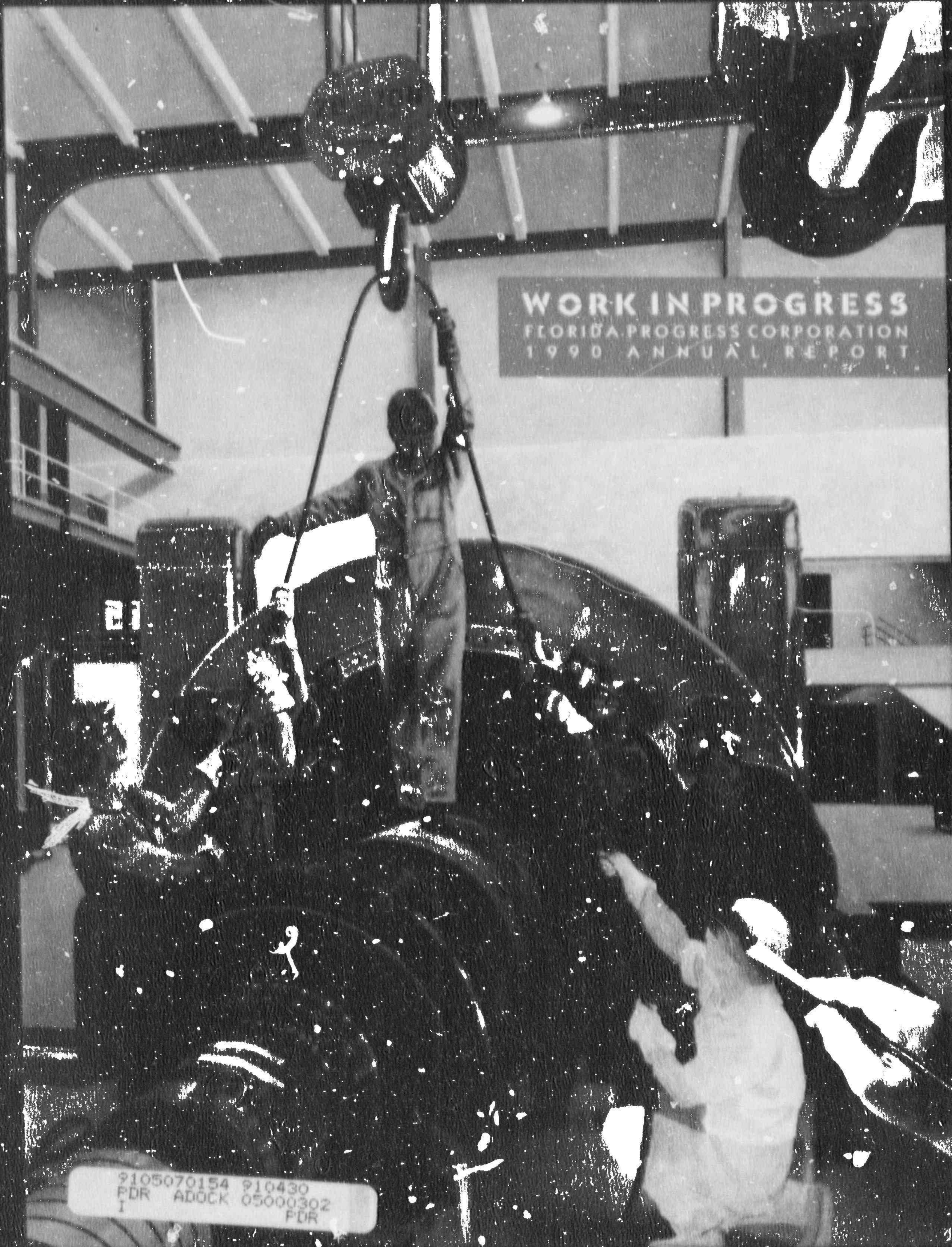
WORK IN PROGRESS

FLORIDA PROGRESS CORPORATION

1990 ANNUAL REPORT



Front Cover: The painting "Work in Progress" depicts Florida Power's turbine maintenance crew adjusting crane rigging before removing the generator rotor at Bartow Unit #1. The rotor creates the magnetic field inside the generator, which produces Electricity.

The year began with management taking pencil to paper and creating a sketch. It was a rough outline, a vision of where we were to head.

As a team, we worked to further define the future, adding color, dimension and texture. It is now a bold design — a crafting of priorities and people that will guide Florida Progress with a clear agenda. However, work still remains to be done — intensifying the detail, providing definition through highlights and adding the carefully rendered nuances.

We have appropriately labeled 1990 as our "Work in Progress." And our metaphor has a singular message: Our work is not complete.

The business of successfully guiding our Company demands that we constantly hone our craft and seek new and better ways of running our businesses. Like an artist's palette, each year we are faced with a variety of choices and each one casts a different hue.

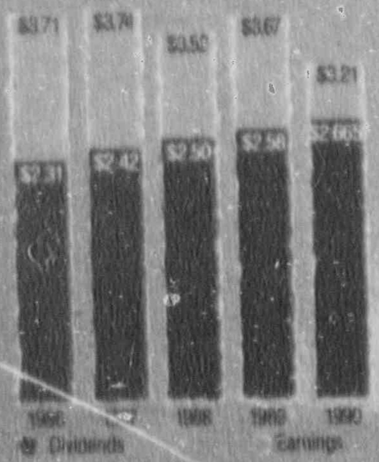
In 1990, Florida Progress developed a new strategic planning process that resulted in a corporate framework for change. During the last year, managers joined together to form a shared vision of the future. The result is a renewed dedication to the business of being a strong electric utility with a tighter focus on diversification.

For the coming year, our subsidiaries are challenged to continue the planning process — giving further definition to the "Work in Progress" and adding their own mark to achieving corporate goals.

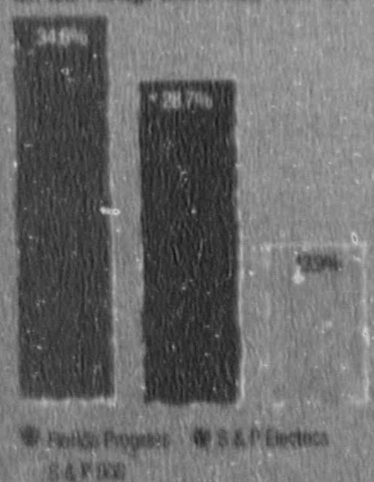
Through dedication and teamwork, our "Work in Progress" brings us closer to realizing the vision and potential for Florida Progress Corporation.

I N V E S T O R   H I G H L I G H T S

Earnings and Dividends Per Share



Total Investment Return
Ten-Year Average Growth Rate 1980-1990



(Dollars in millions, except per share amounts)

	1990	1989	Annual Growth Rates (in percent) 1989-1990	1985-1990
OPERATING RESULTS				
Utility revenues	$1,709.1	$1,627.0	5.0	2.6
Diversified revenues (continuing)	301.7	274.3	10.0	24.1
Income from continuing operations	179.8	186.1	(3.4)	2.4
Income (loss) from discontinued operations	(15.0)	1.0		
Net income	164.8	187.1	(11.9)	.5
DATA PER SHARE				
Earnings:				
Utility	$ 3.22	$ 3.28	(1.8)	(1.0)
Diversified	.28	.37	(24.3)	16.6
Continuing operations	3.50	3.65	(4.1)	(.1)
Discontinued operations	(.29)	.02		
Consolidated	3.21	3.67	(12.5)	(1.9)
Dividends	2.665	2.58	3.3	4.0
Book value	27.55	26.88	2.5	5.0
Closing stock price	38.25	40.00	(4.4)	4.5
Stock price range	33½-40½	33¼-40¼		
FINANCIAL POSITION AT DECEMBER 31				
Assets	[illegible]	$4,610.4	9.4	7.0
Total capitalization	[illegible]	$3,230.2	13.5	6.6
Capitalization structure:				
Short-term debt	18.6%	15.4%		
Long-term debt	36.2	34.9		
Preferred stock	6.4	7.2		
Common equity	38.8	42.5		
OTHER STATISTICS				
Return on common equity	11.8%	13.9%		
Dividend yield	7.2%	6.6%		
Average common shares outstanding (in millions)	51.3	51.1	.4	2.4
Employees	7,879	7,490	5.2	1.8

Florida Power Corporation Service Area

Florida Power serves more than [illegible] million customers in about 375 cities, towns and rural communities. The territory comprises about 20,000 square miles with a population of more than 4.4 million located in 32 of Florida's 67 counties.

Operating Locations

UTILITY GROUP

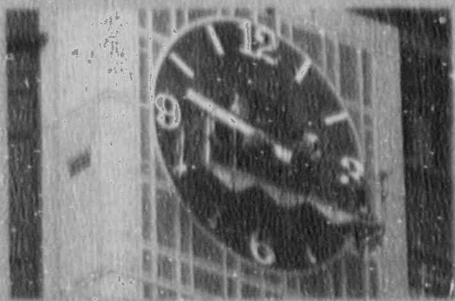
Florida Power Corporation
Electric utility serving more than 1.1 million customers in 32 of Florida's 67 counties

ENERGY AND TRANSPORTATION GROUP

Electric Fuels Corporation
Coal mining, procurement and transportation • Bulk commodities transportation • Railcar repair facilities

DEVELOPMENT GROUP

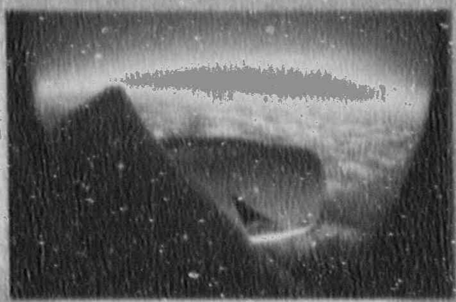
Talquin Corporation
Real estate development and construction • Manufacturing and distribution of building products



FINANCE AND LIFE GROUP

Progress Credit Corporation
Leveraged leasing • Equipment financing • Senior secured commercial lending

Mid-Continent Life Insurance Company
Unique low-premium life insurance sold by independent agents



Progress Technologies Corporation
Technology research and development • Marketing and production of technology

Florida Progress Corporation is a $5 billion holding company combining its electric utility, Florida Power Corporation, with diversified operations. Florida Power serves a fast-growing area of the country with a tradition of quality service and low rates. The principal corporate focus is maintaining Florida Power's operational and financial strength. The diversification strategy is to invest in businesses whose earnings can grow at a faster rate than the utility to achieve a higher total return for shareholders.

WORK IN PROGRESS

CONTENTS

L E T T E R   T O   S H A R E H O L D E R S

Dear Fellow Shareholders:

This year's Annual Report theme—"Work in Progress"—represents our belief that an ongoing strategic management process is essential in a changing business environment. In 1990, management devoted considerable time to beginning this process from a corporate perspective.

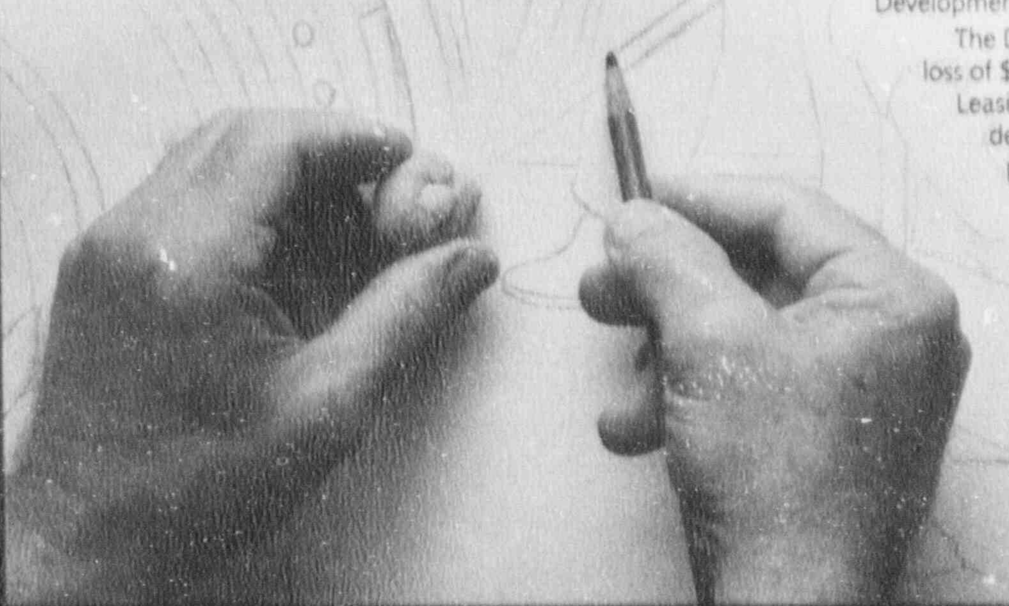
As we evaluated the growth potential of our businesses, several strategic decisions were made to position Florida Progress for the future. Some of these decisions have affected current results, but we are confident they will improve our future financial performance.

We have selected the concept of UTILITY PLUS to represent our corporate strategy. Our emphasis and principal focus is on maintaining strong utility operations. The PLUS represents diversification and our belief that selectively building a portfolio of diversified companies will maximize shareholder value.

Our utility, Florida Power Corporation, has earned a position of strength, both operationally and financially. Continuing Florida Power's reputation for quality and reliable service in a growing service territory will mean adding new capacity and increasing construction expenditures. Meeting this need while maintaining financial strength is our first priority.

We also will invest in diversified businesses whose earnings show the promise to grow at a faster rate than the utility. Experience has taught us lessons that we have used to develop a more selective and focused diversification program. Redefining strategies means making changes in our existing diversified businesses. These decisions are difficult, but necessary in order for us to redeploy capital in businesses that offer better returns. Our ongoing strategic planning effort will be aimed at achieving the highest possible total return to shareholders.

For the utility investor, dividends are an important part of total return.



Florida Progress has increased dividends paid per share for 38 consecutive years. At its November meeting, the Board increased the quarterly dividend to an annual rate of $2.74 per share—a quarterly dividend growth rate of 3.8 percent. The higher rate reflects the Board's confidence in our Company's future earnings potential.

Consolidated earnings per share in 1990 were $3.21, down 12.5 percent from 1989. The decision to sell our building products companies was the major reason for this decline. Since we anticipate a net loss from divesting these companies, we recorded a $.28 per share reserve. The financial results of our building products companies are being reported as discontinued operations.

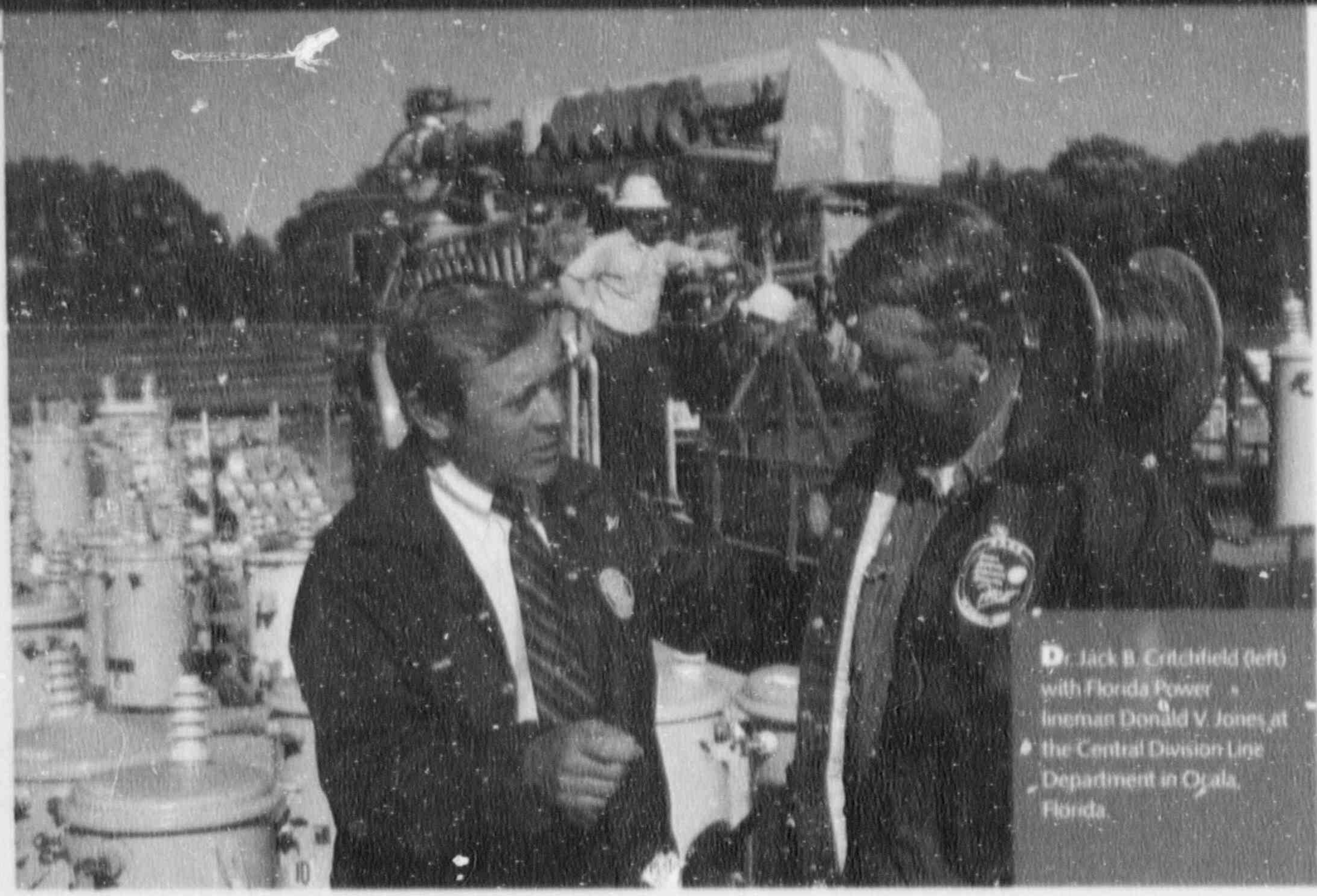
Florida Power's contribution to earnings per share was $3.22, compared to $3.28 in 1989. Earnings per share in 1990 were reduced $.15 due to the effect of a retail credit that reduced customers' bills in 1990. A growing customer base and higher energy usage by Florida Power's residential and commercial customers offset most of the impact of the billing credit.

The year began with an unusually mild winter causing significantly lower kilowatt-hour sales. A long, hot summer and strong customer growth made up the difference by the end of the year. Retail kilowatt-hour sales increased 3.1 percent in 1990, compared to an increase of 6.3 percent in 1989. Lower sales to industrial customers were the principal reason for this decline as a few large phosphate companies reduced usage.

Earnings per share from continuing diversified operations were $.28 in 1990, as compared to $.37 the year before. Our concern about a weakening economy led us to decide in December to record reserves as a prudent and conservative step. We recorded an after-tax reserve of $.11 per share for our real estate portfolio and lending and leasing activities. The lending and leasing activities include aircraft and real estate transactions. Both of these industries are being affected by the weak economy. A continuing recession in Florida's real estate market has also hurt the Development Group's results.

The Development Group experienced a per share loss of $.04 in 1990, as compared to $.05 loss in 1989. Leasing and sales of commercial properties and residential apartment projects have slowed as prospective tenants and purchasers postpone real estate decisions until the economy improves. The Group expects to reduce its real estate portfolio by selling properties when the market can deliver a fair value.

Despite a slowing economy, our other diversified businesses continue to report an improvement in operat-



Dr. Jack B. Critchfield (left) with Florida Power lineman Donald V. Jones at the Central Division Line Department in Ocala, Florida.

ing results. The Energy and Transportation Group has shown a steady growth in earnings for the last five years. The Group's lead company—Electric Fuels Corporation—continued to expand in 1990 by acquiring new coal properties and facilities for repairing railcars and barges. Electric Fuels is an excellent strategic fit for Florida Progress because it complements our core utility business. Its energy-related businesses offer increasing growth opportunities for our diversification program.

The Finance and Life Group increased its earnings per share by 8.7 percent over 1989 and accounted for the largest portion of our diversified earnings, contributing $.25 per share. Growth in equipment financing and secured commercial lending are the primary reasons for earnings growth by Progress Credit Corporation. Mid-Continent Life Insurance Company also contributed to earnings growth through its marketing and sales effort and sound investments.

Several changes are taking place on the Board of Directors. Andrew H. Hines, Jr. decided to step down as Chairman of the Board effective January 1, 1991, and to retire from the Board at the end of his current term in April 1991. Effective January 1, 1991, I succeeded Mr. Hines as Chairman of the Board.

Mr. Hines had been an employee of the Company for 40 years and until last year had served as Chief Executive Officer for 17 years. His leadership in business, in the community and his personal concern for people have earned him the respect of all of us.

Other changes affecting the membership and size of the Board of Directors are fully explained in the 1991 Proxy Statement for the Annual Meeting of Shareholders.

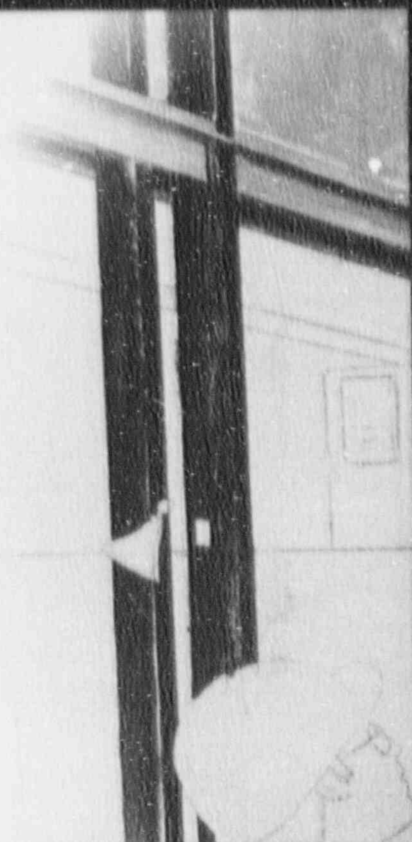
The employees of Florida Progress and its subsidiaries work each day to provide quality products and services for their customers. Every employee works to achieve the financial performance needed to increase the rewards to you, our shareholders. This Annual Report is dedicated to those employees and their "Work in Progress." It will be their commitment to strategic management that determines our success.

The Board of Directors, management and all the employees of Florida Progress, appreciate your support. We are committed to continuing to earn it.

Jack B. Critchfield

Dr. Jack B. Critchfield
Chairman, President and Chief Executive Officer
February 4, 1991

Florida Power's Crystal River Energy Complex is the largest power plant site in Florida. Its four coal-fired units and one nuclear plant produce about 3,000 megawatts of electricity. About 1,100 workers — nearly 20 percent of all Florida Power employees — work at the complex.



CORPORATE OVERVIEW

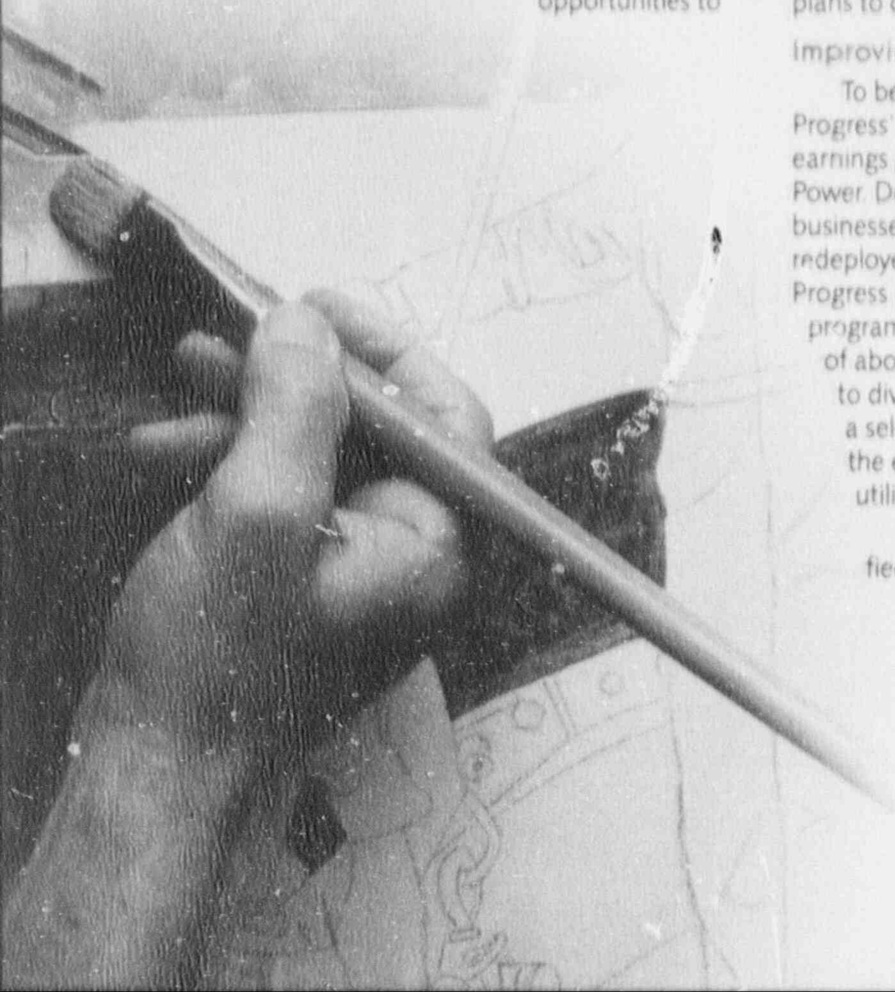
The most effective way to run a business is through strategic management. This approach requires developing strategies and implementing action plans as part of day-to-day management. Florida Progress is committed to integrating a strategic management process throughout the organization. This process ensures the best use of resources to maximize the results for customers, shareholders and employees.

Florida Progress' planning efforts in 1990 concentrated on an overall corporate strategy. The objective was to assess the Company's existing businesses and evaluate their growth potential. This review established a corporate framework to help the subsidiaries further refine their strategies and action plans in 1991.

UTILITY PLUS is the corporate strategy

Florida Progress is primarily an electric utility company with Florida Power Corporation as its core business. Maintaining Florida Power's operational and financial strength is the principal corporate focus. This corporate strategy can best be described as UTILITY PLUS.

Planning efforts have reaffirmed that Florida Progress is committed to diversification, which is represented by the PLUS in the corporate strategy. The opportunities to maximize shareholder value will be enhanced by selectively building a portfolio of diversified companies.



Meeting the challenge of growth

In the past, many utilities suffered from major construction programs, record inflation and regulatory disallowances. Florida Power prospered during this period because of a strong service territory and reasonable regulation.

Florida Power's position of strength must be maintained in the 1990s. The challenge is to plan and develop additional generation capability to meet the demand of the growing population in its service territory. Site planning for the next major generating complex—similar in size to the Crystal River Energy Complex—has begun. In planning and financing a major construction program, the company must be innovative in evaluating the options for additional generation. Florida Power believes the best approach to serving customer growth is to rely on a mix of sources that includes new generation, energy conservation programs and purchased power.

Florida Progress intends to keep its utility business financially strong in the 1990s by maintaining a strong debt-to-equity ratio. This will help minimize the impact of higher construction costs, which will begin in the mid-1990s. To strengthen its equity position, Florida Progress plans to offer new common stock to the market in 1991.

Improving diversified results

To be a real PLUS in UTILITY PLUS, Florida Progress' diversified operations must achieve higher earnings growth and earn better returns than Florida Power. Decisions were made in 1990 to divest certain businesses so that the capital invested could be redeployed to other diversified operations. Florida Progress plans to keep the size of its total diversification program modest by maintaining an equity investment of about 20 percent, which is currently allocated to diversified operations. The Company believes that a selective, focused diversification program can be the extra PLUS in the total investment return to utility investors.

The next sections discuss the utility and diversified operations of Florida Progress.

UTILITY OPERATIONS

For Florida Power Corporation, "Work in Progress" means serving today's customers with 99.98 percent reliability, offering innovative energy management programs, striving for superior customer service and providing low rates to more than 1.1 million customers. In a fast-growing state like Florida, planning for the needs of tomorrow's customers is always a priority as the company adds new facilities to maintain its high service standards.

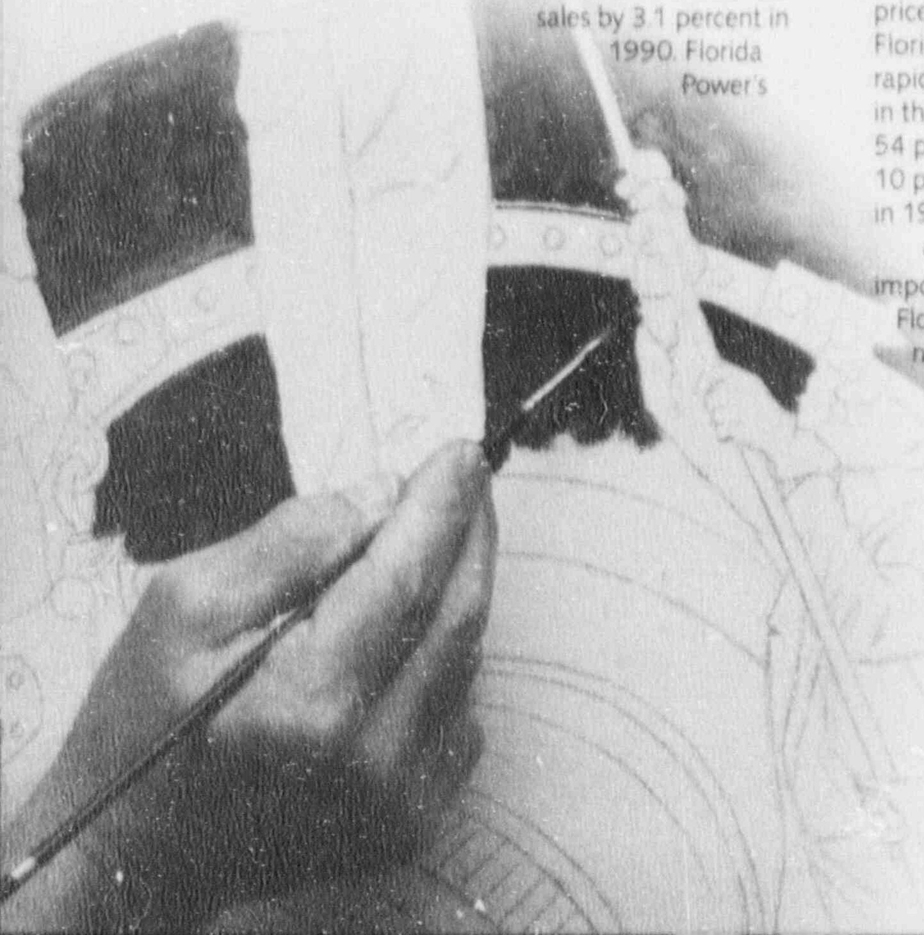
Serving a state that is the nation's fourth largest

Florida ranks fourth in population among the 50 U.S. states. With 800 new people moving into the state each day, Florida is projected to remain the fourth most populous state by the turn of the century, trailing only California, Texas and New York.

Florida Power added about 33,000 new customers in 1990, mostly located in the central part of the state. Since 1985, the company's customer growth rate averaged 3.8 percent annually, nearly twice the national average.

The steady influx of people will further strengthen Florida Power's residential customer base, which represents about 90 percent of its total customers. Utilities that rely primarily on industrial customers for growth are much more vulnerable to changing economic conditions.

Customer growth and higher usage by residential and commercial customers increased retail kilowatt-hour sales by 3.1 percent in 1990. Florida Power's residential and commercial customers boosted overall retail sales and offset a decline in sales to a few large phosphate companies.



Managing the business to provide reliable service and low customer rates

For several years, Florida Power customers have enjoyed some of the lowest rates in the state and the Southeast. Florida Power achieved this position by controlling operations and maintenance expenses and developing a cost-effective mix of fuel sources.

Among the state's investor-owned electric utilities, Florida Power has had the lowest operating and maintenance costs per customer for four of the last five years. By carefully managing the maintenance schedule for its power plants, the company achieves a high availability factor during the critical winter and summer seasons when customer demand is high. Work crews perform preventive maintenance on equipment at the power plants and peaking units during scheduled outages. This helps prevent costly equipment failures during critical periods.

Florida Power's fuel expenses account for about one-third of the average customer's monthly bill. In the 1970s, rising foreign oil prices increased customer rates for many utilities like Florida Power. Since then, Florida Power has developed a balanced fuel mix that helps minimize the impact of fluctuations in the supply and price of individual fuels. In 1990, this approach helped Florida Power reduce the impact on customers of the rapid increase in foreign oil prices resulting from the crisis in the Middle East. The company's energy mix was 54 percent coal, 22 percent oil, 13 percent nuclear, 10 percent purchased power and 1 percent natural gas in 1990.

Operating power plants efficiently is another important factor in holding down fuel costs. Since 1983, Florida Power has ranked in the top 10 among the nation's 100 largest investor-owned utilities for fossil steam unit efficiency. The company's nuclear unit also contributes to fuel savings for customers since nuclear fuel is one-third the cost of coal and one-fifth the cost of oil.

Improving operations at Crystal River Nuclear Plant

In 1990, the Crystal River Nuclear Plant received its best performance report ever from the Nuclear Regulatory Commission, with officials citing improvements in plant performance, emergency preparedness and plant operations. The plant was taken out of

After the rotor is removed from the generator stator, maintenance personnel clean and inspect the stator. The stator's coils turn the magnetic field of the generator rotor into electricity.

Nuclear plant operators receive advanced training from a state-of-the-art simulator in Crystal River. The nuclear simulator is an example of Florida Power's commitment to providing a quality training program and operating the nuclear plant safely.

service in the spring for a planned three-month refueling outage, yet it still achieved a capacity factor of 57 percent for the year.

Florida Power recently opened a sophisticated training facility in the town of Crystal River to further enhance nuclear operations at the plant. The $15 million facility includes a state-of-the-art simulator that is an exact replica of the control room at the Crystal River Nuclear Plant. The simulator presents realistic scenarios in a classroom environment. It teaches operators how to respond quickly and safely and allows the company to use a systematic approach to training. Operators spend eight weeks each year in nuclear plant training. Before the training facility opened in May, Florida Power sent its operators to Virginia for training. Providing a quality training program reflects the company's commitment to operating the nuclear plant safely. Safety remains the number one priority for nuclear operations.

Reducing peak demand through energy management programs

Since the highest electrical demand typically occurs for only a few hours on cold winter days, Florida Power is focusing its efforts on reducing sharp peak usage of electricity. By lowering peak demand, the company can postpone building new power plants.

On cold winter mornings and hot summer afternoons—when electrical use can reach peak levels—the company uses radio-controlled devices to efficiently control load by turning off the power to major household appliances. These devices reduce peak demand during high-use periods.

Known as load management, this voluntary program offered by Florida Power is recognized as the nation's leader for reducing peak demand. More than 300,000 Florida Power customers—more customers than any other electric utility in the United States—are connected to load management. Plans call for adding about 50,000 more customers to the program each year through the mid-1990s. As an incentive to participate in the program, customers receive monthly credits on their electric bills, which Florida Power recovers through an energy conservation adjustment.

For its pioneering efforts in load management, Florida Power received a 1990 award for environmental achievement from the National Environmental Awards Council.

The Florida Public Service Commission recently approved 21 energy efficiency programs designed by Florida Power engineers. These programs are expected to save the company from building the capacity to produce 115 megawatts of power.

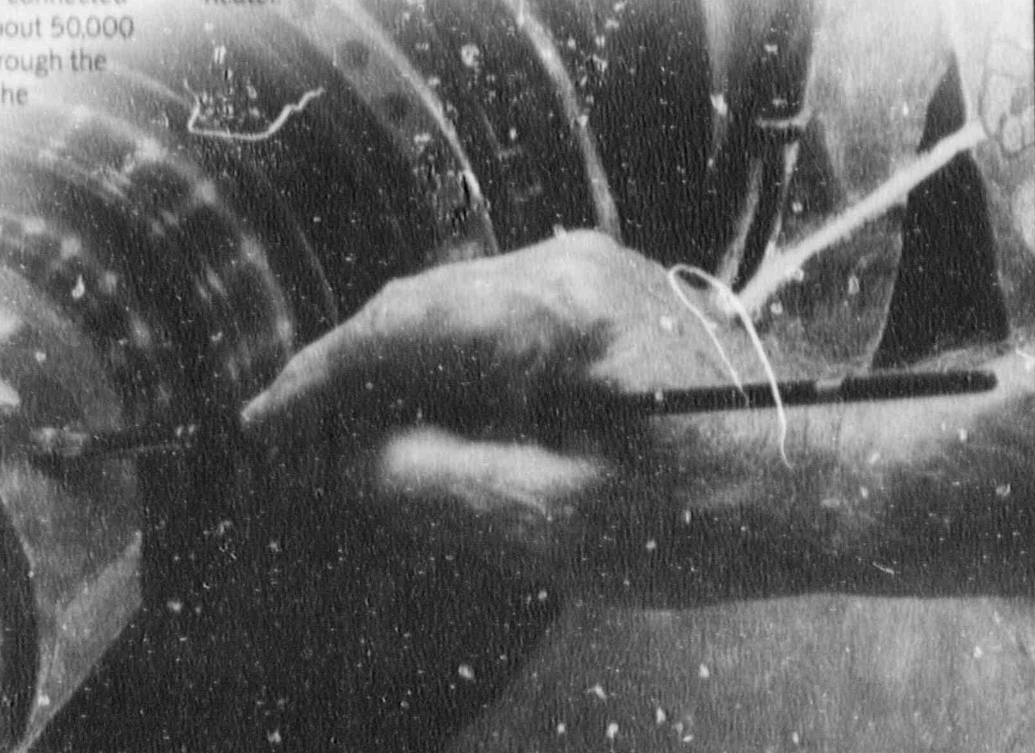
With innovative programs in voltage reduction and interruptible load, Florida Power can reduce peak demand during winter months by about 1,000 megawatts—more power than the output of a large power plant. By 1995, the company estimates it can control about 1,700 megawatts—which represents more than 20 percent of the anticipated peak demand—through its energy management programs.

Offering innovative programs to reduce energy consumption

In August, Governor Bob Martinez presented Florida Power with the prestigious 1990 Governor's Award for Energy Innovation. Florida Power was the only electric utility to receive the award, which cited the company's heat-pipe research project. The project results in less energy use and improved conditioned air comfort.

Engineers at Florida Power began using two new technologies for reducing energy use during peak demand periods. Unique heat-pipe devices are being installed on commercial air-conditioning systems to reduce humidity in buildings and lower energy use. Hospitals, theaters, supermarkets, fast-food restaurants, mainframe computer rooms and document storage areas are good applications for this new technology. Heat pipes are used by NASA to cool electronic components on spacecraft.

Also in 1990, Florida Power began offering residential customers a specially designed heat-storage system. The system replaces conventional electric strip heating by storing heat in a single holding tank, similar to a home's water heater.



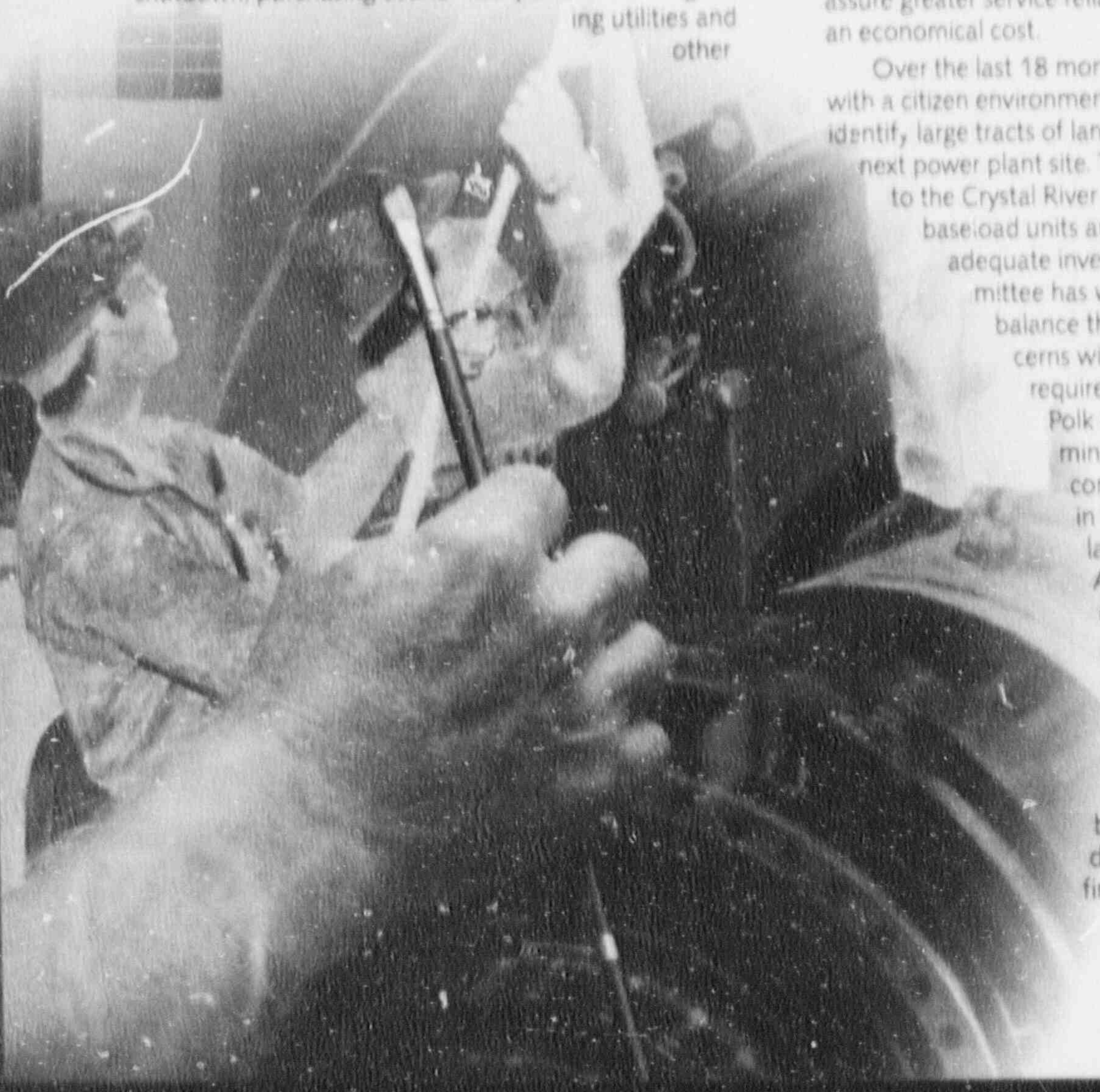
Florida Power expects to install about 2,300 of these heat-storage systems, known as Heatworks® in 1991.

Balancing reliability with cost of service

When unusual winter storms bring bitterly cold temperatures deep into Florida's citrus belt—as occurred during the 1989 Christmas holidays—the demand for electricity can outstrip the available statewide power supply for several hours. It is not reasonable to require customers to pay the year-round cost of additional generation to meet infrequent winter demand levels. Florida's electric utilities have developed a communication plan of emergency messages during statewide power shortages. The messages will inform customers of the severity of an emergency and urge energy conservation. Florida Power believes this approach represents the best and most practical way to balance short-term reliability with cost of service to customers.

Adding new power to meet tomorrow's energy needs

Florida Power's generation plan builds upon its existing capacity with a balanced mix of new sources. The plan includes adding new peaking and baseload generating units, reactivating peakers in extended cold shutdown, purchasing economical power from neighboring utilities and other producers, and increasing transmission capability into the state of Florida.



In 1990, the company reactivated 220 megawatts of gas-turbine peaking units, which had been in extended cold shutdown for the last few years. The company plans to reactivate another 34 megawatts in 1991.

Several new peaking units, capable of producing a total of 680 megawatts, are planned to be in service in 1992 and 1993. These oil-fired combustion turbine units are the most cost-efficient available and will be designed for future capacity expansion.

Florida Power signed agreements with The Southern Company to purchase a total of 400 megawatts of coal-fired power annually through the year 2010. The contracts give the company a low-cost, reliable source of power. The price is comparable to what it costs Florida Power to produce electricity at its most efficient coal-fired plants—Crystal River Units 4 and 5.

Florida Power is completing plans to construct a 500,000-volt transmission line to connect with The Southern Company in south Georgia. Scheduled for completion in two phases, the line will be able to deliver an additional 600 megawatts in 1996 and another 250 megawatts in 1997. With existing tie-lines to the north nearing full capacity, Florida Power needs the line to assure greater service reliability and additional power at an economical cost.

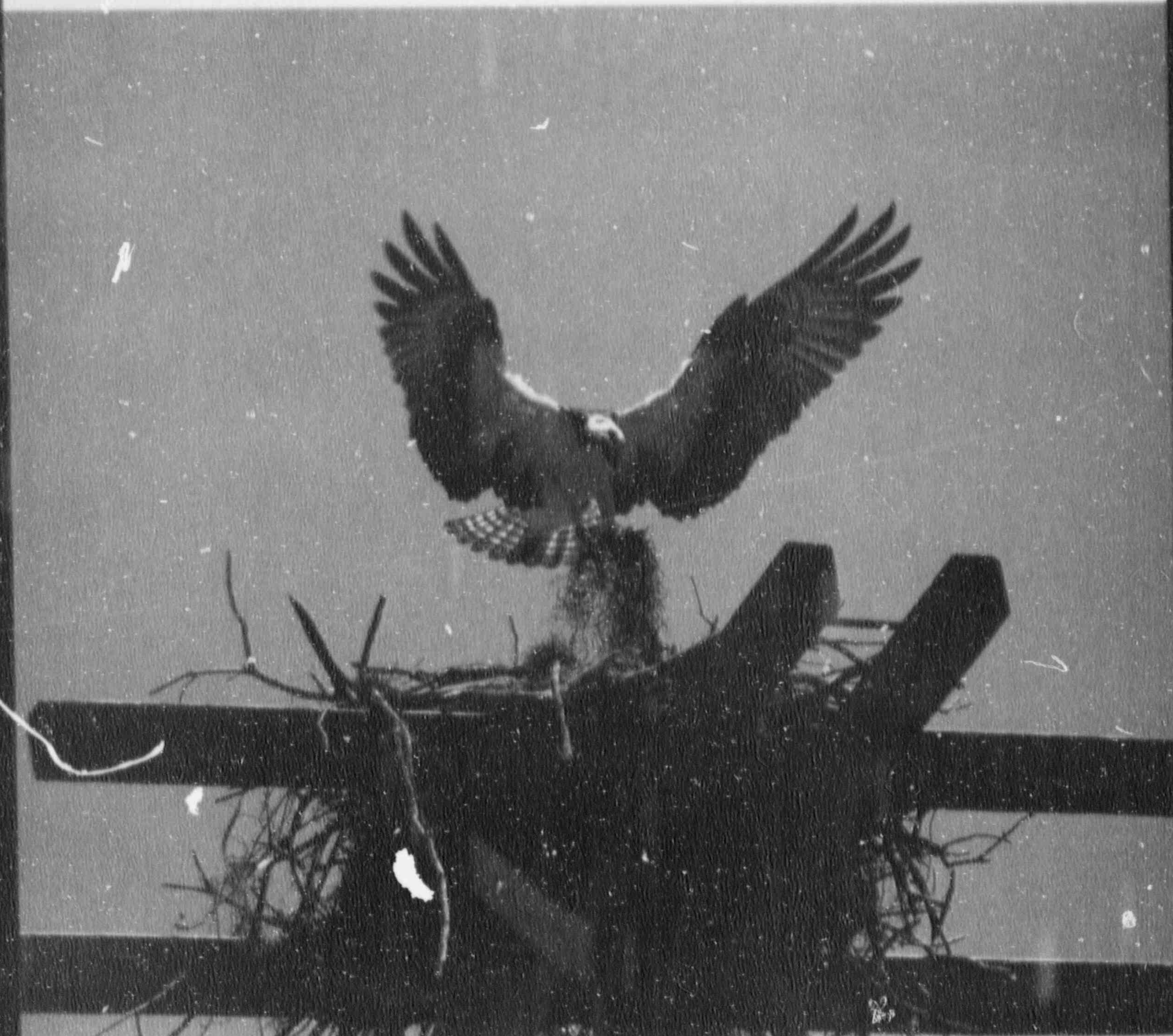
Over the last 18 months, Florida Power has worked with a citizen environmental advisory committee to identify large tracts of land suitable for the company's next power plant site. The site would be similar in size to the Crystal River Energy Complex, which has five baseload units and includes land to stockpile an adequate inventory of coal on site. The committee has worked to locate sites that balance the region's environmental concerns with Florida Power's engineering requirements. A preferred location is in Polk County on an old phosphate mine site. The first unit at the new complex, which will begin operating in the late 1990s, will use the latest environmental technology. Additional units will be built as needed to serve Florida Power's generation requirements into the next century.

Agencies upgrade financial ratings

Maintaining a Double A bond rating on senior secured debt is one of Florida Power's financial goals. Two rating

agencies—Standard and Poor's and Fitch Investors Service, Inc.—upgraded the company's senior debt ratings to Double A minus from Single A plus in 1990. The agencies based their decisions on Florida Power's solid financial condition, a strong service territory, adequate reserve margins and management's commitment to strong credit quality. The company was already rated Double A minus by both Duff & Phelps and Moody's Investors Service. This marked the first time in the company's history that all four agencies have rated Florida Power's senior debt as Double A minus.

Florida Power employees wash the tracks of a coal stacker and reclaimer unit at Crystal River. The unit can automatically load a conveyor with 1,600 tons of coal every hour.



An osprey adds material to its relocated nest on an elevated platform. Out of concern for the osprey, Florida Power employees moved the nest to the platform from a nearby power line pole.

Clean Air Act of 1990 becomes law

In November, President Bush signed into law the Clean Air Act of 1990, which tightens the nation's air pollution control standards. Part of the new law requires coal-burning electric power plants to cut sulfur dioxide emissions roughly in half by the year 2000. The first phase of the law requires all electric utilities to limit emissions to a level equal to 2.5 lbs. per million BTUs multiplied by their average fuel consumption in 1985-87. Florida Power will not be affected by phase one because its fossil plants burn oil and high-quality, low-sulfur coal.

Further emission reductions are required in the law's second phase. This phase, to be completed by the end of the decade, limits each utility's annual sulfur dioxide emissions to a level equal to their average 1985-87 fuel consumption multiplied by an emission rate specified in the law. As new power plants are built, the additional emissions generated from the new plants must be offset by emission reductions at other existing power plants or allowances can be purchased from other utilities.

Since Florida Power will have to build new power plants later this decade to keep pace with the growth in its service area, the company will be affected by the second phase. While higher rates for customers seem inevitable under these restrictions, the full impact will not be known until options are evaluated and plans are developed.

Leading the effort for a cleaner environment

Florida Progress and its companies strongly support the nation's effort to preserve the environment and conserve valuable resources. Florida Power has already demonstrated this concern by using high-quality, low-sulfur coal in its power plants.

Florida Power started construction in November on a fish hatchery and four "helper" cooling towers at Crystal River. Scheduled to open in the fall of 1991, the hatchery will include eight environmentally controlled spawning tanks, laboratory facilities and a public display area. Thousands of fingerling-size fish will be produced at the hatchery and released into the surrounding waters. The cooling towers will cost approximately $80 million and are expected to be completed in 1993. The towers will cool the warm saltwater being discharged from Crystal River Units 1, 2 and 3.

Florida Power is making other efforts to protect wildlife from its power lines and facilities. Employees have installed specially elevated platforms to provide ospreys with safe, alternative nesting sites. Other protective measures include insulating some power lines, moving wires and relocating nests to nearby places.

Florida Power also pioneered a recycling program known as "Regeneration for Generations to Come." The program encourages employees to separate and recycle [illegible], while minimizing paper consumption. Instead of [illegible]ng disposal costs, Florida Power sells paper and [illegible]board for recycling. Through this program, the company has sold more than 350 tons of recyclable paper, enough to save about 6,000 trees from being cut. Florida Power also continues to recycle or sell other products such as coal fly ash, copper wire, aluminum conductor, motor oil and laser cartridges.

Employees show their spirit by joining programs for cleaning up beaches, lakes and rivers, as well as participating in water conservation and recycling programs. Employee involvement and teamwork can make a difference in conserving the world's limited natural resources.

D I V E R S I F I E D   O P E R A T I O N S

Florida Progress' diversified operations consist of three major business groups: Energy and Transportation, Development, and Finance and Life.

The strategic review in 1990 established a corporate framework for developing a more selective and focused diversification program. Each group will use the ongoing planning process in 1991 and work within this framework to build greater shareholder value.

ENERGY AND TRANSPORTATION GROUP

Formed in 1976, Electric Fuels Corporation is the lead company in the Energy and Transportation Group. Electric Fuels continues to succeed by expanding into businesses related to coal and transportation. The company's earnings from unregulated operations accounted for approximately 60 percent of its total earnings in 1990. Vertical integration into businesses compatible with coal and transportation has resulted in a good strategic fit for Florida Progress.

Electric Fuels sells more than 11 million tons of coal in 1990

Delivering a reliable, low-cost supply of high-quality coal to Florida Power is one of the goals of Electric Fuels. About 6 million tons of low-sulfur coal are delivered each year to Florida Power's four coal-fired units at Crystal River. Since 1985, Electric Fuels has reduced the cost of delivered coal to Florida Power by 14 percent. Lower delivered coal costs have helped Florida Power produce the lowest cost per kilowatt-hour for coal-fired plants among the state's investor-owned utilities in five of the last six years.

With operations now in 10 states, Electric Fuels sells coal and transportation services to other utility and industrial companies as well. More than 5 million tons of coal were sold in 1990 to companies other than Florida Power. Electric Fuels also offers expanded services in water and rail transportation and railcar repair.

Electric Fuels owns or controls more than 70,000 acres of surface and underground coal reserves in Kentucky, Virginia and West Virginia. In September, Kentucky May Coal Company Inc., an Electric Fuels subsidiary, purchased United Coal Company's Belfry 5 and 6 surface-mining operations in eastern Kentucky. The Belfry mines, which produce about one-half million tons of low-sulfur coal annually, have a long-term contract to supply coal to American Electric Power's Big Sandy power plant in Kentucky. The Belfry facilities are located near Kentucky May's existing operations and will be integrated into other coal and transportation facilities owned by Electric Fuels.

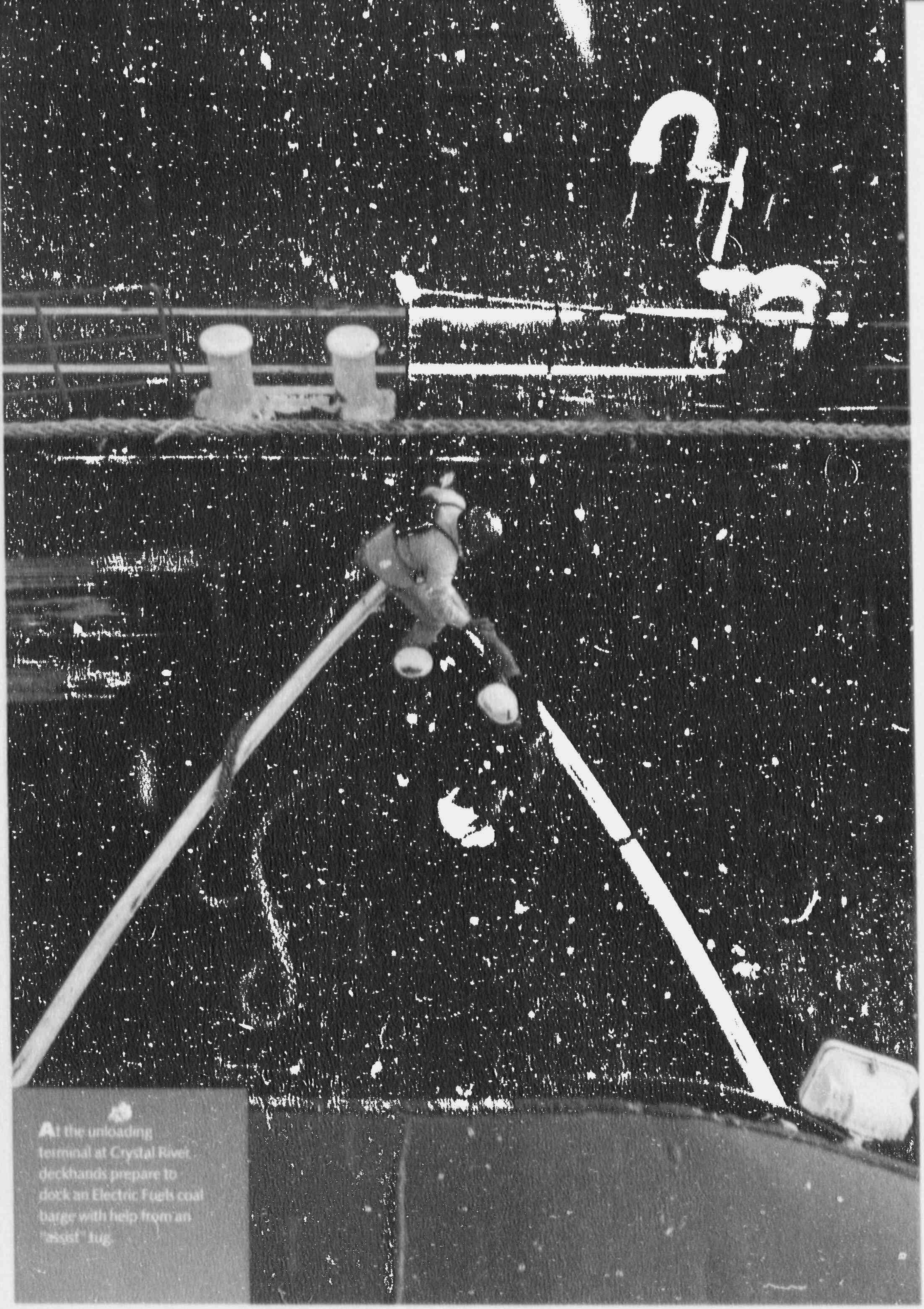
In December, Kentucky May acquired the remaining interest in Diamond May Coal Company, a surface and underground coal-mining operation in Kentucky. Previously, Kentucky May owned a 50 percent interest in the operation. Diamond May produces annually about 1.5 million tons of high-quality, low-sulfur coal.

These acquisitions bring Electric Fuels' total proven reserves to about 230 million tons of clean, recoverable coal. The new reserves of high-quality coal will help Florida Power meet tighter emission standards set by the Clean Air Act of 1990. Electric Fuels expects increased profits from unregulated coal sales as more utility and industrial companies switch to low-sulfur coal to comply with the new regulations.

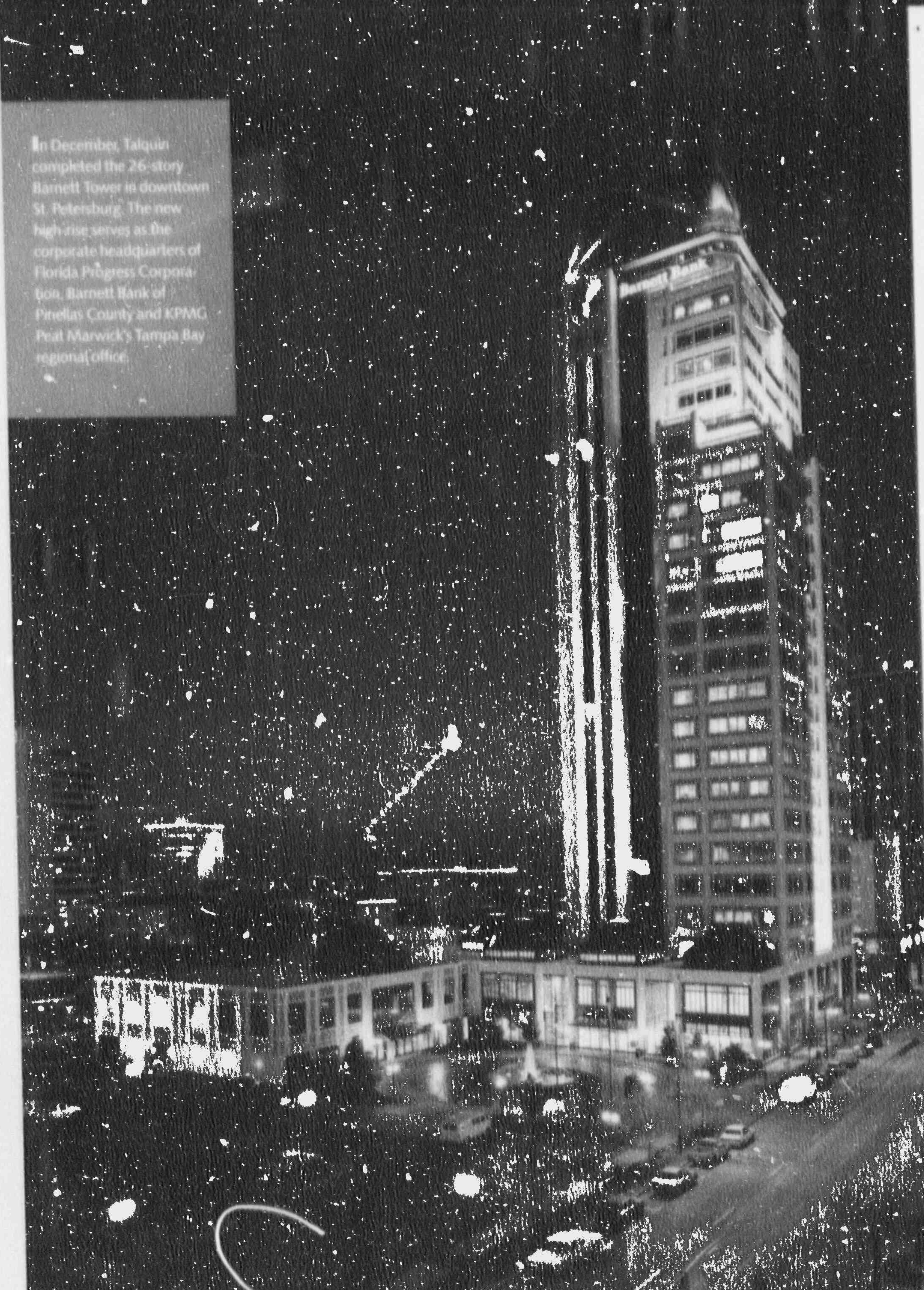
Electric Fuels' transportation network creates flexibility and efficiency

A key component in Electric Fuels' success over the years has been its efficient and diverse transportation system. The company continues to develop a strong network of river terminal facilities, ocean-going vessels, river barges and railcars. It owns four river terminals—including newly completed terminals in Kentucky and West Virginia—for transloading coal into barges. Near New Orleans, Electric Fuels also owns part of International Marine Terminals, a deep-water terminal on the Mississippi River.

Marine Equipment Management Corporation, an Electric Fuels subsidiary,



At the unloading terminal at Crystal River, deckhands prepare to dock an Electric Fuels coal barge with help from an "assist" tug.



In December, Talquin completed the 26-story Barnett Tower in downtown St. Petersburg. The new high-rise serves as the corporate headquarters of Florida Progress Corporation, Barnett Bank of Pinellas County and KPMG Peat Marwick's Tampa Bay regional office.

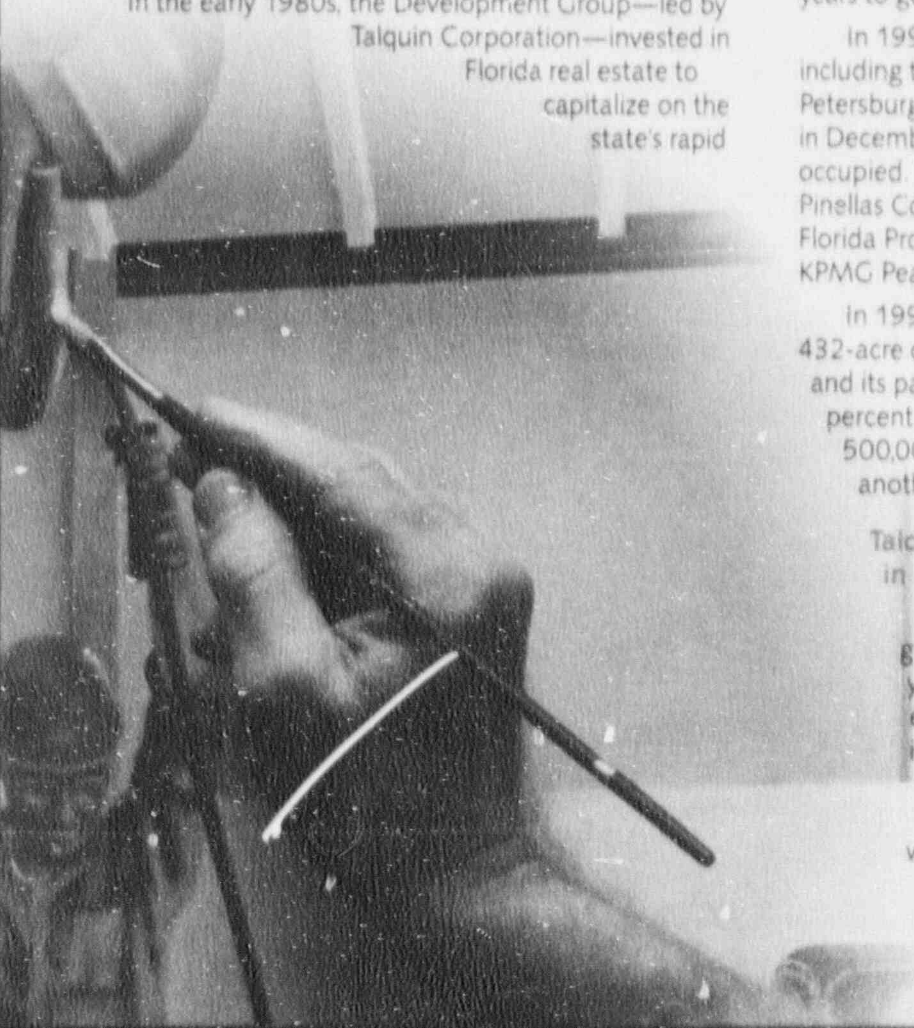
owns or manages about 330 river barges. The company transports coal, grain and other dry bulk products from the upper Mississippi and Ohio rivers to the Gulf of Mexico. In addition to delivering coal to Florida Power's Crystal River Energy Complex, a fleet of ocean-going, tug-barge units carries a variety of dry bulk cargoes to the Eastern Seaboard, the Caribbean region, Africa, and South and Central America. In March, Electric Fuels purchased a facility near New Orleans that repairs tow boats, offshore supply vessels and barges.

Electric Fuels owns more than 750 railcars that form unit trains to carry coal from central Appalachian coal fields. A strategic acquisition was made in August when the company purchased a railcar repair operation near Jacksonville, Florida. Kustom Karr became a division of Corbin Railway Service Company, an Electric Fuels subsidiary. Corbin Railway was acquired in 1986 to repair coal hopper cars and railcar wheels. Kustom Karr specializes in repairing railroad boxcars and rebuilding railcar parts. Corbin operates other railcar repair facilities in Kentucky and Tennessee.

An outlook of solid growth and earnings is expected in 1991 and beyond. Electric Fuels expects to capitalize on existing operations and looks to acquire businesses to complement its coal and transportation operations. While coal sales to Florida Power will remain relatively constant, sales to unaffiliated companies are expected to increase.

DEVELOPMENT GROUP

In the early 1980s, the Development Group—led by Talquin Corporation—invested in Florida real estate to capitalize on the state's rapid growth. At the same time, the construction industry was experiencing steady growth, with new home starts reaching record levels. Talquin's early strategy was to combine real estate development with the manufacturing and distribution of building products. Large land parcels were expected to increase in value as the properties were developed and sold, and the building products companies would provide Talquin with short-term, stable earnings. In recent years, this strategy has met with mixed results.



Talquin changes strategy to adjust to weak economic conditions

Declining construction starts in the housing industry have reduced sales at Talquin's building products companies. And real estate development has suffered because the economic downturn has forced many businesses to shelve plans for expansion or relocation.

A few years ago, Talquin shifted its strategy to focus on investing in real estate projects that would achieve earnings over shorter payback periods.

In 1988, Talquin began forming partnerships to build luxury apartment complexes in fast-growing metro areas such as Tampa, Orlando and Fort Myers. To date, Talquin has completed two apartment complexes and has four more under construction. In May, Talquin sold its first apartment complex, Valencia Plantation in Orlando, shortly after completing construction. The company plans to sell the other complexes within three to five years to generate earnings.

In 1990, Talquin completed several projects, including the 26-story Barnett Tower in downtown St. Petersburg. The office tower and retail complex opened in December with 70 percent of the office space occupied. The 385-foot tall building—the tallest in Pinellas County—serves as the new headquarters of Florida Progress, Barnett Bank of Pinellas County and KPMG Peat Marwick's Tampa Bay regional office.

In 1990, Talquin became full owner of Carillon, a 432-acre office park in St. Petersburg. Previously, Talquin and its partner, The Wilson Company, each owned a 50 percent interest in the park. Carillon has more than 500,000 square feet of office space completed and another 150,000 square feet under construction.

Talquin sells citrus groves for sizable gain in 1990

Talquin purchased 3,200 acres of citrus groves in south Florida as an investment six years ago. The groves produced steady income each year and further proved to be an excellent investment when they were sold in March to VIA Tropical Fruits, Inc. of Indiantown, Florida.

The company sold the groves at a time when it believed the properties held their

Founded in 1909, Mid-Continent Life Insurance Company of Oklahoma City is now licensed in 37 states and has underwritten more than $8.5 billion worth of life insurance policies.

highest value. The gain on the sale has been realized in two annual installments—one collected in 1990 and the other in the first quarter of 1991. Talquin also received the proceeds from the 1989-90 citrus crop. After-tax earnings over the two-year period will be about $10 million.

During the year, Florida Progress evaluated the long-term growth potential and strategies of Talquin's building products companies and decided these businesses would not fit into the future direction of Florida Progress. In October, Talquin announced plans to sell the companies in its building products operations.

The sale of these companies is expected to result in losses. Talquin established a reserve of $14.2 million primarily for the disposition costs related to the sale and potential losses associated with its window manufacturing unit.

As part of its strategic planning effort, Florida Progress will continue to reassess the role of the Development Group. Talquin expects to reduce its real estate portfolio by selling large properties when the market can deliver a fair value. The current weak real estate market may require Talquin to hold these properties until economic conditions improve.

FINANCE AND LIFE GROUP

The Finance and Life Group provided the largest share of earnings for Florida Progress' diversified operations in 1990. While Mid-Continent Life Insurance Company continued its steady earnings growth, Progress Credit Corporation was able to utilize Florida Progress' financial strength to profitably enter into new leasing and lending transactions.

Solid earnings growth from Mid-Continent Life Insurance Company

Headquartered in Oklahoma City, Mid-Continent has been in business for more than 80 years. Mid-Continent's principal product is a unique term-life policy that combines a fixed amount of protection with a low, level premium.

Since Florida Progress acquired Mid-Continent in 1986, the insurance company has added more than 4,000 agents, bringing the total to over 6,000. Mid-Continent has also expanded its regional offices from 13 to 26.

The company's total insurance underwritten for policyholders, known as insurance-in-force, has increased an average of 19 percent annually over the last five years. In 1990, insurance-in-force surpassed $8.5 billion. Earnings have also risen on average 26.5 percent annually over the last five years.

Mid-Continent has achieved this excellent growth while maintaining a sound approach to underwriting and a conservative portfolio of investment-grade securities. The company has received the highest insurance rating of A+ Superior from A.M. Best, an insurance rating agency, for the last 12 consecutive years. Only eight percent of all life underwriters have been rated A+ for more than 10 consecutive years.

The company has been successful because its strategy emphasizes recruiting experienced agents while offering a unique low-premium product.

Progress Credit builds its financial instruments portfolio

Progress Credit's financing activities include leveraged leasing, senior secured commercial lending, equipment financing and investments in high-quality

securities. Progress Credit's financial instruments portfolio at the end of 1990 totaled approximately $750 million and included primarily commercial aircraft loans and leases, first mortgage real estate loans and investment-grade securities.

Progress Credit uses stringent underwriting standards in building its financial instruments portfolio. Interim aircraft loans and first mortgage real estate loans represent a major part of the new financing in 1990 and account for about 40 percent of the portfolio.

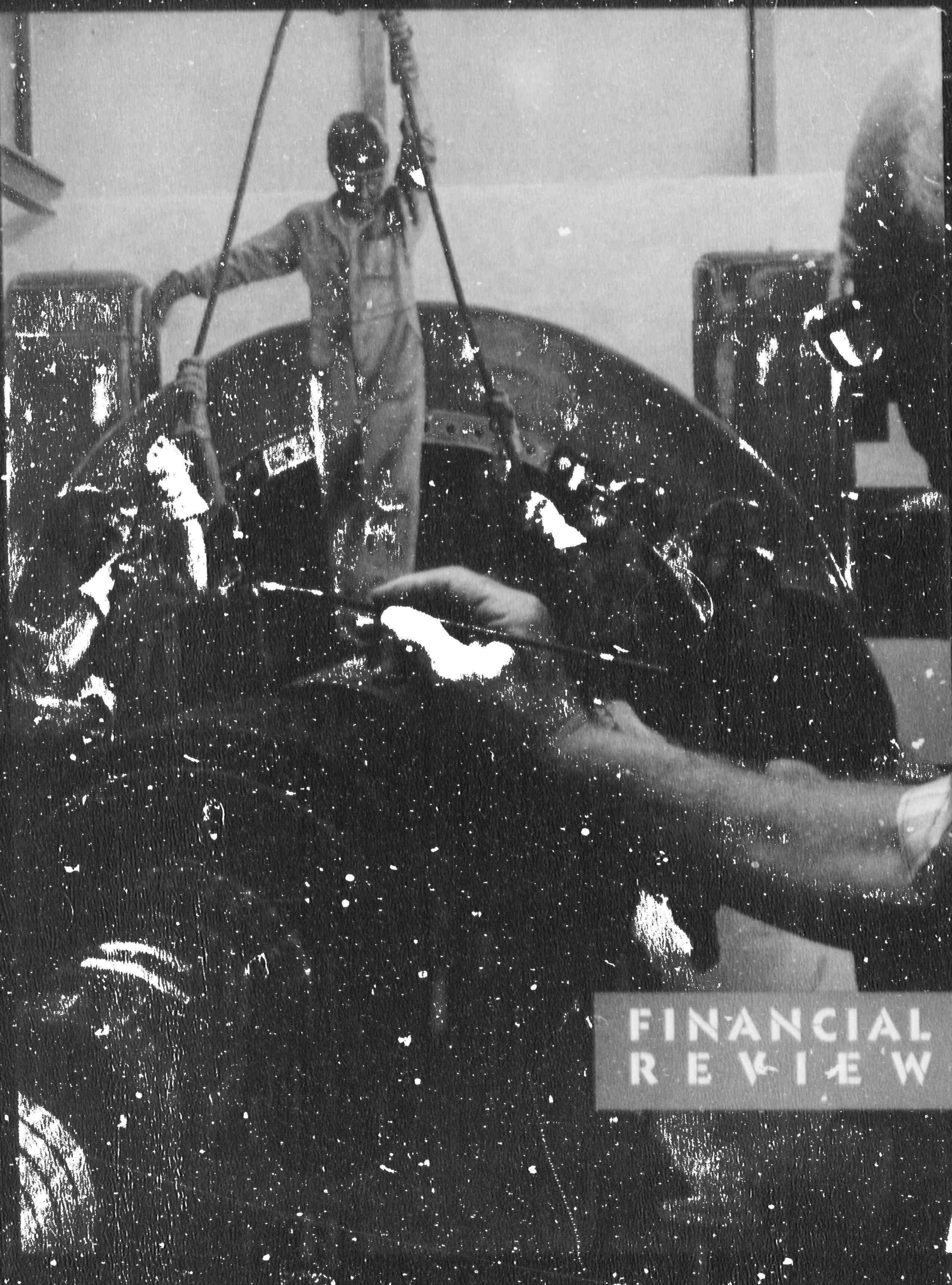
Over the last several years, the company has developed expertise in aircraft leasing and interim loan financing to build a portfolio that is nearly 60 percent invested in commercial aircraft and equipment. The aircraft portfolio is concentrated on newer, higher quality, more versatile, widebody airplanes meeting higher noise standards. Progress Credit has attempted to reduce its underwriting risk by financing aircraft for several airline carriers and through obtaining third-party guaranties of loans and leases when appropriate.

Through 1990, Progress Credit has relied on Florida Progress' downstream holding company, Progress Capital Holdings, Inc., to provide the necessary capital to fund Progress Credit's business. Since Progress Capital Holdings is the financing company for all of the diversified operations, it is necessary to maintain financial flexibility to meet the needs of its subsidiaries. In the future, Florida Progress plans to limit the amount of new capital from Progress Capital Holdings to Progress Credit. Since new capital would be needed to produce continuing earnings growth, Progress Credit is planning to study outside funding alternatives in 1991.

PROGRESS TECHNOLOGIES CORPORATION

A patented adsorption system developed by a subsidiary of Progress Technologies Corporation is now being used in industry and is expected to have an even greater potential in environmental applications. Advanced Separation Technologies Incorporated developed the ISEP continuous contactor machine five years ago. In January 1990, the company completed delivery of its first major ISEP installation to a chemical and fertilizer company in Colombia, South America. Subsequent sales have been made to the largest U.S. user of ion exchange resins.

To date, 16 ISEP machines have been sold. The machines separate chemicals in a continuous process rather than conducting the separation in batches. The machines can also be used to remove many types of dissolved impurities from waste streams and to make products that benefit the environment.



FINANCIAL REVIEW

OPERATING RESULTS

The Company's earnings per share for 1990 were $3.21, compared to $3.67 in 1989 and $3.52 in 1988. A summary of earnings per share by group is as follows.

	1990	1989	1988
Utility	$3.22	$3.28	$3.31
Energy & Transportation	.18	.17	.15
Development	(.04)	(.05)	(.02)
Finance and Life	.25	.23	.14
Corporate and Other	(.11)	.02	(.08)
Diversified	.28	.37	.19
Continuing Operations	3.50	3.65	3.50
Discontinued Operations	(.29)	.02	.02
Consolidated	$3.21	$3.67	$3.52

Utility

Florida Power Corporation's earnings per share for 1990 were $.06 below 1989 primarily due to a customer credit that reduced retail revenues and lowered earnings by $.15 per share. In 1990, Florida Power's customer growth and higher usage by residential and commercial customers partially offset the impact of the billing credit.

Retail kilowatt-hour sales increased 3.1% in 1990 and 6.3% in 1989, mostly due to residential and commercial customer growth. In 1990, the average residential usage increased by 2.2%, due in part to Florida Power's favorable electric rates. Florida Power's retail sales growth was lower in 1990 due to an 8.2% decline in sales to industrial customers resulting primarily from reduced usage by a few phosphate producers.

Operating revenues for Florida Power during 1990 increased $82.1 million, or 5.0%, compared to 1989. The increase was due mainly to higher residential and commercial customer usage and additional recoverable fuel revenues offset somewhat by the continuation of the customer billing credit in 1990.

As part of a settlement agreement with the Florida Public Service Commission (FPSC), Florida Power agreed to pass deferred income tax savings to customers. Florida Power established a billing credit to refund customers $18.5 million in 1988 and $11.9 million in 1989. However, the billing credit had no effect on net income for 1988 and 1989 since it was a pass-through of deferred income tax savings.

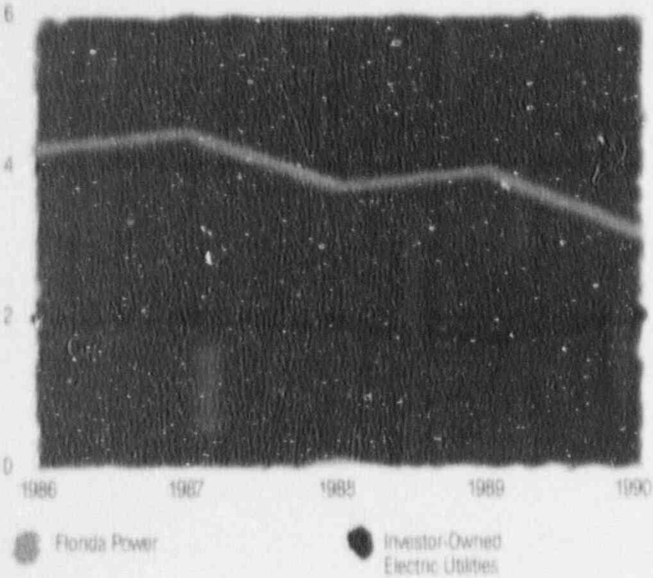
CORPORATE FINANCIAL OBJECTIVES

- Provide a total shareholder return that is competitive with other high-quality electric utility companies
- Develop the Company's businesses in a manner that maintains its financial strength
- Maintain a competitive dividend growth rate through diversification

FINANCIAL GOALS — UTILITY	1990 RESULTS
• Maintain a Double A first mortgage bond rating	AA– *Duff & Phelps* AA– *Fitch Investors Service, Inc.* Aa3 *Moody's Investors Service* AA– *Standard & Poor's*
• Earn a regulatory rate of return on common equity within the allowable range of 12.6% to 13.6%	*12.6%*
• Meet dividend requirements without exceeding a payout ratio that is representative of quality companies in the electric utility industry	*78%*
• Maintain a fixed charge coverage of at least 3.7 times	*3.9 times*
• Internally generate at least 75% of construction expenditures	*52%*
• Maintain capital structure such that: Total debt does not exceed 46% Common equity is at least 45% Preferred stock does not exceed 10%	 *Total debt 46.1%* *Common equity 45.0%* *Preferred stock 8.9%*

FINANCIAL GOALS — DIVERSIFIED OPERATIONS	1990 RESULTS
• Through Progress Capital Holdings, maintain a Single A rating for medium-term notes	A2 *Moody's Investors Service* A *Standard & Poor's*
• Achieve financial results that will allow Progress Capital Holdings, and ultimately the subsidiaries, to maintain the Single A rating without a holding company support agreement	*A support agreement is required*

Average Annual Customer Growth (in percent)



In December 1989, the FPSC continued the customer billing credit that was scheduled to expire on December 31, 1989. This decision was in response to the company's 1989 regulatory rate of return. Extension of the billing credit reduced 1990 utility retail revenues by $12.5 million and utility earnings by $7.8 million, or $.15 per share. In December 1990, the FPSC voted to discontinue the customer billing credit at the end of 1990. See Note 11 to the Consolidated Financial Statements.

In August 1989, the FPSC disallowed recovery of certain affiliated transportation costs, which reduced 1989 results by $.10 per share. This ruling resulted from contentions by Florida Power's largest industrial customer and others that certain procurement and transportation activities by Electric Fuels Corporation were imprudent. See Note 11.

In January 1990, the FPSC issued an order adopting a market-based pricing methodology to determine Florida Power's recoverable fuel costs for purchases from an affiliated coal supplier under a cost-plus contract, effective April 1, 1989. Florida Power requested that the FPSC reconsider its decision because the company believes the methodology improperly and unfairly reduces recovery of changes in the price of coal. In September 1990, the FPSC voted to revise one of two key elements of its methodology objected to by Florida Power and deferred ruling on the other element. A final decision is expected in the first quarter of 1991. If the FPSC affirms its initial decision on the remaining issue, the company estimates that up to $8 million of fuel costs would be disallowed. Florida Power recorded a reserve of $4 million in December 1990, pending a final FPSC decision.

Due to the extensive outages experienced by the Crystal River Nuclear Plant from November 1988 to June 1989, the plant's performance is being reviewed by the FPSC. Florida Power has filed testimony with the FPSC supporting the company's position. No provision has been made for potential disallowances because management believes that nuclear plant personnel responded properly to the problems and worked diligently to minimize the outage time. The cost of replacement fuel during the outages currently under review is approximately $40 million.

Fuel and purchased power costs increased in 1990 due to recovery of previously deferred fuel expense and higher oil prices offset by increased nuclear generation. In 1989, higher oil prices, increased customer demand and an extended outage at the nuclear unit combined to increase fuel and purchased power costs in comparison to 1988. Since Florida Power recovers substantially all fuel costs through a fuel adjustment clause, and defers over or underrecovery of fuel costs, these changes have little impact on net income.

Other utility operations expenses increased in 1990 largely due to increases in recoverable energy conservation program costs.

In December 1990, the FPSC approved an FPSC staff recommendation to increase Florida Power's annual depreciation expense by $35.8 million. The FPSC also accepted its staff's recommendation to defer ruling on an additional $27.6 million of depreciation expenses until the FPSC completes a generic investigation on fossil plant dismantlement costs currently scheduled for mid-1991. See Note 1.

Florida Power plans to file, in the first quarter of 1991, a petition with the FPSC requesting that it conduct a limited proceeding to consider an increase in Florida Power's base rates in the amount of any such additional depreciation expenses associated with dismantlement costs. The FPSC is expected to rule in March on whether it will conduct a proceeding on Florida Power's requested revenue increase limited to the issue of increased depreciation expense. In the event the FPSC rules against conducting a limited proceeding, Florida Power intends to file a full revenue requirements rate proceeding.

Taxes other than income taxes increased in 1990 due mainly to higher property and revenue related taxes. In July, the state levied a 1/2% increase in the gross receipts tax rate, which increased these taxes by $4.2 million. No earnings impact resulted since the tax is passed through to retail customers.

Diversified Operations

In the Energy and Transportation Group, Electric Fuels' earnings per share increased to $.19 in 1990, compared to $.18 in 1989 and $.15 in 1988. This is due principally to increased coal tonnage, favorable price variances and growth in unregulated businesses.

Progress Energy Corporation is the other company included in the Energy and Transportation Group. This company was formed in 1988 to invest in cogeneration projects and small power facilities outside the state of Florida. During 1990, Florida Progress decided to cease operating this business.

Talquin Corporation, the Company's development subsidiary, announced in October 1990 that it planned to

sell the five operating companies that comprise building products. This divestiture decision is part of the planning effort by the Company to review its long-term strategic direction. Anticipating losses from the sale of individual companies, the Company established a reserve of $.28 per share primarily for the disposition costs and potential losses associated with the sale of its window manufacturing unit. The Company has reported the net assets and operating results of the building products companies as "discontinued operations" for all years presented.

In 1988, the Development Group changed its real estate strategy to invest in projects, such as luxury apartment complexes, that would achieve earnings over shorter payback periods. The Development Group has completed two projects and has four more under construction. The first apartment complex was sold in May 1990 shortly after construction was completed. Since many of Talquin's early real estate investments will take years before commercial development is viable, the company plans to sell these holdings when the market offers adequate value.

In March 1990, the company entered into an installment sale of its citrus groves for an after-tax gain of approximately $7.7 million. The gain recorded at closing was $4.6 million, or $.09 per share, with the balance recognized in January 1991, upon receipt of the remaining proceeds. In addition, the company realized approximately $2.2 million in earnings from the citrus crop during 1990.

Earnings for the Finance and Life Group were $.25 per share, an increase of 8.7% in 1990 over 1989. Both of the Group's companies, Progress Credit Corporation and Mid-Continent Life Insurance Company, contributed to the earnings growth. Mid-Continent's insurance premiums grew at a 21% annual rate due to its marketing and sales effort. Mid-Continent has added four regional offices to expand its nationwide network to 26 offices. Progress Credit contributed to the earnings growth through higher volumes of lending and equipment financing that increased the size of its leases, loans and securities portfolio by approximately $220 million.

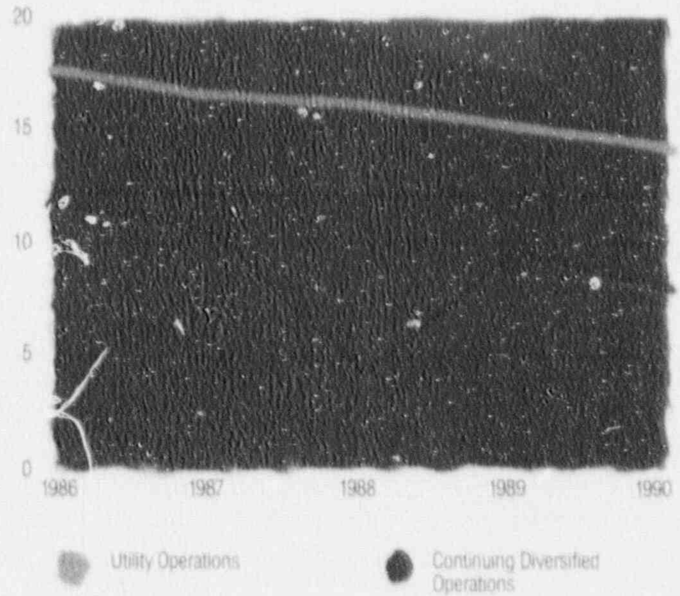
Progress Credit has a net investment of $62 million in loans and leases for aircraft and spare engines with Continental Airlines, Inc. In December 1990, Continental filed a petition for reorganization under the U.S. Bankruptcy Code, but has continued to operate its flights. Progress Credit believes there will be no material adverse effect on the Company from Continental's action because of the fair market value of the aircraft, third-party guaranties and existing loss reserves. The airline industry is currently experiencing financial difficulties. See Note 12 for a discussion of Progress Credit's exposure to that industry.

The Company believes that a recession in the national economy and Florida's real estate market has hurt its results in 1989 and 1990. During the fourth quarter, the Company believed it was prudent to increase its reserves for real estate projects and lending and leasing activities in light of the weakening economy. The after-tax effect of these reserves reduced earnings by $5.6 million, or $.11 per share.

Since the company's real estate properties are located in growth areas, management believes the market for its projects should improve with the economy. A weak real estate market will necessitate Talquin holding these properties until economic conditions improve. Talquin's investments in two life care projects have also been adversely affected by the recent economic downturn. Lower than projected life care occupancy rates are delaying the projects from producing a positive cash flow.

The corporate and other category includes primarily the unallocated expenses of the holding company and the results of Better Business Forms, Inc. and Progress Technologies Corporation. In 1989, earnings per share for the corporate and other category were increased $.11 due to the gain on the sale and operations of Better Business Forms, Inc. In 1990, unallocated debt costs for diversified operations decreased corporate and other by $.02 per share, compared to 1989. During 1990, Progress Technologies' operating results improved corporate and other by $.02 per share due to lower research and development costs and increased sales volume.

Return on Equity (In percent)



The return on equity chart highlights the relationship between utility and continuing diversified operations. The returns on utility common equity were 14.2% in 1990, 15.1% in 1989 and 16.1% in 1988. The lower return in 1990 is mainly due to a revenue reduction resulting from a credit to customers. In 1989 and 1988, returns were affected by rate reductions given to customers under rate settlement agreements for each year.

The returns on equity for continuing diversified operations were 7.6% in 1990, 9.8% in 1989 and 4.7% in 1988. Diversified returns have been depressed due to holding real estate properties without sufficient sales activity and an oil drilling rig lease default in 1988. The percentage of equity invested in diversified operations remains at about 20%, reflecting the Company's conservative approach to diversification.

Interest Expense and Inflation

Interest expense increased in 1990 due to additional borrowings for diversified operations primarily for investments in leases, loans and securities at Progress Credit.

Even though the inflation rate has been relatively low in recent years, inflation continues to affect the Company by reducing the purchasing power of the dollar and increasing the cost of replacing assets used in the business. This has a negative effect on the Company since regulators do not generally consider this economic loss when utility rates are set. However, such losses are partly offset by the economic gains that result from the repayment of long-term debt with inflated dollars.

Income Taxes

The effective income tax rates were lower in 1988 and 1989 than in 1990, mostly due to the flow through of "unprotected" deferred income taxes during 1988 and 1989.

The Company expects to adopt Financial Accounting Standard No. 96, "Accounting for Income Taxes," in 1992. When adopted, the Company expects to realize a small one-time cumulative benefit to income from the reduction of deferred income taxes due to lower tax rates. The effect on net income for subsequent years is not expected to be material, except for years in which there is a change in tax rates. See Note 1.

Other

The Company is also required to adopt Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," starting in 1993. This standard mandates that an employer's obligation for postretirement benefits be fully accrued by the date employees attain full eligibility to receive these benefits. The Company's policy has been to accrue benefits currently payable along with amortization of past service costs for current retirees. The Company will accrue an additional amount, as yet uncalculated, under the new standard, but expects a substantial portion to be recoverable from customers through rates. See Note 4.

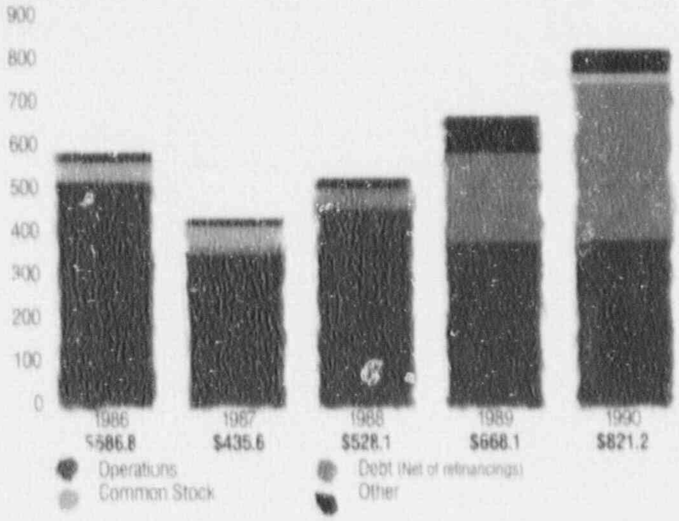
LIQUIDITY AND CAPITAL RESOURCES

Financing for utility and diversified operations is coordinated and managed at the holding company. A cash management program at the holding company efficiently utilizes cash balances of the diversified subsidiaries.

Over the last five years, cash from operations has been the primary source of capital for the Company. The Company also raised equity capital through the Dividend Reinvestment Plan in 1986, 1987 and 1990. Other sources of capital have included proceeds from the sales of real property and businesses.

The Company's short- and long-term capital requirements primarily consist of utility construction and property additions, dividend payments to common shareholders, investments in leases, loans and securities, debt redemptions, and diversified property additions. Other capital requirements include business acquisitions and joint venture investments.

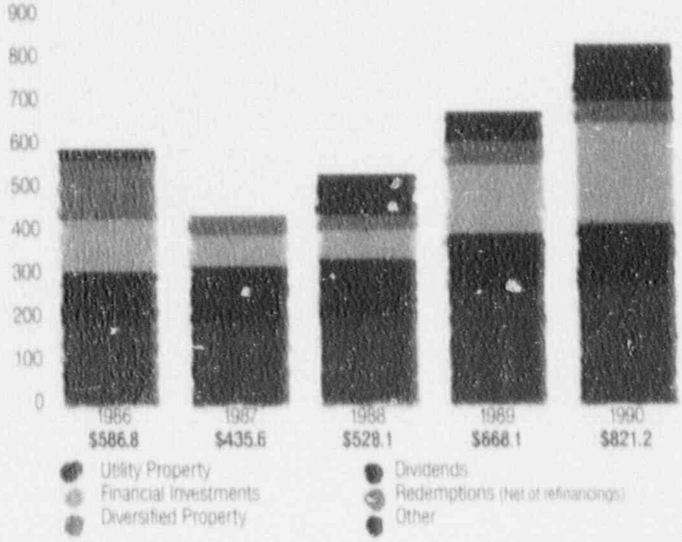
Sources of Capital (In millions of dollars)



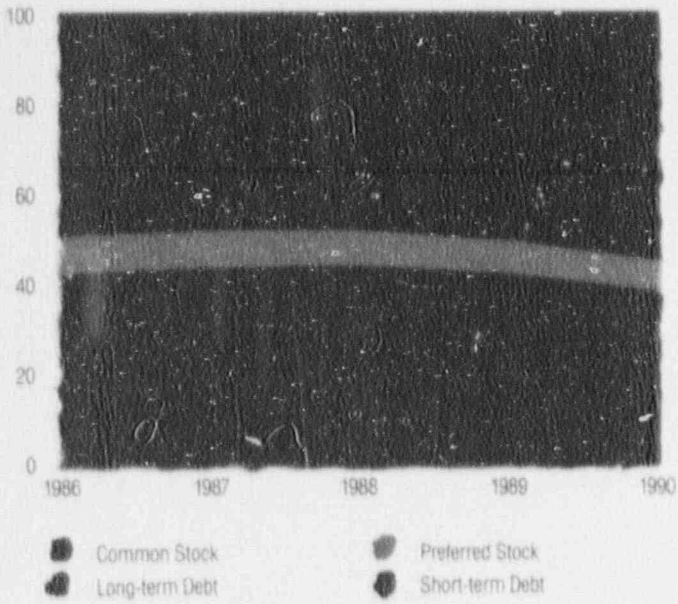
Redemptions of high-cost debt and preferred stock and favorable market conditions have allowed the Company to lower the embedded cost of capital. Florida Power's embedded cost of debt and preferred stock has been reduced to 7.9% and 7.2% in 1990 from 8.7% and 8.4%, respectively, in 1986.

Since Florida Power has been able to internally generate substantially all of the funds for its construction program over the last five years, the Company's consolidated long-term debt has declined from 45.6% in 1986 to 36.2% in 1990. Short-term debt has increased from 3.3% in 1986 to 18.6% in 1990 primarily to finance investments of Progress Credit and for interim financing of other diversified capital expenditures. Preferred stock has declined from 8.6% in 1986 to 6.4% in 1990 as Florida Power has reduced the total preferred stock outstanding through early redemption of several of its high-cost series. In recent years, common stock equity has declined as a percentage of total capitalization due to the increase in the Company's total debt and the absence of a major common stock offering.

Capital Requirements (In millions of dollars)



Capital Structure (In percent)



Some equity funds were received in 1986 and 1987 through the issuance of new common shares under the Dividend Reinvestment Plan. In 1988 and 1989, the Company purchased shares for the plan in the open market. In 1990, the Company returned to issuing new common shares.

Florida Progress plans to issue common stock in 1991. The majority of this new equity will be provided to Florida Power to further strengthen its financial position. As Florida Power's construction program increases in the mid-1990s, the company plans to seek timely rate relief. Florida Power plans to maintain a capital structure for debt and equity during this construction period in order to retain its Double A minus credit rating.

Utility

Florida Power's construction expenditures for 1990 were $265.3 million, consisting primarily of production, transmission and distribution expenditures. The five-year construction program includes planned expenditures of $362 million, $420 million, $380 million, $355 million and $552 million for 1991 through 1995.

In October, the Clean Air Act of 1990 was signed into law by President Bush. The new legislation requires electric utility companies to reduce sulfur dioxide emissions in two phases. This legislation does not impact Florida Power's five-year construction forecast because the company already meets the Phase I requirement mandated for the end of 1995. Since Florida Power plans to build new power plants in the late 1990s to keep pace with customer growth, the company will be affected by the Phase II requirement, which is effective in the year 2000. While higher customer rates will likely result from the new restrictions, the full impact will not be known until all options are considered and the company's plan is reviewed and approved by the appropriate regulatory agencies.

To improve long-term debt financing flexibility, Florida Power established a $200 million medium-term note program in 1988. Medium-term notes totaling $145 million are outstanding with maturities from 1991 through 1997. The weighted average interest rate for these medium-term notes is 8.4%. During 1990, Florida Power had $39.2 million of maturing long-term debt obligations of which $25.5 million were medium-term notes. These repayments were initially funded by the issuance of short-term debt, which was subsequently replaced by the issuance of $40 million in medium-term notes.

Florida Power's short-term financing needs are funded primarily through its commercial paper program, which increased by $50 million in January 1991 to a total capacity of $150 million. Florida Power also has registered with the Securities and Exchange Commission $150 million of first mortgage bonds that can be issued at any time.

Diversified Operations

Progress Capital Holdings, Inc. (PCH) was formed in 1988 to consolidate the financial strength of the diversified operations. This downstream holding company, having the benefit of a support agreement with Florida Progress, helps to lower the cost of capital to those individual businesses.

During 1990, PCH established new financing facilities and agreements to reduce the dependence on uncommitted facilities as market conditions made this type of financing less favorable.

PCH entered into a $150 million, two-year bank credit agreement in mid-1990. This agreement may be extended on an annual basis, subject to written consent of the participating banks. Also, in late 1990, PCH established an additional six-month, $100 million bank credit facility. At December 31, 1990, each of these commitments were fully utilized.

PCH increased its commercial paper program from $75 million to $500 million in early 1991. The commercial paper is currently rated A-1 by Standard & Poor's and P-1 by Moody's. After year end, PCH established a new, private $400 million medium-term note program. The maturities on these notes range from 9 months to 30 years, depending on the financing requirement. The new notes may bear interest at either fixed or floating rates. This new program is expected to enable PCH to raise debt capital over the next several years. It is in addition to approximately $170 million outstanding from the previous multi-year private placement, medium-term note program that was sold out during the year.

In 1990, total diversified capital expenditures were $50.9 million, mainly due to funding previously committed for real estate projects. For 1990, net investments in leases, loans and securities increased $229.2 million, primarily from leasing and secured commercial lending activities at Progress Credit.

In 1991, diversified capital expenditures are anticipated to reach approximately $26.8 million. The bulk of these

expenditures are planned for facility construction and equipment replacements in the Energy and Transportation Group. The 1991 capital expenditures are to be financed through medium-term notes.

The Company has off-balance sheet risk related to debt of unconsolidated partnerships. Should a partner in any partnership become unable to meet its share of the partnership's obligations, the Company would be liable for all the debts of the partnership. See Note 12.

Through 1990, Progress Credit relied on PCH to provide the necessary capital to fund its business. In the future, Florida Progress plans to limit the amount of new capital raised for Progress Credit. Since new capital would be needed to produce continuing earnings growth, Progress Credit is planning to study outside funding alternatives in 1991.

Progress Credit considers a highly leveraged transaction (HLT) to be a transaction whose purpose is to fund the buyout, acquisition or recapitalization of an existing business and that meets the leverage criteria for HLTs as defined by federal agencies. The existing portfolio contains $22.1 million of HLTs. These HLTs, funded in 1989 at a total original principal amount of $30 million, are participations in senior secured debt used for the buyout of two existing businesses. All principal and interest payments that relate to these loans have been made and are current.

MANAGEMENT'S REPORT

To Our Shareholders:

Management is responsible for the integrity and objectivity of the financial and operating information contained in this Annual Report, including the consolidated financial statements covered by the Independent Auditors' Reports. These statements were prepared in accordance with generally accepted accounting principles and necessarily include amounts that are based on judgments and estimates by management.

The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed as authorized and are properly recorded and that accounting records may be relied upon for the preparation of consolidated financial statements and other financial information. The design, monitoring and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. The Company also maintains an internal auditing function that evaluates and formally reports on the adequacy and effectiveness of internal accounting controls, policies and procedures.

In addition, the Audit Committee of the Board of Directors, consisting solely of outside directors, meets periodically with management, the internal auditors and the independent auditors to review internal accounting controls, audit results, financial statements and financial reporting matters and annually recommends to the Board of Directors the selection of independent auditors.

For Management,

Richard Korpan

Richard Korpan
Executive Vice President
and Chief Financial Officer

Reports of Independent Certified Public Accountants

To the Shareholders of Florida Progress Corporation:

We have audited the accompanying consolidated balance sheet of Florida Progress Corporation (a Florida corporation) and subsidiaries as of December 31, 1990, and the related consolidated statements of income, cash flows, and shareholders' equity for the year ended December 31, 1990. These financial statements are the responsibility of Florida Progress Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Progress Corporation and subsidiaries as of December 31, 1990, and the results of their operations and their cash flows for the year ended December 31, 1990, in conformity with generally accepted accounting principles.

KPMG Peat Marwick

St. Petersburg, Florida
January 28, 1991

To the Shareholders of Florida Progress Corporation:

We have audited the accompanying consolidated balance sheet of Florida Progress Corporation (a Florida corporation) and subsidiaries as of December 31, 1989, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the two years ended December 31, 1989. These financial statements are the responsibility of Florida Progress Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Florida Progress Corporation and subsidiaries as of December 31, 1989, and the results of their operations and their cash flows for each of the two years ended December 31, 1989, in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

Tampa, Florida
January 29, 1990

FLORIDA PROGRESS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1990, 1989 AND 1988

(In millions, except per share amounts)	1990	1989	1988
REVENUES:			
Electric utility	$1,709.1	$1,627.0	$1,468.5
Diversified	301.7	274.3	270.1
	2,010.8	1,901.3	1,738.6
EXPENSES:			
Electric utility:			
Fuel and purchased power	666.6	621.4	556.3
Other	257.4	248.4	232.2
Operations	924.0	869.8	788.5
Maintenance	126.2	131.4	111.7
Depreciation	161.1	155.3	136.8
Taxes other than income taxes	119.9	107.3	97.3
	1,331.2	1,263.8	1,134.3
Diversified:			
Cost of sales	185.1	172.2	177.3
Other	60.4	57.1	67.5
	245.5	229.3	244.8
INCOME FROM OPERATIONS	434.1	408.2	359.5
INTEREST EXPENSE AND OTHER:			
Interest expense	144.4	125.7	111.7
Allowance for funds used during construction	(4.2)	(5.2)	(4.1)
Preferred dividend requirements of Florida Power	16.8	16.8	16.8
Other income, net	(5.1)	(7.2)	(8.5)
	151.9	130.1	115.9
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	282.2	278.1	243.6
Income taxes	102.4	92.0	65.0
INCOME FROM CONTINUING OPERATIONS	179.8	186.1	178.6
DISCONTINUED OPERATIONS, net of income taxes:			
Income (loss) from operations	(.8)	1.0	1.2
Provision for loss on disposal	(14.2)	–	–
Income (loss) from discontinued operations	(15.0)	1.0	1.2
NET INCOME	$ 164.8	$ 187.1	$ 179.8
AVERAGE SHARES OF COMMON STOCK OUTSTANDING	51.3	51.1	51.1
EARNINGS PER AVERAGE COMMON SHARE:			
Continuing operations	$3.50	$3.65	$3.50
Discontinued operations	(.29)	.02	.02
	$3.21	$3.67	$3.52

The accompanying notes are an integral part of these financial statements.

FLORIDA PROGRESS CORPORATION

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1990 AND 1989

	(In millions) 1990	1989
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	$4,355.2	$4,156.8
Less: Accumulated depreciation	1,503.9	1,383.4
	2,851.3	2,773.4
Construction work in progress	141.2	124.7
Nuclear fuel, net of amortization of $218.7 in 1990 and $196.2 in 1989	84.2	100.0
Net electric utility plant	3,076.7	2,998.1
Other property, net of depreciation of $80.1 in 1990 and $71.1 in 1989	343.7	268.9
	3,420.4	3,267.0
CURRENT ASSETS:		
Cash and equivalents	13.2	32.2
Accounts receivable, net	183.6	184.6
Current portion of leases and loans receivable	175.3	7.5
Inventories, primarily at average cost:		
Fuel	103.9	86.0
Utility materials and supplies	92.4	79.1
Diversified materials and products	9.9	26.7
Underrecovery of fuel cost	7.0	21.4
Other	15.0	12.5
	600.3	450.0
NET ASSETS OF DISCONTINUED OPERATIONS	73.8	98.6
OTHER ASSETS:		
Investments:		
Leases and loans receivable, net	516.9	485.7
Marketable securities	165.5	138.6
Joint ventures, partnerships and unregistered stock	112.5	47.5
Nuclear plant decommissioning fund	55.2	41.2
Deferred insurance policy acquisition costs	45.6	36.9
Other	55.7	44.9
	951.4	794.8
	$5,045.9	$4,610.4

The accompanying notes are an integral part of these financial statements.

	(In millions)	
	1990	1989
CAPITAL AND LIABILITIES		
COMMON STOCK EQUITY:		
Common stock without par value, 250,000,000 shares authorized, 51,700,926 shares outstanding in 1990 and 51,051,200 in 1989	$ 670.5	$ 646.6
Retained earnings	753.8	725.7
	1,424.3	1,372.3
CUMULATIVE PREFERRED STOCK OF FLORIDA POWER:		
Without sinking funds	133.5	133.5
With sinking funds	100.0	100.0
LONG-TERM DEBT	1,326.2	1,125.8
TOTAL CAPITAL	2,984.0	2,731.6
CURRENT LIABILITIES:		
Accounts payable	75.4	103.0
Customers' deposits	64.9	59.2
Taxes payable	19.6	12.0
Accrued interest	39.5	36.4
Other	49.8	55.1
	249.2	265.7
Notes payable	578.1	390.9
Current portion of long-term debt	102.9	107.7
	930.2	764.3
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	822.6	803.1
Unamortized investment tax credits	147.9	154.9
Insurance policy benefit reserves	98.8	86.0
Nuclear refueling outage reserve	5.8	19.9
Other	56.6	50.6
	1,131.7	1,114.5
COMMITMENTS AND CONTINGENCIES (Note 12)		
	$5,045.9	$4,610.4

FLORIDA PROGRESS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1990, 1989 AND 1988	1990	1989 (In millions)	1988
OPERATING ACTIVITIES:			
Income from continuing operations	$179.8	$186.1	$178.6
Adjustments for non-cash items:			
Depreciation and amortization	207.4	191.6	186.7
Deferred income taxes and investment tax credits, net	5.2	41.6	37.1
Changes in working capital, net of effects from acquisition or sale of businesses:			
Accounts receivable	11.6	(50.5)	(4.7)
Inventories	(29.4)	(22.1)	(14.3)
Overrecovery (underrecovery) of fuel cost	14.4	(54.7)	57.8
Accounts payable	(27.9)	31.5	(12.1)
Other	13.7	28.4	4.1
Other operating activities	(1.1)	19.5	23.1
Cash provided by continuing operations	373.7	371.4	456.3
Income (loss) from discontinued operations	(15.0)	1.0	1.2
Adjustments for non-cash items, primarily loss provision in 1990	23.6	5.5	(3.7)
Cash provided by (used for) discontinued operations	8.6	6.5	(2.5)
	382.3	377.9	453.8
INVESTING ACTIVITIES:			
Property additions (including allowance for borrowed funds used during construction)	(327.4)	(318.3)	(239.9)
Proceeds from sales of properties	31.1	13.8	11.9
Purchase of leases, loans and securities	(364.2)	(187.6)	(98.8)
Proceeds from sale or collection of leases, loans and securities	135.0	33.5	31.4
Acquisition of businesses	(36.2)	(8.4)	—
Proceeds from sales of businesses	.1	40.5	3.3
Investments in joint ventures, partnerships and unregistered stock	(78.9)	(16.5)	(38.3)
Distributions from joint ventures and partnerships	2.5	29.4	—
Investing activities of discontinued operations	(.8)	(3.9)	6.1
Other investing activities	(12.0)	(10.9)	(11.2)
	(650.8)	(428.4)	(335.5)
FINANCING ACTIVITIES:			
Issuance of long-term debt	306.5	284.3	174.9
Repayment of long-term debt	(136.1)	(303.6)	(153.1)
Sale of common stock	23.9	—	—
Dividends paid on common stock	(136.7)	(131.7)	(127.6)
Increase in short-term debt	189.4	225.8	31.2
Financing activities of discontinued operations	2.0	(5.2)	(30.6)
Other financing activities	.5	—	(2.2)
	249.5	69.6	(107.4)
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(19.0)	19.1	10.9
Beginning cash and equivalents	32.2	13.1	2.2
ENDING CASH AND EQUIVALENTS	$ 13.2	$ 32.2	$ 13.1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	$141.3	$121.9	$109.8
Income taxes (net of refunds)	$ 84.1	$ 46.5	$ 30.7

The accompanying notes are an integral part of these financial statements.

FLORIDA PROGRESS CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1990, 1989 AND 1988 *(In millions, except share amounts)*

	Common Stock	Retained Earnings	Cumulative Preferred Stock of Florida Power — Without Sinking Funds	Cumulative Preferred Stock of Florida Power — With Sinking Funds
Balance, December 31, 1987	$646.6	$618.1	$133.5	$100.0
Net income		179.8		
Cash dividends on common stock ($2.50 per share)		(127.6)		
Balance, December 31, 1988	646.6	670.3	133.5	100.0
Net income		187.1		
Cash dividends on common stock ($2.58 per share)		(131.7)		
Balance, December 31, 1989	646.6	725.7	133.5	100.0
Net income		164.8		
Common stock issued — 649,726 shares	23.9			
Cash dividends on common stock ($2.665 per share)		(136.7)		
Balance, December 31, 1990	$670.5	$753.8	$133.5	$100.0

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General — Florida Progress Corporation (the Company) is exempt from regulation as a registered holding company under the Public Utility Holding Company Act of 1935. Its largest subsidiary, representing 70% of total assets, is Florida Power Corporation (Florida Power), a public utility engaged in the generation, transmission, distribution and sale of electric energy within Florida.

The consolidated financial statements combine the financial results of the Company and its majority-owned operations. All significant intercompany balances and intercompany transactions have been eliminated.

Investments in 20% to 50% owned joint ventures are accounted for using the equity method.

Certain reclassifications have been made to prior year amounts to conform to the current year's presentation.

Utility Plant — Utility plant is stated at the original cost of construction, which includes payroll and related costs such as taxes, pensions and other fringe benefits, general and administrative costs and an allowance for funds used during construction. Substantially all of the utility plant is pledged as collateral for Florida Power's First Mortgage Bonds.

Utility Revenues, Fuel and Purchased Power Expenses — Florida Power accrues the non-fuel portion of base revenues for services rendered but unbilled.

Revenues include amounts resulting from fuel and conservation adjustment clauses, which are designed to permit full recovery of these costs. The adjustment factors are based on projected costs for a six-month period. Revenues and expenses are adjusted for differences between recoverable fuel, purchased power and conservation costs and amounts included in current rates. The cumulative fuel cost difference is shown in the balance sheet as overrecovery or underrecovery of fuel cost. Any overrecovery or underrecovery of costs, plus an interest factor, is to be refunded or billed to customers during the subsequent six-month period.

The cost of fossil fuel for electric generation is charged to expense as burned. The cost of nuclear fuel is amortized to fuel expense based on the quantity of heat produced for the generation of electric energy in relation to the quantity of heat expected to be produced over the life of the nuclear fuel core.

Earned Income on Finance Leases — The Company uses the finance method for recognizing earned income from finance leases, which are primarily leveraged leases having terms of three to 25 years. Accordingly, earned income,

including any residual values expected to be recognized, and the related deferred investment tax credits are amortized as revenues over the term of the transaction to provide an approximate level return on the positive net investment.

Income Taxes — Deferred income taxes have been provided on all significant book-tax timing differences, except during periods when applicable regulatory authorities did not permit the recovery of such taxes through rates charged to customers by Florida Power.

The cumulative net amount of income tax timing differences for which deferred taxes have not been provided was approximately $108 million at December 31, 1990. As allowed under current regulatory practices, deferred taxes not previously provided are collected in customers' rates as such taxes become payable.

Deferred investment tax credits subject to regulatory accounting practices are being amortized to income over the lives of the related properties. Additionally, deferred investment tax credits associated with finance lease transactions are being amortized to revenues as described above.

Financial Accounting Standard No. 96, "Accounting for Income Taxes," was issued in December 1987 and must be adopted by the Company no later than 1992. The objective of this standard is to recognize the amount of current and deferred taxes payable and refundable for all events that have been recognized in the financial statements based on enacted tax laws at the date of the financial statements.

The Company has determined preliminarily that the net effect resulting from the adoption of the standard would be a reduction of the deferred income taxes on the Company's balance sheet. These reductions in deferred income taxes are primarily applicable to Florida Power and represent the tax effects of those timing differences for which deferred income taxes have been provided in prior years at higher statutory rates, partially offset by the tax effects of those timing differences discussed above for which deferred income taxes have not been provided. When Florida Power records these reductions in deferred income taxes, a regulatory payable for the amount will also be recorded and there will be no effect on net income. Florida Power expects to recognize these tax effects in future consumer rates when such timing differences reverse.

The Company expects to recognize a small one-time cumulative benefit to income in the implementation year, from the reduction of deferred taxes for the diversified operations. The effect on net income for subsequent years is not expected to be material, except for years in which there is a change in tax rates.

Depreciation and Maintenance — The Company provides for depreciation of the cost of properties over their estimated useful lives primarily on a straight-line basis. Florida Power's annual provision for depreciation, including a provision for nuclear plant decommissioning costs, expressed as a percentage of the average balances of depreciable utility plant was 4.0% for 1990 and 1989 and 3.7% for 1988.

Effective December 1, 1990, Florida Power was authorized to apply new depreciation rates that will result in a $35.8 million increase in annual depreciation expense. The impact of interim depreciation rates, which increased depreciation expense by $14.8 million during the first nine months of 1990, was reversed at the direction of the Florida Public Service Commission (FPSC) in the fourth quarter. The FPSC is conducting a generic investigation of the need to provide currently for fossil plant dismantlement costs. Subject to the outcome of this investigation, the FPSC staff's proposals would require Florida Power to accrue an additional $27.6 million of annual expense related to this matter.

Florida Power charges maintenance expense with the cost of repairs and minor renewals of property. The plant accounts are charged with the cost of renewals and replacements of property units. Accumulated depreciation is charged with the cost, less the net salvage, of property units retired.

Allowance for Funds — The allowance for funds used during construction represents the estimated cost of capital funds (equity and debt) applicable to utility plant under construction. Recognition of this item as a cost of utility plant under construction is appropriate because it constitutes an actual cost of construction and, under established regulatory rate practices, Florida Power is permitted to earn a return on these costs and to recover them in the rates charged for utility services while the plant is in service.

Similar treatment has been authorized by the FPSC for the cost of funds applicable to certain existing generating units which were being held for future use. However, in compliance with the Federal Energy Regulatory Commission (FERC) requirements, the return accrued on these units of $9.7 million through December 31, 1987, was deferred. The FPSC and FERC allowed Florida Power to record $8.8 million in other income in 1988 and $.9 million in 1990 for the deferred amounts associated with the units that are being returned to service and which are now included in the rate base.

The average rate used in computing the allowance for funds was 8.0% for 1990, 1989 and 1988.

Insurance Policy Acquisition Costs and Benefit Reserves — The Company defers recoverable costs in its insurance operations that directly relate to the production of new business. These costs are amortized over the expected premium paying period. Reserves are established out of each premium payment to provide for the present value of future insurance policy benefits using reasonable assumptions for future investment yield, mortality, morbidity, withdrawals and the risk of adverse deviation.

Marketable Securities — The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Fixed income securities are carried at amortized cost and other marketable securities are stated at the lower of aggregate cost or market value.

At December 31, 1990, the market value of marketable securities exceeded cost by $6 million.

(2) DISCONTINUED OPERATIONS

In October 1990, the Company announced its intention to sell its building products operations as part of its strategic planning effort to review the long-term direction of the Company. The building products companies are involved in a variety of building-related operations including distribution and manufacturing of aluminum windows, distribution of other aluminum products, air-conditioning equipment, plumbing, irrigation and pool supplies. The Company plans to sell or otherwise dispose of these operations throughout 1991, and has retained an outside investment banking unit to assist in this process.

The Company provided for the disposition costs and future operating losses of the building products segment in 1990, which reduced earnings by $14.2 million, net of applicable tax benefits of $1.7 million. The accompanying financial statements account for these companies as "Discontinued Operations." Accordingly, the results and balances related to this segment have been segregated from the ongoing operations of the Company in the accompanying financial statements for all years presented. Revenues for this segment were $218.8 million, $228.1 million and $263.4 million for the years ended December 31, 1990, 1989 and 1988, respectively. Income tax benefits included in operating results for these periods were $.1 million, $3.2 million and $1.4 million for the years ended December 31, 1990, 1989 and 1988, respectively. The following amounts are included in "Net Assets of Discontinued Operations" as of December 31, 1990 and 1989:

(In millions)	1990	1989
Property and equipment, net	$30.4	$ 40.0
Current assets	66.1	71.7
Other assets	1.7	11.1
Total assets	98.2	122.8
Less: Liabilities	24.4	24.2
Net assets	$73.8	$ 98.6

(3) INCOME TAXES

(In millions)	1990	1989	1988
Components of income tax expense:			
Payable currently:			
Federal	$ 84.1	$ 41.1	$ 20.3
State	13.5	6.7	6.9
	97.6	47.8	27.2
Deferred, net (see below):			
Federal	7.0	41.8	32.8
State	3.0	8.6	8.2
	10.0	50.4	41.0
Amortization of investment tax credits, net	(7.0)	(9.4)	(4.6)
	100.6	88.8	63.6
Tax benefits related to discontinued operations	1.8	3.2	1.4
	$102.4	$ 92.0	$ 65.0
Components of deferred income tax:			
Difference between financial and tax accounting for leases	$ 40.1	$ 44.0	$ 46.1
Excess of accelerated over straight-line tax depreciation	17.3	32.4	29.9
Underrecovery (overrecovery) of fuel cost	(4.0)	12.3	(22.8)
Difference between financial and tax accounting for property sales	(9.6)	(2.3)	—
Book depreciation on construction costs and other property items deducted for tax purposes, net of additions	(26.1)	(10.9)	4.0
Flow through of "unprotected" deferred income taxes	—	(7.6)	(14.7)
Alternative minimum tax carryforward	4.9	(3.7)	9.7
Other	(12.6)	(13.8)	(11.2)
	$ 10.0	$ 50.4	$ 41.0

The provision for income taxes as a percent of income before taxes and preferred dividend requirements was less than the statutory federal income tax rate for 1989 and 1988. The primary differences between the statutory rate and the effective income tax rates are detailed below:

	1990	1989	1988
Federal statutory income tax rate	34.0%	34.0%	34.0%
State income tax, net of federal income tax benefits	3.9	3.5	3.8
Amortization of investment tax credits	(3.8)	(3.2)	(4.0)
Flow through of "unprotected" deferred income taxes	—	(2.6)	(5.6)
Other	1.6	(1.4)	(3.8)
Effective income tax rates	35.7%	30.3%	24.4%

(4) RETIREMENT BENEFIT PLANS

The Company and certain of its subsidiaries have a non-contributory defined benefit pension plan covering substantially all employees. The benefits are based on length of service, compensation during the highest consecutive 60 of the last 120 months of employment and social security benefits. The companies make annual contributions to the plan based on an actuarial determination and in consideration of tax regulations and funding requirements under federal law.

Based on actuarial calculations and the funded status of the pension plan, the Company was not required to contribute to the plan for 1990, 1989 or 1988. Shown below are the components of the net pension benefit calculations for those years:

(In millions)	1990	1989	1988
Service cost	$15.1	$12.1	$10.2
Interest cost	21.1	18.5	16.5
Actual return on plan assets	19.2	(64.1)	(44.7)
Net amortization and deferral	(55.8)	32.0	16.1
Net pension cost (benefit)	(.4)	(1.5)	(1.9)
Regulatory adjustment	.4	1.4	1.7
Net pension cost (benefit) recognized	$ —	$ (.1)	$ (.2)

The following assumptions were used in the calculation of pension costs:

	1990	1989	1988
Discount rate	7.5%	8.3%	8.5%
Expected long-term rate of return	9.0%	9.0%	9.0%
Rate of compensation increase	6.8%	6.8%	7.0%

The following summarizes the funded status of the pension plan at December 31, 1990 and 1989:

(In millions)	1990	1989
Accumulated benefit obligation:		
Vested	$156.4	$164.1
Non-vested	24.7	33.9
	181.1	198.0
Effect of projected compensation increases	80.3	84.0
Projected benefit obligation	261.4	282.0
Plan assets at market value	354.0	383.0
Plan assets in excess of projected benefit obligation	$ 92.6	$101.0
Consisting of the following components:		
Unrecognized transition asset	$ 60.1	$ 65.1
Unrecognized prior service cost	(1.4)	(1.5)
Effect of changes in assumptions and difference between actual and estimated experience	33.9	37.4
	$ 92.6	$101.0

The following actuarial assumptions were used in calculating the plan's year-end funded status:

	1990	1989
Discount rate	8.5%	7.5%
Rate of compensation increase	6.0%	6.8%

Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," was recently issued and is effective for the Company beginning in 1993. This standard requires that an employer's obligation for postretirement benefits be fully accrued by the date employees attain full eligibility to receive such benefits. The Company and certain of its subsidiaries provide certain health care and life insurance benefits for retired employees. Employees become eligible for these benefits when they reach normal retirement age while working for the Company. Assuming no changes are made to the current benefits that retirees receive, the Company has preliminarily estimated that its liability would be in the range of $100 million to $150 million. The Company's policy since January 1, 1985 has been to accrue benefits currently payable along with amortization of past service costs of current retirees. The Company has accrued $20.6 million at December 31, 1990 using this method. The Company expects its annual cost to increase under the new standard but has not calculated the effect of such and expects that a substantial portion would be recoverable from customers through rates.

(5) LEASES AND LOANS RECEIVABLE

At December 31, 1990 and 1989, investments in leases and loans receivable were as follows:

(In millions)	1990	1989
Finance leases:		
Rentals receivable	$262.5	$254.5
Unguaranteed residual values	209.0	202.7
Unearned income	(80.5)	(82.9)
Deferred investment tax credits	(33.3)	(36.3)
	357.7	338.0
Loans receivable:		
Commercial	318.6	129.1
First mortgage loans on real estate	16.0	18.5
Insurance policy loans	10.0	9.6
	344.6	157.2
Allowance for losses	(10.1)	(2.0)
	692.2	493.2
Less: Current portion	175.3	7.5
	$516.9	$485.7

The commercial loans (excluding $22.1 million involving leveraged buyouts) are collateralized by first mortgage liens on equipment or real estate.

Finance leases consist primarily of leveraged investments in aircraft, which represent 77% of rentals receivable and residual values at December 31, 1990. The majority of these leases have terms of 15 to 22 years, with a maximum of 22 years. The rentals receivable represent unpaid rentals less principal and interest on non-recourse third party debt participation. The Company's share of rentals receivable is subordinate to the share of the debt participants who also have a security interest in the leased property. Net contractual maturities of rentals receivable under these contracts are $14.3 million, $15.2 million, $12.2 million, $14.2 million and $16.4 million for 1991 through 1995, respectively, and $190.2 million thereafter. Deferred taxes applicable to leveraged leases were $271.0 million and $223.9 million at December 31, 1990 and 1989, respectively.

Components of income recognized from leveraged leases were as follows:

(In millions)	1990	1989	1988
Income (loss) before income taxes	$10.1	$ 9.5	$ (2.1)
Income tax effect	(3.4)	(3.4)	7.9
Amortization of investment tax credits	2.9	4.4	4.5
Net income	$ 9.6	$10.5	$10.3

(6) SHORT-TERM DEBT

At December 31, 1990, the Company and its consolidated subsidiaries had lines of credit totaling $742 million, of which $175 million was used to support existing commercial paper facilities and $425 million was for support of additional commercial paper capacity which became available in early 1991. The additional commercial paper capacity was added primarily to replace bank borrowings described below. The amount unused under these lines of credit as of December 31, 1990 was $626.1 million. The short-term debt outstanding at December 31, 1990 and 1989, consisted of commercial paper of $139.2 million and $136.6 million, respectively, bank borrowings of $402.9 million and $234.2 million, respectively, and $36 million and $20.2 million, respectively, of other borrowings. Interest rate options under line of credit arrangements vary from sub-prime or money market rates to the prime rate. Banks providing lines of credit are compensated through fees. Commitment fees on lines of credit vary between 1/8 and 1/4 of 1%.

(7) LONG-TERM DEBT

The Company's long-term debt is scheduled to mature as follows:

(In millions)	Interest Rate	1990	1989
Florida Power Corporation:			
First mortgage bonds:			
Maturing through 1995:			
October 1, 1990	4.75%	$ —	$ 13.6
May 1, 1992	4.25%	14.4	14.4
April 1, 1995	4.63%	18.7	18.7
November 1, 1995	4.88%	15.7	15.7
Maturing 1996 through 2000	7.86%(a)	112.2	112.2
Maturing 2001 through 2003	7.66%(a)	280.0	280.0
Maturing October 1, 2006	8.75%	80.0	80.0
Premium, being amortized over term of bonds		2.7	3.1
		523.7	537.7
Guarantee of pollution control revenue bonds:			
Maturing 2000 through 2012	9.34%(a)	132.6	132.6
Annual tender bonds maturing in 2012 and 2013	6.00%(a)	108.6	108.6
Notes maturing:			
1990-1991	8.67%(a)	15.0	165.5
1992-1997	8.38%(a)	255.0	90.0
Progress Capital Holdings, Inc.:			
Notes maturing:			
1990-1991	8.62%(a)	67.0	44.0
1992-2001	8.79%(a)	228.3	36.3
Progress Leasing Corporation (All due within 5 years)	9.49%(a)	46.2	57.0
Other subsidiaries, debt maturing through 2007	11.50%(a)	52.7	[illegible]
		1,429.1	1,233.5
Less: Current portion of long-term debt		102.9	107.[illegible]
		$1,326.2	$1,125.8

(a) Weighted average interest rate at December 31, 1990.

The combined aggregate maturities of long-term debt for 1991 through 1995 are $102.9 million, $217.0 million, $205.8 million, $75.2 million and $45.6 million, respectively. In addition, all of Florida Power's First Mortgage Bond issues have an annual 1% sinking fund requirement. These requirements, which total $5.7 million for 1991 and 1992 and $5.5 million for 1993, 1994 and 1995, are expected to be satisfied with property additions.

The interest rate on the Annual Tender Pollution Control Revenue Bonds will be adjusted March 1 of each year and the bondholders may elect to tender their bonds at that time. The bonds outstanding at any point in time are supported by a $100 million three-year bank line of credit arrangement with money market-based interest rate options and a 1/8% commitment fee.

After year-end, the Company established a new, private $400 million medium-term note program with maturities ranging from 9 months to 30 years. Interest rates are structured under this program to allow for fixed and floating rate options.

(8) PREFERRED AND PREFERENCE STOCK

The Company has 10 million shares of authorized but unissued Preferred Stock without par value. Florida Power has 4 million shares of authorized Cumulative Preferred Stock, $100 par value, of which 2.3 million shares are outstanding. In addition, Florida Power has 1 million shares of authorized but unissued Preference Stock, $100 par value, and 5 million shares of authorized but unissued Cumulative Preferred Stock, without par value.

Minimum preferred stock redemption requirements during the next five years are $2.5 million in 1992 and $12.5 million yearly in 1993 through 1995. A summary of outstanding Cumulative Preferred Stock of Florida Power follows:

Dividend Rate	Current Redemption Price	Shares Authorized	Shares Outstanding	Outstanding at December 31 1990	Outstanding at December 31 1989
				(In millions)	
Without sinking funds, not subject to mandatory redemption:					
4.00%	$104.25	40,000	39,980	$ 4.0	$ 4.0
4.40%	$102.00	75,000	75,000	7.5	7.5
4.58%	$101.00	100,000	99,990	10.0	10.0
4.60%	$103.25	40,000	39,997	4.0	4.0
4.75%	$102.00	80,000	80,000	8.0	8.0
7.40%	$103.22(a)	300,000	300,000	30.0	30.0
7.76%	$102.98(b)	500,000	500,000	50.0	50.0
8.80%	$101.00	200,000	200,000	20.0	20.0
				$133.5	$133.5
With sinking funds, subject to mandatory redemption:					
7.08%	$107.08(c)	500,000	500,000	$ 50.0	$ 50.0
7.84%	$107.84(d)	500,000	500,000	50.0	50.0
				$100.0	$100.0

(a) $102.48 after August 15, 1992
(b) $102.21 after February 15, 1994
(c) $104.72 after November 15, 1991, $102.36 after November 15, 1996, $100.00 after November 15, 2001
(d) $103.92 after November 15, 1992, $101.96 after November 15, 1993, $100.00 after November 15, 1994

(9) NUCLEAR OPERATIONS

Jointly Owned Plant — Florida Power's 90% ownership share in the Crystal River nuclear unit as of December 31, 1990 amounted to $562.3 million of utility plant in service, $26.6 million of construction work in progress, $84.2 million of unamortized nuclear fuel, and $273.9 million of accumulated depreciation, which includes $69.7 million of accumulated provisions for decommissioning costs. Each participant provides for its own financing. Florida Power's share of the operating costs is included in the appropriate expense captions in the consolidated statements of income.

Plant Decommissioning Costs — Florida Power's nuclear plant depreciation rates include a provision for future decommissioning costs that are recoverable through rates charged to customers. Florida Power is placing its collections in a managed trust fund. The recovery from customers, plus interest earned on the trust fund, are intended to be sufficient to cover Florida Power's share of the future dismantling, removal and land restoration costs. Florida Power has a license to operate the nuclear unit through December 3, 2016, and contemplates decommissioning beginning at that time. Total future decommissioning costs are estimated to be approximately $205.5 million in 1990 dollars. Decommissioning expense was $11.8 million for 1990, $9.8 million for 1989 and $5.4 million for 1988. The FPSC and FERC approved an increase in the annual decommissioning expense from $9.8 million to $11.8 million beginning in 1990.

Fuel Disposal Costs — Florida Power has entered into a contract with the Department of Energy (DOE) for the transportation and disposal of spent nuclear fuel. Disposal costs for nuclear fuel consumed are being collected from customers through the fuel adjustment clause at a rate of $.001 per net nuclear generated kilowatt-hour and are paid to the DOE quarterly. Florida Power is currently storing spent nuclear fuel on site and has sufficient storage capacity in place or under construction for fuel burned through the year 2009.

Plant Refueling Outages — Florida Power accrues a reserve for maintenance and refueling expenses anticipated to be incurred during scheduled nuclear plant refueling outages. A midcycle maintenance outage is scheduled for five weeks beginning October 1991 and is estimated to cost $9.2 million. The next refueling outage, scheduled for eight weeks beginning in October 1992, is presently estimated to cost $20.5 million.

Insurance — The Price-Anderson Act currently limits the liability of an owner of a nuclear power plant for a single nuclear incident to $7.8 billion. Florida Power has purchased the maximum available commercial insurance of $200 million with the balance provided by indemnity agreements prescribed by the Nuclear Regulatory Commission. In the event of a nuclear incident at any U.S. nuclear power plant, Florida Power could be assessed up to $66 million per incident, with a maximum assessment of $10 million per year. In addition to this liability insurance, Florida Power carries extra expense insurance with Nuclear Electric Insurance, Ltd. (NEIL) to cover the cost of replacement power during prolonged outages of the nuclear unit. Under this policy, Florida Power is subject to a retroactive premium assessment of up to $2.8 million in any year in which policy losses exceed accumulated premiums and investment income.

(10) BUSINESS SEGMENTS

The Company defines its principal business segments as utility and diversified operations. The utility is engaged in the generation, transmission, distribution and sale of electric energy. The diversified segment includes the energy and transportation group's coal mining, procurement and transportation operations that have significant sales to the utility. Other continuing diversified operations include activities in leveraged leasing, commercial finance, life insurance, real estate and technology.

The Company's business segment information for continuing operations for 1990, 1989 and 1988 is summarized below. No single customer accounted for more than 10% of unaffiliated revenues. Intra-segment sales have been eliminated and the Company's equity in the earnings of partnerships and joint ventures has been included in revenues.

(In millions)	1990	1989	1988
Revenues			
Utility	$1,709.1	$1,627.0	$1,468.5
Diversified			
Energy and transportation group:			
Coal sales to electric utility	285.2	294.3	308.1
External customers	171.4	125.8	106.4
Other diversified	130.7	149.8	164.4
	2,296.4	2,196.9	2,047.4
Eliminations	(285.6)	(295.6)	(308.8)
Revenues from external customers	$2,010.8	$1,901.3	$1,738.6
Income from operations:			
Utility	$ 377.9	$ 363.2	$ 334.2
Diversified:			
Energy and transportation group	16.9	16.9	15.2
Other diversified	39.3	28.1	10.1
	434.1	408.2	359.5
Interest and other expense	151.9	130.1	115.9
Income from continuing operations before income taxes	$ 282.2	$ 278.1	$ 243.6
Identifiable assets:			
Utility	$3,515.8	$3,413.8	$3,285.3
Diversified:			
Energy and transportation group	264.3	217.6	188.5
Other diversified	1,265.8	979.0	798.5
	$5,045.9	$4,610.4	$4,272.3
Depreciation:			
Utility	$ 161.1	$ 155.3	$ 136.8
Diversified:			
Energy and transportation group	7.4	4.6	3.4
Other diversified	4.5	5.0	5.2
	$ 173.0	$ 164.9	$ 145.4
Capital additions:			
Utility	$ 276.5	$ 260.8	$ 206.8
Diversified:			
Energy and transportation group	19.7	16.6	8.7
Other diversified	31.2	40.9	24.4
	$ 327.4	$ 318.3	$ 239.9

(11) RATES AND REGULATION

Retail Rates — In December 1988, the FPSC approved a $17.3 million increase in base rates effective January 1, 1989. This increase in base rates included an additional $10.7 million to cover increases in depreciation and nuclear decommissioning expenses and $6.6 million related to "unprotected" deferred income taxes. The adjustment for deferred income taxes resulted from substituting an $11.9 million additional refund in 1989 for the $18.5 million refund made in 1988 through a customer billing credit.

In December 1989, the FPSC voted to continue the customer billing credit that was scheduled to expire on December 31, 1989. Extension of the billing credit reduced 1990 utility revenues by $12.5 million. In December 1990, the FPSC voted to discontinue the customer billing credit, effective January 1, 1991.

Florida Power plans to file, in the first quarter of 1991, a petition with the FPSC requesting that it conduct a limited proceeding to consider an increase in Florida Power's base rate revenues for fossil plant depreciation expenses associated with dismantlement costs. See Depreciation and Maintenance in Note 1. The FPSC is expected to rule in March on whether it will conduct a proceeding on Florida Power's requested revenue increase limited to the issue of

increased depreciation expense. In the event the FPSC rules against conducting a limited proceeding, Florida Power intends to file a full revenue requirements rate proceeding.

Wholesale Rates — Florida Power gave reductions to its wholesale customers consistent with the retail rate treatment for both 1989 and 1990 and expects to file a rate change to eliminate the customer billing credit for wholesale customers effective January 1, 1991.

Fuel Cost Hearings — In December 1988, the FPSC began hearings to consider contentions of Florida Power's largest industrial customer and others that certain procurement and transportation activities by Electric Fuels Corporation were imprudent. In August 1989, the FPSC disallowed approximately $5.4 million, plus interest, in fuel costs. As a result, 1989 income was reduced by approximately $5 million. The company refunded the disallowed costs to customers as adjustments to the fuel charge during 1990.

In January 1990, the FPSC issued an order adopting a market-based pricing methodology to determine Florida Power's recoverable fuel costs for purchases from an affiliated coal supplier under a cost-plus contract, effective April 1, 1989. The company requested the FPSC to reconsider its decision because the company believes the methodology improperly and unfairly reduces recovery of changes in the price of coal. In September 1990, the FPSC voted to revise one of the two key elements objected to by Florida Power and deferred ruling on the other element. A final decision is expected in the first quarter of 1991. If the FPSC affirms its initial decision on the remaining issue, the company estimates that up to $8 million of fuel costs would be disallowed. Florida Power recorded a reserve of $4 million in December 1990, pending a final decision.

Due to the extensive outages experienced by the Crystal River Nuclear Plant from November 1988 to June 1989, the plant's operating performance is being reviewed by the FPSC. Pre-filed testimony has been submitted. No provision has been made for potential disallowances because management believes that nuclear plant personnel responded properly and worked diligently to minimize outages. The cost of replacement fuel during the outages currently under review is approximately $40 million. Additional hearings on this matter have been scheduled for April 1991.

(12) COMMITMENTS AND CONTINGENCIES

Utility Construction Program — Substantial commitments have been made in connection with Florida Power's construction program, which are presently estimated to result in construction expenditures in 1991 of $362 million for electric plant and nuclear fuel.

Fuel and Purchased Power Commitments — To supply a portion of the fuel requirements of its generating plants, Florida Power has entered into various long-term commitments to provide fossil and nuclear fuels and to reserve pipeline capacity for natural gas. In most cases, such contracts contain provisions for price escalation, minimum purchase levels and other financial commitments. Additional commitments will be required in the future to supply Florida Power's fuel needs.

Florida Power has entered into long-term contracts with The Southern Company for up to 400 megawatts of purchased power that began on February 1, 1990 and terminate in 2010.

Off-Balance Sheet Risk and Concentrations of Credit Risk — Several of the Company's subsidiaries are general partners in unconsolidated partnerships and joint ventures. The Company or subsidiaries have agreed to support certain loan agreements of the partnerships and joint ventures. The total of the debt support agreements is $113.3 million at December 31, 1990, of which $14 million are cash deficiency agreements and $92.9 million are guaranties. As a general partner, those subsidiaries are potentially liable for all the partnerships' obligations. If the other partners failed to perform their obligations and if the partnership assets, consisting primarily of land and buildings, were worthless, those subsidiaries could be liable for an additional $139.7 million, which represents partnership liabilities exceeding amounts as mentioned above. The Company considers these credit risks to be minimal, based upon the asset values supporting the partnership liabilities.

Progress Credit Corporation's (PCC) investments in leases, loans and securities include investments in the airline and commercial real estate industries. As a lessor, PCC had investments in finance leases, net of non-recourse debt, of $300 million in aircraft equipment and $20 million in commercial real estate as of December 31, 1990.

As a senior lender, PCC's loans to entities associated with the airline industry totaled $162 million at December 31, 1990. PCC's loans are secured by first mortgage liens on aircraft, aircraft engines or spare parts. These loans are further collateralized, where applicable, by an assignment to PCC of the borrowers' lease agreements with third party users of the secured equipment and selected third party guaranties.

At December 31, 1990, PCC, as a senior lender, had receivables totaling $137 million from borrowers engaged in commercial real estate activity. These loans are secured by first mortgage liens on the related commercial real estate and selected third party guaranties.

PCC has, in its portfolio, aircraft equipment leased to Continental Airlines Inc. (Continental) either directly or as a lender to an operating lessor of equipment to Continental. Continental filed a petition for reorganization under the Bankruptcy Code on December 3, 1990. PCC's investment in equipment currently used by Continental totals approximately $62 million net of non-recourse debt and deferred income taxes on leveraged leases. Continental has continued to operate its flights despite the filing. PCC believes the value of the collateral as well as the guaranties underpinning the transactions and the loss reserves accrued to date are sufficient to prevent Continental's action from having a material adverse effect on the Company.

Retroactive Insurance Premiums — As mentioned under Note 9, "Nuclear Operations," Florida Power is subject to retroactive premium assessments in connection with its nuclear insurance. In addition, Florida Power currently carries approximately $1.7 billion in property insurance provided through several different policies. One of these policies, which is also underwritten by NEIL, provides $1.1 billion of excess coverage. Under this policy, Florida Power is subject to a retroactive premium assessment of up to $7.1 million in any policy year in which losses exceed funds available to NEIL.

Waste Disposal Site Cleanup — Florida Power has received several notices from the Environmental Protection Agency (EPA) that it is a "potentially responsible party" under the Comprehensive Environmental Response Compensation and Liability Act and the Superfund Amendment and Reauthorization Act and may be required to share in the cost of cleanup of waste disposal sites identified by the EPA. In each instance, the Company's degree of responsibility, if any, appears to be small in relation to the total for the large number of "potentially responsible parties" involved. Based on the current status of these matters, management believes the likelihood is remote that these actions will result in a material adverse effect on the Company's future financial condition.

QUARTERLY FINANCIAL DATA *(Unaudited)*

(Dollars in millions, except per share amounts)

	Three Months Ended			
	March 31	June 30	September 30	December 31
1990				
Revenues	$448.2	$489.9	$591.8	$480.9
Income from operations	76.4	107.1	152.9	97.7
Net income	29.1	43.7	58.1	33.9
Earnings per average common share:				
Continuing operations	.57	.86	1.41	.66
Discontinued operations	—	(.01)	(.28)	—
Net income	.57	.85	1.13	.66
Dividends per common share	.66	.66	.66	.685
Common stock price per share				
High	40½	38½	37⅝	39
Low	37	35⅛	33½	33⅞
1989				
Revenues	$417.8	$464.5	$551.5	$467.5
Income from operations	85.3	102.4	141.2	79.3
Net income	37.5	45.3	75.2	29.1
Earnings per average common share:				
Continuing operations	.72	.89	1.43	.61
Discontinued operations	.01	—	.04	(.03)
Net income	.73	.89	1.47	.58
Dividends per common share	.64	.64	.64	.66
Common stock price per share				
High	35⅛	36⅜	38⅝	40¼
Low	33¼	33½	35⅜	36⅛

The business of the Company's largest subsidiary, Florida Power, is seasonal in nature and it is management's opinion that comparisons of earnings for the quarters do not give a true indication of overall trends and changes in the Company's operations. As explained in Note 1 to the Consolidated Financial Statements, Florida Power reversed $14.8 million of interim depreciation expense in the fourth quarter of 1990 previously recorded in the first three quarters of the year. This increased fourth quarter income by $9.2 million.

SELECTED DATA 1980-1990

FLORIDA POWER CORPORATION

	Annual Growth Rates *(In percent)* 1985-1990	1980-1990	1990	1989	1988
Electric sales (millions of KWH):					
Residential	6.2	5.3	12,415.5	11,786.9	11,065.6
Commercial	7.5	7.4	7,328.7	6,989.8	6,479.4
Industrial	1.8	(0.1)	3,455.7	3,766.1	3,680.6
Other	5.8	5.4	1,678.4	1,580.5	1,466.1
Total retail sales	5.9	4.9	24,878.3	24,123.3	22,691.7
Sales for resale	(2.4)	(5.4)	2,265.4	2,387.2	3,439.2
Total electric sales	5.0	3.4	27,143.7	26,510.5	26,130.9
Residential service (average annual):					
KWH sales per customer	2.4	1.5	12,319	12,059	11,754
Revenue per customer	0.3	4.2	$896	$845	$814
Revenue per KWH (in cents)	(2.1)	2.7	7.27	7.01	6.93
Financial data:					
Total capitalization (in millions)	2.3	4.2	$2,633.4	$2,473.9	$2,359.5
Capitalization ratios[a]:					
Short-term debt	8.2	16.5	7.4%	4.7%	10.3%
Long-term debt	(3.1)	(2.9)	38.7	40.2	34.7
Preferred stock	(4.7)	(3.3)	8.9	9.4	9.9
Common stock equity	3.3	2.9	45.0	45.7	45.1
Ratio of earnings to fixed charges (SEC method)	0.4	3.3	3.89	3.79	3.79
Embedded cost of long-term debt	(2.1)	(0.8)	7.9%	8.1%	8.0%
Embedded cost of preferred stock	(5.0)	(1.4)	7.2%	7.2%	7.2%
Operating data:					
Net winter generating capability (MW)	1.9	2.5	6,571	6,309	6,086
Net system winter peak load (MW)	(2.9)	1.3	5,026	6,817	6,188
Net system summer peak load (MW)	5.5	4.1	5,946	5,832	5,309
BTU per KWH of net output	0.2	(0.4)	10,005	10,076	9,985
Construction additions (in millions)	6.0	(1.6)	$269.5	$254.8	$201.1
Percentage of construction expenditures generated internally	(12.3)	17.9	52%	73%	100%
Fuel cost per million BTU	(4.3)	(1.8)	$2.11	$2.10	$1.83
Average number of customers	3.8	3.9	1,135,499	1,101,817	1,060,971
Number of regular employees	1.3	2.9	5,570	5,553	5,512

(a) Capitalization growth rates calculated on total dollar amounts.

1987	1986	1985	1984	1983	1982	1981	1980
10,318.8	9,819.2	9,175.0	8,553.6	8,009.5	7,425.0	7,752.3	7,379.8
6,016.4	5,573.0	5,106.6	4,547.7	4,118.6	3,895.2	3,735.2	3,581.1
3,349.4	3,122.3	3,166.0	2,989.0	2,701.0	2,715.5	3,288.3	3,481.0
1,355.0	1,319.3	1,268.4	1,188.8	1,142.9	1,094.9	1,038.5	987.7
21,039.6	19,833.8	18,716.0	17,279.1	15,972.0	15,130.6	15,814.3	15,429.6
3,064.1	3,336.2	2,556.4	3,317.3	5,802.0	4,739.3	4,322.2	3,953.3
24,103.7	23,170.0	21,272.4	20,596.4	21,774.0	19,869.9	20,136.5	19,382.9
11,356	11,255	10,940	10,638	10,388	9,964	10,758	10,643
$827	$914	$883	$818	$783	$720	$763	$591
7.28	8.12	8.07	7.69	7.54	7.23	7.09	5.56
$2,341.0	$2,275.6	$2,350.2	$2,328.0	$2,305.4	$2,200.3	$1,971.5	$1,751.0
6.9%	.2%	5.0%	2.0%	2.7%	1.6%	1.9%	1.6%
39.7	46.9	45.4	51.4	51.2	53.8	52.0	52.2
10.0	10.3	11.3	11.5	11.9	12.5	11.5	12.5
43.4	42.6	38.3	35.1	34.2	32.1	34.6	33.7
4.08	4.29	3.81	3.07	2.94	2.42	3.19	2.80
8.1%	8.7%	8.8%	9.2%	9.1%	9.6%	9.2%	8.6%
7.2%	8.4%	9.3%	9.3%	9.3%	9.3%	8.4%	8.3%
5,966	5,961	5,989	5,927	5,993	5,899	5,255	5,117
5,087	5,977	5,813	4,858	4,913	5,347	5,088	4,419
5,196	4,644	4,548	4,163	4,610	4,086	4,355	3,995
9,954	9,865	9,928	10,074	10,082	10,383	10,357	10,443
$192.8	$195.2	$201.2	$284.5	$285.8	$385.3	$379.8	$316.9
96%	100%	100%	99%	66%	39%	45%	10%
$2.09	$2.14	$2.63	$2.36	$2.85	$2.78	$3.12	$2.52
1,023,222	980,427	940,976	900,799	861,548	829,810	802,787	772,265
5,395	5,323	5,215	5,070	4,923	4,829	4,533	4,195

SELECTED DATA 1986-1990

FLORIDA PROGRESS CORPORATION

(Dollars in millions, except per share amounts)

	Five Year Annual Growth *(in percent)*	1990	1989	1988	1987	1986
Summary of operations:						
Utility revenues	2.6	$1,709.1	$1,627.0	$1,468.5	$1,472.2	$1,530.5
Diversified revenues (continuing)	24.1	301.7	274.3	270.1	245.5	186.0
Income from continuing operations	2.4	179.8	186.1	178.6	184.1	180.7
Income (loss) from discontinued operations		(15.0)	1.0	1.2	3.7	.5
Net income	.5	164.8	187.1	179.8	187.8	181.2
Balance sheet data:						
Total assets	7.0	$5,045.9	$4,610.4	$4,272.3	$4,067.2	$3,855.5
Capitalization:						
Short-term debt	28.7	$ 681.0	$ 498.6	$ 366.5	$ 269.0	$ 89.5
Long-term debt	2.1	1,326.2	1,125.8	1,048.8	1,093.0	1,240.3
Preferred stock	(2.5)	233.5	233.5	233.5	233.5	233.5
Common stock equity	7.0	1,424.3	1,372.3	1,316.9	1,264.7	1,156.4
Total capitalization	6.6	$3,665.0	$3,230.2	$2,965.7	$2,860.2	$2,719.7
Capitalization ratios:						
Short-term debt		18.6%	15.4%	12.4%	9.4%	3.3%
Long-term debt		36.2	34.9	35.4	38.2	45.6
Preferred stock		6.4	7.2	7.8	8.2	8.6
Common stock equity		38.8	42.5	44.4	44.2	42.5
Common stock data:						
Average shares outstanding (in millions)	2.4	51.3	51.1	51.1	50.3	48.9
Earnings per share:						
Utility	(1.0)	$3.22	$3.28	$3.31	$3.30	$3.37
Diversified	16.6	.28	.37	.19	.37	.33
Continuing operations	(.1)	3.50	3.65	3.50	3.67	3.70
Discontinued operations		(.29)	.02	.02	.07	.01
Consolidated	(1.9)	3.21	3.67	3.52	3.74	3.71
Dividends per common share	4.0	2.665	2.58	2.50	2.42	2.31
Dividend payout		83.0%	70.3%	71.0%	64.7%	62.3%
Dividend yield		7.2%	6.6%	7.3%	7.6%	6.1%
Book value per share of common stock	5.0	$27.55	$26.88	$25.80	$24.77	$23.26
Return on common equity		11.8%	13.9%	13.9%	15.5%	16.4%
Common stock price per share:						
High		$40½	$40¼	$37¾	$43⅞	$47
Low		33½	33¼	32	29⅜	30¼
Close		38¼	40	35	32¾	39⅝
Price earnings ratio (year-end)		11.9	10.9	9.9	8.8	10.7
Other year-end data:						
Number of employees	1.8	7,879	7,490	7,974	8,116	8,030
Number of common shareholders	(2.7)	41,970	43,005	44,929	46,147	46,586

DIRECTORS AND OFFICERS

DIRECTORS

Dr. Jack B. Critchfield
Chairman, President and Chief Executive Officer

Michael P. Graney
Partner
Simpson Thacher & Bartlett (attorneys-at-law)
Columbus, Ohio

Andrew H. Hines, Jr.
Consultant
Triangle Consulting Group
St. Petersburg, Florida

Frank M. Hubbard
Investor
Orlando, Florida

Richard C. Johnson
Partner
Johnson Simmons Company (a development company)
Clearwater, Florida

Richard Korpan
Executive Vice President and Chief Financial Officer

Clarence V. McKee
Chairman of the Board
WTVT Holdings, Inc. (a television station)
Tampa, Florida

Clarence W. McKee, Jr.
Investor
St. Petersburg, Florida

Corneal B. Myers
Partner
Peterson, Myers, Craig, Crews,
Brandon & Puterbaugh, P.A. (attorneys-at-law)
Lake Wales, Florida

Richard A. Nunis
President
Walt Disney Attractions
Orlando, Florida

Joan D. Ruffier
General Partner
Sunshine Cafes (airport concessionaire)
Orlando, Florida

George Ruppel
President
Modern Tool & Die Company of Florida
Pinellas Park, Florida

Lee H. Scott
Investor
St. Petersburg, Florida

Robert T. Stuart, Jr.
Rancher and Investor
Dallas, Texas

Jean Giles Wittner
President
Wittner & Company (insurance consulting)
St. Petersburg, Florida

EXECUTIVE OFFICERS

Dr. Jack B. Critchfield
Chairman, President and Chief Executive Officer

Joseph F. Cronin
Executive Vice President

Richard Korpan
Executive Vice President and Chief Financial Officer

GROUP VICE PRESIDENTS

Allen J. Keesler, Jr.
Utility Group

Richard D. Keller
Energy and Transportation Group

Thomas S. Krzesinski
Finance and Life Group

Joseph H. Richardson
Development Group

OTHER OFFICERS

Kenneth E. Armstrong
General Counsel

William H. Bieberbach
Senior Vice President,
Marketing and Corporate Development

Jeffrey R. Heinicka
Vice President and Treasurer

Dan R. Johnson
Controller

David R. Kuzma
Senior Vice President, Finance

Stephen D. Purifoy
Secretary

INVESTOR SERVICES

All dividend checks, shareholder reports, proxy material and tax forms are handled from our St. Petersburg corporate office. All correspondence concerning address changes, dividend checks and related matters should be directed to:

Florida Progress Corporation
Investor Services
P. O. Box 33028
St. Petersburg, Florida 33733-8028
Telephone (813) 824-6418
Toll-Free (800) 352-1121

TRANSFER AGENT AND REGISTRAR

Inquiries concerning the transfer of common stock certificates of Florida Progress or preferred stock certificates of Florida Power should be directed to:

Manufacturers Hanover Trust Company
Stock Transfer Administration
P. O. Box 24935, Church Street Station
New York, New York 10249
Telephone (212) 613-7147

DIVIDEND REINVESTMENT PLAN

The Company offers a Dividend Reinvestment and Stock Purchase Plan (Plan) for shareholders of record. At the end of 1990, approximately 40% of the Company's common shareholders participated in the Plan. Under the Plan, the Company has the option to purchase shares for Plan participants with reinvested dividends, optional cash payments and employee payroll deductions by either issuing new shares or purchasing shares at a nominal commission in the open market through an independent agent. The Company pays all of the costs of administering the Plan for shareholders. Plan enrollments, withdrawals and other correspondence should be directed to Investor Services at the address shown.

COMMON STOCK DIVIDENDS

Record dates are normally on or about the fifth day of March, June, September and December. Quarterly dividends are customarily mailed to reach shareholders on or about the 20th day of March, June, September and December.

COMMON STOCK LISTED

New York Stock Exchange
Pacific Stock Exchange
Ticker symbol: FPC
Newspaper listing: FlaPrg

ANNUAL REPORTS ON FORM 10-K AND STATISTICAL SUPPLEMENT

A copy of the Company's 1990 Form 10-K, without exhibits, will be supplied without charge to shareholders requesting it. A Florida Power Corporation 1990 Form 10-K, without exhibits, and a detailed Ten-Year Statistical Report also are available. Requests should be addressed to Investor Services at the address shown.

AUDITORS

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St. Petersburg, Florida

ANALYSTS' CONTACTS

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Mark A. Myers (813) 824-6422
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Telephone (813) 824-6400

"Work in Progress"

THE ARTIST

A resident of Longboat Key, the cover artist, Nat Krate is a prominent Southwest Florida painter. He is most highly regarded for his work on figures and portraiture. His work has received numerous major awards in national and regional exhibitions in museums, group and solo art shows in New York, Massachusetts and Florida.

Mr. Krate is represented in Southwest Florida by the Foster Harmon Galleries of American Art in Sarasota and the Park Shore Gallery in Naples.

Mr. Krate has been an associate of Florida Progress Corporation since 1982.

PRODUCTION NOTES

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