

## CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(in millions)</i>			
Years ended December 31	2004	2003	2002
<b>Operating Activities</b>			
Net income	\$759	\$782	\$528
Adjustments to reconcile net income to net cash provided by operating activities			
(Income) loss from discontinued operations	(6)	8	24
Net (gain) loss on sale of operating assets	(57)	1	–
Impairment of long-lived assets and investments	–	38	389
Cumulative effect of changes in accounting principles	–	21	–
Depreciation and amortization	1,181	1,146	1,099
Deferred income taxes	(74)	(276)	(402)
Investment tax credit	(14)	(16)	(18)
Deferred fuel credit	(19)	(133)	(37)
Cash provided (used) by changes in operating assets and liabilities			
Receivables	(35)	(158)	(50)
Inventory	(108)	8	(66)
Prepayments and other current assets	(18)	39	(24)
Accounts payable	33	37	100
Other current liabilities	82	121	56
Regulatory assets and liabilities	(284)	(21)	46
Other	167	127	(18)
<b>Net Cash Provided by Operating Activities</b>	<b>1,607</b>	<b>1,724</b>	<b>1,627</b>
<b>Investing Activities</b>			
Gross utility property additions	(998)	(972)	(1,169)
Diversified business property additions	(236)	(584)	(558)
Nuclear fuel additions	(101)	(117)	(81)
Proceeds from sales of subsidiaries and other investments	366	579	43
Acquisition of businesses, net of cash	–	–	(365)
Purchases of short-term investments	(2,108)	(2,813)	(2,962)
Proceeds from sales of short-term investments	2,252	2,587	2,962
Acquisition of intangibles	(1)	(200)	(10)
Other	(46)	(26)	(61)
<b>Net Cash Used in Investing Activities</b>	<b>(872)</b>	<b>(1,546)</b>	<b>(2,201)</b>
<b>Financing Activities</b>			
Issuance of common stock, net	73	304	687
Issuance of long-term debt, net	421	1,539	1,783
Net increase (decrease) in short-term indebtedness	680	(696)	(247)
Retirement of long-term debt	(1,353)	(810)	(1,157)
Dividends paid on common stock	(558)	(541)	(480)
Other	17	12	(5)
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(720)</b>	<b>(192)</b>	<b>581</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>15</b>	<b>(14)</b>	<b>7</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>47</b>	<b>61</b>	<b>54</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$62</b>	<b>\$47</b>	<b>\$61</b>
<b>Supplemental Disclosures of Cash Flow Information</b>			
Cash paid during the year – interest (net of amount capitalized)	\$657	\$643	\$651
– income taxes (net of refunds)	\$189	\$177	\$219
<b>Noncash Activities</b>			

- In April 2002, Progress Fuels Corporation, a subsidiary of the Company, acquired 100% of Westchester Gas Company. In conjunction with the purchase, the Company issued approximately \$129 million in common stock (See Note 5D).
- In December 2003, Progress Telecommunications Corporation (PTC) and Caronet, Inc., both indirectly wholly owned subsidiaries of Progress Energy, and EPIK Communications, Inc., a wholly owned subsidiary of Odyssey Telecorp, Inc., contributed substantially all of their assets and transferred certain liabilities to Progress Telecom, LLC, a subsidiary of PTC (See Note 5A).