

Letter from the Chairman



James E. Rogers | Chairman, President and Chief Executive Officer

Dear Stakeholders:

Sustainability is a journey that requires a long view and a broad stakeholder perspective, as well as collaboration and perseverance.

Duke Energy's Sustainability Report demonstrates these and other dimensions of doing business in a way that's good for people, the planet and profits.

In spring 2013, we reflect on the transformative year behind us and our readiness for the road ahead.

I'm grateful for our employees' resilience during 18 months of uncertainty until we closed the merger of Duke Energy and Progress Energy on July 2, 2012.

I'm also proud of the way they pulled together afterward. As you will read in this report, they turned 2012 into a year of great accomplishments.

Despite complex issues still in front of us, we're on our way to realizing the tremendous potential of Duke Energy. Our new logo on the cover is symbolic of this new beginning, in our first full year since becoming the largest electric utility in the United States.

What matters most is what we do now, and how we do it.

A stakeholder approach

Duke Energy is focused on those who have a major stake in our performance today and in the future:

- Our customers and communities, who depend on us 24/7 for a vital service, constructive partnership and responsible stewardship
- Our investors, who choose us for a reliable dividend and earnings growth potential
- Our employees, who seek to make a difference in a mission that matters, while advancing in a performance culture guided by the right values.

These and other diverse stakeholders often have competing priorities. We aim for the right long-term balance that strengthens trust and confidence in our company and helps us be a truly sustainable organization.

The more important an issue is to our stakeholders and to our business success, the more it matters to us.

For customers

Delivering cost savings and other benefits to our customers was a driving force behind the combination of Duke Energy and Progress Energy. It's particularly important given the need to mitigate the rising costs in today's electric utility industry.

Our core mission is to provide affordable, reliable, increasingly clean energy — in safe and sustainable ways — to our customers 24/7. Today's Duke Energy serves 7.2 million retail electricity customers in six states in the Southeast and the Midwest. We also serve 500,000 natural gas customers in Ohio and Kentucky. Our commercial businesses supply power to communities across the United States and in seven Latin American countries.

Customers and communities

\$687m

On track to deliver
\$687 million in merger-
related savings

\$3.5b

Attracted more than
\$3.5 billion in investments
to local economies

Thanks to the merger, our customers are benefiting from the efficiency and flexibility of operating our power plants in the Carolinas as one integrated fleet. We achieved about \$52 million in fuel and joint-dispatch savings in the first six months as a combined company, outpacing our initial expectations. And we are on track to meet the \$687 million merger-related savings commitment to our Carolinas customers over the next five years.

Our storm-response capability is one example of our combined strength. As a result of our size, we're now able to mobilize more crews and equipment more effectively. When Superstorm Sandy ripped through the northern and mid-Atlantic states last fall, we sent nearly 3,000 employees and contractors to help other utilities restore power.

For communities

Our mission goes beyond providing an essential service to customers. We also promote the vitality and success of the communities where our employees live and work.

The employees of this company are actively involved in helping their communities, on and off the job. Each year we make significant contributions through the philanthropy of The Duke Energy Foundation, and the volunteerism and civic leadership of our employees and retirees.

Our company also plays an instrumental role in fostering job creation in our communities. In 2012, Duke Energy, along with what Progress Energy accomplished earlier in the year, helped attract more than \$3.5 billion in investment in new and expanded businesses in our service areas, representing approximately 13,000 jobs.

For investors

Another major driving force for the merger was to increase the investment value for our shareholders. It's working.

From the merger announcement in January 2011 through the end of 2012, Duke Energy's total shareholder return was approximately 32 percent, significantly outperforming the 17 percent return of both the S&P 500 and the Philadelphia Utility Index (UTY), a composite of 20 U.S. utilities.

In 2012, we delivered adjusted diluted earnings per share of \$4.32, near the top end of our target range of \$4.20 to \$4.35 for the year. Our dividend is also an important part of the value proposition we offer shareholders. In 2012, we raised our quarterly cash dividend to shareholders by approximately 2 percent.

2013 is our 87th consecutive year of paying a quarterly cash dividend on our common stock. Based on the current amount, we are paying more than \$2.1 billion in dividends annually.

For employees

I am impressed by our employees' clear focus on our mission and their commitment to finding better ways to carry it out.

In 2012, employees finished the year with the lowest safety Total Incident Case Rate in our company's history. Tragically, an employee died after being rear-ended by a vehicle, and a contractor was fatally

injured. Early in 2013, we lost three additional teammates.

As CEO, there is nothing more painful to me than hearing about an employee or contractor who has been killed or seriously injured. As a company, we are increasing our commitment to safety and will continue to strive for zero injuries and fatalities.

Going forward, we continue to strengthen our culture of engaged employees and high performance. We are guided by our values: safety, integrity, accountability, respect, communication, inclusion and teamwork.

Now that Duke Energy is the largest U.S. electric utility, we're able to offer even broader career opportunities. We are attracting the next generation of talented, diverse employees. Our employees will help us improve, adapt and innovate for the challenges of the future.

Readiness for the road ahead

Today's Duke Energy has a unique blend of strengths. Our post-merger company has greater scale efficiencies and geographic diversity, as well as a more balanced, diversified power generation portfolio that continues to get cleaner and more efficient.

As part of a \$9 billion generation fleet modernization program in our regulated utilities, we brought three state-of-the-art power plants into service in late 2012. When two more new plants come on line in 2013, we will have retired more than 3,400 megawatts of older coal-fired units.

Our commercial and international energy businesses remain an important part of the Duke Energy portfolio. They provide diversity in revenue streams, geography and fuel mix. We're also expanding our expertise in renewable energy. During 2012, we completed

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five new wind farms and three new solar farms.

The history of Duke Energy includes more than a century of resilience and adaptation — through national economic booms and busts, energy crises, technological innovations, volatile fuel prices and a shifting landscape of government policies and regulations.

Greater transformation lies ahead for our company and our industry. Current drivers of change include the shale gas revolution, emerging technologies and anemic growth in energy usage. Also, our nation needs to address global climate change in a more comprehensive way.

Our company must anticipate and adapt to this fluid business environment. Our sustainability journey is a critical part of our readiness for the future.

A personal journey

As announced, I will retire from Duke Energy by the end of 2013. So this is my last year at the company — and my 25th as a CEO in this industry.

Naturally, I've also reflected on my own journey in this business, dating back to 1988 at PSI Energy (now Duke Energy Indiana), a small, coal-based utility based in Plainfield, Ind. Early on, I saw environmental leadership as an integral part of business strategy.

In 1990 at PSI, we created the first environmental charter ever passed by a utility company at the board level. I also supported the 1990 federal acid-rain legislation and, over the last decade, have been advocating for our nation to take stronger action on climate change.

I'm grateful for the support of exceptional leaders, board members and employees throughout my career. Such collaboration enabled us to accomplish many things over my 25 years.

We've delivered total shareholder returns at an average rate above 12 percent per year. In recent years, we've made great strides in modernizing our generation fleet. And Duke Energy was named to the Dow Jones Sustainability Index for North America in 2012, for the seventh consecutive year.

I've always tried to anticipate what's coming — and what's possible. That's often caused me to challenge conventional wisdom. I've also learned to listen for what's really on people's minds — and to foster a performance culture that empowers people and drives results through collaboration.

The “grandchildren's test” has long been my standard for creating a sustainable future. This is how I described it in my 2003 annual report letter as chairman of Cinergy (since

merged with Duke Energy): “Decades from now, when our children and grandchildren look back at what we did as a company and the decisions we made, will they think we did the right thing?”

That's still the right test today (when I have 11 grandchildren). And I feel good that Duke Energy is making sound, responsible decisions with the long view in mind.

This company is well-positioned to adapt to a changing energy landscape. A decade from now, we will look back on 2012-2013 as a great new beginning for Duke Energy and the people who count on us.

Sincerely,



James E. Rogers
Chairman, President and
Chief Executive Officer

April 4, 2013

WEB EXCLUSIVE CONTENT

- What Matters Most
- Duke Energy's Management Approach to Sustainability
- Duke Energy's Sustainability Filter