



news release

Progress Energy Announces First Quarter Results

Quarterly Highlights:

- ◆ Reports ongoing earnings of **\$0.64 per share**, GAAP earnings of **\$0.45 per share**
- ◆ Retires **\$500 million of holding company debt in March 2004**
- ◆ Reaffirms 2004 earnings guidance of **\$3.50 - \$3.65**

RALEIGH, N.C. (April 21, 2004) – Progress Energy [NYSE: PGN] today reported ongoing earnings of \$154 million, or \$0.64 per share, for the first quarter of 2004 compared with ongoing earnings of \$195 million, or \$0.84 per share, for the first quarter of 2003. Reported consolidated net income under generally accepted accounting principles (GAAP) was \$108 million, or \$0.45 per share, for the quarter compared with reported consolidated net income of \$219 million, or \$0.94 per share, for the first quarter of 2003. See the table below for a reconciliation of ongoing earnings per share to GAAP earnings per share.

Four main items explain the \$0.20 per share decrease in ongoing earnings in the first quarter of 2004 compared to 2003:

- Wholesale sales from the utilities were lower.
- O&M costs were higher at the utilities mainly due to increased spending in 2004 for scheduled plant outages and for planned reliability improvements in Florida.
- There was a decrease in nonregulated generation earnings from higher fixed costs and interest charges, reflecting the completion of plant construction in mid-2003, and from the receipt in 2003 of a contract termination payment on a tolling agreement.
- Common stock offerings throughout 2003 caused dilution in earnings per share.

“We knew it would be very challenging to duplicate our first quarter 2003 results, which reflected unusually strong off-system sales in the wholesale market,” said Bob McGehee, president and CEO of Progress Energy. “So far this year, most of our businesses are delivering results consistent with our plan, and we are reiterating our 2004 earnings guidance of \$3.50 to \$3.65 per share.”

“First quarter 2004 was a solid start to the year on many fronts. We paid down \$500 million in holding company debt, signed new wholesale energy contracts, finalized the sale of Railcar, Ltd., and successfully completed the first IRS audit of one of our synthetic fuel facilities,” McGehee said. “In addition, we continued to realize revenue growth from our retail utilities and from our natural gas investments.”

The following table provides a reconciliation of ongoing earnings per share to reported GAAP earnings per share. A detailed discussion of these items is provided later in this release under the caption “Ongoing Earnings Adjustments.”

Progress Energy, Inc.		
Reconciliation of Ongoing Earnings per Share to Reported GAAP Earnings per Share		
Three months ended March 31		
	2004	As Restated 2003*
Ongoing earnings per share	\$ 0.64	\$ 0.84
Intraperiod tax allocation	(0.16)	0.04
CVO mark-to-market	(0.03)	0.01
NCNG discontinued operations	-	0.05
Reported GAAP earnings per share	\$ 0.45	\$ 0.94
Shares outstanding (millions)	241	233

* Beginning in the fourth quarter of 2003, Progress Energy ceased recording portions of the Progress Fuels’ segment operations, primarily synthetic fuel facilities, one month in arrears. Progress Energy has restated previously reported consolidated quarterly earnings to reflect the new reporting periods, resulting in four months of earnings in first quarter 2003 net income. The change in Progress Energy’s first quarter 2003 net income was an increase of \$11 million. The reported first quarter 2003 earnings for Progress Ventures and Progress Fuels included in this release reflect this restatement. See additional information on this restatement in the Supplemental Data schedules of this release.

SIGNIFICANT DEVELOPMENTS

Robinson Relicensing Announcement

On April 19, 2004, the Nuclear Regulatory Commission announced that it renewed the operating license for Progress Energy’s H.B. Robinson Nuclear Plant near Hartsville, S.C., for an additional 20 years. The Robinson Plant began commercial operation in March 1971, with an original operating license of 40 years that was set to expire July 31, 2010. The Robinson Plant has been consistently ranked among the top nuclear plants in the nation in terms of safety, production and cost. The renewed license positions the Robinson Plant to continue to deliver safe, reliable power to Progress Energy customers and economic benefits to the company and the local community through July 2030. The complete press release regarding this announcement is available on the company’s Web site at: <http://www.progress-energy.com/aboutus/news/article.asp?id=8622>.

Brunswick Unit Completes Refueling Outage and Power Uprate

Progress Energy’s Brunswick Nuclear Plant Unit 1 completed a successful refueling outage on April 2, 2004, when the unit was returned to service. During the outage, an extended power uprate project was completed. The uprate is expected to add approximately 50 additional megawatts of electricity at the plant.

Roxboro Plant Sets Record

On March 25, 2004, Unit 1 of the Roxboro Plant set a company record by completing 518 days on line, a first for Progress Energy's coal-fired generating fleet. The 385-megawatt unit is the oldest of the four units at the Roxboro site and began commercial operations in 1966. The complete press release regarding this announcement is available on the company's Web site at: <http://www.progress-energy.com/aboutus/news/article.asp?id=8503>.

Railcar, Ltd. Sale Completed

On February 12, 2004, Progress Energy completed the sale of a majority of Railcar, Ltd. assets to The Andersons, Inc. Railcar, Ltd. was a leasing subsidiary of Progress Rail. Net proceeds from the sale were approximately \$82 million. The sale was initially announced in March of 2003. The complete press release regarding this announcement is available on the company's Web site at: http://www.corporate-ir.net/ireye/ir_site.zhtml?ticker=PGN&script=410&layout=0&item_id=495123.

Progress Ventures Executes Additional Energy Contracts

In February 2004, Progress Ventures announced that it had entered into agreements to provide Duke Power with up to 459 megawatts of peaking capacity through contracts that run from 2006 through 2010. The energy needed to serve these contracts will come from Progress Ventures' generating facility located in Rowan County, North Carolina. The complete press release regarding the announcement is available on the company's Web site at: <http://www.progress-energy.com/aboutus/news/article.asp?id=8343>.

In addition, in March 2004, Progress Ventures entered into a long-term contract to provide a 175 megawatt call option to Santee Cooper. This agreement runs from June 1, 2004, through January 1, 2007. The energy needed to serve this contract will also come from Progress Ventures' generating facility located in Rowan County.

Closing Agreement with IRS Signed

On February 24, 2004, subsidiaries of Progress Energy finalized execution of a Closing Agreement with the Internal Revenue Service (IRS) concerning the Colona synthetic fuel facilities. The Closing Agreement provides that the Colona facilities were placed in service before July 1, 1998, and that the fuel produced by the Colona facilities in 2001 is a "qualified fuel" for purposes of the Section 29 tax credits. This action concludes the IRS Prefiling Agreement (PFA) program with respect to Colona.

The PFA process continues with respect to the four synthetic fuel facilities owned by other affiliates of Progress Energy. Currently, the focus of that process is on determining that the facilities were placed in service before July 1, 1998.

LINE OF BUSINESS FINANCIAL INFORMATION

Progress Energy Carolinas

Progress Energy Carolinas electric energy operations contributed GAAP net income of \$116 million for the quarter compared with \$135 million for the same period last year. This quarter's earnings were negatively affected by lower wholesale sales to other utilities and higher O&M charges. O&M expenses increased in the current quarter as the prior quarter O&M expenses were favorably impacted by the retroactive reallocation of Service Company costs of \$10 million after tax. Details on the retroactive service company reallocation recorded in the prior year are included in the Supplemental Data schedules of this release. These factors were partially offset by the impact of colder weather, increased revenues from customer growth and lower depreciation and amortization charges. During the first quarter of 2004, Progress Energy Carolinas filed a depreciation study with the North Carolina and South Carolina commissions which allowed the utility to reduce the rates used to calculate depreciation expense. The reduction in depreciation expense is primarily attributable to assumption changes for nuclear generation, offset by increases in depreciation for distribution assets.

See the attached Supplemental Data schedules for additional information on Progress Energy Carolinas electric revenues, energy sales, energy supply and weather impacts.

Progress Energy Florida

Progress Energy Florida electric energy operations contributed GAAP net income of \$49 million for the quarter compared with \$71 million for the same period last year. This quarter's earnings were negatively affected by the impact of milder weather and higher O&M costs primarily attributable to increased spending for scheduled plant outages and planned reliability improvements. These factors were partially offset by the additional return on investment on the Hines 2 plant that was placed into service in December 2003.

See the attached Supplemental Data schedules for additional information on Progress Energy Florida electric revenues, energy sales, energy supply and weather impacts.

Progress Ventures

The Progress Ventures operations consist of Progress Fuels, which includes natural gas production, coal mining and synthetic fuels production, and Competitive Commercial Operations, which includes nonregulated generation and energy marketing activities. The Progress Ventures business unit had GAAP net income of \$40 million for the quarter compared with \$48 million for the same period last year.

Progress Fuels generated GAAP net income of \$48 million for the quarter compared with \$38 million for the same period last year. The increase resulted primarily from increased earnings from gas operations due to a full quarter of North Texas Gas volumes in the current year (acquired late February 2003) and higher gas prices in 2004. In addition, results in the prior quarter were negatively impacted by the retroactive reallocation of Service Company costs of \$4 million after tax. Details on the retroactive service company reallocation recorded in the prior year are included in the Supplemental Data schedules of this release. Within Progress Fuels, synthetic fuels operations

generated GAAP net income of \$36 million for the quarter compared with \$34 million for the same period last year. Total synthetic fuel sales were 2.9 million tons for the quarter compared with 2.5 million tons for the same period last year. The increase year over year is attributable primarily to an internal change in the production schedule in 2004 compared to 2003.

Competitive Commercial Operations contributed a GAAP net loss of \$8 million for the quarter compared with net income of \$9 million for the same period last year. Results from 2003 include a contract termination payment received on a tolling agreement. This quarter's results were also unfavorably impacted by mark-to-market losses and higher fixed costs. Fixed charges increased from additional depreciation and amortization on plants placed into service in 2003 and from an increase in interest expense from interest no longer being capitalized due to the completion of construction in the prior year. These items were partially offset by favorable margins on new contracts and the fact that results in the prior quarter were negatively impacted by the retroactive reallocation of Service Company costs of \$2 million after tax. Details on the retroactive service company reallocation recorded in the prior year are included in the Supplemental Data schedules of this release.

Other Businesses

Other businesses include Progress Rail, Progress Telecom and other small subsidiaries. Other businesses had GAAP net income of \$4 million for the quarter compared with a GAAP net loss of \$3 million for the same period last year. This quarter's results were impacted by strong sales in the recycling operations at Progress Rail which were partially offset by losses at Progress Telecom.

Progress Rail

Progress Rail had GAAP net income of \$6 million for the quarter compared with a GAAP net loss of \$3 million for the same period last year. Progress Rail earnings were positively impacted by higher prices and margins on recycling sales. In addition, results in the prior quarter were negatively impacted by the retroactive reallocation of Service Company costs of \$3 million after tax. Details on the retroactive service company reallocation recorded in the prior year are included in the Supplemental Data schedules of this release.

Progress Telecom

Progress Telecom recorded a GAAP net loss of \$1.3 million for the quarter compared with GAAP net income of \$0.4 million for the same period last year. Progress Telecom's results were negatively impacted by integration costs associated with its combination with EPIK in December 2003. In addition, results in the prior quarter were favorably impacted by the retroactive reallocation of Service Company costs of \$1 million after tax. Details on the retroactive service company reallocation recorded in the prior year are included in the Supplemental Data schedules of this release.

Corporate

Corporate results, which primarily include interest expense on holding company debt, posted an ongoing operating loss of \$55 million for the quarter compared with an ongoing operating loss of \$54 million for the same period last year.

Interest expense increased during the current quarter from interest no longer being capitalized due to the completion of construction in the prior year. Approximately \$3 million after tax was capitalized in the first quarter of 2003. This item was offset by the fact that results in the prior quarter were negatively impacted by the retroactive reallocation of Service Company costs of \$3 million after tax. Details on the retroactive service company reallocation recorded in the prior year are included in the Supplemental Data schedules of this release.

ONGOING EARNINGS ADJUSTMENTS

Progress Energy's management uses ongoing earnings per share to evaluate the operations of the company and to establish goals for management and employees. Management believes this presentation is appropriate and enables investors to compare more accurately the company's ongoing financial performance over the periods presented. Ongoing earnings as presented here may not be comparable to similarly titled measures used by other companies. Reconciling adjustments from GAAP earnings to ongoing earnings as they relate to the current quarter and information included in the Supplemental Data schedules are as follows:

Intraperiod 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 sales are not subject to seasonal fluctuations to the same extent as the electric utility earnings. The company projects the effective tax rate for the year and then, based upon projected operating income for each quarter, raises or lowers the tax expense 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 \$0.16 for the quarter, and increased earnings per share by \$0.04 for the same period last year, but has no impact on the company's annual earnings. Since this adjustment varies by quarter but has no impact on Progress Energy's annual earnings, management believes this adjustment is not representative of the company's ongoing quarterly 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 after-tax cash flows above certain levels of four synthetic fuel facilities purchased by subsidiaries of Florida Progress Corporation in October 1999. The CVOs are debt instruments and, under GAAP, 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 \$0.03 for the quarter and increased earnings per share by \$0.01 for the same period last year. Since changes in the market value of the

CVOs do not affect the company's underlying obligation, management does not consider the adjustment a component of ongoing earnings.

NCNG Discontinued Operations

The sale of NCNG to Piedmont Natural Gas closed on September 30, 2003, and the net proceeds were used to pay down debt. The operations of NCNG are reported as discontinued operations in the accompanying financial statements due to its sale, and therefore management does not believe this activity is representative of the ongoing operations of the company. NCNG had discontinued earnings of \$11 million for the quarter ended March 31, 2003.

Cumulative Effect of Accounting Changes

Progress Energy recorded the cumulative effect of changes in accounting principles due to the adoption of new FASB accounting guidance. The impact to Progress Energy was due primarily to the new FASB guidance related to the accounting for certain contracts. This guidance discusses whether the pricing in a contract that contains broad market indices qualifies for certain exceptions that would not require the contract to be recorded at its fair value. Progress Energy Carolinas has a purchase power contract with Broad River LLC that did not meet the criteria for an exception, and a fair value adjustment was recorded in the fourth quarter of 2003. Due to the nonrecurring nature of the adjustment, management believes it is not representative of the 2003 operations of Progress Energy Carolinas.

Impairments and One-Time Charges

During the fourth quarter of 2003, the company recorded after-tax impairments of its Affordable Housing portfolio and certain assets at the Kentucky May Coal Company. Management does not believe these impairments and one-time charges are representative of the ongoing operations of the company.

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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 www.progress-energy.com.

Progress Energy's conference call with the investment community will be held April 21, 2004, at 10 a.m. ET (7 a.m. PT) and will be hosted by Geoff Chatas, executive vice president and chief financial officer. Investors, media and the public may listen to the conference call by dialing 913-981-4910, confirmation code 454622. Should you encounter problems, please contact Tammy Blankenship at 919-546-2233. A playback of the call will be available from 1 p.m. ET April 21 through midnight May 5, 2004. To listen to the recorded call, dial 719-457-0820 and enter confirmation code 454622.

A webcast of the live conference call will be available at www.progress-energy.com. The webcast will be available in Windows Media format. 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 Geoff Chatas starting at 11 a.m. ET. To participate in this session, please dial 719-457-2707, confirmation code 413244.

Progress Energy (NYSE: PGN), headquartered in Raleigh, N.C., is a Fortune 250 diversified energy company with more than 24,000 megawatts of generation capacity and \$9 billion in annual revenues. The company's holdings include two electric utilities serving more than 2.8 million customers in North Carolina, South Carolina and Florida. Progress Energy also includes nonregulated operations covering generation, energy marketing, natural gas production, fuel extraction, rail services and broadband capacity. For more information about Progress Energy, visit the company's Web site at www.progress-energy.com.

This document 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 or outcomes to differ materially from those expressed in the forward-looking statements. Any forward-looking statement speaks only as of the date such statement is made, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made. Examples of factors that you should consider with respect to any forward-looking statements made in this document include, but are not limited to, the following: the impact of fluid and complex government laws and regulations, including those relating to the environment; the impact of recent events in the energy markets that have increased the level of public and regulatory scrutiny in the energy industry and in the capital markets; deregulation or restructuring in the electric industry that may result in increased competition and unrecovered (stranded) costs; the uncertainty regarding the timing, creation and structure of regional transmission organizations; weather conditions that directly influence the demand for electricity; recurring seasonal fluctuations in demand for electricity; fluctuations in the price of energy commodities and purchased power; economic fluctuations and the corresponding impact on our commercial and industrial customers; the ability of our subsidiaries to pay upstream dividends or distributions to us; the impact on our facilities and our businesses from a terrorist attack; the inherent risks associated with the operation of nuclear facilities, including environmental, health, regulatory and financial risks; the ability to successfully access capital markets on favorable terms; the impact that increases in our leverage may have on us; our ability to maintain our current credit ratings; the impact of derivative contracts used in the normal course of our business; investment performance of pension and benefit plans and the ability to control costs; the availability and use of Internal Revenue Code Section 29 (Section 29) tax credits by synthetic fuel producers, and our continued ability to use Section 29 tax credits related to our coal and synthetic fuels businesses; our ability to successfully integrate newly acquired assets, properties or businesses into our operations as quickly or as profitably as expected; our ability to manage the risks involved with the operation of our nonregulated plants, including dependence on third parties and related counter-party risks, and a lack of operating history; our ability to manage the risks associated with our energy marketing operations; and unanticipated changes in operating expenses and capital expenditures. Many of these risks similarly impact our subsidiaries.

These and other risk factors are detailed from time to time in our SEC reports. All such factors are difficult to predict, contain uncertainties that may materially affect actual results, and may be beyond

our ability to control or estimate precisely. New factors emerge from time to time, and it is not possible for management to predict all such factors or to assess the effect each such factor will have on us.

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Progress Energy, Inc.
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2004

UNAUDITED CONSOLIDATED STATEMENTS of INCOME

(In millions except per share data)	Three Months Ended March 31,	
	2004	As Restated 2003
Operating Revenues		
Utility	\$ 1,685	\$ 1,654
Diversified business	549	533
Total Operating Revenues	2,234	2,187
Operating Expenses		
Utility		
Fuel used in electric generation	493	411
Purchased power	183	203
Operation and maintenance	363	335
Depreciation and amortization	202	220
Taxes other than on income	105	103
Diversified business		
Cost of sales	504	475
Depreciation and amortization	45	33
Other	43	50
Total Operating Expenses	1,938	1,830
Operating Income	296	357
Other Income (Expense)		
Interest income	3	3
Other, net	(25)	(6)
Total Other Expense	(22)	(3)
Interest Charges		
Net interest charges	166	156
Allowance for borrowed funds used during construction	(1)	(3)
Total Interest Charges, Net	165	153
Income from Continuing Operations before Income Tax and Cumulative Effect of Change in Accounting Principle	109	201
Income Tax Expense (Benefit)	1	(6)
Income from Continuing Operations before Cumulative Effect of Change in Accounting Principle	108	207
Discontinued Operations, Net of Tax	-	11
Income before Cumulative Effect of Change in Accounting Principle	108	218
Cumulative Effect of Change in Accounting Principle, Net of Tax	-	1
Net Income	\$ 108	\$ 219
Average Common Shares Outstanding	241	233
Basic Earnings per Common Share		
Income from Continuing Operations before Cumulative Effect of Changes in Accounting Principles	\$ 0.45	\$ 0.89
Discontinued Operations, Net of Tax	\$ 0.00	\$ 0.05
Cumulative Effect of Changes in Accounting Principles, Net of Tax	\$ 0.00	\$ 0.00
Net Income	\$ 0.45	\$ 0.94
Diluted Earnings per Common Share		
Income from Continuing Operations before Cumulative Effect of Changes in Accounting Principles	\$ 0.45	\$ 0.89
Discontinued Operations, Net of Tax	\$ 0.00	\$ 0.05
Cumulative Effect of Changes in Accounting Principles, Net of Tax	\$ 0.00	\$ 0.00
Net Income	\$ 0.45	\$ 0.94
Dividends Declared per Common Share	\$ 0.58	\$ 0.56

This financial information should be read in conjunction with the Company's 2003 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.
UNAUDITED CONSOLIDATED BALANCE SHEETS

(In millions)	March 31, 2004	December 31, 2003
ASSETS		
Utility Plant		
Utility plant in service	\$ 21,761	\$ 21,675
Accumulated depreciation	(8,204)	(8,116)
Utility plant in service, net	13,557	13,559
Held for future use	13	13
Construction work in progress	722	634
Nuclear fuel, net of amortization	233	228
Total Utility Plant, Net	14,525	14,434
Current Assets		
Cash and cash equivalents	41	273
Accounts receivable	794	841
Unbilled accounts receivable	193	217
Inventory	782	808
Deferred fuel cost	254	317
Prepayments and other current assets	297	375
Total Current Assets	2,361	2,831
Deferred Debits and Other Assets		
Regulatory assets	626	612
Nuclear decommissioning trust funds	988	938
Diversified business property, net	2,181	2,158
Miscellaneous other property and investments	464	464
Goodwill	3,729	3,726
Prepaid pension costs	453	462
Intangibles, net	319	327
Other assets and deferred debits	237	253
Total Deferred Debits and Other Assets	8,997	8,940
Total Assets	\$ 25,883	\$ 26,205
CAPITALIZATION AND LIABILITIES		
Common Stock Equity		
Common stock without par value, 500 million shares authorized, 246 million shares issued and outstanding	\$ 5,310	\$ 5,270
Unearned restricted shares	(20)	(17)
Unearned ESOP shares	(79)	(89)
Accumulated other comprehensive loss	(61)	(50)
Retained earnings	2,299	2,330
Total Common Stock Equity	7,449	7,444
Preferred Stock of Subsidiaries-Not Subject to Mandatory Redemption	93	93
Long-Term Debt Affiliate	309	309
Long-Term Debt	9,603	9,625
Total Capitalization	17,454	17,471
Current Liabilities		
Current portion of long-term debt	232	868
Accounts payable	618	699
Interest accrued	140	209
Dividends declared	141	140
Short-term obligations	507	4
Customer deposits	169	167
Other current liabilities	524	580
Total Current Liabilities	2,331	2,667
Deferred Credits and Other Liabilities		
Accumulated deferred income taxes	682	737
Accumulated deferred investment tax credits	186	190
Regulatory liabilities	2,995	2,938
Asset retirement obligations	1,289	1,271
Other liabilities and deferred credits	946	931
Total Deferred Credits and Other Liabilities	6,098	6,067
Total Capitalization and Liabilities	\$ 25,883	\$ 26,205

PROGRESS ENERGY, INC.
UNAUDITED CONSOLIDATED STATEMENTS of CASH FLOWS

	<u>Three Months Ended March 31,</u>	
(In millions)	2004	As Restated 2003
Operating Activities		
Net income	\$ 108	\$ 219
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations	-	(11)
Cumulative effect of changes in accounting principles	-	(1)
Depreciation and amortization	275	280
Deferred income taxes	(22)	(3)
Investment tax credit	(4)	(4)
Deferred fuel cost (credit)	63	(46)
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	62	16
Inventories	26	32
Prepayments and other current assets	(37)	(3)
Accounts payable	(69)	49
Other current liabilities	(77)	(91)
Other	57	2
Net Cash Provided by Operating Activities	382	439
Investing Activities		
Gross utility property additions	(248)	(291)
Diversified business property additions	(58)	(229)
Nuclear fuel additions	(39)	(68)
Proceeds from sales of subsidiaries, investments and assets	85	-
Other	(8)	(12)
Net Cash Used in Investing Activities	(268)	(600)
Financing Activities		
Issuance of common stock, net	22	67
Issuance of long-term debt, net	-	655
Net increase (decrease) in short-term indebtedness	503	(205)
Retirement of long-term debt	(675)	(226)
Dividends paid on common stock	(141)	(133)
Other	(55)	(23)
Net Cash Provided by (Used in) Financing Activities	(346)	135
Net Decrease in Cash and Cash Equivalents	(232)	(26)
Cash and Cash Equivalents at Beginning of Year	273	61
Cash and Cash Equivalents at End of Year	\$ 41	\$ 35

Utility Statistics	Three Months Ended March 31, 2004			Three Months Ended March 31, 2003			Percentage Change From March 31, 2003	
	Carolinas	Florida	Total Progress Energy	Carolinas	Florida	Total Progress Energy	Carolinas	Florida
Operating Revenues (in millions)								
Retail								
Residential	\$371	\$402	\$773	\$357	\$385	\$742	3.9 %	4.4 %
Commercial	208	181	389	201	151	352	3.5	19.9
Industrial	147	63	210	147	47	194	-	34.0
Other retail	19	46	65	19	38	57	-	21.1
Provision for retail revenue sharing		(4)	(4)		-	-	-	-
Total Retail	\$745	\$688	\$1,433	\$724	\$621	\$1,345	2.9	10.8
Unbilled	(23)	(6)	(29)	(31)	(1)	(32)	-	-
Wholesale	156	67	223	209	71	280	(25.4)	(5.6)
Miscellaneous revenue	23	35	58	24	37	61	(4.2)	(5.4)
Total Electric	\$901	\$784	\$1,685	\$926	\$728	\$1,654	(2.7) %	7.7 %
Energy Sales (millions of kWh)								
Retail								
Residential	4,741	4,291	9,032	4,587	4,553	9,140	3.4 %	(5.8) %
Commercial	3,058	2,491	5,549	2,983	2,442	5,425	2.5	2.0
Industrial	2,993	1,023	4,016	3,005	916	3,921	(0.4)	11.7
Other retail	345	672	1,017	343	656	999	0.6	2.4
Total Retail	11,137	8,477	19,614	10,918	8,567	19,485	2.0	(1.1)
Unbilled	(385)	(135)	(520)	(480)	55	(425)	-	-
Wholesale	3,791	1,323	5,114	4,619	1,276	5,895	(17.9)	3.7
Total Electric	14,543	9,665	24,208	15,057	9,898	24,955	(3.4) %	(2.4) %
Energy Supply (millions of kWh)								
Generated - steam	7,950	5,032	12,982	7,886	5,096	12,982		
nuclear	5,933	1,658	7,591	5,915	1,697	7,612		
hydro	208	-	208	254	-	254		
combustion turbines/combined cycle	323	1,395	1,718	286	1,446	1,732		
Purchased	762	2,171	2,933	1,262	2,184	3,446		
Total Energy Supply (Company Share)	15,176	10,256	25,432	15,603	10,423	26,026		
Impact of Weather to Normal on Retail Sales								
Heating Degree Days - Actual	1,845	364		1,775	461		3.9 %	(21.0) %
- Normal	1,656	372		1,658	372			
Cooling Degree Days - Actual	10	0		10	69		- %	(100.0) %
- Normal	13	28		11	28			
Impact of retail weather to normal on EPS	\$0.05	(\$0.01)	\$0.04	\$0.03	\$0.02	\$0.05		

Financial Statistics	March 31	
	2004	2003
Return on average common stock equity (12 months ended)	9.3 %	9.4 %
Book value per common share	\$30.81	\$29.20
Capitalization		
Common stock equity	41.0 %	38.3 %
Preferred stock of subsidiary- redemption not required	0.5	0.5
Total debt	58.5	61.2
Total Capitalization	100.0 %	100.0 %

1st Quarter 2003 Earnings Impact of Cumulative Service Company Reallocation Adjustment

(\$ in millions)

Line of Business	2001-2002 Retroactive Reallocation (pre-tax)	2001-2002 Retroactive Reallocation (after-tax)
Progress Energy Carolinas	\$16	\$10
Progress Energy Florida	2	1
Progress Fuels	(6)	(4)
Competitive Commercial Operations	(3)	(2)
Holding Company	(5)	(3)
Progress Rail	(5)	(3)
Progress Telecom	1	1
Total	\$0	\$0

The SEC completed its initial audit of Progress Energy Service Company's cost allocation process in March 2003. The SEC routinely audits new holding company systems within the first two years of their formation. As a result of this audit, the SEC directed the company to change its allocation methodology for assigning service company costs to Progress Energy's subsidiaries. Upon completion of the audit, Progress Energy changed its allocation methodology and recorded reallocation adjustments to reflect this new method. These reallocation adjustments were recorded in the first quarter of 2003 and include a cumulative adjustment for years 2001 and 2002. These retroactive reallocation entries had no impact on consolidated earnings.

2003 Quarterly Restatement of Subsidiary Reporting Period Change

Beginning in the fourth quarter of 2003, the Company ceased recording portions of the Progress Fuels' segment operations, primarily synthetic fuel facilities, one month in arrears. As a result, earnings for the year ended December 31, 2003 included 13 months of these operations, resulting in a net income increase of \$2 million for the year. The Company restated previously reported consolidated quarterly earnings to reflect the new reporting periods, resulting in four months of earnings in the restated first quarter 2003 net income. The resulting impact for each quarter is outlined in the tables below.

	2003				
	Q1	Q2	Q3	Q4	Total
Published Quarterly Ongoing earnings	\$184	\$157	\$306	\$197	\$844
Adjustment for Subsidiary Reporting Period Change	11	4	(1)	(14)	-
Restated Quarterly Ongoing earnings	\$195	\$161	\$305	\$183	\$844

	2003				
	Q1	Q2	Q3	Q4	Total
Reported Quarterly GAAP net income	\$208	\$153	\$319	\$102	\$782
Adjustment for Subsidiary Reporting Period Change	11	4	(1)	(14)	-
Restated Reported Quarterly GAAP Net Income	\$219	\$157	\$318	\$88	\$782

Reconciliation of Restated Quarterly Ongoing earnings to Restated Quarterly Reported GAAP net income:

	2003				
	Q1	Q2	Q3	Q4	Total
Ongoing Earnings	\$195	\$161	\$305	\$183	\$844
CVO mark-to-market*	2	(2)	(5)	(4)	(9)
NCNG discontinued operations*	11	3	(18)	(4)	(8)
Cumulative effect of accounting changes*	1	-	-	(22)	(21)
Impairments and one-time charges*	-	-	-	(24)	(24)
Intraperiod tax allocation*	10	(5)	36	(41)	-
Reported GAAP net income	\$219	\$157	\$318	\$88	\$782

* See explanation for ongoing earnings adjustments under the caption "Ongoing Earnings Adjustments" in the text of the press release.

Progress Energy, Inc.
Earnings Variances
First Quarter 2004 vs 2003

(\$ per share)	Regulated Utilities				Corporate and Other Businesses	Consolidated
	Carolinas	Florida	Progress Fuels	CCO		
2003 GAAP earnings	0.57	0.30	0.16	0.04	(0.13)	0.94
Intraperiod tax allocation					(0.04)	(0.04)
CVOs					(0.01)	(0.01)
NCNG discontinued operations					(0.05)	(0.05)
2003 ongoing earnings	0.57	0.30	0.16	0.04	(0.23)	0.84
Weather - retail	0.03	(0.03)				0.00
Other retail - growth and usage	0.02					0.02
Wholesale	(0.08)					(0.08)
Retail revenue sharing		(0.01)				(0.01)
Other margin		0.02				0.02
O&M	(0.01)	(0.05)				(0.06)
Service Company reallocation prior years	(0.04)		0.01	0.01	0.02	0.00
Utility depreciation and amortization	0.03	(0.01)				0.02
Other	(0.03)	(0.01)				(0.04)
Interest charges				(0.02)	(0.02)	(0.04)
Net diversified business			0.02	(0.06)	0.03	(0.01)
Share dilution	(0.02)	(0.01)			0.01	(0.02)
2004 ongoing earnings	0.47	0.20	0.19	(0.03)	(0.19)	0.64
Intraperiod tax allocation					(0.16)	(0.16)
CVOs					(0.03)	(0.03)
2004 GAAP earnings	0.47	0.20	0.19	(0.03)	(0.38)	0.45

Corporate and Other Businesses includes Progress Telecom, Progress Rail, other small subsidiaries, Holding Company interest expense, CVO mark-to-market, intra-period tax allocations, purchase accounting transactions and corporate eliminations.

- A - Intra-period income tax allocation impact, related to cyclical nature of energy demand/earnings and timing of synthetic fuel tax credits.
- B - Impact of change in market value of outstanding CVOs.
- C - Sale of NCNG to Piedmont Natural Gas which was finalized on September 30, 2003.
- D - Carolinas - Wholesale decrease driven by sales to other utilities as favorable weather in Northeast United States in 2003 led to increased off-system sales.
- E - Florida - Revenue sharing accrual for 2004 and true-up for 2003 revenue sharing.
- F - Florida - Primarily return on investment on Hines 2 which was placed in service in December 2003.
- G - Florida - Higher O&M due to increased spending for scheduled plant outages and planned reliability improvements.
- H - Reallocation of Service Company costs (retroactive component for 2001 and 2002) in accordance with SEC PUHCA audit in Q1 2003.
- I - Carolinas - Reduced depreciation expense due primarily to lower rates based on depreciation study filed in 2004 and lower clean air amortization.
- J - Carolinas - Increase in other costs due primarily to write-off of a non-trade receivable.
- K - Progress Ventures and Corporate and Other Businesses - Interest is no longer capitalized related to construction at nonregulated generating plants.
- L - Progress Fuels - Primarily due to favorable gas results which include a full quarter of North Texas Gas volumes in the current year and the impact of higher gas prices.
- M - CCO - Decrease due to: 1) mark-to-market losses on a contract, 2) increased depreciation and amortization charges and fixed costs as a result of additional plants being placed in service, and 3) receipt of a termination payment for a tolling contract received in Q1 2003. These items were partially offset by favorable margins on several supply contracts.
- N - Corporate and Other Businesses - Favorability is attributable primarily to increased margins at Rail due to increased recycling sales.
- O - Primarily due to the impact of issuances under Investor Plus and Employee Benefit programs.