Manage the present. Create the future.

2012 Corporate Responsibility Executive Summary

For our full 2012 Corporate Responsibility Report, please visit **progress-energy.com/crr**

Progress Energy

Message from our CEO

This 2012 Corporate Responsibility Report is Progress Energy's annual overview of what we're doing to achieve the high standards we have set for how we conduct our business. Meeting, or exceeding, these expectations requires a relentless daily focus because this is a complex, demanding industry and so many customers and communities depend on us to get it right.

The electric utility industry today is characterized by increasing change and ambiguity. There is an expanding menu of emerging technologies. Public policies and government regulations are in flux. Long-term economic and consumer trends are uncertain.

What remains clear is Progress Energy's strong commitment to the customers and communities we serve, to the environment we all want to protect and to our employees and shareholders, who make this enterprise possible.

Our mission is to provide reliable, affordable electric service in a safe, clean and sustainable way. We are dedicated to integrity, credibility and excellent performance, and we're committed to being a company that elicits pride among our employees, confidence among our investors and trust within the communities we're privileged to serve.

We hope this report gives you greater insight into Progress Energy's business practices and the future we are building.

William D. Johnson
Chairman, President and CEO
May 2012

Progress Energy (NYSE: PGN), headquartered in Raleigh, N.C., is a Fortune 500 energy company with approximately 23,000 megawatts (MW) of generation capacity. Our company has two regulated, integrated electric utilities that serve about 3.1 million customers in North Carolina, South Carolina and Florida.

Company Facts:

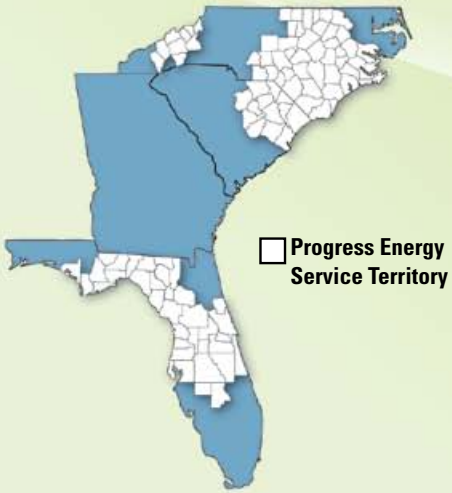
- About 11,000 employees
- Approximately $9 billion in annual revenue
- Serves about 3.1 million Southeast customers
- Named to the Dow Jones Sustainability North America Index for seven consecutive years

2011 Generation (megawatt-hours [MWh]):

- 32 sites in the Carolinas and Florida
- 35% Coal
- 33% Gas/Oil
- 31% Nuclear
- 1% Hydropower
- Purchased 2.87 million MWh from renewable energy sources

Proposed Duke Energy and Progress Energy Merger:

- On Jan. 10, 2011, Progress Energy and Duke Energy announced plans to merge in a stock-for-stock transaction unanimously approved by both companies' boards of directors. Shareholders of both companies also approved the proposed merger on Aug. 23, 2011.
- The merged company will have an enterprise value of about $65 billion, a regulated customer base of more than 7 million, and will be well positioned to meet future energy challenges.
- The Federal Energy Regulatory Commission (FERC) gave conditional approval on Sept. 30, 2011, subject to mitigation of concerns about the merged company's potential wholesale market power in the Carolinas.
- On March 26, 2012, the companies filed a revised wholesale market power mitigation plan with the FERC. At this time, the companies are awaiting the agency's decision.
- The merger is also subject to approvals by the North Carolina and South Carolina commissions, and other legal conditions prior to closing.



Progress Energy Carolinas
Capacity: ~ 13,000 MW
Transmission and distribution: > 70,000 miles of lines
Customers: ~ 1.5 million
Service area: 34,000 square miles

Progress Energy Florida
Capacity: ~ 10,000 MW
Transmission and distribution: > 49,000 miles of lines
Customers: ~ 1.6 million
Service area: 20,000 square miles

Customers

Delivering safe, clean, reliable, affordable power and outstanding customer service is our fundamental commitment to our customers.

KEY 2011 HIGHLIGHTS:

- Progress Energy customers saved more than 267 million kilowatt-hours (kWh) using our energy-efficiency programs, thus reducing carbon dioxide (CO_2) emissions by more than 200,000 tons according to the U.S. EPA.
- We completed a new state-of-the-art natural gas-fired plant and began construction of two additional plants, allowing the retirement of the first of four coal plants.
- Our crews safely and quickly restored power from three major storms in 2011 that affected approximately 970,000 customers.

A Balanced Solution Strategy

A major challenge facing our industry today is meeting demand while controlling costs and negative environmental impacts. We are continuing to address this challenge through a balanced strategy of energy-efficiency programs, alternative and renewable energy and a state-of-the-art power system.

Energy Efficiency and Demand-Side Management

Progress Energy continued to support a wide array of energy-efficiency programs in 2011. These include customized home energy reports that evaluate a customer's energy use and offer information about energy-saving opportunities, including rebates for energy-efficient home improvements. The company also continued its Neighborhood Energy Saver Program, which brings free energy-saving home improvements to low-income customers. As a result of these and other programs, our Carolinas customers saved 148 million kWh in 2011, and our Florida customers saved 119 million kWh. Since 1981, these programs have helped the company avoid 19.61 million tons of CO_2 emissions.

Information about our energy-efficiency programs can be found on our website at **progress-energy.com/save.**

Alternative and Renewable Energy

Progress Energy is investing in renewable and alternative energy resources by partnering with organizations throughout our service territory to develop solar, wind, biomass, fuel cell and other renewable technologies. In 2011, we more than doubled our 2010 renewable purchases by securing 2.87 million MWh from renewable energy sources in the Carolinas and Florida.

And we launched a new program in the Carolinas offering free plug-in vehicle charging stations to qualified residential customers as part of our ongoing support for electric transportation. There is more information about our renewable energy activities in the environmental chapter of this report.

Modernization of Our Power System

The third component of our balanced strategy for meeting customer energy demands is developing and maintaining a state-of-the-art power system.

In 2011, the company retired the 62-year-old Weatherspoon Plant, located near Lumberton, N.C., as part of previously announced plans to retire approximately 30 percent of our North Carolina coal capacity and add almost 2,200 MW of cleaner-burning gas capacity for our customers in the Carolinas by 2014.

The company added a new 600-MW natural gas-fired combined-cycle plant at the Sherwood H. Smith, Jr., Energy Complex in June 2011, and is planning to bring two new state-of-the-art natural gas-fired combined-cycle plants online in 2013.

In Florida, the company's repowered Bartow Plant, located on Tampa Bay, uses natural gas and produces nearly three times as much energy from the 50-year-old oil-fired site. And in March 2012, we announced plans to convert the Anclote Plant, located in Holiday, from running both oil and gas to 100 percent natural gas. We anticipate the conversion, which will reduce sulfur dioxide (SO_2) emissions by more than 99 percent, will be complete by the end of 2013.

Replacing aging coal power plants is an important step toward reducing our carbon emissions. The company is also pursuing more carbon-free nuclear energy – through the upgrade of existing plants and possible construction of new ones. As part of that process, the company has worked with the U.S. nuclear industry and global resources to systematically review the events at Fukushima and implement changes to further enhance the multiple layers of safety that are already in place at our power plants.

Converting to 100 percent natural gas will reduce emissions dramatically at the Anclote Plant.

We are also investing in new energy-delivery technologies, including enhancements to the electric grid commonly known as smart grid. These investments include installing advanced communication and load-management technologies on our electric grid to make the system operate more efficiently, especially during periods of peak demand. We are also installing technologies to isolate outages faster and monitor the health of assets on our system, which will improve service quality and reliability for our customers.

Our EnergyWise® smart grid initiatives help to improve system reliability, increase the capacity to use renewable energy resources and enable programs that will help customers manage their energy use.

For example, the EnergyWise Home℠ Program gives residential customers a monetary incentive to allow the company to place load-control devices on select appliances to reduce energy demand during times of peak demand. More than 464,500 customers have signed up for this program in the Carolinas and Florida, enabling us to reduce the needed power generation by as much as 758 MW during these high-demand periods.

Delivering Reliability and Customer Satisfaction

Our efforts to improve service reliability are a focus every day. We continue to increase and refine our preventive maintenance program, investing millions of dollars to ensure that the energy-delivery system that serves our customers is dependable 24 hours a day. As a result of our ongoing efforts, we were well prepared to quickly and safely restore power in the wake of several large storms in 2011, including Hurricane Irene, a significant spring storm in Florida and a band of devastating tornadoes in North Carolina. All told, these weather events affected approximately 970,000 customers.

Along with reliable power, we are committed to providing the highest level of customer service. We use a variety of methods to measure customer satisfaction, identify improvement opportunities and guide enhancements to our processes and performance. Progress Energy's long-term commitment to customers and its success in providing ongoing customer satisfaction are reflected in our national awards. In 2011, both Progress Energy Carolinas and Progress Energy Florida experienced higher customer satisfaction scores than the previous year through a variety of company and third-party measurement tools.

Communities

Our connections to the community run deep. For more than a century, we have maintained strong relationships with the communities we serve, consistently investing our time and resources in the places we call home.

KEY 2011 HIGHLIGHTS:

- Invested nearly $9 million through philanthropic programs in our communities.
- Worked to bring more than 5,000 jobs and $1.2 billion in investments to our service areas.
- Named Corporation and Buyer of the Year by the Florida Minority Supplier Development Council.

Economic Development

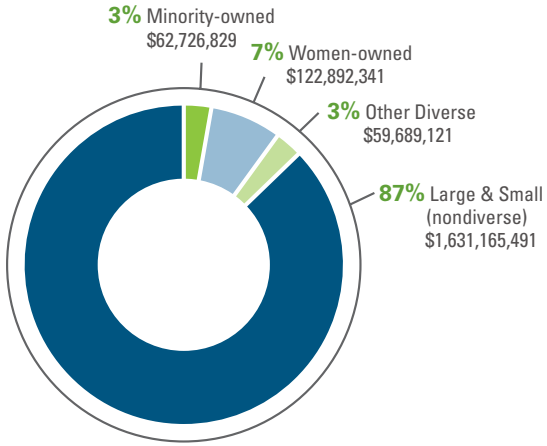
Progress Energy has a long history of supporting economic growth in the Carolinas and Florida. Progress Energy's economic development team worked with other agencies to attract more than 5,000 jobs and $1.2 billion in investments to the company's service areas in 2011.

Another important way we support our local economies is through our Supplier Diversity Program, providing equitable opportunities for small and diverse businesses to supply goods and services to our company. In 2011, we worked with more than 600 diverse suppliers.

Economic Investment in Progress Energy's Service Area

Year	Investment	Jobs Created
2002	$653,101,000	4,956
2003	$694,502,000	9,339
2004	$933,910,000	10,051
2005	$1,546,727,000	14,348
2006	$1,417,012,000	7,711
2007	$951,145,000	10,405
2008	$2,590,132,000	11,127
2009	$553,937,300	3,118
2010	$675,127,000	3,541
2011	**$1,262,263,500**	**5,233**

Supplier Diversity



Total Procurement	$1,876,473,781
Diverse Spend Actual	$245,308,290
Diverse Spend Percentage	13%
2011 Diverse Spend Goal	11%

"Other Diverse" includes: veteran-owned business concerns, service-disabled veteran-owned business concerns, HUBZone business concerns, and 8a business concerns.

Community Engagement

Progress Energy's success is directly tied to the vitality of the communities we serve. Day after day, we work to develop and maintain strong relationships with our stakeholders and communities.

Such relationships are important in good times and bad. To prepare for difficult times, the company actively engages with local, state and federal emergency management agencies to develop and support the best critical response programs for adverse situations from hurricanes to cyber attacks.

As we plan for meeting the future energy needs of our customers, our company is committed to maintaining a constructive legislative and regulatory climate and to solutions that provide mutual benefits for our region and company. ProgressPAC, Progress Energy's employee political action committee (PAC), encourages employee engagement and provides employees the opportunity to participate collectively in the political process. In 2011, ProgressPAC contributed $471,500 (all contributed by employees) to state and federal candidates and political organizations.

Community Investments

We take an active role in building and supporting the communities we serve, thoughtfully investing our financial resources and time.

Despite the ongoing economic downturn, Progress Energy remains committed to the overall well-being of our communities. In 2011, Progress Energy and its foundation made nearly $9 million in community investments that align with our philanthropic focus areas of economic vitality and community support, education, environment and workforce development. This included more than $800,000 in matching funds to the Energy Neighbor Fund, a low-income energy-assistance program for customers in need. Since the program was established in 1982, the Energy Neighbor Fund has provided more than $30 million in energy assistance to families in our service territories.

In addition, our employees remain actively engaged in their communities. Through our Give Where You Live program, employees give their time and money generously. During 2011, the program generated more than $3 million for local charities, including a 50 percent match from the company for all employee and retiree donations. Employees also volunteered 22,000 hours at more than 150 local nonprofit agencies.

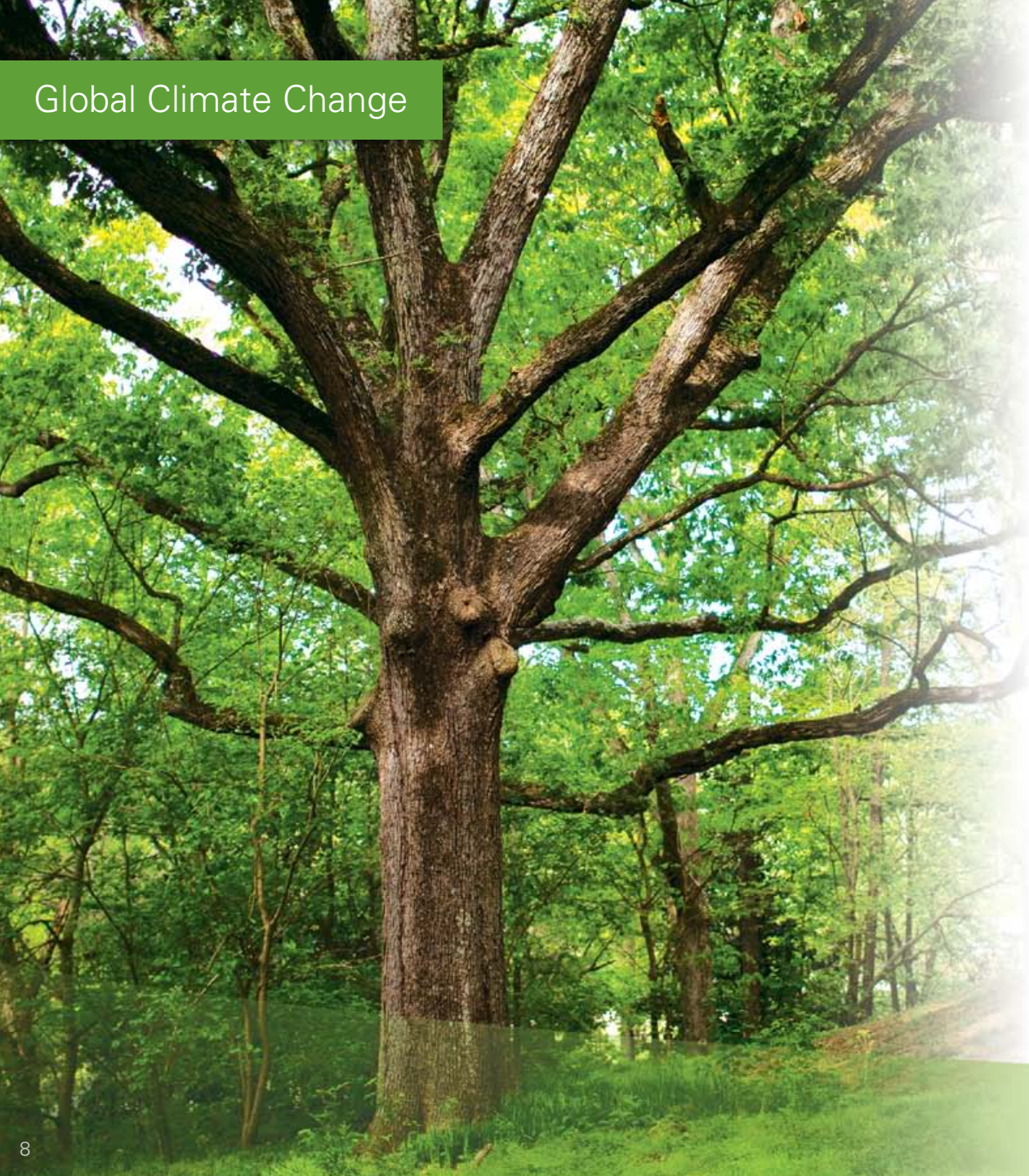
Progress Energy's Community Investments*

Breakdown by focus areas

Education	$2,780,000
Health & Human Services includes employee giving campaign and Energy Neighbor Fund	$2,400,000
Economic Development includes arts & cultural investments	$1,690,000
Environment	$924,000
Civic & Community	$676,000
Other	$222,000
TOTAL	**$8,692,000**

**Includes Progress Energy Foundation contributions.*

Global Climate Change



On behalf of our customers, communities and the environment we share, Progress Energy is actively working to reduce greenhouse gas (GHG) emissions and advance effective climate-change policies.

KEY 2011 HIGHLIGHTS:

- GHG emissions were our lowest in a decade.
- Continuing to work to reduce GHG emissions through energy efficiency, renewable and alternative energy and a state-of-the-art power system.
- Taking an active, constructive role in helping to shape effective public policy.

Our Global Climate Change Position

Global climate change is an issue of unprecedented scope and complexity. A key focus for our industry and company is how to address the challenges of global climate change and demand growth while maintaining a secure electric supply, reliable service and affordable rates. This will require stable, long-term policies that support the research, development, commercialization and deployment of breakthrough technologies.

Progress Energy is taking action now to reduce GHG emissions through our balanced strategy of energy efficiency, renewable and alternative energy and a state-of-the-art power system. And we are working constructively to help shape national policies that achieve the greatest reduction in GHG emissions at the lowest cost to the consumer.

Progress Energy is retiring several coal-fired plants in North Carolina and building plants that use cleaner-burning natural gas. However, natural gas still emits CO_2, which means fuel switching alone cannot achieve sufficient reductions. Today, the only technology capable of producing carbon-free electricity on a utility scale, 24 hours a day, is nuclear energy.

The company is also actively engaged in the creation of effective policies and regulations to reduce GHG emissions. We continue to advocate for climate-change policies that have clear, achievable goals and avoid imposing economic hardships on consumers, especially those of modest means, whose energy costs represent a larger share of their monthly income.

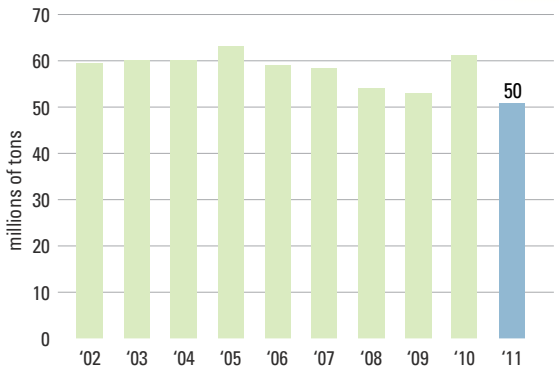
Committed to Reducing GHG Emissions

We report our GHG emissions through the Environmental Protection Agency's (EPA) GHG reporting program. Data for 2010 are available through the EPA's website, and details of our 2011 emissions will be reported to the EPA and publicly available later this year.

In 2011, the company's total CO_2 emissions, which account for nearly all of our GHG emissions, were our lowest in a decade. This resulted from an increased use of our natural gas plants due to low fuel cost as well as lower demand from customers due to milder weather in 2011 than in 2010. Since 2005, our CO_2 emissions have declined yearly, except for 2010 when the shutdown of our Crystal River 3 nuclear unit, coupled with unusually hot and cold weather, drove up use of our fossil-fueled generating plants.

We are taking a variety of actions to minimize GHG emissions in the future. Many are discussed in detail in our full report at **progress-energy.com/crr**, including plans to retire nearly 30 percent of our coal-fired power plant capacity in North Carolina and the launch of new solar power incentives in Florida. We are moving forward on many fronts, such as our ongoing evaluation of new advanced nuclear plants and other emerging technologies.

Historic **Carbon Dioxide Emissions**



Carbon Policies and Impacts

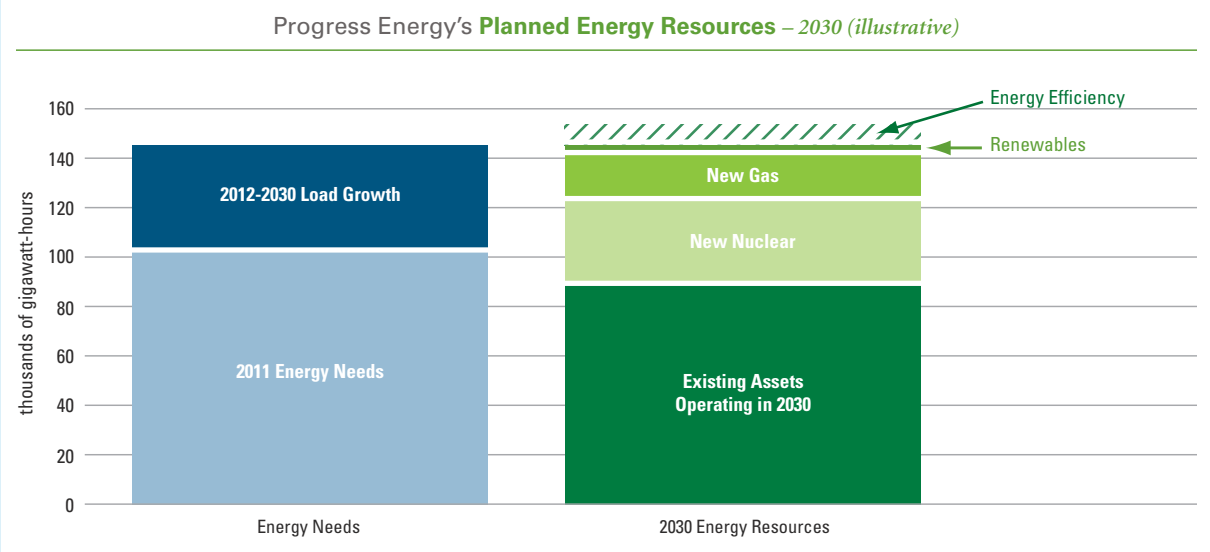
The national discussion on climate change and policies to address it has now expanded into both the legislative and regulatory arenas. While state and regional initiatives continue to take shape in parts of the country, we remain certain that the climate-change issue requires a national policy framework – one focused on achieving the greatest reduction in GHG emissions at the lowest cost to the consumer. We are working to develop consensus-based strategies with policymakers and stakeholders to effectively address the challenges and opportunities

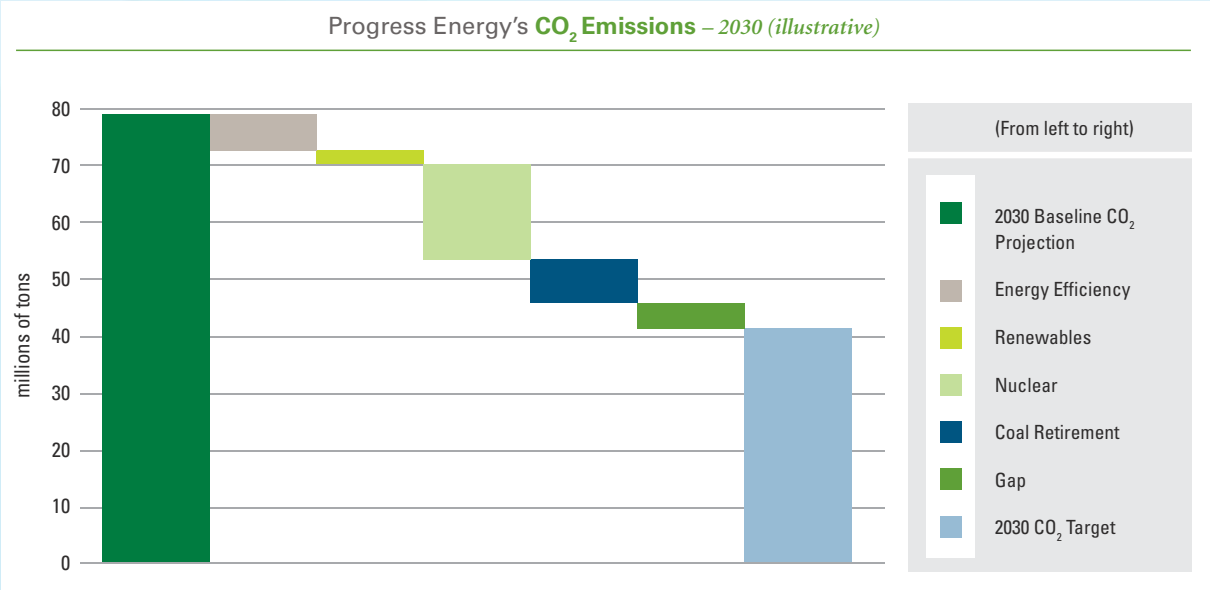
associated with global climate change. Progress Energy strongly believes the appropriate policy approach is to develop legislation specifically to address the complex climate-change issue on a consistent, national basis.

The charts on the right provide two illustrative views of our future, using current planning projections for Progress Energy's generating fleet. The first chart looks at our potential energy mix and customer demand growth 20 years from now. It shows that, to accommodate the projected additional load growth from 2011 through 2030 and reduce emissions, cleaner energy resources will play an increased role in the future, including improvements in energy efficiency, additional natural gas-fired generation and new nuclear capacity.

The second chart takes another illustrative look at the year 2030 for the company as a whole – this time from the standpoint of potential emission reductions from each aspect of Progress Energy's long-term plan. The CO_2 emission milestone level reflects a potential policy goal, which is 42 percent below 2005 levels. Despite the aggressive emission-reduction steps that the chart reflects, there still is the potential for a 4 million-ton difference between projected emissions and the potential policy goal. As the chart shows, we expect new nuclear power to play the greatest role in reducing emissions while meeting increasing demand for electricity.

Both these charts illustrate Progress Energy as it currently exists and do not take into consideration the pending merger with Duke Energy.





Environment

We are committed to being good stewards of the environment. Year after year, we strive to conserve natural resources, minimize environmental impact and advance alternative and renewable energy solutions.

KEY 2011 HIGHLIGHTS:

- Purchased 2.87 million MWh of renewable energy – more than doubling 2010 levels.
- Built two new line-crew centers and are remodeling the corporate headquarters to Leadership in Energy and Environmental Design (LEED) Silver green-building standards.
- Maintained SO_2 and nitrogen oxides (NOx) emissions 70 percent lower than 1998 levels at our coal-fired plants and are on track to continue to meet federal and state requirements.

A Companywide Commitment

All employees are expected to be active participants in fulfilling our environmental mission. This means demonstrating a commitment to excellence in environmental stewardship in every aspect of our daily performance and ensuring that environmental goals and commitments guide all planning, design, construction and operational decisions.

Environmental Management

A commitment to excellence is an integral component of our company's culture. We have a formal environmental management system (EMS) to oversee the environmental impacts of our business. Our EMS generally follows the International Standards Organization 14001 standard and establishes a process to identify and address environmental risks and to ensure appropriate senior management oversight.

Renewable and Alternative Energy

Renewable energy is a key component in our long-term balanced approach to meeting growing energy demand. We are committed to cost-effectively increasing the use and development of renewable and alternative energy technologies, including solar, wind, biomass, hydroelectric and fuel cells. We more than doubled our renewable energy purchases in 2011 over 2010, buying 2.87 million MWh. That's equal to the average annual electricity use of about 200,000 households.

In 2007, the North Carolina legislature enacted a renewable energy and efficiency portfolio standard (REPS) requiring utilities to purchase or generate 3 percent of their electricity from renewable resources or energy efficiency by 2012 and 12.5 percent by 2021. Through a combination of

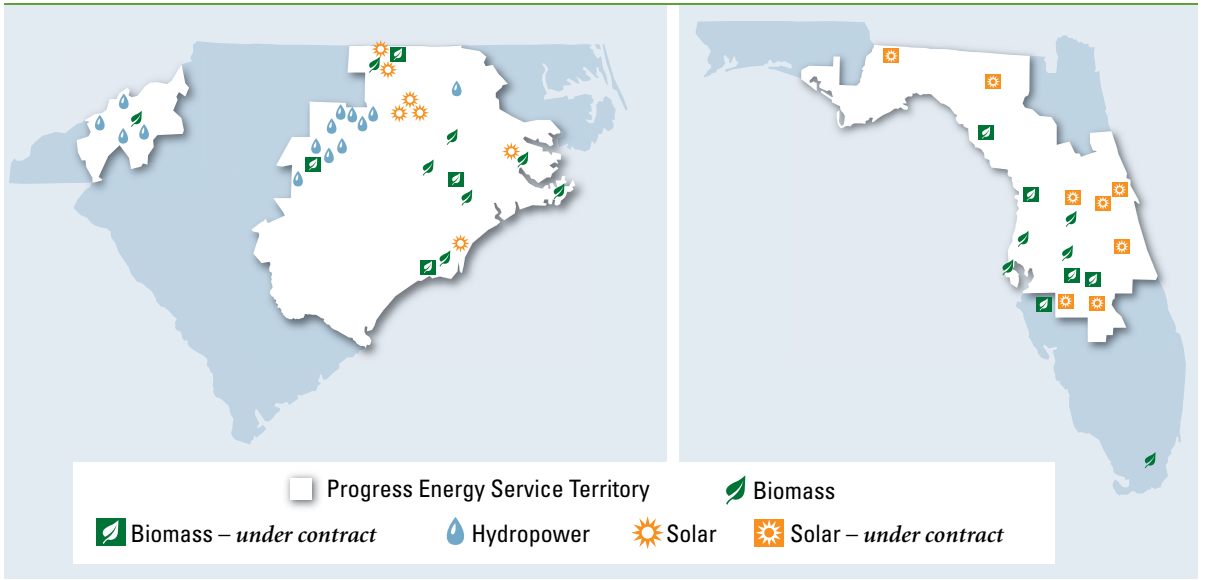
utility-scale projects and customer participation in our SunSense Commercial and Residential programs, we were able to purchase 8,000 MWh of solar electricity in 2011 to meet the law's 2011 solar target. We are on track to meet the 2012 overall milestone with a mix of solar, biomass and other renewable-energy sources. Progress Energy Carolinas currently has contracts for 240 MW of generation to be used toward the REPS compliance goals.

We maintained our partnerships with NC GreenPower and Palmetto Clean Energy (S.C.) in 2011, giving our customers a convenient way to support renewable energy directly through tax-deductible monthly contributions on their utility bill. And we continued our partnerships with local schools, helping to install solar panels and bring solar energy educational programs to students in Florida and the Carolinas.

Electric Transportation

Electric transportation and the use of alternative fuels are increasingly cited as methods to reduce GHG emissions and our country's dependence on foreign oil. Progress Energy has one of the most advanced utility plug-in electric vehicle (PEV) programs in the nation.

Progress Energy's **Large-Scale Renewable Energy Projects** *– 1 MW or larger**



Except for four of the hydropower projects, which are owned by Progress Energy, all projects on this map are contracts to purchase the output of a facility owned and operated by a third party. Due to a variety of factors, including current economic conditions, it is possible that not every project under contract will be completed. Other innovative renewable energy projects, such as waste heat-recovery facilities and many solar arrays through our SunSense® solar programs, are not represented here because they are not large-scale projects.
**Hydropower projects have no minimum size limit to be listed.*

In 2011, Progress Energy continued our two-year demonstration and research program of the new Chevrolet Volt. Our test fleet currently includes 12 Chevrolet Volts, two Nissan Leafs, six plug-in hybrid electric Toyota Priuses, one plug-in hybrid electric Ford Escape and the Southeast's first plug-in hybrid electric bucket truck. Progress Energy is gathering data from the drivers and charging stations to assess the impact of the vehicles on the electric grid and ensure the right infrastructure is available as these plug-in vehicles become increasingly available.

Progress Energy was the proud sponsor and local organizer for the 2011 Plug-In International Conference. The conference was hosted in Raleigh, N.C., home of our corporate headquarters – marking the first time the event has been held outside California. The company is also preparing for future large-scale adoption of PEVs by installing, and collecting and analyzing data from, 250 residential and public access charging stations, including a solar-powered charging station.

Progress Energy is studying the feasibility of powering electric vehicle charging stations with solar power. This project will help us better understand solar and grid interactions and prepare for future widespread use of electric vehicles.

Air Quality

We are working to improve air quality by significantly reducing emissions from our power plants. We have been installing equipment to reduce NOx emissions from our coal-fired power plants since 1995. We've completed the installation of additional control equipment that will further reduce emissions of NOx, SO_2 and mercury at our largest coal-fired power plants.

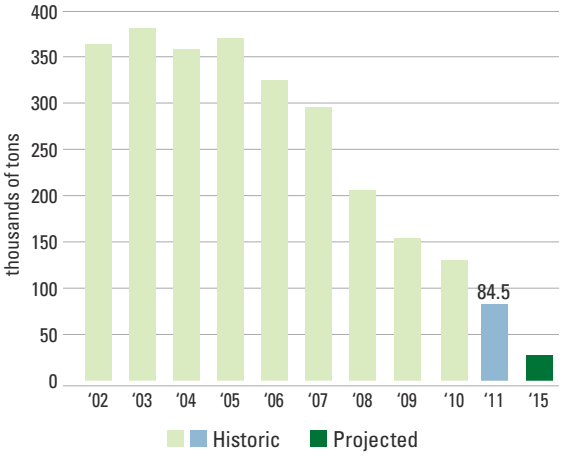
In 2011, we continued our commitment to clean air in the Carolinas by retiring the Weatherspoon coal-fired plant, adding a new natural-gas plant at the Sherwood H. Smith, Jr., Energy Complex and breaking ground on two other new natural gas plants. In Florida, we have completed clean-air investments on our largest coal units, Crystal River Units 4 and 5.

As a result of our ongoing commitment to clean air, the company has successfully met all state air-quality regulations. Our company also must comply with several new federal air regulations from the EPA, including Cross State Air Pollution Rule (CSAPR), Mercury and Air Toxic Standards (MATS) and Clean Air Visibility Rule (CAVR).

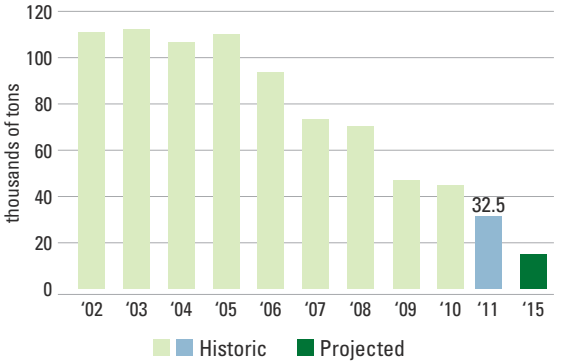
We are taking an integrated approach to complying with these requirements in an effort to minimize cost impacts on customers.

The addition of 600 MW of cleaner, more efficient natural-gas capacity makes the Sherwood H. Smith, Jr., Energy Complex our second-largest power plant in the Carolinas.

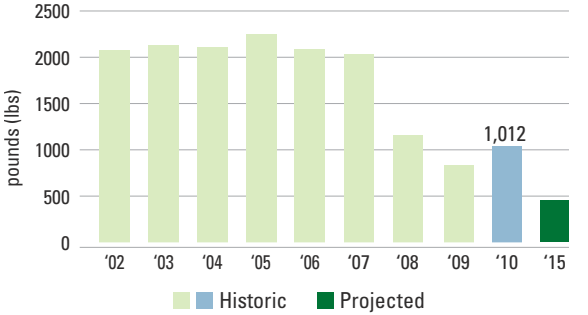
Historic and Projected **Sulfur Dioxide Emissions**



Historic and Projected **Nitrogen Oxides Emissions**



Historic and Projected **Mercury Emissions**



Water Resources

Water is a shared natural resource vital to the production of electricity and to a sustainable environment. We are developing and implementing innovative, responsible, consensus-based solutions to balance the water resources necessary for power generation with the needs of our communities.

We carefully monitor the effects of our operations, including rigorous groundwater monitoring around all ash ponds at our coal plants. In addition, our Hines Energy Complex near Bartow, Fla., has been chosen by the U.S. Department of Energy as a test site to evaluate the ability of constructed wetlands to provide cooling and makeup water for thermo-electric power plants. Through this pilot project, we will construct up to 50 acres of wetlands in 2012.

We are also working to improve conservation in our nongenerating facilities. In 2011, we built two new facilities for transmission and distribution line crews to LEED Silver green-building standards and are remodeling the corporate headquarters to these same standards.

Natural Resources

We have a responsibility to our customers and communities to be good stewards of our natural environment. We manage more than 83,000 acres of forest land and consider the protection of species and habitats on those lands a priority. For example, we are actively involved in reforestation of native trees and the protection of rare plants and nesting sites for migratory birds. We also work to minimize the impact of our operations on aquatic life by extensive biological monitoring and mitigation, including our work with the University of Florida to develop a new lens color and fixture shape for beach streetlights to minimize disturbances to sea turtle nesting and hatching.

Waste Management

As part of our environmental stewardship, we seek to maximize the recycling of our waste. A prime example is the renovation of the Progress Energy Building in downtown Raleigh, in which more than 80 percent of the demolition debris is being recycled, including all carpeting, sheetrock and ceiling tile.

We also offer recycling opportunities to our customers, including our Appliance Recycling Program. Through this program we have recycled more than 13,000 refrigerators and freezers since 2010, and reduced associated CO_2 emissions by more than 4,000 tons.

In the process of generating electricity, power plants also generate byproducts such as coal-combustion residuals (CCRs), chemicals and other wastes. As part of our ongoing commitment to the environment, Progress Energy follows all state and federal rules for handling these products in a safe, responsible manner.

Our storage facilities for CCRs include ash ponds. Our dams are assessed regularly by the appropriate local agencies and through our own rigorous inspection program. In addition to storage, we also provide CCRs for use in building products. In 2011, we successfully recycled 67 percent of the CCRs generated at our plants.

Remediation

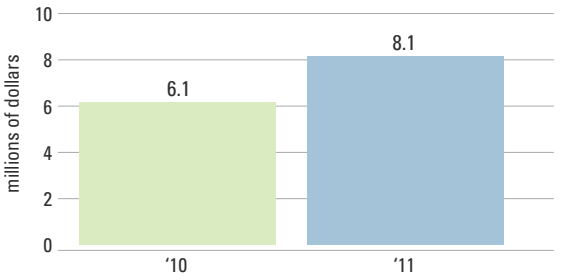
We have potential environmental liability for a number of properties due to prior ownership, mergers, former customary practices or business relationships. Through 2011, we have completed remediation for 10 of 11 former manufactured gas plants (MGPs) in North Carolina. Over the last 15 years, we have spent more than $70 million on the investigation and remediation of legacy sites, and we have accrued an additional $16 million to be spent over the next 15 years on other known legacy sites.

One of the projects, an effort to remediate a former MGP site in Sanford, Fla., is the largest *in situ* stabilization project in the United States, treating more than 142,000 cubic yards of soil and rehabilitating more than 2,300 feet of creek bed. The effort received a 2010 Project Merit Award from the Environmental Business Journal for its sustainable remediation approach, which reduced project CO_2 emissions by more than 10,000 tons.

Research and Development

In 2011, we invested $8.1 million in research programs and projects through the Electric Power Research Institute (EPRI). This represented a $2 million increase over our 2010 investment. These programs include research into global climate-change policies, carbon-reduction options, renewable energy, energy efficiency and electric transportation.

R&D Investment through EPRI



Everything we achieve as a company begins with our employees. Our diverse, collaborative workforce has a commitment to excellence that is a deeply held part of our culture.

KEY 2011 HIGHLIGHTS:

- Occupational Safety and Health Administration (OSHA) injury and illness rate is below 1.0 for the sixth consecutive year.
- Between 2007 and 2011, 82 percent of eligible employees participated in at least one component of our Wellness program.
- Retention rate of 97 percent for employees hired through our Power Careers Program.

The culture of Progress Energy is what, for many employees, sets the company apart. Our culture statement, with its emphasis on safety, performance, diversity and ethics, reflects our values and expectations for each other and ourselves.

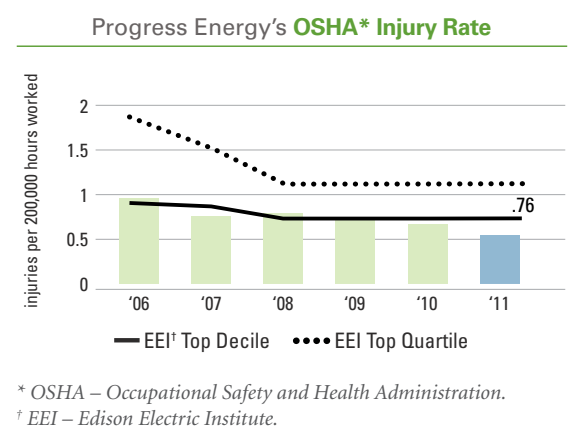
Culture Statement
Focus on safety first
Act with integrity
Excel in our core mission of serving customers
Be outstanding financial and environmental stewards
Cultivate diversity and inclusion
Treat everyone with respect, honesty and fairness
Hold each other to high standards
Collaborate, adapt and improve continuously

Health and Safety

From our power plants to our offices, our company is constantly focused on safety. Our expectation is "safety first" because safety for our employees, their families and our communities must always be at the forefront of every decision and task. Because of that focus, our company's OSHA injury and illness rate has been below 1.0 for six consecutive years. In addition, Progress Energy's 2011 safety performance was 80 percent below the North America Industrial Classification System (NAICS) OSHA rate.

However, despite decreasing our overall injury and illness rate in 2011, the company experienced two tragic fatalities; one a technician at our Sutton Plant and the other an employee of a contractor working on a demolition project on the retired portion of our Bartow Plant.

At Progress Energy, our most important goal is to ensure every employee and contractor is able to return home safely. We are committed to learning from these events and to seeking continual improvement going forward. Multiple internal and external investigations have resulted in enhancements to our procedures and training. We remain committed to promoting safety throughout the workforce, emphasizing hazard recognition, personal accountability and active caring, with the goal of eliminating workplace injuries and accidents.



** OSHA – Occupational Safety and Health Administration.*
† EEI – Edison Electric Institute.

Ethics Program

Ethics and corporate integrity are cornerstones of how we do business at all levels of our company. Our Code of Ethics identifies principles and standards of conduct that all employees, contractors and members of the board of directors are expected to follow in everything from our financial statements and business practices to our daily workplace behaviors.

Regulators, elected officials, community leaders, customers, competitors, investors, the news media and advocacy groups all pay close attention to what we do and how we do it – and we strive to maintain the trust and confidence they have in us. It is imperative that we comply with all regulations, laws and company policies, and this is the expectation for every employee.

Our Ethics In Action Program includes mandatory online training and videos for all employees. Employees also have the opportunity to direct questions and suspected violations to their supervisor, Human Resources or a confidential, 24-hour ethics phone line.

Engaged Employees

Attracting and retaining talented, motivated employees is vital to our success. To achieve this, we offer a challenging, high-performance work environment that supports individual growth and development and promotes a healthy, balanced lifestyle.

With a voluntary turnover rate in our craft and technical workforce of less than 1 percent, and an overall company-wide voluntary turnover rate of less than 3 percent at the end of 2011, it is clear we are an employer of choice in the communities we serve.

Our Power Careers Program works with area high schools and community colleges, providing scholarships and other support while developing a pipeline of well-qualified, highly trained employees for the future.

Launched in 2007, our Healthy Progress Wellness Program offers employees free, voluntary health screenings. Between 2007 and 2011, 82 percent of eligible employees participated in at least one component of the Wellness program. The company tracks 13 Wellness categories, including blood pressure, weight, tobacco use and exercise. In addition, the company remains committed to paying the major share of health plan costs – more than 75 percent overall – which is competitive with other companies in our industry and service areas.

Diversity and Inclusion

Embracing diversity and inclusion is a clear expectation for all Progress Energy leaders and employees. Our success depends on attracting, engaging and retaining a talented workforce that reflects the communities we serve. Furthermore, our company provides fair policies, processes and opportunities. To implement these objectives, each business unit has its own diversity and inclusion council, which is overseen by the Executive Workforce Council, led by Chairman, President and Chief Executive Officer Bill Johnson, and composed of all members of the senior management team. This council is focused on all strategic workforce issues involving attracting, engaging and retaining top talent.

Shareholders

We have a long history of integrity in all aspects of our business, and we consistently pursue the highest standards of performance, ethics and accountability in our business operations.

KEY 2011 HIGHLIGHTS:

- Delivered a 36.4 percent total return to shareholders.
- Achieved an annual total shareholder return of 8 percent over the last 10 years, well above the 2.9 percent achieved by the S&P 500.
- Held more than 225 business-efficiency Lean events, a 10 percent increase over 2010.

Progress Energy has a long-standing commitment to the highest standards of integrity, accountability and transparency. Our independent board of directors oversees and directs our company on our shareholders' behalf, and the company works to balance those needs with the interests of customers, employees, regulators, elected officials and the communities we serve. We have adopted a set of Corporate Governance Guidelines to document the board's responsibilities, structure and internal practices.

The board of directors is chaired by President and Chief Executive Officer Bill Johnson. Independence is ensured through the appointment of a lead director, John H. Mullin III.

There are five standing committees of the board, and each is composed of non-employee directors and a senior company officer to coordinate staff work. Members of the committees are appointed by the board, normally at the board meeting in May. An executive committee addresses matters that arise between regular board meetings.

To ensure a responsive and accountable board of directors for shareholders, our bylaws require the annual election of directors. Also, candidates must receive a majority of shareholder votes cast to be elected to the board. The board met 13 times in 2011. Average attendance of directors at the meetings of the board and its committees was 93 percent.

Our website has an in-depth section on corporate governance, offering insight into our principles, responsibilities, structure and internal practices. For more investor information, please visit **progress-energy.com/investor.**

Productivity and Efficiency

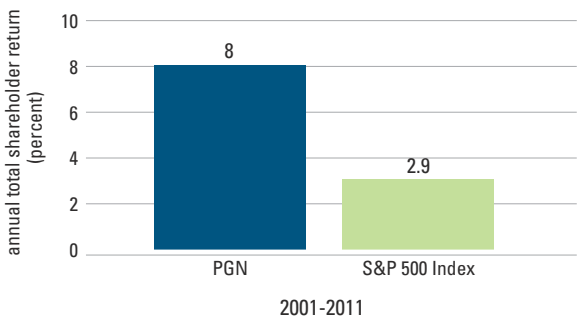
For the last several years, we have been applying a continuous-improvement framework to our operations through our continuous business excellence (CBE) efforts. This is a relentless focus on eliminating waste, improving processes and increasing the operating performance of all business units. We are also gaining a clearer understanding of our cost drivers and of the dynamics shaping our near- and longer-term workforce planning needs.

Our core approach to achieving sustainable process improvements is to use the proven "Lean" methodology. Lean applies a set of principles, tools and techniques to a business process to eliminate waste, streamline for quality and efficiency and focus more intently on customer needs. During 2011, we held more than 225 Lean events, a 10 percent increase over the prior year. The process changes resulting from these events are improving our safety and operational performance, enhancing the productivity and engagement of our employees, managing our rising costs and, ultimately, increasing customer satisfaction.

Financial Highlights

In 2011, we delivered a 36.4 percent total return to shareholders (dividend plus stock price appreciation for the 12 months). Over the last 10 years, Progress Energy has achieved an annual total shareholder return of 8 percent, well above the 2.9 percent achieved by the Standard & Poor's 500 Index.

Shareholder Return



The dividend paid on our common stock is an integral part of our total return proposition and is important to our investors. In 2011, we continued our long record of commitment to paying a dividend, providing more than 260 consecutive quarters of dividend payments to shareholders.

We continue to focus on excelling in the fundamentals of our business: safety, operational excellence, customer service and consistently achieving our financial objectives. In addition, management previously identified the four focus areas below. The company made significant progress in all four areas in 2011 and will continue working to improve in 2012.

- Improve the performance of our nuclear fleet.
- Accelerate CBE.
- Optimize our balanced solution strategy to meet future energy needs with a combination of energy efficiency, alternative and renewable energy and a state-of-the-art power system.
- Achieve effective integration planning and timely merger approvals.

Conclusion

Corporate and personal responsibility are integral to our culture. We are committed to the highest standards of integrity.

This means minimizing impacts to the environment and the natural resources we share. It means respecting all stakeholders in our company – employees, customers, communities and shareholders – and working hard to understand and value their perspectives. And it means investing in our service area through corporate giving and partnerships that improve the quality of life for all.

For these efforts, we have received national recognition, which is a tribute to our approximately 11,000 employees who focus daily on safety, operational excellence and superior customer service. We know that millions of people depend on us, and we have to keep earning their trust every day. And although these awards and honors are important, the most meaningful feedback comes from customers, shareholders and others like you. Please send us your thoughts at corporatecommunications@pgnmail.com.

Full Report:
For more information and our full Corporate Responsibility Report, please visit **progress-energy.com/crr.**

Safe harbor for forward-looking statements: In this report, Progress Energy makes forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The matters discussed throughout this report that are not historical facts are forward looking and, accordingly, involve estimates, expectations, projections, goals, forecasts, assumptions, risks and uncertainties that could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Any forward-looking statement is based on information current as of the date of this report and speaks only as of the date on which such statement is made, and Progress Energy undertakes 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 throughout this document include, but are not limited to, the following: our ability to obtain the approvals required to complete the merger with Duke Energy and the impact of compliance with material restrictions or conditions potentially imposed by our regulators; our ability to achieve the anticipated results and benefits of the merger with Duke Energy; the scope of necessary repairs of the delamination of Progress Energy Florida's Crystal River Unit No. 3 Nuclear Plant could prove more extensive than is currently identified, such repairs could prove not to be feasible, the costs of repair and/or replacement power could exceed our estimates and insurance coverage or may not be recoverable through the regulatory process; the impact of fluid and complex laws and regulations, including those relating to the environment and energy policy; the ability to successfully operate electric generating facilities and deliver electricity to customers; the impact on our facilities and businesses from a terrorist attack, cyber security threats and other catastrophic events; the ability to meet the anticipated future need for additional baseload generation and associated transmission facilities in our regulated service territories and the accompanying regulatory and financial risks; our ability to meet current and future renewable energy requirements; the inherent risks associated with the operation and potential construction of nuclear facilities, including environmental, health, safety, regulatory and financial risks; the financial resources and capital needed to comply with environmental laws and regulations; risks associated with climate change; weather and drought conditions that directly influence the production, delivery and demand for electricity; recurring seasonal fluctuations in demand for electricity; fluctuations in the price of energy commodities and purchased power and our ability to recover such costs through the regulatory process; current economic conditions; the ability to successfully access capital markets on favorable terms; the stability of commercial credit markets and our access to short- and long-term credit; and the impact that increases in leverage or reductions in cash flow may have on us and each of our affiliates.

For our full online 2012 Corporate Responsibility Report, please visit progress-energy.com/crr

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