaroNet's operations, recorded revenues of \$62.9 million for the year compared to \$45.2 million for 2000. Earnings before interest, taxes, depreciation and amortization (EBITDA) in 2001 were \$11.0 million compared to \$8.3 million in 2000.

### *Progress Rail*

Progress Rail reported revenues of \$946.2 million and a net loss of \$13.9 million for the year, compared to revenues of \$1.0 billion and a net loss of \$16.8 million in 2000. Progress Energy

is focusing on achieving profitability at Progress Rail in 2002 by realizing cost savings from operational efficiencies.

## **SRS**

SRS is engaged in software sales and energy services to help industrial, commercial and institutional customers manage energy costs. Progress Energy has decided to refocus the business on energy services in the southeastern states and to consolidate remaining operations with other retail activities. Due to the historical and current-year losses at SRS and the decline of the market value for technology companies, the company initiated a valuation study to help assess the recoverability of its investment in SRS. Based on this assessment, the company recorded an after-tax writedown and one-time charge of \$45.6 million of SRS's assets, primarily goodwill, in 2001. This writedown constitutes a significant reduction in the book value of these assets, and the ongoing operations are expected to have a negligible impact on Progress Energy's net income.

## ***Interpath Investment***

The predecessor company to Interpath was founded in 1994 and had several lines of business in the technology sector. In 2000, the company sold 65 percent of the Application Service Provider (ASP) line to Bain Capital. While Interpath has performed well in executing its ASP business plan, Progress Energy believes it is prudent to write down its investment to reflect current valuations in the technology sector. Based on this valuation, the company recorded an after-tax writedown and one-time charge of \$107.2 million of the Interpath investment in 2001. This writedown constitutes a significant reduction in the book value of these assets, and the ongoing operations are expected to have a negligible impact on Progress Energy's net income.

## **CORPORATE**

Corporate results include interest expense on holding company debt and goodwill amortization. The corporate charge was approximately \$251 million for the year, including \$89 million of goodwill amortization associated with the Florida Progress acquisition, compared to a \$35 million corporate charge in 2000, including goodwill of \$7 million. This increase is due to the inclusion of Florida Progress for the full year 2001.

## **NON-OPERATING ADJUSTMENTS ASSOCIATED WITH SYNTHETIC FUELS**

### ***Intra-period Tax Allocation***

With respect to the intra-period tax allocation effects, 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' earnings reduce Progress Energy's overall effective tax rate. The company's synthetic fuel operations' earnings are not subject to seasonal fluctuation to the same extent as the electric utility operations' 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 that projected tax rate. On the other hand, operating losses

incurred to produce the tax credit are included in the current quarter. The resulting tax adjustment decreased earnings per share by \$0.13 for the quarter but had no impact on 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 decreased earnings per share by \$0.04 for the fourth quarter but had an immaterial impact on the annual earnings. 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 January 23, 2002, at 9:00 a.m. EST (6:00 a.m. PST) 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 calling 719-457-2625, confirmation code 413551. Should you encounter problems, please contact Peggy Holton at 919-546-6374. A playback of the call will be available from 1:00 p.m. EST January 23 through midnight January 31, 2002. To listen to the recorded call, dial 719-457-0820 and enter confirmation code 413551.

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 10:00 a.m. EST. To participate in this session, please dial 719-457-2617, confirmation code 534952.

Progress Energy (NYSE: PGN) is a Fortune 250 diversified holding company headquartered in Raleigh, N.C., with more than 20,000 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, SRS, Progress Rail, Progress Telecom and an important new organization, Progress Ventures, which was created to manage 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 risk factors that you should consider with respect to any forward-looking statements made in this press release include, but are not limited to, recent activities such as the ability to consummate the proposed acquisition of Westchester Gas Company and the acquisition of gas-fired generation in Georgia from LG&E and to realize the potential benefits of these acquisitions. 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 |              | Year Ended   |              |
|--|--------------------|--------------|--------------|--------------|
|  | December 31        |              | December 31  |              |
|  | 2001               | 2000         | 2001         | 2000         |
| <b>Operating Revenues</b>                              |                    |              |              |              |
| Electric   | \$ 1,478,633       | \$ 1,061,155 | \$ 6,556,561 | \$ 3,549,821 |
| Natural gas  | 62,565             | 101,406      | 321,385      | 324,499      |
| Diversified businesses                                 | 365,981            | 95,760       | 1,583,513    | 229,093      |
| Total Operating Revenues                               | 1,907,179          | 1,258,321    | 8,461,459    | 4,103,413    |
| <b>Operating Expenses</b>                              |                    |              |              |              |
| Fuel used in electric generation                       | 365,544            | 214,276      | 1,559,998    | 686,754      |
| Purchased power  | 169,861            | 111,478      | 868,078      | 364,977      |
| Gas purchased for resale                               | 40,391             | 84,431       | 243,451      | 250,902      |
| Other operation and maintenance                        | 356,687            | 290,421      | 1,246,835    | 823,549      |
| Depreciation and amortization                          | 240,785            | 342,843      | 1,090,178    | 754,747      |
| Taxes other than on income                             | 85,107             | 52,664       | 383,824      | 165,393      |
| Impairment of assets                                   | 44,800             | -            | 44,800       | -            |
| Diversified businesses                                 | 417,980            | 145,618      | 1,790,820    | 353,169      |
| Total Operating Expenses                               | 1,721,155          | 1,241,731    | 7,227,984    | 3,399,491    |
| <b>Operating Income</b>                                | 186,024            | 16,590       | 1,233,475    | 703,922      |
| <b>Other Income (Expense)</b>                          |                    |              |              |              |
| Interest income  | 2,074              | 18,987       | 22,206       | 26,984       |
| Impairment of investments                              | (164,183)          | -            | (164,183)    | -            |
| Gain on sale of assets                                 | -                  | -            | -            | 200,000      |
| Other, net   | (23,263)           | 8,578        | (16,718)     | 12,514       |
| Total Other Income (Expense)                           | (185,372)          | 27,565       | (158,695)    | 239,498      |
| <b>Income before Interest Charges and Income Taxes</b> | 652                | 44,155       | 1,074,780    | 943,420      |
| <b>Interest Charges</b>                                |                    |              |              |              |
| Long-term debt   | 157,466            | 81,868       | 592,477      | 237,494      |
| Other interest charges                                 | 20,641             | 31,732       | 110,355      | 46,105       |
| Allowance for borrowed funds used during construction  | (8,459)            | (5,656)      | (18,019)     | (21,314)     |
| Net Interest Charges                                   | 169,648            | 107,944      | 684,813      | 262,285      |
| <b>Income before Income Taxes</b>                      | (168,996)          | (63,789)     | 389,967      | 681,135      |
| <b>Income Taxes</b>                                    | (78,456)           | (52,350)     | (151,643)    | 202,774      |
| <b>Net Income</b>                                      | \$ (90,540)        | \$ (11,439)  | \$ 541,610   | \$ 478,361   |
| <b>Average Common Shares Outstanding</b>               | 212,866            | 168,899      | 204,683      | 157,169      |
| <b>Basic Earnings per Common Share</b>                 | \$ (0.43)          | \$ (0.07)    | \$ 2.65      | \$ 3.04      |
| <b>Diluted Earnings per Common Share</b>               | \$ (0.42)          | \$ (0.07)    | \$ 2.64      | \$ 3.03      |
| <b>Dividends Declared per Common Share</b>             | \$ 0.545           | \$ 0.530     | \$ 2.135     | \$ 2.075     |

This financial information should be read in conjunction with the Company's 2000 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.

**BALANCE SHEETS**

(In thousands)

December 31

December 31

2001

2000

|   | December 31<br>2001  | December 31<br>2000  |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| <b>Utility Plant</b>  |                      |                      |
| Electric utility plant in service   | \$ 19,176,021        | \$ 18,124,036        |
| Gas utility plant in service  | 491,903              | 378,464              |
| Accumulated depreciation  | (10,096,412)         | (9,350,172)          |
| Utility plant in service, net   | 9,571,512            | 9,152,328            |
| Held for future use   | 15,380               | 16,302               |
| Construction work in progress   | 1,065,154            | 1,043,376            |
| Nuclear fuel, net of amortization   | 262,869              | 224,692              |
| Total Utility Plant, Net  | 10,914,915           | 10,436,698           |
| <b>Current Assets</b>   |                      |                      |
| Cash and cash equivalents   | 59,124               | 101,296              |
| Accounts receivable   | 984,461              | 925,911              |
| Taxes receivable  | 32,325               | -                    |
| Inventory   | 886,747              | 420,985              |
| Deferred fuel cost  | 146,652              | 217,806              |
| Prepayments   | 36,150               | 50,040               |
| Assets Held for Sale, net   | -                    | 747,745              |
| Other current assets  | 226,947              | 192,347              |
| Total Current Assets  | 2,372,406            | 2,656,130            |
| <b>Deferred Debits and Other Assets</b>   |                      |                      |
| Income taxes recoverable through future rates   | 234,180              | 228,686              |
| Harris Plant deferred costs   | 32,475               | 44,813               |
| Unamortized debt expense  | 46,910               | 38,771               |
| Nuclear decommissioning trust funds   | 822,821              | 811,998              |
| Diversified business property, net  | 1,073,046            | 720,231              |
| Miscellaneous other property and investments  | 537,979              | 636,677              |
| Deferred purchased power contract termination costs   | 95,326               | 226,656              |
| Goodwill, net   | 3,705,610            | 3,652,429            |
| Other assets and deferred debits  | 938,236              | 657,612              |
| Total Deferred Debits and Other Assets  | 7,486,583            | 7,017,873            |
| <b>Total Assets</b>   | <b>\$ 20,773,904</b> | <b>\$ 20,110,701</b> |
| <b>CAPITALIZATION AND LIABILITIES</b>   |                      |                      |
| <b>Capitalization</b>   |                      |                      |
| Common stock equity   | \$ 6,003,533         | \$ 5,424,201         |
| Preferred stock of subsidiary - redemption not required   | 92,831               | 92,831               |
| Long-term debt, net   | 9,093,430            | 5,890,099            |
| Total Capitalization  | 15,189,794           | 11,407,131           |
| <b>Current Liabilities</b>  |                      |                      |
| Current portion of long-term debt   | 762,349              | 184,037              |
| Accounts payable  | 754,319              | 828,568              |
| Taxes accrued   | -                    | 932                  |
| Interest accrued  | 212,387              | 121,433              |
| Dividends declared  | 117,857              | 107,645              |
| Short-term Obligations  | 527,529              | 3,972,674            |
| Other current liabilities   | 562,410              | 447,370              |
| Total Current Liabilities   | 2,936,851            | 5,662,659            |
| <b>Deferred Credits and Other Liabilities</b>   |                      |                      |
| Accumulated deferred income taxes   | 1,421,849            | 1,807,192            |
| Accumulated deferred investment tax credits   | 226,382              | 261,255              |
| Other liabilities and deferred credits  | 999,028              | 972,464              |
| Total Deferred Credits and Other Liabilities  | 2,647,259            | 3,040,911            |
| <b>Total Capitalization and Liabilities</b>   | <b>\$ 20,773,904</b> | <b>\$ 20,110,701</b> |
| <b>SCHEDULES OF COMMON STOCK EQUITY</b>   |                      |                      |
| (In thousands)  |                      |                      |
| Common stock (without par value, authorized 500,000,000, issued and outstanding 218,725,352 and 206,089,047 shares, respectively) | \$ 4,107,493         | \$ 3,608,902         |
| Unearned ESOP common stock  | (114,385)            | (127,211)            |
| Accumulated other comprehensive loss  | (32,180)             | -                    |
| Retained earnings   | 2,042,605            | 1,942,510            |
| Total Common Stock Equity   | \$ 6,003,533         | \$ 5,424,201         |

**SUPPLEMENTAL DATA**

|  | Three Months Ended |              | Year Ended   |              |
|--|--------------------|--------------|--------------|--------------|
|  | December 31        |              | December 31  |              |
|  | 2001               | 2000         | 2001         | 2000         |
| <b>Operating Revenues (in thousands)</b> |                    |              |              |              |
| <b>Electric</b>                          |                    |              |              |              |
| Retail                                   | \$ 1,247,304       | \$ 808,847   | \$ 5,461,469 | \$ 2,799,422 |
| Wholesale                                | 191,294            | 234,527      | 922,719      | 664,847      |
| Unbilled                                 | 99                 | 54,540       | (54,173)     | 69,156       |
| Miscellaneous revenue                    | 39,936             | (36,759)     | 226,546      | 16,396       |
| Total Electric                           | 1,478,633          | 1,061,155    | 6,556,561    | 3,549,821    |
| Natural gas                              | 62,565             | 101,406      | 321,385      | 324,499      |
| Diversified businesses                   | 365,981            | 95,760       | 1,583,513    | 229,093      |
| Total Operating Revenues                 | \$ 1,907,179       | \$ 1,258,321 | \$ 8,461,459 | \$ 4,103,413 |

**Energy Sales****Electric (millions of kWh)**

|                |        |        |         |        |
|----------------|--------|--------|---------|--------|
| <b>Retail</b>  |        |        |         |        |
| Residential    | 6,666  | 4,490  | 31,976  | 15,365 |
| Commercial     | 5,480  | 3,509  | 23,033  | 12,221 |
| Industrial     | 4,137  | 3,793  | 17,204  | 14,762 |
| Other retail   | 1,014  | 547    | 4,149   | 1,626  |
| Total Retail   | 17,297 | 12,339 | 76,362  | 43,974 |
| Unbilled       | (152)  | 1,108  | (1,045) | 1,098  |
| Wholesale      | 3,769  | 4,439  | 17,714  | 15,012 |
| Total Electric | 20,914 | 17,886 | 93,031  | 60,084 |

**Natural Gas (thousands of dt)**

|  |        |        |        |        |
|--|--------|--------|--------|--------|
|  | 13,420 | 14,065 | 52,442 | 57,026 |
|--|--------|--------|--------|--------|

**Energy Supply (millions of kWh)**

|                                     |        |        |        |        |
|-------------------------------------|--------|--------|--------|--------|
| <b>Generated - steam</b>            |        |        |        |        |
| nuclear                             | 11,489 | 9,113  | 48,732 | 31,132 |
| hydro                               | 5,797  | 6,784  | 27,301 | 23,857 |
| combustion turbines                 | 46     | 38     | 245    | 441    |
|                                     | 1,373  | 713    | 6,644  | 1,337  |
| Purchased                           | 3,141  | 1,946  | 14,469 | 5,724  |
| Total Energy Supply (Company Share) | 21,846 | 18,594 | 97,391 | 62,491 |

**Detail of Income Taxes (in thousands)**

|                                       |                    |                    |                     |                   |
|---------------------------------------|--------------------|--------------------|---------------------|-------------------|
| Income tax expense (credit) - current | \$ 84,215          | \$ (56,182)        | \$ 108,494          | \$ 281,500        |
| deferred                              | (158,276)          | 1,296              | (237,263)           | (73,465)          |
| investment tax credit                 | (4,395)            | 2,536              | (22,874)            | (5,261)           |
| <b>Total Income Tax Expense</b>       | <b>\$ (78,456)</b> | <b>\$ (52,350)</b> | <b>\$ (151,643)</b> | <b>\$ 202,774</b> |

**FINANCIAL STATISTICS**

|  |  |  |          |          |
|--|--|--|----------|----------|
| Ratio of earnings to fixed charges                     |  |  | 1.52     | 3.27     |
| Return on average common stock equity                  |  |  | 9.41 %   | 13.04 %  |
| Book value per common share                            |  |  | \$ 28.20 | \$ 27.17 |
| <b>Capitalization ratios</b>                           |  |  |          |          |
| Common stock equity                                    |  |  | 39.52 %  | 47.55 %  |
| Preferred stock of subsidiary- redemption not required |  |  | 0.61     | 0.81     |
| Long-term debt, net                                    |  |  | 59.88    | 51.64    |
| Total  |  |  | 100.00 % | 100.00 % |

**Progress Energy, Inc.**  
**Segment Earnings Variance Analysis**  
**Fourth Quarter 2001 vs. 2000**

| (\$ per share)             | CP&L<br>(Electric) | Florida<br>Power<br>(Electric) | Progress<br>Ventures | Other<br>Businesses | Corporate     | Consolidated  |
|----------------------------|--------------------|--------------------------------|----------------------|---------------------|---------------|---------------|
| <b>2000 earnings (H)</b>   | (0.08)             | 0.13                           | 0.12                 | (0.07)              | (0.17)        | (0.07)        |
| Weather                    | (0.18)             |                                |                      |                     |               | (0.18)        |
| Customer growth and usage  | 0.05 (A)           |                                |                      |                     |               | 0.05          |
| Other margin               | 0.01               |                                |                      |                     |               | 0.01          |
| Addition of FPC operations |                    | 0.08                           | 0.07                 | 0.06                |               | 0.21          |
| Operating expenses         | (0.11) (E)         |                                |                      |                     | 0.07          | (0.04)        |
| Depreciation               | 0.58 (F)           |                                |                      |                     |               | 0.58          |
| Interest charges           | 0.02               |                                |                      |                     | (0.13)        | (0.11)        |
| Goodwill amortization      |                    |                                |                      |                     | (0.07)        | (0.07)        |
| Diversified businesses     |                    |                                | 0.03                 | (0.03) (G)          |               | -             |
| Impairment adjustments     |                    | -                              |                      | (0.72) (I)          |               | (0.72)        |
| CVO mark-to-market         |                    |                                |                      |                     | (0.09)        | (0.09)        |
| Intraperiod tax adjustment |                    |                                |                      |                     | (0.13)        | (0.13)        |
| Share dilution             | 0.05 (B)           | (0.03) (B)                     | (0.03) (B)           | 0.01 (B)            | 0.04 (B)      | 0.04 (B)      |
| Eliminations/other         | 0.10               | 0.01                           | 0.01                 | -                   | (0.03)        | 0.09          |
| <b>2001 earnings</b>       | <b>0.44</b>        | <b>0.19</b> (C)                | <b>0.20</b> (D)      | <b>(0.75)</b>       | <b>(0.51)</b> | <b>(0.43)</b> |
| <b>segment view:</b>       |                    |                                |                      |                     |               |               |
| Total (D)                  | 0.34               | 0.16                           | 0.33                 | (0.75)              | (0.51)        | (0.43)        |

**Progress Ventures includes Electric Fuels (less Rail & Barge), Progress Ventures, and Monroe Power**  
**Other Businesses includes NCNG, SRS, Progress Telecom and Progress Rail**  
**Corporate includes eliminations, interest expense, goodwill, CVO mark-to-market, and intra-period tax allocations**

- (A) Residential and commercial increase of \$0.08, industrial decrease of \$0.03  
(B) Related to issuance of 46.5 million common shares in connection with FPC acquisition in Dec 2000, and issuance of 12.65 million shares in Aug 2001  
(C) See Table 1 for a full quarter of Florida Power operations.  
(D) Approximately \$.10 per share in CP&L and \$.03 per share in Florida Power are related to functions managed by Progress Ventures in 2001.  
(E) Primarily costs related to planned nuclear outages, increased transmission expenses.  
(F) Depreciation variance due to accelerated amortization on nuclear generating assets.  
(G) Includes sale of Bellsouth PCS assets in 2000  
(H) Includes one month of FPC operations  
(I) Impairment and one-time charges for SRS and Interpath of \$152.8 million

| <b>Table 1</b>                            |           |             |
|---|-----------|-------------|
| <b>Florida Power</b>                      |           |             |
| <b>Segment Earnings Variance Analysis</b> |           |             |
| <b>Fourth Quarter 2001 vs. 2000</b>       |           |             |
| <b>2000 earnings</b>                      | \$        | (0.32)      |
| <b>Merger adjustments- 2000</b>           |           | 0.66        |
| Weather                                   |           | (0.04)      |
| Customer growth and usage                 |           | -           |
| Operating expenses                        |           | (0.06)      |
| Share dilution                            |           | (0.10)      |
| Interest expense                          |           | 0.01        |
| Eliminations/other                        |           | 0.04        |
| <b>2001 earnings</b>                      | <b>\$</b> | <b>0.19</b> |

**Progress Energy, Inc.**  
**Segment Earnings Variance Analysis**  
**Year-to-Date December 2001 vs. 2000**

| (\$ per share)             | CP&L<br>(Electric) | Florida<br>Power<br>(Electric) | Progress<br>Ventures | Other<br>Businesses | Corporate | Consolidated |
|----------------------------|--------------------|--------------------------------|----------------------|---------------------|-----------|--------------|
| <b>2000 earnings (H)</b>   | 2.38               | 0.13                           | 0.24                 | 0.54                | (0.25)    | 3.04         |
| Weather                    | (0.16)             |                                |                      |                     |           | (0.16)       |
| Customer growth and usage  | 0.03               | (A)                            |                      |                     |           | 0.03         |
| Other margin               | 0.05               |                                |                      |                     |           | 0.05         |
| <br>                       |                    |                                |                      |                     |           |              |
| Addition of FPC operations |                    | 1.40                           | 0.55                 | (0.11)              |           | 1.84         |
| Operating expenses         | 0.12               | (E)                            |                      |                     |           | 0.12         |
| Depreciation               | 0.52               | (F)                            |                      |                     |           | 0.52         |
| Interest charges           | (0.06)             |                                |                      |                     | (0.70)    | (0.76)       |
| Goodwill amortization      |                    |                                |                      |                     | (0.38)    | (0.38)       |
| <br>                       |                    |                                |                      |                     |           |              |
| Diversified businesses     |                    |                                | 0.24                 | (0.43)              | (G)       | (0.19)       |
| Impairment adjustments     |                    |                                |                      | (0.75)              | (I)       | (0.75)       |
| <br>                       |                    |                                |                      |                     |           |              |
| CVO mark-to-market         |                    |                                |                      |                     | -         | -            |
| <br>                       |                    |                                |                      |                     |           |              |
| Share dilution             | (0.55)             | (B)                            | (0.06)               | (0.13)              | (B)       | (0.70)       |
| Eliminations/other         | (0.05)             | 0.01                           | 0.02                 | -                   | 0.01      | (0.01)       |
| <b>2001 earnings</b>       | 2.28               | 1.51                           | 0.99                 | (0.88)              | (1.25)    | 2.65         |
| <br>                       |                    |                                |                      |                     |           |              |
| <b>segment view:</b>       |                    |                                |                      |                     |           |              |
| Total (D)                  | 1.98               | 1.39                           | 1.41                 | (0.88)              | (1.25)    | 2.65         |

**Progress Ventures includes Electric Fuels (less Rail & Barge), Progress Ventures, Monroe Power**

**Other Businesses includes NCGG, SRS, Progress Telecom and Progress Rail**

**Corporate includes eliminations, interest expense, goodwill, CVO mark-to-market, and intra-period tax allocations**

(A) Residential and commercial increase \$ .14, offset by industrial decrease of \$ .11.

(B) Related to issuance of 46.5 million common shares in connection with FPC acquisition in Dec 2000, and issuance of 12.65 million shares in Aug 2001

(C) See Table 1 for a full year of Florida Power operations

(D) Approximately \$ .30 per share in CP&L and \$ .12 per share in Florida Power related to functions managed by Progress Ventures in 2001.

(E) Reduction related to cost control efforts, \$.04 related to Jan 2000 ice storm, offset by planned nuclear outage costs, and transmission expenses in 2001.

(F) Depreciation variance due to accelerated amortization on nuclear generating assets.

(G) Includes sale of BellSouth PCS assets in 2000

(H) Includes one month of FPC operations

(I) Impairment and one-time charges for SRS and Interpath of \$152.8 million

**Table 1**  
**Florida Power**  
**Segment Earnings Variance Analysis**  
**December 2001 vs 2000**

|                                  | YTD            |
|----------------------------------|----------------|
| <b>2000 earnings</b>             | \$ 1.34        |
| <b>Merger adjustments - 2000</b> | 0.71           |
| Weather                          | (0.07)         |
| Customer growth and usage        | 0.09           |
| Operating expenses               | (0.05)         |
| Share dilution                   | (0.58)         |
| Interest expense                 | 0.03           |
| Eliminations/other               | 0.04           |
| <b>2001 earnings</b>             | <u>\$ 1.51</u> |