



news release

Progress Energy Announces Fourth Quarter and Year-end Results

Highlights:

- ◆ Reports 2002 ongoing earnings of \$3.81 per share, GAAP earnings of \$2.43 per share
- ◆ Reports fourth quarter ongoing earnings of \$0.71 per share, GAAP earnings of \$0.55 per share
- ◆ Reports nonrecurring items from ice storm costs, impairments and estimated losses related to asset sales
- ◆ Sets revised 2003 ongoing earnings guidance of \$3.60 to \$3.80 per share

RALEIGH, N.C. (January 22, 2003) – Progress Energy [NYSE: PGN] today reported consolidated ongoing earnings of \$3.81 per share for 2002 compared with \$3.40 per share for 2001, a 12 percent increase. Reported GAAP consolidated net income was \$528.4 million, or \$2.43 per share, for 2002 compared with \$541.6 million, or \$2.65 per share, for 2001.

“I am proud of Progress Energy. In 2002, we managed our way through a tough business climate, performed well for our investors and positioned our company for solid growth in the future,” said William Cavanaugh, chairman and CEO, Progress Energy. “Progress Energy accomplished a great deal in 2002. We settled a rate case in Florida, helped pass landmark clean air legislation in North Carolina, received private letter rulings from the IRS on our synthetic fuel facilities, were recognized by S&P as one of the best at providing investors with the most detailed and complete information, operated our businesses professionally and served our customers well.

“For our investors, we provided a total return well above the S&P Electric Utility Index and raised our dividend for the 15th consecutive year,” said Cavanaugh. “We are particularly proud of the fact that, since its creation in 2000, Progress Energy is the only company in the S&P Electrics to rank in the top half for total return for each of the years 2000, 2001 and 2002. We are delivering on our commitment to be a solid and steady producer of shareholder value.”

Progress Energy's regulated utility businesses contributed \$3.69 ongoing earnings per share for the year. The Progress Ventures business unit contributed \$1.25 ongoing earnings per share for the year, which includes \$0.34 per share related to energy marketing and trading activities on behalf of the utility operating companies. Corporate, which includes interest on holding company debt, and other diversified businesses contributed a net loss of \$1.13 per share for the year.

On a GAAP basis, Progress Energy's regulated utility businesses contributed \$3.51 earnings per share for the year. The Progress Ventures business unit contributed \$1.25 ongoing earnings per share for the year, which includes \$0.34 per share related to energy marketing and trading activities on behalf of the utility operating companies. Corporate and other diversified businesses contributed a net loss of \$2.33 per share for the year.

A number of factors drove the year-over-year \$0.41 per share increase in ongoing earnings. The elimination of goodwill amortization, customer growth and usage, decreases in interest expense and depreciation expense, and the positive impact of weather over last year were partially offset by dilution from share issuances and higher O&M costs, primarily due to increases in salary and benefit costs, a decreased pension credit, and expenditures to improve service and reliability in Florida.

For the quarter, Progress Energy reported ongoing earnings of \$0.71 per share for 2002 compared with \$0.46 per share for 2001, a 54 percent increase. Reported GAAP consolidated net income was \$123.3 million, or \$0.55 per share, for 2002 compared with a net loss of \$90.5 million, or \$0.43 per share, for 2001.

Progress Energy, Inc.				
Reconciliation of Ongoing EPS				
December 31, 2002				
	Q4 2002	Q4 2001	2002	2001
Ongoing earnings	\$0.71	\$0.46	\$3.81	\$3.40
Ice storm impact ⁽¹⁾	(0.08)	---	(0.08)	---
NCNG discontinued operations ⁽²⁾	(0.11)	---	(0.11)	---
Estimated loss on assets held for sale ⁽³⁾	(0.18)	---	(0.18)	---
Impairments and one-time charges	---	(0.72) ⁽⁴⁾	(1.04) ⁽⁵⁾	(0.75) ⁽⁴⁾
Intra-period tax allocation	0.18	(0.13)	---	---
CVO mark-to-market	0.03	(0.04)	0.13	---
One-time retroactive revenue impact ⁽⁶⁾	---	---	(0.10)	---
Reported earnings	<u>\$0.55</u>	<u>(\$0.43)</u>	<u>\$2.43</u>	<u>\$2.65</u>
Average shares outstanding (000s)	224,807	212,866	217,247	204,683
⁽¹⁾ \$16.6 million after-tax impact of increased O&M costs from December 2002 ice storm. ⁽²⁾ \$29.4 million estimated loss on sale of North Carolina Natural Gas to Piedmont Natural Gas partially offset by 2002 net earnings of \$5.6 million. ⁽³⁾ \$40.1 million estimated loss on Railcar, Ltd. assets held for sale. ⁽⁴⁾ \$152.7 million after-tax writedown of Interpath investment and SRS assets in fourth quarter of 2001. ⁽⁵⁾ \$224.8 million after-tax writedown of Progress Telecom assets, CaroNet assets and investment in Interpath in third quarter of 2002. ⁽⁶⁾ \$21.0 million after-tax impact from Progress Energy Florida's rate settlement.				

2003 EARNINGS GUIDANCE

Progress Energy expects to produce ongoing earnings of \$875 million in 2003, an increase of approximately 6 percent over ongoing earnings of \$827 million in 2002. The company is targeting a \$3.70 ongoing EPS for 2003, with a possible \$.10 per share upside or downside. Thus, the projected range of earnings for Progress Energy for 2003 will be \$3.60 to \$3.80 per share.

“Our year-over-year increase in projected ongoing earnings demonstrates the earnings power of Progress Energy even during a tough economic climate,” said Cavanaugh. “Even though the stock offering resulted in year-over-year dilution of about \$0.25 per share, it was the right thing for us to do, and we did it the right way at the right time.”

SIGNIFICANT DEVELOPMENTS

Sold 14.7 Million Shares of Common Stock

On November 13, 2002, Progress Energy sold a block of 14.7 million shares of common stock to J.P. Morgan Securities Inc. The company used the net proceeds of approximately \$600 million to reduce outstanding debt. The complete press release regarding this transaction is available on the company’s Web site at <http://www.progress-energy.com/cfusion/news/search/article.cfm?id=4302>.

Increased Dividend

Progress Energy’s board of directors voted to increase the dividend on the company’s common stock on December 11, 2002. Progress Energy has increased the dividend 15 straight years. The quarterly dividend, raised to \$0.56 per share from \$0.545 cents per share, represents a total annual dividend of \$2.24 per share, an increase of \$0.06 over dividends paid in 2002. The complete press release regarding this announcement is available on the company’s Web site at <http://www.progress-energy.com/cfusion/news/search/article.cfm?id=4742>.

Reached Agreement on New Labor Contract

Progress Energy Florida (formerly Florida Power) bargaining unit employees approved a new three-year contract offer from the company on December 18, 2002. The vote ended negotiations that had been under way between the company and union leaders since October 1, 2002. According to union leaders, the new contract was approved by a substantial margin. The complete press release regarding this announcement is available on the company’s Web site at <http://www.progress-energy.com/cfusion/news/search/article.cfm?id=4602>.

Renewed Credit Facilities

Progress Energy extended its revolving credit facilities for the holding company and Progress Energy Florida in the fourth quarter. The Progress Energy 364-day facility was extended to November 2003 and reduced in size from \$550 million to \$430 million. The Progress Energy Florida 364-day facility was extended four months to April 2003 and reduced in size from \$170 million to \$90.5 million. The Progress Energy Florida facility was extended for four months in order to stagger

the maturity dates of the facilities for the holding company, Progress Energy Florida and Progress Energy Carolinas.

LINE OF BUSINESS FINANCIAL INFORMATION

Progress Energy Carolinas

Progress Energy Carolinas electric energy operations contributed earnings of \$513.1 million for the year compared with \$468.3 million for 2001. This year's earnings were positively affected by favorable weather and increased revenues from customer growth and usage from the addition of approximately 26,000 new customers, a 2.0 percent increase over 2001. This year's earnings were also positively affected by a decrease in interest charges and a \$34.1 million tax benefit reallocation from the holding company to Progress Energy Carolinas. Details on the tax benefit reallocation are included in the "Corporate" section of this release. These factors were partially offset by higher O&M expenses from increases in salary and benefits costs and a continued weakness in industrial sales. Please see the table that follows for a breakdown of energy sales by customer class.

On December 4, 2002, a severe ice storm in the Carolinas caused extensive damage to the Progress Energy Carolinas distribution system. The company incurred approximately \$55 million in capital and O&M costs as part of the restoration effort. The increase in O&M costs negatively affected Progress Energy Carolinas' current year earnings by \$16.6 million after-tax.

Progress Energy Carolinas electric operations include \$60.0 million in earnings related primarily to wholesale energy marketing activities for 2002 compared with \$62.7 million for 2001. 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.

Progress Energy Florida

Progress Energy Florida electric energy operations had earnings of \$322.6 million for the year compared with \$309.6 million for 2001. This year's earnings were positively affected by favorable weather and increased revenues from customer growth and usage from the addition of approximately 33,000 new customers, a 2.3 percent increase over 2001. Please see the table that follows for a breakdown of energy sales by customer class. This year's earnings were also positively affected by a \$19.9 million tax benefit reallocation from the holding company to Progress Energy Florida. Details on the tax benefit reallocation are included in the "Corporate" section of this release. Additionally, the absence of \$34.0 million of accelerated amortization recorded in 2001 on the Tiger Bay regulatory asset increased earnings in 2002 over the prior year. These factors were partially offset by higher O&M expenses primarily due to a decreased pension credit, increased salary and benefit costs and Progress Energy Florida's expenditures to improve service and reliability. The rate case settlement included a one-time retroactive refund that decreased current year earnings \$21.0 million after-tax.

Progress Energy Florida electric operations include \$13.0 million in earnings related primarily to wholesale energy marketing activities for 2002 compared with \$24.0 million for 2001. Earnings decreased in 2002 due to decreased demand. 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

Progress Energy Carolinas Sales For the Year Ended December 31, 2002			Progress Energy Florida Sales For the Year Ended December 31, 2002		
Sales (in billions of kWh)	2002	% Change from 2001	Sales (in billions of kWh)	2002	% Change from 2001
Residential	15.2	6.0	Residential	18.8	6.5
Commercial	12.5	4.1	Commercial	11.4	3.3
Industrial	13.1	(1.8)	Industrial	3.8	(1.0)
Government	1.4	1.0	Government	2.8	4.6
Wholesale	15.0	15.6	Wholesale	4.2	(11.4)
Unbilled	0.3	---	Unbilled	---	---
Total	57.5	7.4	Total	41.0	4.0

Progress Ventures

The Progress Ventures business unit had net income of \$271.1 million for the year compared with \$288.7 million for 2001. The difference was primarily due to reduced margins for wholesale electric sales and a decrease in synthetic fuel sales. The Progress Ventures operations include natural gas exploration and production; coal fuel extraction, manufacturing and delivery, which includes synthetic fuels production; nonregulated generation; and energy marketing and trading activities on behalf of its nonregulated plants and the utility operating companies.

Progress Ventures natural gas exploration and production operations generated net income of \$9.6 million for the current year compared to \$5.3 million in 2001. Due to the acquisition of Westchester Gas Company in April 2002, the results of these operations are not comparable. However, the current year results have been negatively affected by the decrease in the sales price of gas over the prior year.

Progress Ventures coal fuel extraction, manufacturing and delivery operations generated net income of \$166.4 million for the current year compared to \$198.4 million for 2001. Total synthetic fuel sales were 11.2 million tons for the year compared with 13.3 million tons for 2001. Total synthetic fuel sales decreased in the current year primarily due to a decrease in the company's estimated taxable income.

Progress Ventures nonregulated generation operations contributed net income of \$34.7 million for the year compared with \$4.3 million for 2001. The increase is due to higher sales related to four nonregulated plants being in operation in 2002 compared to only one in operation in the prior year.

Progress Ventures energy marketing and trading activities, including activities on behalf of Progress Energy Carolinas and Progress Energy Florida, generated net income of \$69.1 million for the year, which includes \$6.2 million of net losses related to financial trading activities. Progress Ventures energy trading and marketing activities generated net income of \$86.7 million for 2001, which includes \$3.5 million of net losses related to financial trading activities. Earnings have decreased primarily due to reduced margins for wholesale electric sales and losses in financial trading activities.

Corporate and Other Diversified

Corporate

Corporate results, which primarily include interest expense on holding company debt, posted an operating loss of \$228.1 million for the year, compared with an operating loss of \$266.5 million for 2001. Corporate results were positively impacted by the elimination of goodwill amortization, which was \$89.7 million in 2001. Negatively impacting this year's results was a \$54.0 million tax benefit reallocation from the holding company to the profitable subsidiary companies. Guidance in an SEC order under the Public Utility Holding Company Act states that Progress Energy, Inc.'s tax benefit not related to acquisition interest expense is to be allocated 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.

NCNG

On October 16, 2002, Progress Energy announced an agreement to sell North Carolina Natural Gas (NCNG) to Piedmont Natural Gas for net proceeds of approximately \$400 million. The company plans to use the net proceeds from the sale to pay down debt. The deal is expected to close by summer 2003.

The operations of NCNG have been included in discontinued operations in the accompanying financial statements. NCNG had discontinued earnings of \$5.6 million for the year compared with \$1.2 million for 2001. The earnings for 2002 were positively impacted by an increase in margins. In addition, the company recorded an estimated loss on the sale of \$29.4 million.

Progress Rail

Progress Rail reported revenues of \$778.7 million and a net loss of \$1.6 million for the year, excluding the estimated loss on assets held for sale, compared with revenues of \$875.8 million and a net loss of \$12.1 million for 2001. The earnings improvement was primarily due to a decrease in operation costs. The assets of Progress Railcar, Ltd., a subsidiary of Progress Rail, have been reclassified as assets held for sale. During the fourth quarter, the company committed to a plan of divestiture for Railcar, Ltd., which is primarily engaged in rail car leasing. These assets have been recorded at fair value less the costs to sell, resulting in a \$40.1 million charge in the fourth quarter of 2002.

Progress Telecom

Progress Telecom, including CaroNet's operations, recorded current year revenues of \$60.8 million and a net loss of \$4.2 million, excluding asset impairments and other one-time charges of \$224.8 million in the third quarter of 2002. Progress Telecom recorded 2001 revenues of \$62.9 million and a net loss of \$8.0 million, excluding the \$102.4 million impairment of the Interpath investment held by CaroNet in the fourth quarter of 2001. Progress Telecom contributed positive net income in the fourth quarter due to lower operating costs and a reduction in depreciation expense.

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 sales are not subject to seasonal fluctuation 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 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 increased earnings per share by \$0.18 for the fourth 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, will be 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 increased earnings per share by \$0.03 for the fourth quarter and \$0.13 for the year. 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 22, 2003, at 10:00 a.m. ET (7:00 a.m. PT) 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 719-457-2625, confirmation code 435800. 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. ET January 22 through midnight February 5, 2003. To listen to the recorded call, dial 719-457-0820 and enter confirmation code 435800.

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. ET. To participate in this session, please dial 719-457-2703, confirmation code 726487.

Progress Energy (NYSE: PGN), headquartered in Raleigh, N.C., is a Fortune 250 diversified energy company with more than 21,900 megawatts of generation capacity and \$8 billion in annual revenues. The company's holdings include two electric utilities serving more than 2.7 million customers in North Carolina, South Carolina and Florida. Progress Energy also includes nonregulated operations covering merchant generation, energy marketing, natural gas exploration, fuel extraction, rail 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 press release 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 our 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 and natural gas; fluctuations in the price of energy commodities; economic fluctuations and the corresponding impact on our commercial and industrial customers; seasonal fluctuations in demand for electricity and natural gas; the ability of our subsidiaries to pay upstream dividends or distributions to us; the impact on our facilities and our business from a terrorist attack; the inherent risks associated with the operation of nuclear facilities, including environmental, health, regulatory and financial risks; our 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; our continued ability to use Section 29 tax credits related to our coal and synthetic fuels businesses; the continued depressed state of the telecommunications industry and our ability to realize future returns from Progress Telecom and Caronet, Inc.; our ability to successfully integrate newly acquired businesses, including Westchester Gas Company, into our operations as quickly or as profitably as expected; our ability to successfully complete the sale of North Carolina Natural Gas and apply the proceeds therefrom to reduce outstanding indebtedness; our ability to manage the risks involved with the construction and operation of our wholesale plants, including construction delays, 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 and trading operations; and unanticipated changes in operating expenses and capital expenditures. Most of these risks similarly impact our subsidiaries.

These and other risk factors are detailed from time to time in the our SEC reports. We urge you to read closely these SEC reports, including, particularly, our Current Report on Form 8-K/A filed with the SEC on November 7, 2002. 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 December 31		Year Ended December 31	
	2002	2001	2002	2001
Operating Revenues				
Electric	\$1,593,367	\$1,478,633	\$6,600,689	\$6,556,561
Diversified business	343,455	365,966	1,404,025	1,583,476
Total Operating Revenues	\$1,936,822	1,844,599	8,004,714	8,140,037
Operating Expenses				
Fuel used in electric generation	409,148	365,544	1,614,879	1,559,998
Purchased power	187,329	169,861	862,395	868,078
Other operation and maintenance	380,325	348,497	1,361,189	1,210,750
Depreciation and amortization	191,984	234,827	820,279	1,067,073
Taxes other than on income	92,037	84,282	386,254	379,830
Diversified business expenses	419,006	407,682	1,650,249	1,780,416
Diversified business - impairment of assets	-	44,800	304,986	44,800
Total Operating Expenses	1,679,829	1,655,493	7,000,231	6,910,945
Operating Income	256,993	189,106	1,004,483	1,229,092
Other Income (Expense)				
Interest income	3,450	(2,171)	14,526	22,481
Impairment on investments	-	(164,183)	(25,011)	(164,183)
Other, net	18,959	(33,645)	33,804	(28,439)
Total Other Income (Expense)	22,409	(199,999)	23,319	(170,141)
Income before Interest Charges and Income Taxes	279,402	(10,893)	1,027,802	1,058,951
Interest Charges				
Net interest charges	160,932	170,054	646,475	689,694
Allowance for borrowed funds used during construction	(2,533)	(8,200)	(13,034)	(16,801)
Total Interest Charges, Net	158,399	161,854	633,441	672,893
Income before Income Taxes	121,003	(172,747)	394,361	386,058
Income Taxes	(28,098)	(79,521)	(157,808)	(154,338)
Income from continuing operations	\$149,101	(\$93,226)	\$552,169	\$540,396
Discontinued operations	(25,796)	2,686	(23,783)	1,214
Net income	\$123,305	(\$90,540)	\$528,386	\$541,610
Average Common Shares Outstanding	224,807	212,866	217,247	204,683
Basic Earnings per Common Share - Continuing Operations	\$0.66	(\$0.44)	\$2.54	\$2.64
Basic Earnings per Common Share - Net Income	\$0.55	(\$0.43)	\$2.43	\$2.65
Diluted Earnings per Common Share - Continuing Operations	\$0.66	(\$0.44)	\$2.53	\$2.63
Diluted Earnings per Common Share - Net Income	\$0.55	(\$0.42)	\$2.42	\$2.64
Dividends Declared per Common Share	\$0.560	\$0.545	\$2.195	\$2.135

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

(In thousands)

December 31

December 31

2002

2001

ASSETS

Utility Plant

Electric utility plant in service	\$20,152,787	\$19,176,021
Accumulated depreciation	(10,480,880)	(9,936,514)
Utility plant in service, net	9,671,907	9,239,507
Held for future use	15,109	15,380
Construction work in progress	752,336	1,004,011
Nuclear fuel, net of amortization	216,882	262,869
Total Utility Plant, Net	10,656,234	10,521,767

Current Assets

Cash and cash equivalents	61,358	53,708
Accounts receivable	737,369	779,286
Unbilled accounts receivable	225,011	199,593
Inventory	875,485	871,643
Deferred fuel cost	183,518	146,652
Prepayments	88,684	48,926
Assets of discontinued operations	490,429	552,458
Other current assets	247,870	245,534
Total Current Assets	2,909,724	2,897,800

Deferred Debits and Other Assets

Regulatory assets	393,215	463,837
Nuclear decommissioning trust funds	796,844	822,821
Diversified business property, net	1,884,271	1,072,123
Miscellaneous other property and investments	492,147	456,865
Goodwill, net	3,719,327	3,656,970
Prepaid pension assets	504,774	487,551
Restricted cash - non-current	37,151	-
Other assets and deferred debits	451,451	510,967
Total Deferred Debits and Other Assets	8,279,180	7,471,134

Total Assets

\$21,845,138 \$20,890,701

CAPITALIZATION AND LIABILITIES

Capitalization

Common stock (without par value, authorized 500,000,000, issued and outstanding 237,992,513 and 218,725,352 shares, respectively)	\$4,929,104	\$4,107,493
Unearned ESOP common stock	(101,560)	(114,385)
Accumulated other comprehensive loss	(45,377)	(32,180)
Retained earnings	2,087,227	2,042,605
Total Common Stock Equity	6,869,394	6,003,533
Preferred stock of subsidiary - redemption not required	92,831	92,831
Long-term debt, net	9,747,293	8,618,960
Total Capitalization	16,709,518	14,715,324

Current Liabilities

Current portion of long-term debt	275,397	688,052
Accounts payable	757,566	760,116
Interest accrued	220,400	211,731
Dividends declared	132,232	117,857
Short-term obligations	694,850	942,314
Customer deposits	158,214	151,968
Liabilities of discontinued operations	118,884	162,917
Other current liabilities	426,792	403,868
Total Current Liabilities	2,784,335	3,438,823

Deferred Credits and Other Liabilities

Accumulated deferred income taxes	1,049,877	1,408,155
Accumulated deferred investment tax credits	206,221	224,688
Regulatory liabilities	298,078	291,789
Other liabilities and deferred credits	797,109	811,922
Total Deferred Credits and Other Liabilities	2,351,285	2,736,554

Total Capitalization and Liabilities

\$21,845,138 \$20,890,701

Progress Energy, Inc.

SUPPLEMENTAL DATA

	Three Months Ended		Year Ended	
	December 31		December 31	
	2002	2001	2002	2001
Operating Revenues (in thousands)				
Electric				
Retail	\$1,338,851	\$1,247,304	\$5,515,306	\$5,461,469
Wholesale	221,267	192,190	880,583	921,799
Unbilled	(16,529)	99	12,240	(54,173)
Miscellaneous revenue	49,778	39,040	192,560	227,466
Total Electric	1,593,367	1,478,633	6,600,689	6,556,561
Diversified businesses	343,455	365,966	1,404,025	1,583,476
Total Operating Revenues	\$1,936,822	\$1,844,599	\$8,004,714	\$8,140,037
Energy Sales				
Electric (millions of kWh)				
Retail				
Residential	8,183	6,666	33,993	31,976
Commercial	5,876	5,480	23,887	23,033
Industrial	4,148	4,137	16,924	17,204
Other retail	1,104	1,013	4,287	4,149
Total Retail	19,311	17,296	79,091	76,362
Unbilled	(441)	(151)	276	(1,045)
Wholesale	4,873	3,769	19,204	17,714
Total Electric	23,743	20,914	98,571	93,031
Energy Supply (millions of kWh)				
Generated - steam	12,110	11,489	49,739	48,732
nuclear	7,487	5,797	30,126	27,301
hydro	194	46	491	245
combustion turbines	1,653	1,373	8,521	6,644
Purchased	3,315	3,141	14,305	14,469
Total Energy Supply (Company Share)	24,759	21,846	103,182	97,391
Detail of Income Taxes (in thousands)				
Income tax expense (credit) - current	\$63,944	\$81,716	\$262,678	\$106,445
deferred	(88,370)	(156,891)	(402,040)	(238,103)
investment tax credit	(3,672)	(4,346)	(18,446)	(22,680)
Total Income Tax Expense	(\$28,098)	(\$79,521)	(\$157,808)	(\$154,338)
FINANCIAL STATISTICS				
Ratio of earnings to fixed charges			1.50	1.52
Return on average common stock equity			8.42 %	9.41 %
Book value per common share			29.55	28.20
Capitalization				
Common stock equity			38.85 %	36.73 %
Preferred stock of subsidiary- redemption not required			0.53	0.57
Total debt			60.62	62.70
Total Capitalization			100.00 %	100.00 %

Progress Energy, Inc.
Earnings Variance Analysis
Fourth Quarter 2002 vs 2001

(\$ per share)	Progress Energy Carolinas	Progress Energy Florida	Progress Ventures	Other		Consolidated
Reported 2001 Earnings	0.44	0.19	0.20	(1.26)		(0.43)
CVO Mark-to-Market - 2001				0.04	(L)	0.04
Asset Impairments and One-time charges	0.02			0.70	(A)	0.72
Intra-period tax levelization - 2001				0.13	(M)	0.13
Ongoing 2001 Earnings	0.46	0.19	0.20	(0.39)		0.46
Weather	0.13	0.07				0.20
Florida Rate Reduction		(0.09)			(B)	(0.09)
Retail Customer Growth and Usage	(0.02)	0.02				0.00
Other Margin	0.01	0.02			(C)	0.03
Depreciation	(0.05)	0.09			(D)	0.04
Goodwill Amortization				0.11	(E)	0.11
O&M	(0.03)	(0.04)			(F)	(0.07)
Interest Charges	0.02	0.01		(0.02)	(G)	0.01
Diversified Businesses			(0.04)		(H)	(0.04)
Other	0.06	0.01	(0.01)	0.04	(I)	0.10
Share Dilution	(0.03)	(0.02)	(0.01)	0.02	(J)	(0.04)
Tax Reallocation	0.05	0.03		(0.08)	(K)	0.00
Ongoing 2002 Earnings	0.60	0.29	0.14	(0.32)		0.71
CVO Mark-to-Market - 2002				0.03	(L)	0.03
Intraperiod Tax Reallocation				0.18	(M)	0.18
Railcar Loss on Assets Held for Sale				(0.18)	(N)	(0.18)
NCNG - Loss/Discontinued Operations				(0.11)	(O)	(0.11)
Ice Storm Costs	(0.08)				(P)	(0.08)
Reported 2002 Earnings	0.52	0.29	0.14	(0.40)		0.55
Segment View:						
Fourth Quarter 2002	0.44	0.27	0.24	(0.40)	(Q)	0.55
Fourth Quarter 2001	0.34	0.16	0.33	(1.26)		(0.43)

Other includes SRS, Progress Telecom and Progress Rail. Progress Rail's EPS contribution is immaterial and, therefore, is not separately disclosed. Also included are corporate items such as eliminations, holding company interest expense, goodwill (in 2001), CVO mark-to-market, intra-period tax allocations, purchase accounting transactions, and discontinued operations of NCNG.

- (A) Impairment of SRS assets, Interpath investment, and other one-time charges.
- (B) Florida rate reduction: 9.25% reduction effective May 2002.
- (C) Carolinas - Favorable: other revenues. Unfavorable: Industrial.
Florida: Favorable: other revenues. Unfavorable: wholesale, purchased power.
- (D) Carolinas - Higher nuclear accelerated depreciation. Florida - rate case and Tiger Bay.
- (E) No goodwill amortization in 2002.
- (F) Carolinas: Increased salary and benefit costs, lower pension credit, inventory charges.
Florida: Lower pension credit, system reliability and enhancements, increased employee benefit costs.
- (G) Lower interest rates and lower debt.
- (H) Ventures: Lower synthetic fuel sales and nonregulated trading losses in 2002 partially offset by additional sales from nonregulated generation.
- (I) Carolinas: Improved AFUDC, improved energy services, and other nonoperating charges.
Corporate - Purchase accounting amortization, intercompany interest with subs, other.
- (J) Primarily impact of purchase of Westchester Gas in April 2002 (2.5M shares) and issuance in November 2002 (14.7M shares).
- (K) Moving impact of tax favorability from Holding Company to profitable subsidiaries.
- (L) Impact of change in market value of outstanding CVOs.
- (M) Intra-period income tax leveling impact, related to cyclical nature of energy demand/earnings.
- (N) Loss on net assets held for sale at Railcar Ltd.
- (O) Loss on sale of NCNG, net of discontinued earnings.
- (P) O&M impact of ice storm costs.
- (Q) Trading and marketing activities in Carolinas (\$0.08) and Florida (\$0.02) that are managed by Progress Ventures.

Progress Energy, Inc.
Earnings Variance Analysis
Total Year 2002 vs 2001

(\$ per share)	Progress Energy Carolinas	Progress Energy Florida	Progress Ventures	Other	Consolidated
Reported 2001 Earnings	2.28	1.51	0.99	(2.13)	2.65
Asset Impairments and One-time Charges	0.02			0.73 (A)	0.75
Ongoing 2001 Earnings	2.30	1.51	0.99	(1.40)	3.40
Weather	0.20	0.13			0.33
Florida Rate Reduction		(0.25)			(0.25) (B)
Retail Customer Growth and Usage	0.10	0.08			0.18
Other Margin	(0.04)	0.02			(0.02) (C)
Depreciation	(0.01)	0.33			0.32 (D)
Goodwill Amortization				0.44	0.44 (E)
O&M	(0.18)	(0.23)			(0.41) (F)
Interest Charges	0.09		(0.01)	0.03	0.11 (G)
Diversified Businesses			(0.03)	0.06	0.03 (H)
Other	(0.04)		0.02	(0.06)	(0.08) (I)
Share Dilution	(0.14)	(0.09)	(0.06)	0.05	(0.24) (J)
Tax Reallocation	0.16	0.09		(0.25)	0.00 (K)
Ongoing 2002 Earnings	2.44	1.59	0.91	(1.13)	3.81
Florida Retroactive Rate Refund		(0.10)			(0.10) (L)
CVO Mark-to-Market - 2002				0.13	0.13 (M)
PTC/Interpath Impairment				(1.04)	(1.04) (N)
Railcar Loss on Assets Held for Sale				(0.18)	(0.18) (O)
NCNG - Loss/Discontinued Operations				(0.11)	(0.11) (P)
Ice Storm Costs	(0.08)				(0.08) (Q)
Reported 2002 Earnings	2.36	1.49	0.91	(2.33)	2.43
Segment View:					
Total Year 2002	2.08	1.43	1.25	(2.33)	2.43 (R)
Total Year 2001	1.98	1.39	1.41	(2.13)	2.65

Other includes SRS, Progress Telecom and Progress Rail. Progress Rail's EPS contribution is immaterial and, therefore, is not separately disclosed. Also included are corporate items such as eliminations, holding company interest expense, goodwill (in 2001), CVO mark-to-market, intra-period tax allocations, purchase accounting transactions, and discontinued operations of NCNG.

- (A) Impairment of SRS assets, Interpath investment, and other one-time charges.
(B) Florida rate reduction: 9.25% reduction effective May 2002.
(C) Carolinas - Favorable: other revenues. Unfavorable: Industrial.
Florida: Favorable: fuel costs, other revenues. Unfavorable: wholesale.
(D) Carolinas - Lower nuclear accelerated depreciation offset by full year depreciation on Richmond plant. Florida - rate case and Tiger Bay.
(E) No goodwill amortization in 2002.
(F) Carolinas: Increased salary and benefit costs, lower pension credit, inventory charges, higher property insurance.
Florida: Lower pension credit, system reliability and enhancements, increased employee benefit costs.
(G) Lower interest rates and lower debt.
(H) Other: Improvements in Rail.
Ventures: Lower synthetic fuel sales and nonregulated trading losses in 2002 partially offset by additional sales from nonregulated generation.
(I) Carolinas: Lower AFUDC credits in 2002, lower interest income, and other nonoperating charges.
Corporate - Purchase accounting amortization, intercompany interest with subs, other.
(J) Primarily impact of issuance in August 2001 (12.7M shares) and purchase of Westchester Gas in April 2002 (2.5M shares) and issuance in November 2002 (14.7M shares).
(K) Moving impact of tax favorability from Holding Company to profitable subsidiaries.
(L) Impact of \$35M (\$21M after tax) retroactive rate refund related to rate case settlement.
(M) Impact of change in market value of outstanding CVOs.
(N) PTC impairment and one time charges.
(O) Loss on assets held for sale at Railcar Ltd.
(P) Loss on sale of NCNG, net of discontinued earnings.
(Q) O&M impact of ice storm costs.
(R) Trading and marketing activities in Carolinas (\$0.28) and Florida (\$0.06) that are managed by Progress Ventures.