



Answers to Frequently Asked Questions on the Reverse Stock Split

What is a reverse stock split?

In a reverse stock split, a publicly traded company reduces the number of outstanding shares in proportion to the split ratio. In connection with closing the merger transaction with Progress Energy, Duke Energy will conduct a 1-for-3 (1:3) reverse stock split. For example, if you held three shares at the time of the 1:3 reverse stock split, you would hold one share after the reverse stock split.

Because the company will only be changing the number of outstanding shares, this should not change the company's overall valuation. Assuming the company's overall valuation does not change, the price per share should increase proportionally.

Why do a reverse stock split?

Prior to the merger with Progress Energy, Duke Energy had about 1.3 billion shares of common stock outstanding. Without completing the reverse stock split immediately prior to the closing of the merger, Duke Energy would have needed to issue roughly 750 million new shares of Duke Energy common stock to the former holders of Progress Energy common stock, increasing the total number of Duke Energy common shares outstanding to more than 2 billion. Duke Energy's certificate of incorporation, or charter, only allows for a maximum of 2 billion shares of common stock outstanding without shareholder approval. The 1:3 reverse stock split simply reduced the number of shares of Duke Energy common stock outstanding and brought the number more in line with the company's peers. Duke Energy's shareholders approved the reverse stock split at the special meeting of shareholders held in August 2011.

Will the reverse stock split affect the value of my investment?

Although a stock's trading price is constantly affected by multiple factors, a reverse stock split should not change the total value of your investment. Absent other factors, upon effectiveness of a 1:3 reverse stock split, the market price of each share of stock should increase by a multiple of three. This concept is illustrated in the hypothetical example below:

| Stock Price Illustration | Before 1:3 reverse stock split | After 1:3 reverse stock split |
|--|--------------------------------|-------------------------------|
| Shares owned | 300 | 100 |
| Multiplied by illustrative price per share | x \$20 | x \$60 |
| Total Value | = \$6,000 | = \$6,000 |

How does a reverse stock split affect the dividend?

Duke Energy expects to maintain its current dividend policy, and as always, all future dividends will be subject to approval and declaration by the Duke Energy Board of Directors. In light of Duke Energy's 1:3 reverse stock split, the quarterly per share dividend should increase from \$0.25 per share to \$0.75 per share. The hypothetical example below illustrates the dividend changes resulting from a reverse stock split where the board acts to increase the dividend in proportion to the split ratio. Similar to the price per share example, you should not expect to gain or lose any total value as a direct result of the reverse stock split.

| Dividend Illustration | Before 1:3 reverse stock split | After 1:3 reverse stock split |
|---|---------------------------------------|--------------------------------------|
| Shares owned | 300 | 100 |
| Multiplied by illustrative quarterly dividend per share | x \$0.25 | x \$0.75 |
| Total Quarterly Dividend Payment | = \$75 | = \$75 |

Notes:

- The example presented in the table assumes for the reasons we have described that the reverse stock split does not change the company's total market valuation and that Duke's board of directors adjusts Duke's current quarterly dividend to reflect the reverse stock split.