

2

GROWTH

Grow and Adapt the Business and Achieve Our Financial Objectives





GROWTH

2018 HIGHLIGHTS

- Helped our communities attract nearly 14,000 new jobs and \$5.3 billion in capital investments to our service territories.
- Achieved adjusted diluted earnings per share of \$4.72 – at the top half of our original guidance range.
- Increased the quarterly dividend by 4.2 percent; 2019 will mark the 93rd consecutive year Duke Energy has paid a quarterly dividend.
- The company completed its inaugural issuance of \$1 billion in green bonds for the Duke Energy Carolinas utility during late 2018. This was followed up with an issuance of \$600 million in green bonds for the Duke Energy Progress utility in early 2019.
- As of year-end 2018, owned or had under contract 7,100 megawatts (MW) of wind, solar and biomass.
- Outlined plans to deploy about 300 MW of battery storage projects in the Carolinas over the next 15 years.

CHALLENGES AND OPPORTUNITIES

- Continue to help attract jobs and capital investments in our communities through our economic development programs.
- Work diligently to complete the Atlantic Coast Pipeline project to bring low-cost gas supply and economic development opportunities to the Mid-Atlantic.
- Deliver value to our customers and grow our business by investing \$37 billion in growth capital over the next five years.
- Maintain our position as an industry leader in environmental, social and governance disclosure.



| Duke Energy is a national leader in energy storage using large-scale batteries.



NEW PROJECTS

Over the next 15 years, the company has more than 400 megawatts of battery storage planned, with new projects being put online and announced around the country.

Batteries Secure a Place in Future Energy Mix

Battery storage is showing signs of being a major factor in the future energy mix, and Duke Energy is one of the leading companies pushing its development.

Over the next 15 years, the company has more than 400 megawatts (MW) of battery storage planned, with new projects being put online and announced around the country. That's about 10 times more than Duke Energy has online today.

In addition to simply storing energy for use at another time, battery storage can help expand the development of renewable energy and support a modernized energy grid.

The company announced plans to bring 300 MW of battery storage in the Carolinas online over the next 15 years – a \$500 million investment.

In western North Carolina, the company has one battery project online in Haywood County, with two others set to be online in 2020 in Buncombe and Madison counties.

In Indiana, Duke Energy is planning to install a 5-MW battery storage system and 3 MW of solar that will operate as a microgrid at the Indiana National Guard's Camp Atterbury training operation.

In Maryland, a similar microgrid project went online in 2018 at two government facilities.

The microgrid – connected energy sources like solar and a battery – can serve a customer on its own. It can also help with reliability and grid security.

Battery storage can not only store excess energy for when its needed, it can also control energy flow inside power lines, which results in fewer outages and flickers.

For example, clouds moving over solar panels and winds changing throughout the day lead to fluctuations in energy supply. For the energy grid, which depends on a perfect match between energy produced and customer demand, it's difficult to manage.

Even a slight change in frequency or voltage can cause interruptions in power to a home or business. When needed, batteries can react in a fraction of a second to absorb the swings and stabilize the flow of energy.

Of course, batteries are not the only energy storage method. The company has more than 2,000 MW of pumped storage hydro power. Over the next few years, Duke Energy will increase the capacity at its Bad Creek facility in South Carolina by more than 300 MW as it upgrades the facility.



| Duke Energy continues to build large solar power facilities in multiple states.

In Many Ways, Solar Power Keeps Growing

Solar, in all shapes and sizes, was the big renewable energy story at Duke Energy in 2018.

Driven by rebate programs and other incentives, Duke Energy's number of rooftop solar customers in our regulated states rose around 30 percent during the year. Florida, North Carolina and South Carolina remain the top Duke Energy states for privately owned solar systems, with more than 30,000 customers owning facilities.

In Florida, the 74.9-megawatt (MW) Hamilton Solar Plant came online in Jasper – making it the company's largest solar facility to date.

In 2018, Duke Energy broke ground on the Columbia Solar Power Plant in Fort White, Florida. Duke Energy will own, operate and maintain the 74.9-MW facility, which is expected to be fully operational in 2020. In March 2019, the company announced three more solar projects in Florida, totaling 195 MW, that are expected to be in service in late 2019 or early 2020.

In the Carolinas, the company continues to roll out new offerings for customers interested in solar power. In its first two years, around 3,000 customers took advantage of Duke Energy's \$62 million solar rebate program in North Carolina. A similar, and just as popular, program is wrapping up in South Carolina.

The company will also be offering solar leasing to North Carolina customers through a subsidiary that will build, own and operate on-site solar facilities for customers. The program will provide customers another option to access renewable energy without paying a large upfront investment.

For large customers, the company's new Green Source Advantage program will allow customers to secure renewable power to meet sustainability and renewable energy goals. This "green tariff" provides customers the flexibility to negotiate directly with solar developers to add more renewable energy to the grid, with no cost to other customer classes.

The company's unregulated unit, Duke Energy Renewables, expanded its operating solar portfolio to another state, with the 24.9-MW Shoreham Solar Commons Project near Brookhaven, New York. The project, placed into service in July, is about 60 miles east of Manhattan. Long Island Power Authority is purchasing the power produced from the project from Duke Energy Renewables.

The company continues to be on track for its sustainability goal of owning or purchasing 8,000 MW of wind, solar and biomass capacity by 2020. At the end of 2018, the company's overall total was 7,100 MW.



| Charging an electric vehicle: Duke Energy is helping to install hundreds of charging stations.

Is Electricity a Better Fuel Choice?

Electricity fuels so much of our lives, it's difficult to imagine it powering even more.

But that's not how Duke Energy sees it. The company is now discovering new ways electricity can be the fuel of choice over other options – promoting efficiency and lower emissions to the environment.

Electric Vehicles – Electric vehicles (EVs) save consumers money through reduced fuel and maintenance expense. And, they contribute to cleaner air through lower emissions. Using electricity instead of gasoline as a fuel source drops the emissions from an EV by half versus a gas-powered automobile.

There are about 1 million EVs in the United States today. But that number is expected to grow to about 5 million by 2025. Duke Energy has around 160 electric vehicles in its fleet, and the company has committed that 5 percent of new vehicle purchases will be electric.

Duke Energy is helping build the public EV charging station infrastructure needed to support EVs. Two years ago, Duke Energy provided grants to towns and cities in North Carolina to locate 200 public EV charging stations in the state. Most of these stations have now been installed. By 2022, the company will have installed more than 500 charging stations in Florida.

Standby Refrigeration – So much of the nation's food supply is transported by diesel trucks and refrigerated trailers. But many trailers use diesel-driven refrigeration units at distribution warehouses as they wait to be dispatched. Duke Energy has worked with two companies in North Carolina to install plug-in outlets – allowing the refrigerated trailers to use electricity instead of diesel fuel.

The North Carolina projects – at Golden States Foods in Garner and Merchants Distributors in Hickory – are plugging in for lower operating costs, a quieter workplace and reduced emissions.



ELECTRIC VEHICLES

There are about 1 million EVs in the United States today. But that number is expected to grow to about 5 million by 2025.

Forklifts – Noise and emissions can be drastically cut as adoption of electric forklifts increases in warehouses across the nation. Like heavy-duty EVs, they are more expensive than traditional diesel-fuel vehicles, but reduced operating costs allow companies to recoup their investment in two years.

Since electric forklifts have 90 percent fewer parts than internal combustion vehicles, repair costs are much lower. Plus, they provide a health benefit to warehouse employees. The electric forklifts have no airborne emissions and are quieter to work around.

Growing Sustainably on Five Major Fronts

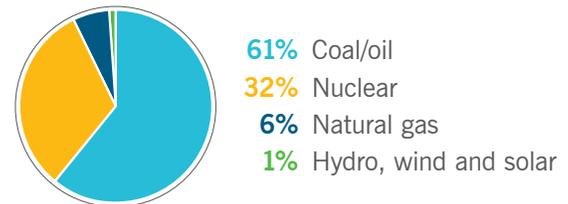
Duke Energy continues to build a sustainable and smarter energy future:

- **Modernizing the energy grid.** Duke Energy is investing to create a smarter energy grid that will give customers more control over their energy usage, boost customer convenience, increase service reliability, accommodate additional renewable energy and bolster energy system security – both physical and cyber. [\(See related article on page 19, “Grid Improvements Help Keep the Power On.”\)](#)
- **Generating cleaner energy.** Duke Energy continues to generate cleaner energy by investing in natural gas-fired power plants, solar and wind energy, and other renewable sources.
- **Expanding natural gas infrastructure.** Natural gas will play a major role in Duke Energy’s cleaner energy future. The company is investing in natural gas-fired power plants, interstate natural gas pipelines, and the retrofitting of coal-fired power plants to also burn natural gas. [\(See related article on page 32, “Natural Gas Plays Key Role in Cleaner Energy Future.”\)](#)

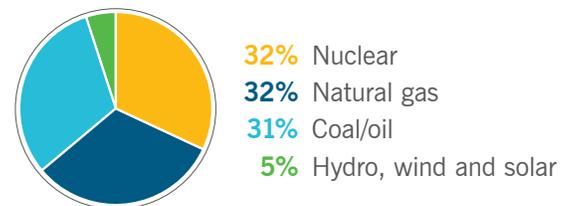
MOVING TOWARD A CLEANER GENERATION FLEET AND INCREASED FUEL DIVERSITY

(megawatt-hour output)

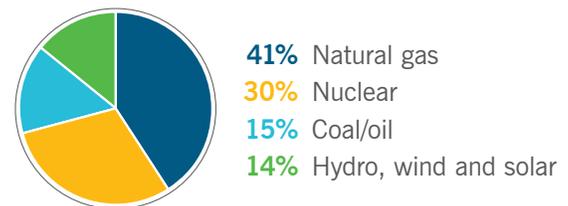
2005¹



2018^{1,2}



2030E³



¹ 2005 and 2018 data based on Duke’s ownership share of U.S. generation assets as of December 31, 2018.

² 2018 data excludes 8,519 GWh of purchased renewables, equivalent to approximately 4% of Duke Energy’s output.

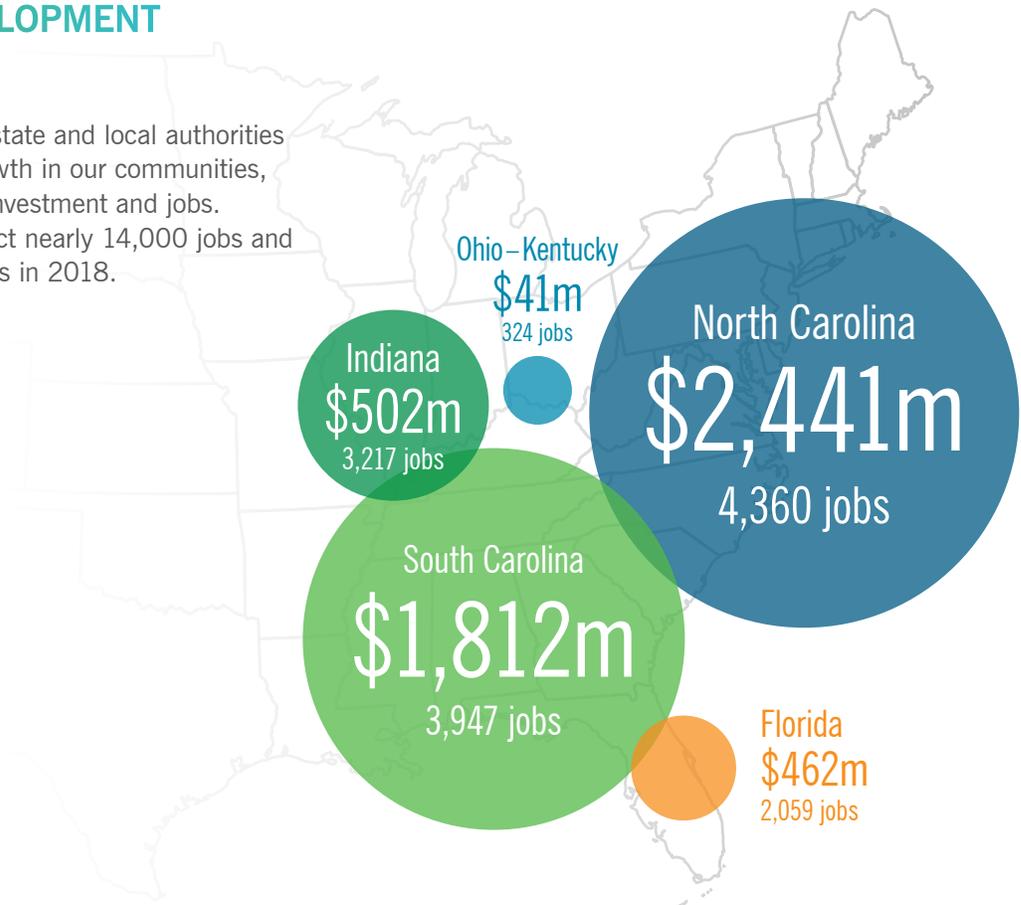
³ 2030 estimate will be influenced by customer demand for electricity, weather, fuel availability and prices.

ECONOMIC DEVELOPMENT

Duke Energy works with state and local authorities to promote economic growth in our communities, helping attract business investment and jobs. Duke Energy helped attract nearly 14,000 jobs and \$5.3 billion of investments in 2018.

\$5,300m
Total Capital Investment
\$ (million)

14,000
Total Jobs



- Transforming the customer experience.** Duke Energy is working hard to further improve the customer experience. New technology is shortening and sometimes eliminating power outages. Smart meters are giving customers new ways to manage and reduce electricity usage, saving them money. Electric vehicle charging stations are giving customers new transportation fuel options.
- Engaging stakeholders.** Fortune magazine named Duke Energy to its 2019 “World’s Most Admired Companies” list – an indication that Duke Energy’s many diverse stakeholders recognize and value the company’s significant progress on its future-focused journey. The company continues to work collaboratively with regulators, legislators, environmentalists, consumer advocates and many others on its multiple sustainability and modernization initiatives.

Economic Development: Jobs and Major Investment

Duke Energy’s economic development team in 2018 helped bring nearly 14,000 new jobs and \$5.3 billion in private-sector investment – through 94 projects – to the six states served by the company’s electric utilities.

Site Selection magazine named Duke Energy to its “Top Utilities in Economic Development” list for the 14th consecutive year.

Duke Energy’s economic development specialists work to attract new industry to North Carolina, South Carolina, Florida, Indiana, Ohio and Kentucky. The team also encourages existing companies in those states to expand at home, rather than look elsewhere.

In 2018, the team evaluated 26 properties for potential business and industrial development through Duke Energy’s Site Readiness Program. The program identifies potential business and industrial sites, then

ENVIRONMENTAL, SOCIAL AND GOVERNANCE RATINGS

Duke Energy benchmarks its environmental, social and governance practices against best-in-class and peer companies. The risk ratings provided for Duke Energy by ISS, a leading corporate governance and responsible investment advisory service to the financial community, are provided below.

	QuickScore 2017 ¹	QualityScore 2018 ¹	QualityScore 2019 ^{1,2}	Rating Scale
Environmental	—	—	3	1 = Lowest risk (best rating) 10 = Highest risk
Social	—	—	4	
Governance	3	3	2	

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1 As of March 1.

2 2019 is the first year that the ISS environmental and social scores were available at the time our sustainability report was published.

partners with local government agencies and economic development professionals to build strategies to bring key infrastructure – water, sewer, natural gas and electricity – to those properties.

The team also completed a study of potential industrial development sites along a proposed natural gas pipeline in eastern North Carolina, and deployed a new drone program to assist in site evaluations in all six states.

The Duke Energy Foundation also provided more than \$1 million to local economic development agencies and initiatives to fund job creation and business development projects.

“Economic development is a team sport, and we are a key position player – working with many local and regional partners in different capacities to achieve success,” says Stu Heishman, Duke Energy’s vice president of economic development. “We’re strongly committed to bringing capital investment and jobs to the communities we serve.”

Three members of Duke Energy’s economic development team received national recognition in 2018 from site selection professional organizations: Consultant Connect named Margaret O’Riley and Erin Schneider to its “North America’s Top 50 Economic Developers” list; DCI named Danielle Ruiz to its “40 Under 40” list of 40 rising stars under age 40 in the economic development field.

A Strong Civic Voice

Having constructive dialogue with lawmakers and regulators is vital to a highly regulated business such as Duke Energy. As one of the largest and most diverse power holding companies in the United States, Duke Energy is well-positioned to provide a balanced view on issues that impact the company, industry and communities.

The company advocates for practical public policies in Washington, D.C., and state capitals throughout its service territory. And, the company encourages civic participation at all levels – from voting in local elections to engaging with federal regulators.

Duke Energy has many tools to ensure it meets its mission to create business value through better public policy. One such tool is DukePAC, a voluntary, nonpartisan political action committee that leverages the collective financial contributions of eligible employees to support political organizations and candidates seeking elected office at the federal and state levels. In 2018, DukePAC contributions were \$1,518,430.

Duke Energy’s total reportable federal lobbying expenses in 2018 were \$5,345,592. That amount includes \$1,188,921 in trade association dues (includes dues in excess of \$50,000) to support policy research and advocacy. The company also contributed approximately \$1,623,700 to Section 527 organizations created to support the nomination, election, appointment or defeat of a candidate.



| Duke Energy's new natural gas-fired power plant in Anderson County, South Carolina.

Duke Energy's [Political Expenditures Policy](#) requires compliance with laws and regulations governing political contributions, government interaction and lobbying activities. It also requires a semiannual update on political expenditures to the Corporate Governance Committee of the Duke Energy Board of Directors. The company is legally prohibited from making direct contributions to candidates for U.S. federal offices and certain state offices.

Natural Gas Plays Key Role in Cleaner Energy Future

Natural gas is playing a key role as Duke Energy pivots toward a cleaner, lower-carbon energy future, and away from coal-fired electricity generation.

In 2018, the company put into service two new natural gas-fired power plants that replaced older coal plants: the [W.S. Lee Station](#) in Anderson County, South Carolina, and the [Citrus Combined Cycle Station](#) in Citrus County, Florida.

In 2019, Duke Energy will bring online a third new natural gas power plant that also will replace coal units: the [Asheville combined-cycle natural gas plant project](#) in Buncombe County, North Carolina.

Meanwhile, the company has retrofitted two coal units at its [Rogers Energy Complex](#) near Cliffside, North Carolina, enabling it to reduce emissions by burning a combination of natural gas and coal – rather than coal only – to produce electricity. Similar retrofitting projects are underway at two other Duke Energy coal plants in North Carolina: Belews Creek Steam Station in Stokes County, and Marshall Steam Station in Catawba County.

In addition, the company is expanding its [Lincoln Combustion Turbine Station](#), a natural gas power plant near Denver, North Carolina, adding a new generation unit that will significantly increase the plant's electricity output, particularly during high-demand periods. When fully operational in 2024, the new unit will be about 34 percent more efficient than the site's 16 existing units.

On another front, legal and regulatory work related to the proposed [Atlantic Coast Pipeline](#) – partly owned by Duke Energy – continues. The approximately 600-mile underground natural gas pipeline will start in West Virginia and traverse Virginia and eastern North Carolina.



LOWER CARBON

Natural gas is playing a key role as Duke Energy pivots toward a cleaner, lower-carbon energy future, and away from coal-fired electricity generation.

The pipeline's natural gas will be used in Virginia and North Carolina to fuel power plants and industrial facilities; heat homes and businesses; support local economic development; and ensure that natural gas utilities have enough natural gas to meet growing customer demand.

Delivering Results for Customers and Shareholders

In 2018, Duke Energy achieved adjusted diluted earnings per share of \$4.72. Through investments in the energy grid, cleaner generation and natural gas infrastructure, as well as a continued focus on managing costs across the business and using digital capabilities, the company delivered on its financial commitments to shareholders.

2018 was a year marked by execution. The company's electric and gas businesses saw strong growth, underpinned by a robust capital plan and operational excellence. And, Duke Energy displayed financial flexibility as the company responded to delays with the Atlantic Coast Pipeline and significant costs associated with storms throughout the year. This dexterity enabled the company to extend its earnings per share objective of 4 to 6 percent through 2023, based off the midpoint of the 2019 guidance range of \$4.80 to \$5.20 per share.

Duke Energy remains committed to offering an attractive long-term investment to its shareholders. 2019 marks the company's 93rd consecutive year paying a dividend to its investors, and Duke Energy grew that dividend by approximately 4.2 percent in 2018.

Duke Energy's total shareholder return – measured as the change in stock price plus the reinvestment of dividends – for 2018 was 7.4 percent, compared to 3.5 percent for the Philadelphia Utility Index (20 U.S. utilities) and -4.4 percent for the S&P 500 during the same period. Duke Energy gained traction in the market during 2018, demonstrating investors' confidence in the long-term vision for the company, and the utility sector performed well as a result of macro uncertainties in the market.

The company also completed its inaugural issuance of \$1 billion in green bonds for the Duke Energy Carolinas utility during 2018. This was followed up with an issuance of \$600 million in green bonds for the Duke Energy Progress utility in early 2019. The funds will finance eligible green energy projects – including zero-carbon solar and energy storage – in the Carolinas.

Looking ahead, Duke Energy will continue to create value for customers and shareholders. With solid investment opportunities and a strong focus on the dividend, the company is well-positioned to continue delivering on its financial commitments in 2019 and beyond.

FINANCIAL HIGHLIGHTS

December 31, 2018

(In millions, except per share data) ¹	2016 ²	2017 ²	2018
Total operating revenues	\$22,743	\$23,565	\$24,521
Income from continuing operations	\$2,578	\$3,070	\$2,625
Reported diluted earnings per share (GAAP)	\$3.11	\$4.36	\$3.76
Adjusted diluted earnings per share (Non-GAAP)	\$4.69	\$4.57	\$4.72
Dividends declared per share	\$3.36	\$3.49	\$3.64
Total assets	\$132,761	\$137,914	\$145,392
Long-term debt including capital leases, less current maturities	\$45,576	\$49,035	\$51,123

¹ See Duke Energy's Annual Report on Form 10-K for the year ended December 31, 2018, for detailed notes and further explanations.

² Prior year data has been recast to reflect the classification of the International Disposal Group as discontinued operations and to reflect the impacts of new accounting standards.