FLORIDA PROGRESS CORPORATION

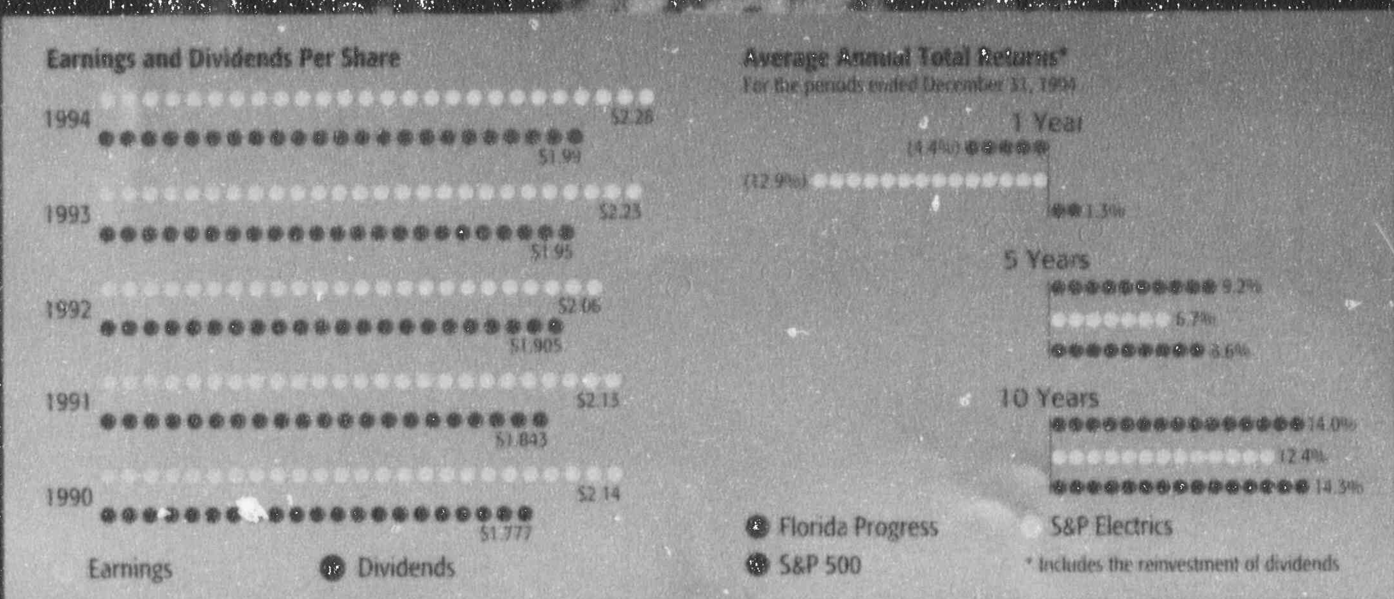
1994 ANNUAL REPORT

Power. Precision. Performance.

INVESTOR HIGHLIGHTS

(Dollars in millions, except per-share amounts)

	1994	1993	Annual Growth Rate (in percent) 1993-1994	1989-1994
OPERATING RESULTS				
Utility revenues	[illegible]	$1,957.6	6.5	[illegible]
Diversified revenues	691.4	491.4	40.6	[illegible]
Net income	212.0	196.6	7.8	2.5
DATA PER SHARE				
Earnings:				
Utility	$2.05	$2.06	(.5)	(1.3)
Diversified	.23	.16	43.8	(.8)
Change in accounting	–	.01		
Consolidated	2.28	2.23	2.2	(1.3)
Dividends	1.99	1.95	2.1	3.0
Book value	[illegible]	20.40	2.2	3.1
Closing stock price	30	33⅝	(10.8)	2.4
Stock price range	[illegible]	[illegible]		
FINANCIAL POSITION AT DECEMBER 31				
Assets	[illegible]	[illegible]	1.4	4.4
Total capitalization	[illegible]	4,037.2	1.4	4.9
Capitalization structure:				
Short-term debt	[illegible]	3.0%		
Long-term debt	[illegible]	48.2		
Preferred stock	[illegible]	3.7		
Common stock equity	48.5	45.1		
OTHER STATISTICS				
Return on common equity	[illegible]	11.?%		
Dividend yield	[illegible]	5.9%		
Average common shares outstanding (in millions)	[illegible]	88.3	5.3	4.0
Employees	[illegible]	7,825	(3.5)	(.3)



At Florida Progress, we're shifting gears. We're retooling our operations. We're reshaping our corporate culture. And we're redefining our objectives. All with a purpose of successfully moving our company into a changing, more competitive environment.

- To handle the new challenges coming our way, we're overhauling the company with a new mental toughness. A renewed spirit of teamwork. A confident, winning attitude.
- We're focusing our energies on getting lean. Competitive. Efficient. Taking steps that will position our company for the future.
- Our employees realize that with change comes opportunity. A chance to show that we will be ready for what lies ahead. More aggressive business strategies are being developed. Customer ties are being strengthened.
- We're determined to stay ahead of the competition and continue to be a winner in the years to come. Our formula for success calls for power, precision, performance and a superior effort from our people to maintain a strategic focus and accomplish our objectives.

PEOPLE!

CONTENTS

BACK ROW:

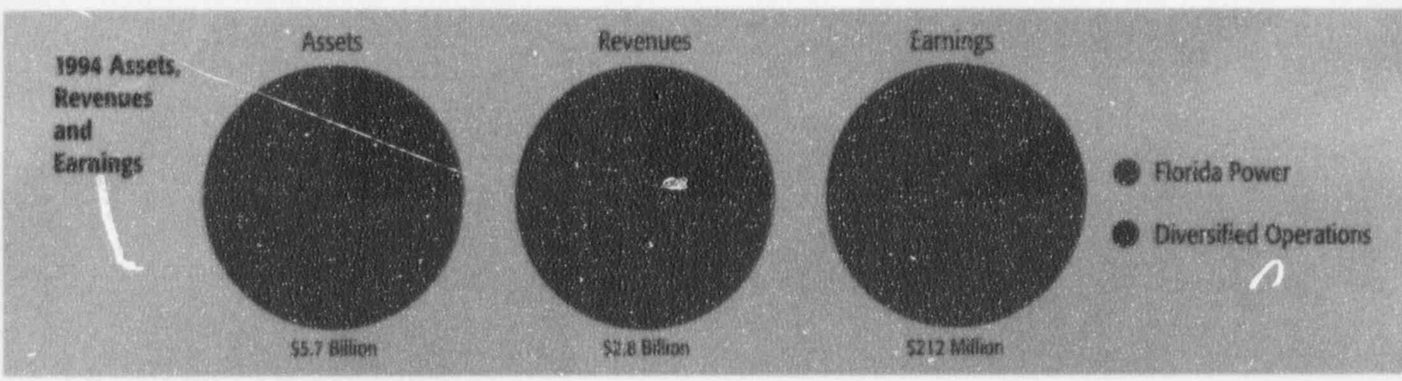
[illegible], Corporate Counsel, Florida Progress · [illegible], Administrative Assistant, Progress Credit · [illegible], Library, Florida Power · [illegible], Vice President – Tax Administration, Florida Progress · [illegible], Florida Power · [illegible], Florida Power · John Pitkevitsch, Troubleman, Florida Power

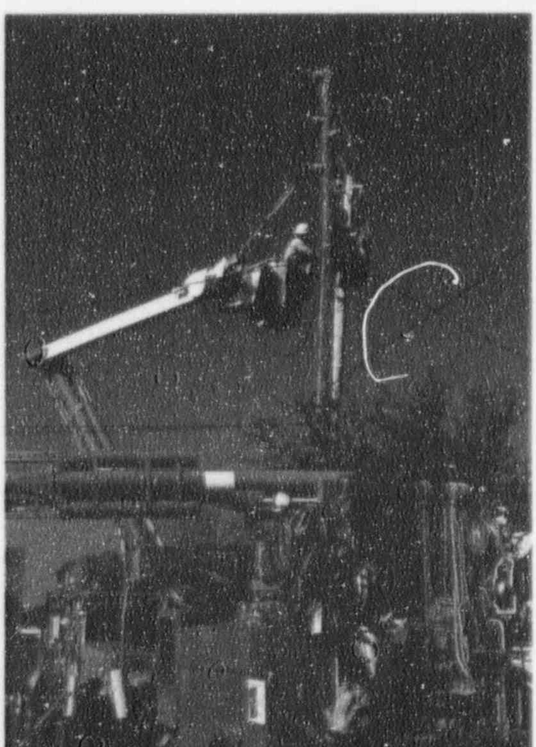
FRONT ROW:

[illegible] Oliver, Fleet Service Mechanic, Florida Power · [illegible], Apprentice Lineman, Florida Power · [illegible], Laboratory Section Leader, Electric Fuels · [illegible], Senior Process Engineer, Advanced Separation Technologies · [illegible], Senior Accountant, Florida Power · [illegible], Communications Coordinator, Florida Power · [illegible], Nuclear Operator, Florida Power · [illegible], Principal Human Resources Representative, Florida Power

FLORIDA PROGRESS CORPORATION

Formed in 1982, Florida Progress Corporation is a diversified utility holding company with annual revenues of about $2.8 billion and assets of $5.7 billion. Based in St. Petersburg, Fla., the company owns a growing electric utility and certain select diversified businesses. Its principal subsidiary is Florida Power Corporation, the state's second-largest electric utility. Looking ahead, Florida Progress will focus on maintaining Florida Power's operational and financial strength. Florida Progress' diversification strategy calls for investing in businesses that will help the company achieve higher earnings and increase total returns for shareholders.

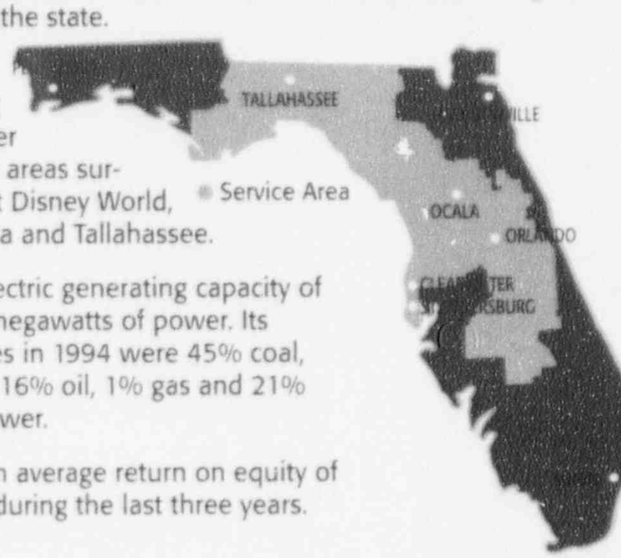




FLORIDA POWER CORPORATION

An electric utility headquartered in St. Petersburg that provides service to more than 4 million people in Florida. Incorporated in 1899, Florida Power is involved in the generation, purchase, transmission, distribution and sale of electricity. It has a strong tradition of providing quality electric service at reasonable rates. Florida Power:

- Provides electricity to about one-third of Florida's population.
- Operates in a state with a fast-growing population. Florida currently ranks as the fourth most populous state in the United States.
- Provides service in 32 of the state's 67 counties, covering about 20,000 square miles in Central and North Florida and along the west coast of the state.
- Serves St. Petersburg and Clearwater as well as the areas surrounding Walt Disney World, Orlando, Ocala and Tallahassee.



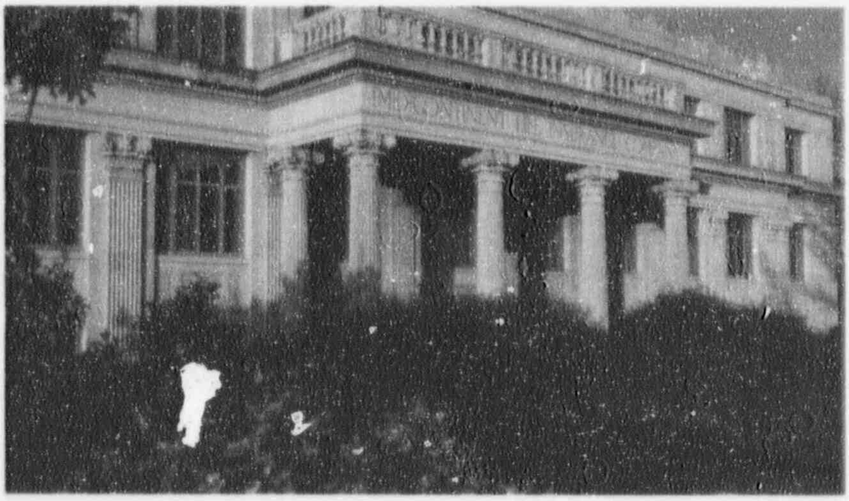
- Has a total electric generating capacity of about 7,300 megawatts of power. Its energy sources in 1994 were 45% coal, 17% nuclear, 16% oil, 1% gas and 21% purchased power.
- Has earned an average return on equity of 12.1 percent during the last three years.

ELECTRIC FUELS CORPORATION

An energy and transportation company that serves electric utilities, including Florida Power, and industrial companies. Formed in 1976, Electric Fuels has operations in 15 states and is involved in the mining, procurement and transportation of coal; bulk commodities transportation; and rail services. Electric Fuels:

- Provides Florida Power with about 5 million tons of economical, low-sulfur coal annually.
- Sells in excess of 6 million tons of coal annually to other utilities and industrial customers.
- Serves the U.S. railroad industry with a fully integrated operation that reconditions rail-car parts, sells rail and other track material, repairs freight cars and locomotives, and manufactures rail-car hydraulic-cushioning units.
- Operates a diverse transportation network and owns or manages about 550 barges and approximately 1,500 rail cars.
- Has earned an average return on equity of 12.4 percent during the last three years.

MID-CONTINENT LIFE INSURANCE COMPANY



A life insurance company headquartered in Oklahoma City that serves 37 states and sells its policies through about 9,000 independent agents. Mid-Continent's principal product is a low-premium death benefit policy. Nearly all of the company's financial portfolio is in investment-grade securities. Founded in 1909, Mid-Continent:

- Has $13.9 billion of life insurance policies outstanding.
- Has achieved success with low administrative costs, competitive commissions and a conservative investment portfolio.
- Has held an insurance rating of A+ (Superior) for 16 consecutive years from A.M. Best Company, a nationally recognized insurance-rating agency.
- Has earned an average return on equity of 11.4 percent during the last three years.

OTHER DIVERSIFIED OPERATIONS

Florida Progress continues its orderly withdrawal from those diversified operations that no longer fit into the company's long-range strategic plan. These operations include:

- A lending and leasing business with assets of about $512 million relating to commercial aircraft and real estate.
- A real estate operation with investments of about $133 million in office buildings and undeveloped land.

1 9 9 4

TO OUR SHAREHOLDERS

At Florida Progress, we're driven by a solid combination of people, power, precision and performance -- our formula for success.

It's the right formula at the right time. In today's business climate, performance is measured by a company's ability to offer a product customers want, at a competitive price, while providing quality service. You not only need to be continuously responsive to the demands of your market, but also must be able to adjust to change.

We selected the image of a well-designed, high-performance racing car to symbolize these qualities. Throughout this report, we will show examples of how our people are developing innovative ways to serve our customers better.

We continue to fine-tune this winning formula, because Florida Progress intends to stay a winner.

Board Raises Annual Dividend Rate

In November, the Florida Progress board of directors increased the annual dividend rate on our company's common stock by 4 cents per share to $2.02. The decision to increase the annual dividend rate by 2 percent was made based on our company's current business plan, projected earnings growth and the outlook for the electric utility industry.

While the board is proud of our company's track record of increasing the dividends paid per share for 42 consecutive years, it also recognizes that the electric utility industry is changing, and that change could come even faster than currently forecast. As a result, the board must continue to re-examine dividend policy and consider a range of options that would be appropriate in a more competitive industry, given Florida Progress' operating results, earnings outlook and business strategies.

To assist the board, the timing of future annual dividend policy reviews has been changed from November to February. This will follow the schedule of our annual corporate planning process. Available at future reviews in February will be year-end results and analyses as well as our company's annual five-year financial forecast, which is completed in December of each year. The next dividend policy review by the board is scheduled for February 1996.

Jack B. Critchfield

Electric Utility Stock Prices Decline in 1994

Rising interest rates, higher inflation and the threat of increased competition in the utility industry pushed down utility stock prices during the year, a trend that actually began in September 1993. Despite the unfavorable market conditions, our company's common stock performed better than most other electric utility stocks, largely because of Florida Power Corporation's solid fundamental characteristics. Although our company's total investment return declined in 1994 for Florida Progress shareholders, it still outperformed the Standard & Poor's Electrics Index by 8.5 percent. Florida Progress' common stock closed the year trading at $30 per share.

Consolidated Earnings Rise in 1994

Consolidated earnings for 1994 totaled $212 million, or $2.28 per share, compared with $196.6 million, or $2.23 a share, earned in 1993. Earnings per share increased in 1994 because of improved operating results from our company's diversified operations.

Electric Fuels Corporation, Florida Progress' energy and transportation unit, continues to show excellent growth in revenues and earnings. Electric Fuels posted higher earnings in 1994 because of improved results from its marine and rail operations, including recent acquisitions. Diversified earnings were $21.3 million, or 23 cents per share, compared with $14.3 million, or 16 cents per share, in 1993. The acquisition of FM Industries, Inc., completed in December 1994, increased diversified earnings by $2.4 million in 1994.

In 1994, Florida Power earned $190.7 million, or $2.05 per share, compared with $181.5 million, or $2.06 per share, in 1993. Although utility earnings increased in 1994, earnings per share declined due to the issuance of additional shares of common stock. Customer growth of 2.4 percent and a stronger economy contributed to higher energy sales. Retail kilowatt-hour sales at our utility increased during 1994 by 3.1 percent over 1993.

Richard Korpan

Partly offsetting the higher sales was the need to recognize further restructuring costs in 1994, including expenses associated with a voluntary early retirement program and work-force reductions. These costs reduced Florida Power's earnings per share by 12 cents in 1994. And in September 1994, subsidiaries of our utility withdrew as equity partners from a proposed natural gas pipeline project. This resulted in a charge of 4 cents per share against net earnings in the third quarter.

Recent Changes Reshaping Utility Industry

What is different about today's electric utility business? What exactly has changed? Well, today, for the typical consumer, very little has changed. Most consumers still receive their electricity the same way they always have – from their local power company. However, much has been written about the significant changes that are reshaping the nation's electric utility industry. Here is a summary of some of these key changes:

- The National Energy Policy Act of 1992 further changed the electric utility industry by encouraging more competition in the wholesale power market.
- The act also mandated that electric utilities provide access to their transmission systems so power produced by others could be sent, or "wheeled," to wholesale customers.
- The Federal Energy Regulatory Commission is developing new rules for the pricing and delivery of power within the wholesale market.
- Nonutility firms now can compete more easily with utilities in selling power to wholesale customers. By using the high-efficiency designs of today's electric power technology, these firms are able to build cost-effective generation and offer customers competitive prices.
- Regulators in California, Michigan and New Mexico are considering landmark measures that would establish new policies for setting electric rates and allow large customers to choose among electricity suppliers. In the years ahead, many other states are likely to consider regulatory reform and institute pricing structures that are more market-driven.

New Energy Markets Emerging

Not all electric utilities will be affected the same way by industry changes and increased competitive pressures. Some utilities will struggle, while others will thrive. Full implications of the Energy Policy Act are not yet known. Some of the anticipated changes caused by this act likely will occur slowly over a period of several years and into the next century. Eventually, though, electric services are expected to be "unbundled" into at least three market segments — generation, transmission and distribution. This will give utility customers more choices in the future.

Competitive pressures already are being felt within the generation market. But changes in the way electricity is distributed to homes and businesses are probably still years away. However, changes could come more rapidly and we need to be prepared for that possibility.

Changing the Corporate Culture

For several years now, we have been communicating to our employees that the utility business is changing and that we must begin preparing for a new environment. For us to succeed in the years ahead, we will need to continue efforts to lower our costs. Being a low-cost provider of electricity will give us an edge on the competition.

We know the strategies that have served us well in the past will not ensure our success in the future. Anticipating change and taking the appropriate action are vital to our success. We are replacing traditional utility business practices with more aggressive, market-driven strategies aimed at retaining and increasing market share.

In 1994, we took further steps to lower expenses at Florida Power in order to keep our utility costs competitive. Decisions were made during the year that will prepare our company — and our employees — for the future. We have made changes, and we will continue to make changes, that will improve Florida Power's long-term competitive position.

Restructuring Continues at Florida Power

Restructuring moves, made now and in the future, will be designed with a single purpose in mind: To provide our customers with the best possible electric service at a competitive price. Though price tends to be the top concern, our customers also want high-quality, reliable service. Our challenge is to assure that they continue to receive both.

Florida Power continued to streamline its operations and improve efficiencies in 1994. As a result, some positions were combined while other job functions were eliminated. During the year, our utility's total work force was reduced by about 800, including 178 employees who opted to take early retirement under a company program, effective February 1, 1994.

Restructuring is never easy and change can be difficult, especially when it involves having to reduce a work force. But management has an obligation to develop the best framework for ensuring continued success, both in the short term and over the long term. This becomes an even greater challenge when a company faces the prospect of increased competition.

Florida Power Is Well Positioned for the Future

Investors are beginning to look more closely at each utility's strengths and weaknesses. And financial analysts now are assessing a company's exposure to competition relative to the rest of the industry.

In a study of the nation's largest investor-owned utilities, Standard & Poor's, a national credit-rating agency, concluded that Florida Power's competitive position is above average, the highest ranking in the report. Strong growth potential, operational strength and a manageable construction program are factors cited by others who believe our utility is well positioned for the future.

FORMULA FOR A SUCCESSFUL ELECTRIC UTILITY . . .

Offer competitive electric rates and provide customers with high-quality, reliable service.

Have a service territory with a growing population.

Operate cost-effective and highly efficient generating units.

Own a transmission system to sell excess energy and buy low-cost power.

Be able to maintain financial strength and strong cash flow.

Have a proactive management team.

Operate within a reasonable regulatory environment.

In the years ahead, electric companies that have strong fundamentals likely will be viewed more favorably by investors, particularly as the industry changes and becomes more competitive. The reason is simple: Utilities with good fundamentals can minimize their business risks and improve their ability to succeed in a competitive marketplace. Shown below is a list of what we think will be required for a utility to succeed in the future and how Florida Power is positioned.

FLORIDA POWER . . .

Offers competitive rates in Florida and does not plan to file for a retail base rate increase for at least the next five years.

Provided customers in 1994 with reliable electric service 99.98 percent of the time. And, in a customer opinion survey conducted during the year, Florida Power ranked high in overall customer satisfaction.

Serves about one-third of the state's population, including some of Florida's fastest-growing areas.

Has a projected annual customer growth rate that is nearly twice the national average in the electric utility industry.

Is recognized as a national leader in the efficient operation of its coal- and oil-fired power plants.

Has operated its nuclear unit during the past four years at its highest level of performance ever, including an 83-percent capacity factor in 1994, which ranked well above the industry average among U.S. nuclear plants.

Has the second-largest transmission system in Florida.

Has financial flexibility, access to capital and a strong capital structure.

Is financially strong – its secured debt is rated AA- by all of the major credit-rating agencies.

Has received Standard and Poor's highest ranking – above average – for its competitive position.

Has developed long-range business strategies that will enhance the utility's competitive position.

Has implemented a series of cost-cutting programs to maintain a competitive cost structure.

Conducts business in an above-average regulatory climate, according to the nation's securities analysts.

Serving Our Customers with an Eye to the Future

In the next section of this report, some of the innovative ways our employees are providing improved customer service will be discussed. New strategies are being developed to help our company better understand and respond to the changing needs of our customers. We are committed to this effort.

People. Power. Precision. Performance. These words are more than a theme. They represent our formula for success – for staying ahead of the competition and winning the race. This strategy will keep our energies focused on achieving our goals and building shareholder value, well into the future.

Jack B. Critchfield

Dr. Jack B. Critchfield
Chairman and Chief Executive Officer

Richard Korpan

Richard Korpan
President and Chief Operating Officer
February 1, 1995

People

Our Progress team is preparing for a championship race. We're leaner and more focused. We've regrouped to achieve a higher level of results through teamwork. We've faced change head-on with a new mental toughness. A fresh competitive spirit. And we're moving full speed ahead, relying on the talent, energy and skill of our people.

To succeed in a changing business environment, we must stay focused on our core mission. Today, that mission continues to be customer-driven. Florida Power Corporation is committed to offering its customers the best possible electric service at a competitive price.

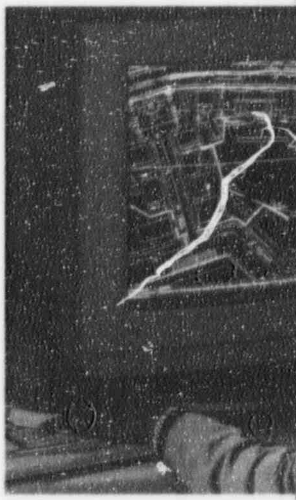
Achieving this mission requires that we get to know our customers better. We need to learn more about their operations so we can continue to meet their needs. Our vision is to be more than just an electric company. We want our customers to think of us as their full-service energy adviser.

Highlighted in this section are examples that illustrate how Florida Power is realizing its core mission. We're working hard at listening to our customers, particularly when their needs change. And as the industry becomes more competitive, our strategies and our actions will determine our future success.

Serving Commercial Development

Near Orlando, Fla., an exciting, new project is beginning to take shape. It's being hailed as the showcase community of tomorrow. A city with 21st century infrastructure and high energy efficiency. A true prototype of electrotechnology for the future.

This unique and ambitious project is the brainchild of The Walt Disney Company. The goal is to create a city as technologically advanced and environmentally sensitive as possible. Called Celebration, the project will be comprised of housing, schools, recreational and medical facilities, and retail shops. The first phase is scheduled to open in 1996. When completed, the 5,000-acre development is expected to have as many as 20,000 residents living within its boundaries.



Disney officials selected Florida Power to provide electric service to Celebration. Florida Power was one of several utilities competing for this opportunity. By the year 2010, it is estimated that the project will have an electrical demand of 100 megawatts.

Since their decision, Disney planners have been working with Florida Power engineers and technicians to help turn this bold idea into reality. The project will use sophisticated systems for achieving optimal energy use. State-of-the-art features may include in-home technologies and integrated electricity management programs.

Several energy-saving ideas, recommended by Florida Power, have been incorporated into the final design of Celebration. A continuous loop of condensing water will run underground throughout the project's downtown area in order to cool and heat businesses and residences efficiently. This will eliminate the need for condensing units to be located outside these buildings. By moving the units indoors, they will operate more efficiently, last longer and improve the project's aesthetics.

Another innovation will be the installation of a broad-band fiber-optics network. Through interactive communications, electric meters within Celebration will be read via remote equipment. This will result in more efficient billing procedures for both the customer and Florida Power.

Additional energy information, such as customer usage habits and load data, also may be obtained using this fiber-optics network. Disney recently decided to expand the interactive technology to allow collection of billing

Dawn Thompson (right), manager of customer service and marketing in Florida Power's Central Florida Region, was among a group of employees at the utility who worked closely with Gary Ehrlich, director of infrastructure development for Disney Development Company. The two companies collaborated to design a plan for serving the special electrical needs of Celebration, a project under construction by Disney near Orlando, Fla. (Inset): Using computerized technology, Linda Wright, a Florida Power engineering drafting technician, examines the underground distribution system at Celebration.


CELEBRATION

What powers our company? What drives our engine? It's the strength of our experience. We're leveraging our position with a philosophical overhaul geared toward winning in a newly competitive environment. And we're building on our momentum to generate a company of power for the future.

information for other utility services within Celebration, including water, cable TV and telephone.

The use of ultraviolet air-purification systems is being considered for the health-related facilities at Celebration. These energy-efficient systems utilize a unique filtration process that helps lower cooling and heating costs while improving the quality of indoor air. Also being reviewed for use at Celebration are centrally based recharging stations for electric vehicles.

For its other commercial customers, Florida Power also is providing improved service. The utility is:

- Providing customers with energy consulting services at no cost. Customers can receive advice from Florida Power when they are planning expansions or buying new electrical equipment.
- Offering incentives that encourage developers to incorporate energy-efficient systems into new commercial buildings. When efficient lighting, air conditioning or humidity control is included in the design of a new building, Florida Power will contribute funds to help offset the costs of these systems.
- Placing businesses on electric rates that provide the most cost savings. For example, time-of-use rates can result in lower costs for businesses that are able to shift a sizable portion of their energy usage to off-peak hours.
- Establishing teams of account executives who are trained to be energy experts in specific types of businesses. For example, Florida Power now offers advice from employees who are familiar with the special needs of hospitals, restaurants, schools or condominiums.
- Educating builders as to the benefits of using electricity over other energy sources.

Serving Industrial Customers

Florida Power employees make it their business to be sure our customers are satisfied with our product. If there's a concern, we want to help correct it. We will do what we can to design new services to meet our customers' changing energy needs.

Florida Power believes that providing quality service means more than just supplying reliable power to customers. It means serving our customers' needs beyond the electric meter. It means helping them get the most out of their energy dollar.

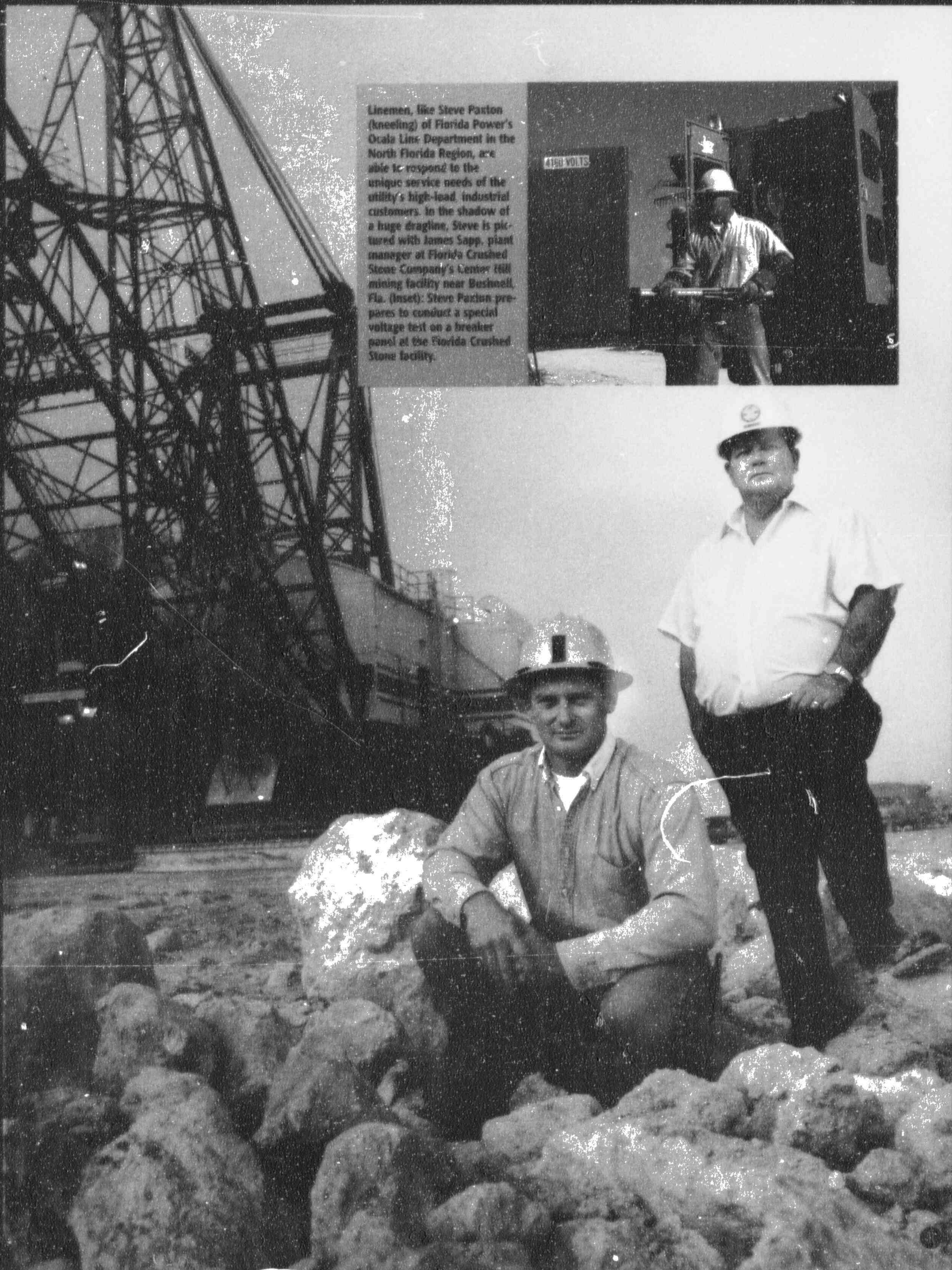
Today, services are being offered to better meet the unique needs of our large industrial customers. We're working with them to identify electrical problems before they become larger, more expensive problems.

At a lime rock mining site in Central Florida, an electrical problem was identified by Florida Power technicians. Within the facility, they found that a cable supplying power to a huge dragline was weak and frayed. A special voltage test quickly indicated where a short circuit had occurred in the line.

Service breaks of this type essentially shut down a mining facility. They can cost a customer valuable operating time. Without the assistance of the voltage test, considerable time would have been spent by the customer in trying to locate the problem. Such power outages also can damage expensive equipment and reduce a company's profit.

Florida Power also is improving service to other large industrial customers by:

- Helping them troubleshoot electrical problems within their facilities. By assisting with preventive maintenance, Florida Power can help save its customers from paying costly repair bills.
- Installing special electric meters to help customers monitor load and energy usage of specific equipment.



Linemen, like Steve Paxton (kneeling) of Florida Power's Ocala Line Department in the North Florida Region, are able to respond to the unique service needs of the utility's high-load, industrial customers. In the shadow of a huge dragline, Steve is pictured with James Sapp, plant manager at Florida Crushed Stone Company's Center Hill mining facility near Bushnell, Fla. (Inset): Steve Paxton prepares to conduct a special voltage test on a breaker panel at the Florida Crushed Stone facility.

Precision

With leading-edge technology and focused teamwork, we're ready to handle the challenges coming our way. We're using our skills to adjust to change. We're measuring our operations with new standards in efficiency. We're customizing services to meet exact customer needs. That's the art of finesse. That's precision.

- Offering power-quality seminars to facility managers and maintenance personnel.
- Providing company work crews to help service substation equipment located at industrial facilities. Florida Power also can furnish spare and replacement parts during emergencies.

Serving the Special Needs of our Customers

Sometimes, emergency situations arise at a customer site that involve our employees. On September 22, 1994, a fire broke out at a 15-story condominium in St. Petersburg Beach. Emergency crews arrived and evacuated the residents. Electricity to the building was disconnected to prevent the fire from spreading. Smoke poured from the high-rise but the source of the fire could not be located. Firefighters believed they were dealing with some type of electrical fire.

An energy services specialist from Florida Power was called to the scene. He had used an infrared scanning device to detect faulty wiring before, but never during a fire. The device's thermal heat sensor can look inside walls and locate electrical "hot spots." Escorted by firefighters, the specialist began scanning the building. Two hours later, several hot spots were found and smoke continued to pour from those locations. Still, no fire was found.

If the fire proved to be electrical in nature, the specialist said, power would have to be on so the fire could restart itself. Then, thermal heat coming from the fire could be more effectively detected by the scanner, he added. After weighing the risks, fire officials agreed and electrical service was restored to the condominium.

Twelve fire trucks from three cities stood by while the Florida Power technician used the device once more to scan the building. A short time later, on the third floor, the fire was located. A PVC electrical conduit, supplying power to a sign at the building, had melted and a connecting soffit was carrying the smoke throughout the high-rise. Electricity to the sign was isolated and turned off. Power to the rest of the condominium remained on, and after a total of nearly four hours, anxious residents were allowed to return to the building.

The special needs of other customers are being met as well. Florida Power:

- Urged state regulators to establish a new tariff that will allow Florida Power to collect costs on behalf of municipalities for moving power lines underground. The tariff will give communities a cost-effective mechanism for directly assessing those customers who will benefit from such lines. Florida Power is the only utility in Florida to offer this tariff.
- Is able to provide bill-processing services to outside firms and municipalities. This is more cost-effective for these entities because it reduces their personnel expenses and eliminates the need for them to invest in sophisticated equipment. Florida Power, in turn, is able to generate additional revenue and better utilize its capital investment.
- Is dedicating a group of employees to focus on meeting the special needs of customers in the wholesale power market.

Serving Customers Through Improved Efficiencies

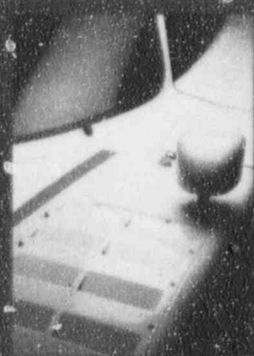
Florida Power continues to look for ways to do things more efficiently. It wants to reduce costs while still providing its customers with safe, reliable service.

An example of this can be found in a heavy-duty machine used by Florida Power to trim trees away from electrical wires. The utility began using the machine last fall in its North

By using portable infrared scanning equipment, Rudy Masi (left), an energy services specialist in Florida Power's Suncoast Florida Region, was able to assist firefighter/paramedic Philip Milner and other St. Petersburg Beach emergency personnel in locating the source of an electrical fire at a 15-story condominium.

Performance

This is the bottom line. This is what it's all about: Producing results. It's the culmination of our people, power and precision. It's what makes the company competitive. It's what maintains our financial strength. And it's what keeps our customers satisfied. At Florida Progress, performance is what drives us. It's the reason we're in business.



Florida Region, largely a rural and sparsely populated area. Florida Power was able to operate the machine, called a Timberland, at a significant cost savings. It lowers maintenance expenses and allows utility crews to work more efficiently.

Only two workers are needed to run the machine — one at the controls in the cab and the other who helps guide the operator. Five rotating blades connect to the end of the machine's long boom, which can swivel and tilt, enabling swaths to be cut up and down, or side to side. The boom can reach heights of up to almost 60 feet. Clearing branches and foliage from power line rights-of-way is the most cost-effective use of the machine.

A second Timberland unit is being considered for use in other parts of Florida Power's 20,000-square-mile service territory.

Florida Power also is operating more efficiently by:

- Continuing to restructure the organization to prepare for changes in the electric utility industry. This has resulted in work-force reductions and an early retirement option offered to some employees.
- Consolidating many customer service activities, such as credit, billing and meter reading. Also, Florida Power's three main operating regions are reorganizing to become more centralized and cost efficient.
- Establishing special employee work teams to identify areas of the company where business processes can be improved or eliminated.

In an effort to serve its customers better, Florida Power is completing the installation of a new customer service system, one of the most advanced of its kind in the country. Under development since 1992, the system will help employees respond more quickly to questions and requests from customers by integrating multiple types of billing and service information.

Diversified Operations

Florida Progress' diversified businesses continue to focus on meeting the needs and requirements of their customers. Whether it's selling coal or life insurance policies, these businesses have remained profitable in part because of their commitment to customer service. They have strengthened Florida Progress through steady earnings growth and building long-term investment value for shareholders.

Florida Progress' energy and transportation unit, Electric Fuels Corporation, continues to achieve sizable earnings growth. Electric Fuels has built profitable operations through a

Operating new, more efficient equipment, like this large tree-trimming machine, has resulted in significant cost savings at Florida Power.

At an Electric Fuels-owned transloading facility near Huntington, W. Va., contract operator Larry Reeves stands before a rotary device that unloads coal by turning rail cars upside down. The rail cars are sprayed with water to control the spread of coal dust. Located on the Ohio River, the facility serves two major railroads and has an annual transloading capacity of about 10 million tons of coal.

strategy that focuses on synergy between its vertically integrated businesses. Today, the company is involved in coal mining and procurement, rail and water transportation, rail-car and barge repair, rail and track components, and transloading services of bulk products. With assets of approximately $500 million, Electric Fuels now owns operations in 15 states.

In recent years, Electric Fuels has expanded its presence in the nation's rail-services industry. The company has benefited greatly from acquisitions it made in 1993 and 1994. Added to Electric Fuels' operations were the assets of a rail-car services and parts-reconditioning firm, and a large manufacturer of cushioning units for rail cars. These acquisitions have proven to be excellent investments, boosting 1994 operating results above projections.

The acquisition in December 1994 of FM Industries, Inc. (FMI), a privately held manufacturing firm, was important to the expansion strategy of Electric Fuels' rail-services operations. FMI manufactures and reconditions hydraulic-cushioning units used on certain types of rail cars. Its main product is the FreightMaster line of cushioning units, which have been used by the railroad industry for more than 30 years. Based in Fort Worth, Texas, FMI is a significant supplier of cushioning units in the continental United States and Canada.

Another strategic move during 1994 involved the acquisition of Electric Fuels' first rail-to-barge terminal, Ceredo Dock, a large coal-transloading facility located on the Ohio River near Huntington, W. Va. Featured at the facility is a rotary car unloader that turns rail cars upside down. This technique unloads coal faster and is more cost-efficient than the conventional method of using a rail-car shakeout system.

The acquisition of Ceredo Dock allows Electric Fuels to handle more coal and expand service to its third-party customers, such as other coal companies and electric utilities. The 150-acre facility is the only dock on the Ohio River that serves both the CSX and Norfolk Southern railroads, two of the biggest rail carriers east of the Mississippi River. Electric Fuels also will use the site as a base to expand its growing river-barge operations.

In 1994, 150 barges were added to Electric Fuels' shipping operation, bringing its river and ocean-going fleet to about 550 units. In addition to carrying coal, these barges transport dry-bulk cargoes, such as grain products, fertilizers, limestone, salts and steel products, on the Mississippi and Ohio rivers and across the Gulf of Mexico and the Atlantic Ocean.

Electric Fuels also owns or manages approximately 1,500 rail cars that carry steel products and coal from Appalachian Mountain mines to Florida Power as well as other utilities and industrial customers. Over the years, Electric Fuels' coal sales to companies other than Florida Power have increased considerably. Today, sales to this growing market segment represent about 55 percent of the company's total coal sales.

Florida Progress also is maintaining a steady growth strategy for its life insurance business, Mid-Continent Life Insurance Company. Mid-Continent is well-positioned in the insurance industry because it has low administrative costs, competitive commissions and a conservative investment portfolio. With plans to open several new offices during the next five years, Mid-Continent expects to increase market share through expansion of its regional office network.

Over the years, Mid-Continent has achieved success by creating products its customers want. For more than a decade, the company has concentrated on selling a death benefit policy that does not include a large savings feature. Instead, this "extra-life" policy provides a significant amount of protection for the least amount of premium. Because payments are relatively low and stay constant over the term of the policy, this product is popular with Mid-Continent's customers.

A consistent business strategy and a conservative approach to investing have resulted in Mid-Continent receiving favorable industry ratings. A. M. Best Company, a nationally recognized insurance-rating agency, has designated Mid-Continent an A+ (Superior) company for 16 consecutive years.

The next section of this report, titled *Management's Discussion & Analysis*, will review key operating highlights from 1994. Also included in the section is a summary of how competition is affecting the company and its strategies for the future.

MANAGEMENT'S DISCUSSION & ANALYSIS

UTILITY COMPETITION

The nation's electric utility industry expects increasing competition in markets historically served by regulated utilities. Passage of the National Energy Policy Act of 1992, new guidelines at the Federal Energy Regulatory Commission and increasing competition from nonregulated energy suppliers are expected to result in some utility customers having alternative sources for their energy needs. Not all electric utilities will be affected in the same way by increased competition — some will struggle while others will thrive. Management believes that as the industry undergoes further change, Florida Power will be able to maintain its favorable competitive position.

More than 90 percent of Florida Power's total kilowatt-hour sales comes from retail business, which is regulated by the Florida Public Service Commission. Most of the utility's retail kilowatt-hour sales are to residential and commercial customers. Florida Power agrees with many industry experts that changes in the way electricity is distributed to homes and businesses are probably still years away. However, management believes it is important to anticipate change. Today, steps are being taken that will put the utility in position to adjust to change and take advantage of new opportunities.

A threat for some utilities is the risk of losing industrial customers. Florida Power is well positioned with competitive electric rates to its industrial customers, which account for about 12 percent of the utility's total kilowatt-hour sales. The average in the electric utility industry for industrial kilowatt-hour sales is about 35 percent.

In Florida, electric utilities have certain retail service territorial rights granted by the state Public Service Commission. In providing electric service, utilities have negotiated franchise agreements with local municipalities outlining the terms associated with the use of public rights-of-way. Traditionally, municipalities have signed 30-year franchise agreements with electric utilities. Increasing competition may affect new franchise agreements between utilities and municipalities. As a result, some municipalities may consider operating their own electric utility systems. However, over the years, municipalities have seldom decided to purchase and operate their own systems because the economics generally have been unfavorable for the local residents. The last time this occurred in Florida was in 1947. Florida Power currently has 110 franchise agreements, only two of which will expire before the year 2000. These two franchises represent slightly less than 5 percent of the utility's total revenue.

In the wholesale market, the Energy Policy Act will result in increased competition for utilities serving cities, rural electric cooperatives and other customers that resell electricity. Florida Power is committed to serving and retaining its wholesale customers, which represent about 6 percent of the utility's total kilowatt-hour sales.

Another challenge for electric utilities is to construct and operate new baseload generation at prices competitive with nonutility generators. Florida Power has received regulatory approval to construct two baseload units in Polk County, Florida. The first unit is scheduled to be in service by 1998 and the second a year later. The utility believes the generation from these units will be competitively priced with other new power plants in Florida.

Electric utilities are beginning to face changes in the way transmission services are priced. Federal regulators are encouraging the formation of regional transmission groups to set pricing policies and work closely with state regulators in the siting of new transmission lines. Because it owns the second-largest transmission system in the state, Florida Power believes it is important to establish fair policies for pricing and access, particularly as the industry evolves into a more competitive business.

EARNINGS PER SHARE

	1994	1993	1992
Florida Power Corporation	**$2.05**	$2.06	$1.99
Electric Fuels Corporation	**.25**	.17	.14
Mid-Continent Life Insurance Co.	**.08**	.10	.09
Progress Credit Corporation:			
Lending and leasing	**.02**	.02	.05
Real estate	**(.07)**	(.08)	(.19)
Corporate and other	**(.05)**	(.05)	(.02)
Diversified	**.23**	.16	.07
Income before accounting change	**2.28**	2.22	2.06
Change in accounting	**–**	.01	–
Consolidated	**$2.28**	$2.23	$2.06

In 1994, Florida Power took steps to streamline operations and reduce costs to improve its competitiveness. These actions will help the utility offset rising costs, such as environmental expenses, insurance costs, and nuclear decommissioning and depreciation expenses. Florida Power expects to earn its authorized return on equity while maintaining competitive prices and offering high-quality, reliable service.

Management believes that Florida Power's operational and financial strength, manageable construction program, strong growth potential and reasonable regulatory environment are reasons why the utility is well positioned for the future.

OPERATING RESULTS

Florida Progress' 1994 consolidated earnings were $212 million, compared with $196.6 million for 1993 and $175.7 million for 1992. Florida Power earned $190.7 million in 1994, compared with $181.5 million in 1993 and $170.2 million in 1992. Earnings from diversified operations were $21.3 million in 1994, compared with $14.3 million in 1993 and $5.5 million in 1992.

In 1994 and 1993, Florida Power's retail kilowatt-hour sales increased, compared with the prior year. Customer growth and higher average usage were the main reasons. Florida Power also benefited from higher retail electric rates, which state regulators granted in the utility's 1992 retail rate case.

Florida Power continued to streamline its operations and improve efficiencies in 1994. As a result, some positions were combined while other job functions were eliminated. During 1994, Florida Power's work force was reduced by about 800, including 178 employees who elected to take early retirement under a company program, effective February 1, 1994. Costs for restructuring and the voluntary early retirement option reduced earnings by $11.5 million, or $.12 a share, in 1994 and by $3.4 million, or $.04 a share, in 1993.

In September 1994, subsidiaries of Florida Power withdrew as equity partners from a proposed natural gas pipeline project. Changing regulatory conditions and competitive pressures in the electric power industry prompted the utility to reassess its strategic priorities and decide to focus on its core electric business. The write-off of the investments lowered Florida Power's 1994 net earnings by $3.9 million, or $.04 per share.

Significantly higher revenues and earnings from Electric Fuels Corporation were the primary reasons for the increase in diversified earnings during 1994. Electric Fuels' earnings per share were higher in 1994 as a result of improved results from marine and rail operations, including recent acquisitions. Mid-Continent Life Insurance Company's earnings per share were lower in 1994 due to a change in life reserve provisions to recognize unexpected persistency in certain insurance policies.

In 1993, Florida Progress' results were reduced by the negative impact of the new federal income tax law. The tax law lowered Florida Progress' 1993 consolidated earnings by $6.4 million, or $.07 per share, compared with 1992. Florida Power's 1993 earnings were reduced by $2.8 million and the diversified operations' results, including a deferred income tax adjustment, were lowered during the year by $3.6 million.

Diversified results were lower in 1992 primarily because the real estate unit provided for expected losses on the sale of real estate, which reduced earnings by $7.4 million.

The financial return on the utility's common equity was 11.9 percent in 1994, 12.1 percent in 1993 and 12.3 percent in 1992. Although the 1994 and 1993 utility returns were bolstered by an increase in retail electric rates and higher energy sales, these increases were offset primarily by higher income taxes, increased insurance and depreciation expenses, costs for work-force reductions and the early retirement program, and the investment write-off from the gas pipeline project.

Excluding results from real estate, and lending and leasing operations — businesses from which Florida Progress is withdrawing — diversified returns were 11.5 percent in 1994, 10.1 percent in 1993 and 11 percent in 1992.

Utility Regulatory Matters

In September 1992, the Florida Public Service Commission granted Florida Power an annual revenue increase of $85.8 million. The commission approved increases in retail base rates of approximately $58 million to be effective in November 1992, $9.7 million in April 1993 and $18.1 million in November 1993. The retail rates are based on a 12-percent regulatory return on equity, with an allowed range between 11 and 13 percent.

The commission ruled that Florida Power's retail regulatory return on equity would be restricted to 12.5 percent for 1994. This temporary earnings restriction did not affect Florida Power's current retail rates or its authorized range for return on equity. The utility's retail regulatory return on equity was 12 percent for 1994.

In 1991, the commission approved the utility's request to construct two natural gas-fired, combined-cycle generating units in Polk County. Florida Power already has completed the permitting process and purchased 8,100 acres for the energy site. Florida Power now is performing site development work and expects the units to be completed in 1998 and 1999.

At the request of state regulators, Florida Power submitted a revenue decoupling plan for residential customers. Revenue decoupling is a ratemaking concept that eliminates the direct link between kilowatt-hour sales and revenues. This concept removes the disincentive for utilities to urge customers to conserve electricity. The commission ordered a three-year test for residential revenue decoupling, beginning in January 1995. Under the plan, abnormal weather variances will no longer impact earnings with respect to residential revenues. Florida Power does not expect revenue decoupling to have a material effect on annual earnings. (See Note 1 to the Consolidated Financial Statements on page 29.)

In late 1994, Florida Power and the Orlando Utilities Commission, a municipal utility, negotiated a new 10-year territorial agreement that specifically defines electric service boundaries within Orange County, including areas around Orlando. The agreement replaces the previous 20-year contract that expired in July 1994. This new territorial agreement is subject to the approval of a separate franchise agreement, which the city of Orlando and Florida Power currently are negotiating. Florida Power expects that the terms for a new franchise agreement will be finalized soon. The Florida Public Service Commission is expected to approve the new territorial agreement in 1995.

Florida Power filed a request with state regulators to change the utility's energy management program beginning in April 1995. While these changes will lower energy costs to customers on average, there will be no significant impact on earnings. The energy management program was originally designed as a means to defer building additional generation by lowering peak demand. Recent improvements in technology have allowed electric utilities to build generation less expensively. These changes caused Florida Power to reevaluate and redesign its energy management program. Florida Power is seeking to reduce customer credits to reflect more accurately the value of each participant's contribution to the program. The Florida Public Service Commission is expected to decide on these recommended changes in the first quarter of 1995.

In January 1995, Florida Power filed with the Federal Energy Regulatory Commission two requests to increase rates for wholesale service totaling approximately $9.5 million annually. One request of $8.6 million represents a settlement agreement with all but one wholesale customer. The second request seeks an increase of $.9 million for the remaining customer. The increases are needed primarily to recover additional purchased power capacity costs. Florida Power requested that both increases become effective January 1, 1995. The commission is expected to approve the increases in early 1995.

As a result of rate increases approved from previous settlement agreements, Florida Power increased wholesale revenues by $8.2 million in 1994 and by $4.8 million in 1993. (See Note 10 on page 35.)

Utility Revenues and Sales

Operating revenues were $2.1 billion in 1994, compared with $2 billion in 1993 and $1.8 billion in 1992. Utility revenues rose in 1994 primarily because of increased retail kilowatt-hour sales and customer growth during the year. Phased-in increases in retail base rates from the utility's 1992 retail rate case also boosted revenues. The new base rates increased operating revenues by $18.3 million in 1994 and $43.4 million in 1993 compared with each preceding year.

In 1994, Florida Power's retail kilowatt-hour sales increased by 3.1 percent over 1993, mainly due to customer growth and a stronger economy. Customer growth was 2.4 percent in 1994. In 1993, the average number of customers in Florida Power's system increased 2 percent, after adjusting for the acquisition of the city of Sebring's electrical distribution system. Florida Power's annual customer growth rate continues to be about twice the national average in the electric utility industry.

Also contributing to the increase in retail kilowatt-hour sales for 1994 was higher average customer usage. During the year, average residential sales were up by 1.4 percent, average commercial sales increased by 2 percent and average industrial sales rose by 3.3 percent.

Fuel and Purchased Power

Florida Power recovers substantially all fuel and purchased power costs through fuel and capacity adjustment clauses established by the Florida Public Service Commission. Therefore, fluctuations in these costs have little impact year to year on net income.

Fuel and purchased power costs increased by $66.5 million in 1994 and by $49.9 million in 1993, compared with each preceding year. The growth was primarily due to higher system requirements and increased purchased power costs.

Florida Power has long-term contracts to purchase 1,110 megawatts of firm power and "as-available" energy from cogenerators. At the end of 1994, 961 megawatts were available to Florida Power. Because credit-rating agencies treat a portion of purchased power capacity payments as a debt equivalent, these commitments may weaken Florida Power's credit ratings. (See Note 11 on page 36.)

The cost to Florida Power for many of its purchased power contracts is based on what the utility would have paid to build and operate a new pulverized coal-fired plant. In August 1994, Florida Power began paying cogenerators at an as-available price rather than at the higher firm energy price for the times the utility's system requirements would not have required the use of the avoided coal unit. Using the as-available pricing during off-peak hours reduces payments to cogenerators by about $15 million annually.

Florida Power also established a generation curtailment plan for these purchased power contracts to avoid having to cycle off lower-cost generating units during periods of low-system demand. Under this plan, energy purchases from cogenerators would be less during low-load periods.

Florida Power filed petitions with the Florida Public Service Commission seeking approval for these changes. Three cogenerators are disputing the changes in separate lawsuits. (See Note 11 on page 36.)

Other Utility Expenses

Other utility operation and maintenance expenses decreased by $3.1 million in 1994, compared with 1993. O&M expenses increased by $64.2 million in 1993, compared with 1992.

Recoverable energy conservation program costs increased by $3.7 million in 1994 and by $32.3 million in 1993. Florida Power recovers substantially all of its energy conservation program costs through a clause in electric rates similar to the fuel adjustment clause.

The lower 1994 expenses resulted from the utility's companywide, cost-reduction efforts during the year. The increase in 1993 expenses was primarily due to higher energy conservation costs, postretirement benefit costs and the early retirement program.

Depreciation expense increased by $21.3 million in 1994, compared with 1993, due to the addition of four combustion turbine units in late 1993 and other plant additions. Depreciation expense increased by $30.7 million in 1993 over 1992 primarily because of higher fossil plant dismantlement costs that were approved in the utility's 1992 retail rate case. In addition, a one-time retroactive adjustment was made in 1992 that reduced depreciation expense.

Interest expense was impacted positively by lower interest rates in both 1992 and 1993. In 1994, interest expense was higher than in 1993 due to higher rates and higher debt levels. Interest expense increased in 1993, compared with 1992, due to higher average debt levels in 1993.

Florida Power completed several major construction projects that caused the allowance for funds used during construction to decrease by $4.7 million in 1994 and by $3.1 million in 1993, compared with the preceding years.

Electric Fuels Corporation

Florida Progress continues to expand the operations of Electric Fuels Corporation, the company's energy and transportation unit. Electric Fuels is building its rail services operations to better serve the needs of its rail industry customers and accelerate expansion into new markets. In late 1994, Florida Progress acquired FM Industries, Inc., a Fort Worth, Texas-based manufacturer and reconditioner of cushioning units for rail cars. FM Industries has annual revenues of about $42 million. The acquisition was accounted for as a pooling of interests and increased Electric Fuels' 1994 earnings by $2.4 million, or $.03 per share. The 1993 and 1992 financial statements were not restated for this acquisition. (See Note 1 on page 31.)

In June 1993, Electric Fuels acquired the assets of Steel Processing Services, Inc., an Alabama-based rail-car repair and parts-reconditioning company. The acquisition increased 1993 revenues for Electric Fuels by approximately $80 million, compared with 1992.

Earnings for Electric Fuels in 1994, including results from FM Industries, were $22.6 million, compared with $14.9 million in 1993 and $12.1 million in 1992. Electric Fuels' return on equity for 1994 was 14.5 percent and has averaged 12.4 percent during the last three years.

Mid-Continent Life Insurance Company

Florida Progress also is maintaining a growth strategy for its life insurance unit, Mid-Continent Life Insurance Company, through the development of a regional office network.

Mid-Continent's earnings for 1994 were $7.3 million, down from $8.5 million in 1993 and $8 million in 1992. The lower 1994 earnings were due mainly to a change in life reserve provisions to recognize unexpected persistency in certain insurance policies. This offset the impact of growth in premiums, net of related expenses, in 1994.

At the end of 1994, Mid-Continent had insurance-in-force totaling $13.9 billion. The company's insurance-in-force has grown an average of 16 percent per year since Florida Progress acquired Mid-Continent in 1986.

Progress Credit Corporation

Progress Credit Corporation is continuing an orderly withdrawal from the lending and leasing business and is selling its real estate properties as market conditions allow.

The lending and leasing portfolio, which totaled $512 million at the end of 1994, primarily contains commercial aircraft loans and leases and first mortgage real estate loans. At the end of 1994, Progress Credit had reserves of $33.7 million for the lending and leasing portfolio. Although the airline industry continues to face financial pressures, management believes the reserves are adequate to implement the company's withdrawal strategy as long as there is no significant further deterioration in the airline industry.

Progress Credit's investments in its real estate portfolio totaled approximately $133 million as of December 31, 1994. The majority of this capital was invested in Florida Progress' headquarters building and in a corporate office park.

Richard D. Keller, President and Chief Executive Officer, Electric Fuels, and Kenneth E. Armstrong, Vice President, General Counsel and Secretary, Florida Progress.

In 1994, Progress Credit's losses from its combined lending and leasing business and real estate operations totaled $4.9 million, compared with losses of $5.2 million in 1993 and losses of $12.7 million in 1992.

In 1994, Progress Credit increased its provisions for loan and lease losses, compared with 1993, which lowered earnings by $2.5 million. In 1993, the effect of the new tax law reduced Progress Credit's net earnings by $2.5 million. This reduction included a deferred tax adjustment related to the leveraged leasing business.

During 1994 and 1993, Progress Credit had lower operating and interest costs, compared with 1992, due to lower debt levels in 1994, lower interest rates in 1993 and the sale of some properties in the real estate portfolio.

In 1992, the real estate unit provided for expected losses on real estate sales, which reduced earnings by $7.4 million, or $.09 per share. This was the major reason for the higher losses in 1992 at Progress Credit.

Any sale of real estate assets or the finance unit's holdings is expected to result in lower revenues and interest expense for the company. The impact on net income depends on the timing of these sales and the relationship between the returns on the assets sold, carrying costs incurred and the interest rates on the associated debt repaid.

Because most of Progress Credit's remaining real estate properties are located in growth areas, management believes the market for its holdings should improve. The current weak commercial real estate market will require the company to hold these properties, and absorb the related carrying costs, until the properties can be sold.

Income Taxes

In August 1993, the Omnibus Budget Reconciliation Act of 1993 was signed into law. The major provision of the tax law affecting the company was the increase in the maximum corporate income tax rate from 34 percent to 35 percent, effective retroactively to January 1, 1993. This 1-percent increase in the tax rate, and the related impact on accounting for long-term leveraged leases, lowered Florida Progress' 1993 net earnings by $6.4 million, or $.07 per share. (See Note 9 on page 35.)

Other

Even though the inflation rate has been relatively low in recent years, inflation continues to affect Florida Progress 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 Florida Power because regulators generally do not consider this economic loss when setting utility rates. However, such losses are partly offset by the economic gains that result from the repayment of long-term debt with inflated dollars.

Florida Progress adopted several new accounting standards in 1993 and 1994. (See Note 1 on page 30.)

Several company subsidiaries, including Florida Power, have been notified by the U.S. Environmental Protection Agency that each is or may be a potentially responsible party for the cleanup costs of several contaminated sites. (See Note 11 on page 37.)

Florida Progress has off-balance sheet risk related to debt of unconsolidated partnerships. (See Note 11 on page 37.)

LIQUIDITY AND CAPITAL RESOURCES

Cash from operations has been the primary source of capital for Florida Progress over the last five years. Other sources of capital have included proceeds from the sales of properties and businesses, and the orderly liquidation of the lending and leasing portfolio.

Florida Progress wants to continue to strengthen over time its capital structure by increasing its common equity percentage and reducing its debt and preferred stock levels.

Florida Progress has been issuing new equity in recent years primarily to fund Florida Power's construction program. Florida Progress' goal is to maintain capital structures for its utility and diversified operations that will enable its subsidiaries to preserve their current credit ratings, which are listed below:

CREDIT RATINGS

	Standard & Poor's	Moody's	Duff & Phelps
Florida Power Corporation			
First mortgage bonds	AA-	Aa3	AA-
Medium-term notes	A+	A1	A+
Commercial paper	A-1+	P-1	D-1+
Progress Capital Holdings, Inc.			
Medium-term notes	A	A2	
Commercial paper	A-1	P-1	

In May 1992, Florida Progress sold 2.6 million shares of common stock through an underwritten public offering. The net proceeds of the offering were $76.5 million. In a May 1994 public offering, Florida Progress sold an additional 3.6 million common shares. The net proceeds of this offering were $92.2 million. During the last three years, the company also raised $162.3 million of equity capital through its stock purchase and dividend reinvestment plan, called the Progress Plus Stock Plan. In December 1994, Florida Progress issued 700,000 shares to acquire FM Industries. Florida Progress forecasts that its equity needs will be minimal over the next few years.

Florida Progress contributed $130 million in 1994, $60 million in 1993 and $121.6 million in 1992 to Florida Power from the proceeds of the holding company's public stock offerings and the Progress Plus Stock Plan. These funds were used to reduce outstanding commercial paper and to further strengthen Florida Power's financial position.

Florida Progress' common equity, as a percent of total capital, was 48.5 percent as of December 31, 1994, and 45.1 percent at the end of 1993. Short-term debt, as a percent of total capital, was 2.6 percent in 1994 and 5 percent in 1993. Long-term debt was 45.4 percent in 1994, compared with 46.2 percent in 1993.

Management has recognized that Florida Progress' dividend payout ratio is above industry averages. So for the last two years, the board of directors has increased the dividend at a significantly lower rate than in prior years. Management recognizes that changes in the electric utility industry, or in the company's operations, could make it necessary to retain more capital and, therefore, change the current policy of moderately increasing the company's annual dividend. When the board of directors reexamines dividend policy in February 1996, it will again consider a range of options as well as company and industry conditions.

Florida Power Corporation

Florida Power's construction expenditures for 1994 totaled about $320 million, consisting primarily of distribution and production expenses. The utility's five-year construction program includes planned expenditures of

$330 million, $365 million, $409 million, $344 million and $320 million for 1995 through 1999. Florida Power forecasts that 95 percent of these construction expenditures will be financed with internally generated funds.

Florida Power's construction program includes two combined-cycle generating units to be built in Polk County. Construction expenditures of $318 million are planned for this new energy complex in the 1995-1999 forecast, with most of the expenditures in the later years. Florida Power plans to use natural gas to fuel the first two units at the Polk County complex. The utility has signed a 25-year contract for the transportation of gas to the site through a proposed pipeline.

Florida Power's financial forecast also includes $58 million for construction of the Lake Tarpon/Kathleen transmission line. In early 1995, Florida Power plans to petition the Florida Public Service Commission to reassess this project and seek amortization of accumulated costs of about $23 million. Due to numerous legal and regulatory delays, the total projected costs for the line have increased to more than $85 million, up from the initial estimate of $30 million. Florida Power believes that more cost-effective, alternative solutions are available to ensure system reliability. The commission is expected to issue a decision in 1995.

The Clean Air Act of 1990 requires electric utility companies to reduce sulfur dioxide emissions in two phases. Florida Power is in compliance with Phase I and expects to meet Phase II requirements in the year 2000 with minimal capital expenditures.

In 1994, Florida Power's net cash flow to capital expenditures was 103 percent. In addition to funding its construction commitments with cash from operations, Florida Power receives equity from Florida Progress and accesses the capital markets through the issuance of commercial paper, medium-term notes and first mortgage bonds.

Florida Power has a public $200-million medium-term note program, providing for the issuance of either fixed or floating interest rate notes, with maturities that may range from nine months to 30 years.

Florida Power's interim financing needs are funded primarily through its commercial paper program. Florida Power has 364-day and five-year revolving bank credit facilities, $200 million each, which are used to back up commercial paper. (See Note 2 on page 31.)

During 1993, Florida Power redeemed 800,000 shares of its Cumulative Preferred Stock, totaling a par value of $80 million. In late 1994, Florida Power redeemed an additional 50,000 shares, with a par value of $5 million. Mandatory preferred stock redemption requirements for 1996 through 1999 are $2.5 million annually. (See Note 3 on page 32.)

Florida Power's embedded cost of long-term debt was 7.1 percent as of December 31, 1994, compared with 6.8 percent at year-end 1993.

Diversified Operations

Progress Capital Holdings, Inc., is a downstream holding company of Florida Progress that finances the activities of the diversified operations and consolidates the collective financial strength of these operations. Progress Capital has the benefit of a support agreement with Florida Progress, which helps to lower the cost of capital to each of the company's diversified businesses. Progress Capital funds diversified operations primarily through the issuance of commercial paper and medium-term notes.

Allen J. Keesler, Jr., President and Chief Executive Officer, Florida Power, and Joseph H. Richardson, Senior Vice President, Legal and Administrative Services, Florida Power.

Progress Capital has a private $400-million medium-term note program for the issuance of notes with maturities that may range from nine months to 30 years.

Progress Capital also has two revolving bank credit facilities: a 364-day, $100-million facility and a five-year, $300-million facility. These facilities are used to back up Progress Capital's commercial paper program. (See Note 2 on page 31.)

In 1994, total diversified capital expenditures were $40.9 million, primarily for the nonregulated operations at Electric Fuels. Net proceeds from leases, loans and securities were $28.1 million, $21.5 million and $70.1 million in 1994, 1993 and 1992, respectively, mainly due to the planned liquidation of the finance unit's assets.

In 1995, diversified capital expenditures are expected to be about $40 million, with most of these planned expenditures designated for Progress Credit and Electric Fuels. These expenditures are expected to be financed through cash generated internally and medium-term notes.

REPORTS FROM MANAGEMENT AND AUDITORS

MANAGEMENT'S REPORT

To Our Shareholders:

Management is responsible for the integrity and objectivity of the financial and operating information contained in this 1994 Annual Report to Shareholders, including the consolidated financial statements covered by the Auditors' Report. These statements were prepared in accordance with generally accepted accounting principles and necessarily include amounts that are based on judgments and estimates by management.

Florida Progress Corporation maintains internal 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. These policies and procedures include a Code of Conduct program intended to ensure employees adhere to the highest standards of personal and professional integrity. The design, monitoring and revision of internal 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 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 matters related to internal controls, audit results, financial statements and financial reporting. Annually, the audit committee recommends to the board of directors the selection of independent auditors. Both the independent auditors and the internal auditors periodically meet alone with the audit committee and have free access to the committee at any time.

For Management,

Jeffrey R. Heinicka

Jeffrey R. Heinicka
Senior Vice President and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Florida Progress Corporation:

We have audited the accompanying consolidated balance sheets of Florida Progress Corporation and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the years in the three-year period ended December 31, 1994. 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, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1994, in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 7 to the consolidated financial statements, in 1993, Florida Progress Corporation and subsidiaries changed their methods of accounting for income taxes and postretirement benefits other than pensions.

KPMG Peat Marwick LLP

St. Petersburg, Florida
January 23, 1995

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992 (in millions, except per share amounts)

	1994	1993	1992
REVENUES:			
Electric utility	**$2,080.5**	$1,957.6	$1,774.1
Diversified	**691.0**	491.4	321.2
	2,771.5	2,449.0	2,095.3
EXPENSES:			
Electric utility:			
Fuel used in generation	**431.9**	460.8	471.9
Purchased power	**294.6**	209.5	140.4
Deferred fuel	**(1.5)**	(11.8)	(3.7)
Other operation	**388.8**	378.0	310.9
Operation	**1,113.8**	1,036.5	919.5
Maintenance	**122.9**	136.8	139.7
Depreciation	**261.5**	240.2	209.5
Taxes other than income taxes	**162.8**	152.6	138.3
	1,661.0	1,566.1	1,407.0
Diversified:			
Cost of sales	**571.2**	390.1	238.4
Other	**63.3**	50.2	45.1
	634.5	440.3	283.5
INCOME FROM OPERATIONS	**476.0**	442.6	404.8
INTEREST EXPENSE AND OTHER:			
Interest expense	**144.8**	141.1	134.2
Allowance for funds used during construction	**(10.9)**	(15.6)	(18.7)
Preferred dividend requirements of Florida Power	**10.1**	13.4	16.7
Other expense (income), net	**10.3**	(2.5)	8.4
	154.3	136.4	140.6
INCOME BEFORE INCOME TAXES	**321.7**	306.2	264.2
Income taxes	**109.7**	110.4	88.5
INCOME BEFORE ACCOUNTING CHANGE	**212.0**	195.8	175.7
CUMULATIVE EFFECT OF INCOME TAX ACCOUNTING CHANGE	**–**	.8	–
NET INCOME	**$ 212.0**	$ 196.6	$ 175.7
AVERAGE SHARES OF COMMON STOCK OUTSTANDING	**93.0**	88.3	85.4
EARNINGS PER AVERAGE COMMON SHARE:			
Income before accounting change	**$2.28**	$2.22	$2.06
Change in accounting for income taxes	**–**	.01	–
	$2.28	$2.23	$2.06

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

DECEMBER 31, 1994 AND 1993

(Dollars in millions)

	1994	1993
ASSETS		
PROPERTY, PLANT AND EQUIPMENT:		
Electric utility plant in service and held for future use	**$5,603.4**	$5,320.3
Less: Accumulated depreciation	**1,981.6**	1,846.2
Accumulated decommissioning for nuclear plant	**135.2**	118.3
Accumulated dismantlement for fossil plants	**92.4**	68.5
	3,394.2	3,287.3
Construction work in progress	**222.1**	285.7
Nuclear fuel, net of amortization of $322.8 in 1994 and $299.9 in 1993	**52.9**	68.4
Net electric utility plant	**3,669.2**	3,641.4
Other property, net of depreciation of $163.5 in 1994 and $141 in 1993	**420.9**	391.6
	4,090.1	4,033.0
CURRENT ASSETS:		
Cash and equivalents	**14.4**	9.[illegible]
Accounts receivable, net	**262.2**	242.7
Current portion of leases and loans receivable	**15.3**	31.3
Inventories, primarily at average cost:		
Fuel	**75.2**	79.5
Utility materials and supplies	**110.4**	112.2
Diversified materials	**68.1**	35.8
Underrecovery of fuel cost	**1.8**	7.1
Other	**41.0**	41.8
	588.4	559.5
OTHER ASSETS:		
Investments:		
Leases and loans receivable, net	**438.0**	485.4
Marketable securities	**148.3**	129.3
Nuclear plant decommissioning fund	**123.6**	107.7
Joint ventures and partnerships	**74.5**	88.4
Deferred insurance policy acquisition costs	**91.9**	81.5
Other	**163.9**	154.0
	1,040.2	1,046.3
	$5,718.7	$5,638.8

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

(Dollars in millions)

	1994	1993
CAPITAL AND LIABILITIES		
COMMON STOCK EQUITY:		
Common stock without par value, 250,000,000 shares authorized, 95,175,360 shares outstanding in 1994 and 89,259,572 in 1993	**$1,148.1**	$1,008.3
Retained earnings	**842.9**	812.2
Unrealized loss on securities available for sale	**(6.6)**	–
	1,984.4	1,820.5
CUMULATIVE PREFERRED STOCK OF FLORIDA POWER:		
Without sinking funds	**113.5**	113.5
With sinking funds	**30.0**	35.0
LONG-TERM DEBT	**1,859.6**	1,866.6
TOTAL CAPITAL	**3,987.5**	3,835.6
CURRENT LIABILITIES:		
Accounts payable	**147.1**	149.4
Customers' deposits	**76.9**	71.5
Income taxes payable	**12.7**	42.3
Accrued interest	**47.3**	45.2
Other	**84.1**	77.4
	368.1	385.8
Notes payable	**55.3**	125.0
Current portion of long-term debt	**52.9**	76.6
	476.3	587.4
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	**744.1**	756.3
Unamortized investment tax credits	**110.0**	119.6
Insurance policy benefit reserves	**222.5**	186.5
Other postretirement benefit costs	**67.8**	47.4
Other	**110.5**	106.0
	1,254.9	1,215.8
COMMITMENTS AND CONTINGENCIES (Note 11)		
	$5,718.7	$5,638.8

FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992 *(In millions)*

	1994	1993	1992
OPERATING ACTIVITIES:			
Income before accounting change	**$212.0**	$195.8	$175.7
Adjustments for noncash items:			
Depreciation and amortization	**321.7**	299.9	268.7
Deferred income taxes and investment tax credits, net	**(32.3)**	(49.1)	(17.4)
Increase in accrued other postretirement benefit costs	**20.4**	23.6	–
Net change in deferred insurance policy acquisition costs	**(10.4)**	(12.9)	(12.9)
Net change in deferred insurance policy benefit reserves	**36.0**	25.8	24.4
Changes in working capital, net of effects from acquisition or sale of businesses:			
Accounts receivable	**(17.4)**	(26.1)	(18.6)
Inventories	**(10.1)**	12.2	(36.8)
Overrecovery (underrecovery) of fuel cost	**5.3**	(2.7)	(43.8)
Accounts payable	**(4.2)**	17.7	14.2
Other	**(11.5)**	23.4	23.1
Other operating activities	**23.0**	(4.7)	(2.9)
	532.5	502.9	373.7
INVESTING ACTIVITIES:			
Property additions (including allowance for borrowed funds used during construction)	**(368.1)**	(462.4)	(519.6)
Proceeds from sales of properties and businesses	**16.3**	35.8	31.5
Purchase of leases, loans and securities	**(74.1)**	(128.6)	(65.7)
Proceeds from sale or collection of leases, loans and securities	**102.2**	150.1	135.8
Acquisition of businesses	**(17.1)**	(80.5)	(23.0)
Investments in joint ventures and partnerships	**(5.2)**	(24.1)	(5.3)
Distributions from joint ventures and partnerships	**3.9**	26.0	5.0
Other investing activities	**(10.8)**	(13.5)	(15.1)
	(352.9)	(497.2)	(456.4)
FINANCING ACTIVITIES:			
Issuance of long-term debt	**103.7**	385.7	450.3
Repayment of long-term debt	**(86.7)**	(473.2)	(315.3)
Increase (decrease) in commercial paper with long-term support	**(61.2)**	154.0	(34.1)
Redemption of preferred stock	**(5.0)**	(80.5)	(5.0)
Sale of common stock	**138.0**	59.1	137.6
Dividends paid on common stock	**(185.9)**	(172.3)	(163.4)
Increase (decrease) in short-term debt	**(75.6)**	124.2	.2
Other financing activities	**(1.6)**	(1.7)	(2.7)
	(174.3)	(4.7)	67.6
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	**5.3**	1.0	(15.1)
Beginning cash and equivalents	**9.1**	8.1	23.2
ENDING CASH AND EQUIVALENTS	**$ 14.4**	$ 9.1	$ 8.1
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest (net of amount capitalized)	**$135.2**	$138.1	$129.9
Income taxes (net of refunds)	**$171.5**	$155.1	$ 91.5

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

FOR THE YEARS ENDED DECEMBER 31, 1994, 1993 AND 1992

(Dollars in millions, except per share amounts)

	Common Stock	Retained Earnings	Unrealized Loss on Securities Available for Sale	Cumulative Preferred Stock of Florida Power: Without Sinking Funds	Cumulative Preferred Stock of Florida Power: With Sinking Funds
Balance, December 31, 1991	$ 811.6	$776.1	$ --	$133.5	$97.5
Net income		175.7			
Common stock issued – 4,596,938 shares	137.6				
Cash dividends on common stock ($1.905 per share)		(163.4)			
Preferred stock redeemed or reclassified to current – 150,000 shares					(15.0)
Balance, December 31, 1992	949.2	788.4	–	133.5	82.5
Net income		196.6			
Common stock issued – 1,729,716 shares	59.1				
Cash dividends on common stock ($1.95 per share)		(172.3)			
Preferred stock redeemed -- 675,000 shares		(.5)		(20.0)	(47.5)
Balance, December 31, 1993	1,008.3	812.2	–	113.5	35.0
Net income		**212.0**			
Common stock issued – 5,215,788 shares	**138.9**				
Common stock issued in pooling of interests – 700,000 shares	**.9**	**4.1**			
Cash dividends on common stock ($1.99 per share)		**(185.4)**			
Unrealized loss on marketable securities available for sale			**(6.6)**		
Preferred stock redeemed – 50,000 shares					**(5.0)**
Balance, December 31, 1994	**$1,148.1**	**$842.9**	**$ (6.6)**	**$113.5**	**$30.0**

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 an exempt holding company under the Public Utility Holding Company Act of 1935. Its largest subsidiary, representing 75% of total assets, is Florida Power Corporation (Florida Power), a public utility engaged in the generation, purchase, transmission, distribution and sale of electric energy primarily within Florida.

The consolidated financial statements include the financial results of the Company and its majority-owned operations. All significant intercompany balances and transactions have been eliminated. Investments in 20%- to 50%-owned joint ventures are accounted for using the equity method.

Accounting for Regulatory Assets and Liabilities – Florida Power is regulated by the Florida Public Service Commission (FPSC) and the Federal Energy Regulatory Commission (FERC). The utility follows the accounting practices set forth in Financial Accounting Standard No. 71, "Accounting for the Effects of Certain Types of Regulation." This standard requires utilities to capitalize or defer certain costs if it is probable that these costs will be recovered through the ratemaking process. Florida Power has regulatory assets and liabilities that are being amortized over the periods prescribed. Current regulatory practice allows these items to be recovered or paid through customer rates.

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.

The allowance for funds used during construction represents the estimated cost of equity and debt for utility plant under construction. Florida Power is permitted to earn a return on these costs and recover them in the rates charged for utility services while the plant is in service. The average rate used in computing the allowance for funds was 7.8% for 1994, 7.9% for 1993 and 8% for 1992.

Utility Revenues, Fuel and Purchased Power Expenses – Revenues include amounts resulting from fuel, purchased power and energy conservation adjustment clauses, which are designed to permit full recovery of these costs. The adjustment factors are based on projected costs for a six- or 12-month period. The cumulative fuel cost difference is shown on the balance sheet as overrecovery or underrecovery of fuel costs. Any difference is refunded or billed to customers during the subsequent period.

The FPSC ordered Florida Power to conduct a three-year test for revenue decoupling for its residential customers. Decoupling eliminates the direct link between kilowatt-hour sales and revenues. Beginning in 1995, nonfuel revenues will be determined by multiplying a revenue per customer amount by the total number of residential customers. Monthly residential customer bills will be calculated just as they were before decoupling. Differences between target revenues and actual revenues will be collected or refunded over a 12-month period through the conservation clause. The revenue per customer amount will be adjusted annually for a growth factor.

Florida Power accrues the nonfuel portion of base revenues for services rendered but unbilled.

The cost of fossil fuel for electric generation is charged to expense as consumed. The cost of nuclear fuel is amortized to 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 – 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 lease to provide an approximate level return on the net investment. Residual values are determined principally on the basis of independent appraisals.

Income Taxes – The financial statements for 1993 and 1994 reflect the accounting for income taxes in accordance with Financial Accounting Standard No. 109, "Accounting for Income Taxes." This standard requires that deferred taxes be provided on all significant temporary differences between the financial and tax basis of assets and liabilities using presently enacted tax rates. When the Company adopted the new standard in 1993, net income was increased by $.8 million due to the Company's nonregulated activities.

Deferred investment tax credits, subject to regulatory accounting practices, are amortized to income over the lives of the related properties.

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 and fossil plant dismantlement costs, expressed as a percentage of the average balances of depreciable utility plant, was 4.8% for 1994, 4.8% for 1993 and 4.6% for 1992.

In October 1994, the FPSC approved Florida Power's updated depreciation study. The study included results of a site-specific dismantlement analysis of Florida Power's fossil generating facilities. Changes in depreciation rates became effective in January 1995 and will not have a significant impact on annual depreciation expense.

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.

Insurance Premiums, Policy Acquisition Costs and Benefit Reserves – Life insurance premiums are recognized as revenue over the premium-paying periods of the policies. 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, withdrawals and the risk of adverse deviation.

Profit from Real Estate Sales – Profit from the sale of real estate is recognized only upon the closing of a sale, the transfer of ownership rights to the purchaser and receipt of an adequate cash down payment.

Accounting for Certain Investments – The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (FAS 115), was adopted by the Company as of January 1, 1994. Under FAS 115, investments in debt and equity securities are classified and accounted for as follows:

Type of Security	Accounting Treatment
Debt securities held to maturity	Amortized cost
Trading securities	Fair market value with unrealized gains and losses included in earnings
Securities available for sale	Fair market value with unrealized gains and losses, net of taxes, reported separately in shareholders' equity

See Note 5 on page 33 for held to maturity and available for sale securities at 1994 year-end. At December 31, 1994, the Company had no investments in assets classified as trading securities.

Prior to the adoption of FAS 115, these assets were measured at amortized cost for debt instruments, and the lower of amortized cost or market for equity instruments. In accordance with the new rules, the prior-year financial statements have not been restated to reflect the change in accounting principle. The adoption of this standard had no effect on net income or cash flows.

Accounting for Nuclear Operations – The Financial Accounting Standards Board (FASB) has a current project addressing the accounting for obligations related to the decommissioning of nuclear power plants. Florida Power records a provision for nuclear decommissioning costs over the expected life of its nuclear plant. Currently, the accumulated provisions for nuclear decommissioning costs are recorded as a contra asset on the balance sheet. One alternative, if adopted, would require Florida Power's 90.4% share of total estimated nuclear decommissioning costs of $391 million in 1994 dollars to be recorded as a liability, with a corresponding plant or regulatory asset. There would be no impact on earnings or cash flows. The FASB is expected to reach a decision in 1995.

Florida Power accrues a reserve for maintenance and refueling expenses anticipated to be incurred during scheduled nuclear plant outages.

Postretirement Benefits Other Than Pensions – The Company implemented Financial Accounting Standard No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" (FAS 106), 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's costs for 1993 increased from $5 million to $23.9 million under FAS 106. A substantial portion of the additional costs is recovered from Florida Power customers through retail base rates.

Impaired Loans – The Company will be required to prospectively adopt Financial Accounting Standard No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by Financial Accounting Standard No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosure," in 1995. These standards require the Company to compute present values for impaired loans when determining the allowance for credit losses. At December 31, 1994, approximately $72 million of loans receivable were impaired, and the Company anticipates assigning approximately $18 million of the allowance for loan losses to these loans. Because the Company's existing allowance is adequate for any such impairment, no impact on earnings is expected due to the adoption of these standards.

Business Acquisitions – The Company and its subsidiaries acquired several businesses in 1994, 1993 and 1992. All acquisitions were accounted for as purchases except the acquisition of FM Industries, Inc., in December 1994, which was accounted for on a pooling of interests basis. Because the effect of restating data related to this acquisition is not material, prior-year results are not restated.

The 1994 Statement of Cash Flows does not reflect the value of the 700,000 shares of common stock issued for the acquisition of FM Industries. The market value of the shares at the date of issuance was $21.1 million.

2 *DEBT*

The Company's long-term debt at December 31, 1994 and 1993, is scheduled to mature as follows:

(In millions)	Interest Rate	1994	1993
Florida Power Corporation:			
First mortgage bonds:			
Maturing through 1999:			
1995	4.74%(a)	**$ 34.4**	$ 34.4
1997	6.13%	**16.7**	16.7
1999	6.50%	**75.0**	75.0
Maturing 2002 and 2003	6.50%(a)	**280.0**	280.0
Maturing 2008	6.88%	**80.0**	80.0
Maturing 2021 through 2023	7.98%(a)	**400.0**	400.0
Discount, net of premium, being amortized over term of bonds		**(6.7)**	(7.3)
		879.4	878.8
Pollution control financing obligations:			
Maturing 2014 through 2027	6.59%(a)	**240.9**	240.9
Notes maturing:			
1994-1995	6.67%	**1.0**	46.9
1996-2008	7.81%(a)	**77.9**	77.9
Commercial paper, supported by revolver maturing November 30, 1999	5.98%(a)	**200.0**	200.0
Progress Capital Holdings:			
Notes maturing:			
1994-1995	9.20%	**6.0**	26.3
1996-2004	7.63%(a)	**276.0**	176.0
Commercial paper, supported by revolver maturing November 30, 1999	6.01%(a)	**183.8**	245.0
Other debt, maturing through 2006	8.92%(a)	**47.5**	51.4
		1,912.5	1,943.2
Less: Current portion of long-term debt		**52.9**	76.6
		$1,859.6	$1,866.6

(a) *Weighted average interest rate at December 31, 1994.*

The Company's consolidated subsidiaries have lines of credit totaling $800 million, which are used to support commercial paper. The lines of credit were not drawn on as of December 31, 1994. Interest rate options under line of credit arrangements vary from subprime 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 .08 and .15 of 1%.

The lines of credit consist of four revolving bank credit facilities, two each for Florida Power and Progress Capital Holdings, Inc. (PCH). The Florida Power facilities, $200 million each, are for terms of 364 days and five years. The PCH facilities consist of $100 million with a 364-day term and $300 million with a five-year term. In 1994, both 364-day facilities were extended to November 1995. In addition, both five-year facilities were extended to November 1999. Based on the duration of the underlying backup credit facilities, $383.8 million of outstanding commercial paper at December 31, 1994, and $445 million of outstanding commercial paper at December 31, 1993, are classified as long-term debt.

Florida Power has a public $200-million, medium-term note program providing for the issuance of either fixed or floating interest rate notes. These notes have maturities ranging from nine months to 30 years. During 1994, Florida Power repaid $45.9 million of the medium-term notes. The program has approximately $170 million available for future issuance.

PCH has a private $400-million, medium-term note program providing for the issuance of notes with maturities ranging from nine months to 30 years. In 1994, PCH issued $100 million of 5-, 7- and 10-year medium-term notes with a weighted average interest rate of 6.03%. A balance of $126 million is available for issuance under this program at either fixed or floating rates.

The combined aggregate maturities of long-term debt for 1995 through 1999 are $52.9 million, $176.4 million, $52.8 million, $16.1 million and $513.6 million, respectively. In addition, about 17% of Florida Power's outstanding first mortgage bonds have an annual 1% sinking fund requirement. These requirements, which total $1.8 million for 1995, $1.3 million annually for 1996 and 1997, and $1 million annually for 1998 and 1999, are expected to be satisfied with property additions.

Florida Progress has a support agreement with PCH that requires the parent company to maintain a minimum net worth at PCH. At December 31, 1994, PCH's net worth was $99.3 million higher than the amount required under this agreement.

❸ PREFERRED AND PREFERENCE STOCK AND SHAREHOLDER RIGHTS

A summary of outstanding Cumulative Preferred Stock of Florida Power follows:

Dividend Rate	Current Redemption Price	Shares Authorized	Shares Outstanding	Outstanding December 31 1994	1993
				(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%	$102.48	300,000	300,000	**30.0**	30.0
7.76%	$102.21	500,000	500,000	**50.0**	50.0
				$113.5	$113.5
With sinking funds, subject to mandatory redemption:					
7.08%	$104.72(a)	500,000	300,000	**$ 30.0**	$ 35.0

(a) $102.36 after November 15, 1996; $100.00 after November 15, 2001.

The authorized capital stock of the Company includes 10 million shares of preferred stock, without par value, including 2 million shares designated as Series A Junior Participating Preferred Stock. No shares of the Company's preferred stock are issued and outstanding, but the holders of the Company's common stock have the right to purchase shares of the Series A Junior Participating Preferred Stock in certain circumstances according to the Company's Shareholder Rights Agreement.

Under the Shareholder Rights Agreement, each share of the Company's common stock has associated with it approximately two-thirds of one right, subject to adjustment, which is exercisable in the event of certain attempted business combinations. If exercised, the rights would cause substantial dilution of ownership, thus adversely affecting any attempt to acquire the Company on terms not approved by the Company's Board of Directors. The rights have no voting or dividend rights and expire in December 2001, unless redeemed earlier by the Company.

The authorized capital stock of Florida Power includes three classes of preferred stock: 4 million shares of Cumulative Preferred Stock, $100 par value; 5 million shares of Cumulative Preferred Stock, without par value; and 1 million shares of Preference Stock, $100 par value. No shares of Florida Power's Cumulative Preferred Stock, without par value, or Preference Stock are issued and outstanding, while a total of 1.4 million shares of the Cumulative Preferred Stock, $100 par value, are issued and outstanding in various series as detailed in the chart above.

Preferred stock redemption requirements for 1996 to 1999 are $2.5 million per year.

❹ NUCLEAR OPERATIONS

Jointly Owned Plant – The following information relates to Florida Power's 90.4% proportionate share of the Crystal River Nuclear Plant at December 31, 1994 and 1993:

(In millions)	1994	1993
Utility plant in service	**$654.1**	$622.7
Construction work in progress	**13.1**	22.8
Unamortized nuclear fuel	**52.9**	68.4
Accumulated depreciation	**285.2**	266.3
Accumulated decommissioning	**135.2**	118.3

Net capital additions for Florida Power were $21.7 million in 1994 and $20.1 million in 1993, and depreciation expense, exclusive of nuclear decommissioning, was $27.3 million in 1994 and $26.2 million in 1993. Each co-owner provides for its own financing. Florida Power's share of the asset balances and operating costs is included in the appropriate consolidated financial statements. Amounts exclude any allocation of costs related to common facilities.

Decommissioning Costs – Florida Power's nuclear plant depreciation expenses include a provision for future decommissioning costs, which are recoverable through rates charged to customers. Florida Power is placing amounts collected in an externally managed trust fund. The recovery from customers, plus income earned on the trust fund, is intended to be sufficient to cover Florida Power's share of the future dismantlement, 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.

In the last site-specific study approved by regulatory authorities, total future decommissioning costs were estimated to be approximately $1.2 billion, which corresponds to $227 million in 1994 dollars. Under this study, Florida Power's share of decommissioning expense, as authorized by the FPSC and the FERC, was $11.9 million annually for 1994, 1993 and 1992.

In December 1994, Florida Power filed a new site-specific study with the FPSC that estimated total future decommissioning costs to be approximately $1.7 billion, which corresponds to $391 million in 1994 dollars. Florida Power filed a petition with the FPSC requesting that the retail portion of annual decommissioning expense be increased to $17.7 million, beginning in January 1995. Florida Power is not seeking an increase in rates to recover the higher costs. The FPSC is expected to rule on this petition in 1995.

Fuel Disposal Costs – Florida Power has entered into a contract with the U.S. 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 kilowatt-hour sold and are paid to the DOE quarterly. Florida Power currently is storing spent nuclear fuel on site and has sufficient storage capacity in place or under construction for fuel consumed through the year 2010.

5 FINANCIAL INSTRUMENTS

Estimated fair value amounts have been determined by the Company using available market information and discounted cash-flow analysis. Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined may be materially different than the amounts that the Company could realize in a current market exchange. Estimating fair values for loans associated with the airline industry is difficult due to a limited number of transactions in a troubled industry. Management, therefore, has estimated a range of values for these loans.

The Company currently has no derivative financial instruments, such as futures, forwards, swaps or options contracts.

At December 31, 1994 and 1993, the Company had the following financial instruments with estimated fair values that differ from the carrying amounts:

	1994		1993	
(In millions)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
ASSETS:				
Loans receivable:				
Commercial finance business:				
Real estate	**$118.4**	**$117.1**	$148.2	$147.2
Airline	**58.4**	**14 to 43**	62.7	27 to 48
Life insurance business:				
Loans secured by real estate	**7.8**	**8.6**	9.1	10.5
Policy loans	**10.4**	**8.5**	10.0	8.9
	195.0	**148.2 to 177.2**	230.0	193.6 to 214.6
Allowance for loan losses	**(32.6)**	**–**	(23.8)	–
Total loans receivable	**$162.4**	**$148.2 to 177.2**	$206.2	$193.6 to 214.6
Marketable securities: (a)				
Available for sale	**$ 93.3**	**$ 93.3**		
Held to maturity	**55.0**	**51.8**		
Total marketable securities	**$148.3**	**$145.1**	$129.3	$133.9
Nuclear plant decommissioning fund	**123.6**	**123.6**	107.7	112.9
CAPITAL AND LIABILITIES:				
Preferred stock with sinking funds	**$ 30.0**	**$ 29.6**	$ 35.0	$ 37.1
Long-term debt:				
Florida Power Corporation	**1,399.2**	**1,298.5**	1,444.5	1,525.4
Progress Capital Holdings	**513.3**	**504.0**	498.7	517.2

(a) The 1993 securities have not been segregated per FAS 115. (See Note 1 on page 30.)

6 LEASES AND LOANS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

At December 31, 1994 and 1993, investments in leases and loans receivable were as follows:

(In millions)	**1994**	1993
Finance leases:		
Rentals receivable	**$238.1**	$244.3
Unguaranteed residual values	**153.5**	171.3
Unearned income	**(78.7)**	(82.1)
Deferred investment tax credits	**(20.5)**	(22.0)
Total finance leases	**292.4**	311.5
Loans receivable:		
Commercial finance business	**176.8**	210.9
Life insurance business	**18.2**	19.1
Total loans receivable	**195.0**	230.0
Allowance for losses	**(34.1)**	(24.8)
	453.3	516.7
Less: Current portion	**15.3**	31.3
	$438.0	$485.4

Rentals receivable from finance leases represent unpaid rentals less principal and interest on nonrecourse third-party debt. Progress Credit Corporation's (PCC) share of rentals receivable is subordinate to the debt holders who have security interests in the leased properties.

Finance leases consist primarily of leveraged investments in aircraft as described below. The majority of the aircraft leases have terms of 15 to 20 years, with a maximum of 28 years. Net contractual maturities of rentals receivable under these contracts are $13.9 million, $13.1 million, $11.2 million, $10.1 million and $13.2 million for 1995 through 1999, respectively, and $176.6 million in total thereafter.

PCC's commercial finance loans are secured by first mortgage liens on the related commercial real estate or by security interests in aircraft, aircraft engines or spare parts. These loans are further collateralized, where applicable, by an assignment to PCC of the borrowers' lease agreements, and, in some cases, third-party guaranties.

At December 31, 1994 and 1993, PCC's portfolio included investments in the airline and commercial real estate industries as follows:

(In millions)	**1994**	1993
Airline industry:		
Finance leases	**$254.2**	$263.9
Loans receivable	**58.4**	62.7
Joint ventures	**37.6**	41.1
Equipment on operating leases	**7.4**	8.4
	$357.6	$376.1
Commercial real estate industry:		
Finance leases	**$ 16.2**	$ 15.9
Loans receivable	**118.4**	148.2
	$134.6	$164.1

New transactions are not being initiated unless they facilitate PCC's orderly withdrawal strategy. Due to conditions in the airline industry and a weak real estate market, PCC has experienced delinquencies in ongoing lease and loan payments as well as loan principal maturities. PCC has negotiated the restructuring of certain transactions. Although most of the outstanding real estate and aircraft loans mature during the next five years, PCC expects that some of the borrowers may not be able to retire the loans at maturity. PCC will pursue its options for any nonperforming assets, including restructuring, remedial actions and remarketing.

PCC's portfolio at December 31, 1994, included a $16-million aircraft lease, which was restructured in 1993. No aircraft leases were restructured in 1994. PCC's portfolio also includes $36.5 million of aircraft loans restructured in 1994 to Pegasus Capital Corporation, a company in which PCC has a minority interest. PCC restructured an $11.2-million aircraft loan to Pegasus in January 1995. PCC also restructured a $24.5-million real estate loan in 1994. All restructured assets are performing in accordance with their new terms and the restructurings will not materially reduce PCC's future annual revenue.

During 1994, 1993 and 1992, PCC provided $9.9 million, $5.9 million and $6.4 million, respectively, for possible loan and lease losses and had write-offs totaling $.8 million, $4.2 million and $3.7 million, respectively. The Company believes PCC's existing reserve of $33.7 million is adequate to cover its planned orderly liquidation, assuming no significant further deterioration in the airline and real estate industries.

Leases and loans generally are placed on nonaccrual status when management believes the collectibility of interest or principal is unlikely. There were no assets on nonaccrual status at December 31, 1994 and 1993.

7 RETIREMENT BENEFIT PLANS

Staff Reductions – In late 1993, Florida Progress offered an early retirement option to certain employees age 55 or over with at least 20 years of service with the Company. The effective retirement date for those employees accepting the package was February 1, 1994. The Company recognized pension and other postretirement benefits expenses related to this offer of $5.6 million in 1993 and $15.5 million in 1994. In late 1994, Florida Power eliminated approximately 300 positions. As a result, the Company recognized severance costs of $5 million, which was partially offset by a reduction of $1.8 million in related accrued pension and postretirement benefit costs.

Pension Benefits – The Company and certain of its subsidiaries have a noncontributory defined benefit pension plan covering substantially all employees. The benefits are based on length of service, compensation and Social Security benefits. The participating companies make annual contributions to the plan based on an actuarial determination and 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 1994, 1993 or 1992.

Shown below are the components of the net pension expense calculations for those years:

(In millions)	1994	1993	1992
Service cost	$17.2	$16.3	$18.1
Interest cost	29.3	27.5	25.4
Actual losses (earnings) on plan assets	6.6	(60.7)	(37.3)
Net amortization and deferral	(54.3)	17.9	(3.1)
Net pension cost (benefit)	(1.2)	1.0	3.1
Regulatory adjustment	–	–	(.9)
Staff reduction cost, net	10.0	.1	–
Net pension cost recognized	$ 8.8	$ 1.1	$ 2.2

The following weighted average actuarial assumptions at January 1 were used in the calculation of pension expense:

	1994	1993	1992
Discount rate	7.25%	7.75%	7.25%
Expected long-term rate of return	9.00%	9.00%	9.00%
Rate of compensation increase	5.00%	5.50%	6.00%

The following summarizes the funded status of the pension plan at December 31, 1994 and 1993:

(In millions)	1994	1993
Accumulated benefit obligation:		
Vested	$267.8	$276.0
Nonvested	34.7	37.9
	302.5	313.9
Effect of projected compensation increases	82.6	91.8
Projected benefit obligation	385.1	405.7
Plan assets at market value, primarily listed stocks and bonds	480.0	505.0
Plan assets in excess of projected benefit obligation	$ 94.9	$ 99.3
Consisting of the following components:		
Unrecognized transition asset	$ 40.3	$ 45.3
Unrecognized prior service cost	(7.5)	(10.3)
Effect of changes in assumptions and difference between actual and estimated experience	73.8	67.2
Accrued pension costs	(11.7)	(2.9)
	$ 94.9	$ 99.3

Due to changes in interest rates, the Company used a discount rate of 8.25% to calculate the pension plan's 1994 year-end funded status and a discount rate of 7.25% to calculate the 1993 year-end funded status. The change in the discount rate from 7.25% at December 31, 1993, to 8.25% at December 31, 1994, decreased the projected benefit obligation by $51 million and is expected to decrease annual pension costs by $5 million, beginning in 1995.

Other Postretirement Benefits – The Company and some 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. Prior to 1993, the Company's policy had been to accrue benefits currently payable along with amortization of past service costs of current retirees. The Company had accrued $23.9 million at December 31, 1992, using this method. The Company implemented FAS 106 effective January 1, 1993. (See Note 1 on page 30.)

The net postretirement benefit cost for 1994 and 1993 was:

(In millions)	1994	1993
Service cost	$ 5.3	$ 5.6
Interest cost	12.9	11.8
Amortization of unrecognized transition obligation	6.1	6.5
Staff reduction cost	3.7	5.5
	$28.0	$29.4

The following summarizes the plan's status, reconciled with amounts recognized in the Company's balance sheet at December 31:

(In millions)	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$ 92.7	$ 94.3
Fully eligible active plan participants	1.5	2.0
Other active plan participants	74.2	76.2
Plan assets at fair value	(1.5)	–
	166.9	172.5
Unrecognized transition obligation	(107.8)	(120.7)
Unrealized gains (losses)	8.7	(4.4)
Accrued postretirement benefit cost	$ 67.8	$ 47.4

The following weighted average actuarial assumptions were used in the calculation of the year-end status of other postretirement benefits:

	1994	1993
Discount rate	8.5%	7.5%
Rate of compensation increase	5.0%	5.0%
Health care cost trend rates:		
Pre-Medicare	12.25-5.75%	13.00-5.25%
Post-Medicare	9.00-5.50%	9.75-5.00%

The transition obligation is being accrued through 2012. A one-percentage point increase in the assumed health care cost trend rate for each future year would have increased the 1994 current service and interest cost by approximately $3 million and the accumulated postretirement benefit obligation as of December 31, 1994, by about $24 million. The change in the discount rate from 7.5% at December 31, 1993, to 8.5% at December 31, 1994, decreased the projected benefit obligation by $23 million and is expected to decrease annual postretirement benefit costs by $1 million, beginning in 1995.

Due to different retail and wholesale regulatory requirements, Florida Power began making quarterly contributions in 1994 to an irrevocable external trust fund for wholesale ratemaking, while continuing to accrue postretirement benefit costs to an unfunded reserve for retail ratemaking. Florida Power contributed approximately $1.6 million to the trust fund in 1994.

8 BUSINESS SEGMENTS

The Company's principal business segments are utility and diversified operations. The utility is engaged in the generation, purchase, transmission, distribution and sale of electric energy. Electric Fuels Corporation's

(Electric Fuels) operations include bulk commodities transportation, rail services and the mining, procurement and transportation of coal to Florida Power and other external customers. Other diversified operations include activities in leveraged leasing, commercial finance, life insurance, real estate and technology development.

The Company's business segment information for 1994, 1993 and 1992 is summarized below. No single customer accounted for 10% or more of unaffiliated revenues.

(In millions)	1994	1993	1992
Revenues:			
Utility	**$2,080.5**	$1,957.6	$1,774.1
Diversified:			
Electric Fuels:			
Coal sales to electric utility	**249.4**	244.9	264.6
Sales to external customers	**534.1**	335.8	200.7
Other diversified	**159.4**	157.7	122.8
	3,023.4	2,696.0	2,362.2
Eliminations	**(251.9)**	(247.0)	(266.9)
Revenues from external customers	**$2,771.5**	$2,449.0	$2,095.3
Income from operations:			
Utility	**$ 419.5**	$ 391.5	$ 367.1
Diversified:			
Electric Fuels	**41.6**	30.3	21.1
Other diversified	**14.9**	20.8	16.6
	476.0	442.6	404.8
Interest and other expense	**154.3**	136.4	140.6
Income before income taxes	**$ 321.7**	$ 306.2	$ 264.2
Identifiable assets:			
Utility	**$4,284.0**	$4,254.2	$3,980.3
Diversified:			
Electric Fuels	**489.4**	397.2	328.7
Other diversified	**945.3**	987.4	1,024.0
	$5,718.7	$5,638.8	$5,333.0
Depreciation and amortization:			
Utility	**$ 294.8**	$ 276.5	$ 243.4
Diversified:			
Electric Fuels	**19.7**	16.4	18.9
Other diversified	**7.2**	7.0	6.4
	$ 321.7	$ 299.9	$ 268.7
Capital additions:			
Utility	**$ 327.2**	$ 440.7	$ 493.5
Diversified:			
Electric Fuels	**38.1**	19.5	23.1
Other diversified	**2.8**	2.2	3.0
	$ 368.1	$ 462.4	$ 519.6

In June 1993, Electric Fuels acquired the assets of a rail-services company that contributed approximately $80 million to 1993 revenues. In December 1994, the Company acquired FM Industries, which contributed approximately $42 million to Electric Fuels' 1994 revenues in a pooling of interests transaction. (See Note 1 on page 31.)

9 INCOME TAXES

(In millions)	1994	1993	1992
Components of income tax expense:			
Payable currently:			
Federal	**$127.7**	$140.7	$ 98.1
State	**14.3**	18.8	7.8
	142.0	159.5	105.9
Deferred, net:			
Federal	**(20.6)**	(39.2)	(9.3)
State	**(2.1)**	(5.1)	1.0
Effect of change in tax rate on deferred assets/liabilities	–	4.7	–
	(22.7)	(39.6)	(8.3)
Amortization of investment tax credits, net	**(9.6)**	(9.5)	(9.1)
	$109.7	$110.4	$ 88.5

The principal components of deferred income tax expense for 1992 were the difference between the financial and tax accounting for leases, the underrecovery or overrecovery of fuel costs and the difference between accelerated and straight-line depreciation.

The primary differences between the statutory rates and the effective income tax rates are detailed below:

	1994	1993	1992
Federal statutory income tax rate	**35.0%**	35.0%	34.0%
State income tax, net of federal income tax benefits	**2.4**	2.8	3.0
Amortization of investment tax credits	**(3.1)**	(3.0)	(3.2)
Effect of change in tax rate on deferred assets/liabilities	–	1.5	–
Other	**(1.2)**	(1.8)	(2.3)
Effective income tax rates	**33.1%**	34.5%	31.5%

The Omnibus Budget Reconciliation Act of 1993 included various rule changes and increased the maximum federal corporate income tax rate from 34% to 35%. The impact of the tax law increased the Company's 1993 income tax expense by $7.9 million. This included $3.2 million attributable to the new tax rate on current income and $4.7 million resulting from an adjustment of nonregulated deferred tax balances. The tax rate change increased Florida Power's deferred tax balances by $18.3 million with a corresponding net increase to a regulatory asset.

The following summarizes the components of deferred tax liabilities and assets at December 31, 1994 and 1993:

(In millions)	1994	1993
Deferred tax liabilities:		
Difference in tax basis of property, plant and equipment	**$564.8**	$532.4
Difference in accounting for leveraged leases	**226.6**	242.8
Other	**88.0**	90.1
Total deferred tax liabilities	**$879.4**	$865.3
Deferred tax assets:		
Accrued book expenses	**$114.1**	$ 89.1
Unbilled revenues	**17.7**	17.3
Other	**32.4**	31.8
Total deferred tax assets	**$164.2**	$138.2

At December 31, 1994 and 1993, Florida Progress had net noncurrent deferred tax liabilities of $744.1 million and $756.3 million and net current deferred tax assets of $28.9 million and $29.2 million, respectively. The Company expects the results of future operations will generate sufficient taxable income to allow the utilization of deferred tax assets.

10 RATES AND REGULATION

Retail Rates – In September 1992, the FPSC granted Florida Power an annual revenue increase of $85.8 million, based on a 1992 rate filing. The rates provide Florida Power the opportunity to earn a regulatory return on equity of 12%, with an allowed range between 11% and 13%. The FPSC granted increases in retail base rates of approximately $58 million to be effective in November 1992, $9.7 million in April 1993 and $18.1 million in November 1993.

The FPSC ruled that Florida Power's retail regulatory return on equity would be restricted to 12.5% for 1994. This temporary earnings restriction did not affect Florida Power's current retail rates or its authorized range for return on equity. The utility's retail regulatory return on equity was 12% for 1994.

Wholesale Rates – In January 1995, Florida Power filed with the FERC two requests to increase rates for wholesale service totaling approximately $9.5 million annually. One request of $8.6 million represents a settlement agreement with all but one wholesale customer. The second request seeks an increase of $.9 million for the remaining customer. The increases are needed primarily to recover additional purchased power capacity costs. Florida Power requested that both increases become effective January 1, 1995. The FERC is expected to approve the requests in early 1995.

In April 1994, the FERC approved Florida Power's 1994 settlement agreement, which provides for rates designed to increase annual revenues by approximately $9.8 million. The rate increases were effective in March and May 1994 and allow Florida Power to recover costs for new generating facilities and higher purchased power costs.

In March 1994, the FERC approved Florida Power's settlement agreement with its wholesale customers in its 1993 base rate proceeding. The agreement provides for rate increases designed to produce additional annual revenues of $5.7 million, effective February 1993.

In December 1992, Florida Power reached a settlement agreement with its wholesale customers, which resulted in no significant change in revenues. The 1992 settlement was approved by the FERC and provided for a retroactive change in Florida Power's depreciation rates, which increased 1992 net income by $3.1 million.

11 COMMITMENTS AND CONTINGENCIES

Fuel, Coal and Purchased Power Commitments – Florida Power has entered into various long-term contracts to provide the fossil and nuclear fuel requirements of its generating plants 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. Estimated annual payments, based on current market prices, for Florida Power's firm commitments for fuel purchases and transportation costs, excluding delivered coal and purchased power, are $5.7 million, $4.3 million, $5.7 million, $46.9 million and $57.9 million for 1995 through 1999, respectively, and $1,211.9 million in total thereafter. Additional commitments will be required in the future to supply Florida Power's fuel needs.

In connection with the supply of coal to Florida Power and other customers, Electric Fuels has entered into several contracts with outside parties for the purchase of coal and also several operating leases related to coal procurement, processing and transportation. Minimum coal purchases are approximately 4 million tons per year. The annual obligations under these contracts and leases, including transportation costs, are $159.5 million, $94.8 million, $93.7 million, $79.4 million and $73.7 million for 1995 through 1999, respectively, and $203 million in total thereafter. The total cost incurred for these commitments was $199.2 million in 1994, $213.2 million in 1993 and $249.3 million in 1992.

Florida Power has long-term contracts for about 450 megawatts of purchased power with other utilities, including a contract with The Southern Company for approximately 400 megawatts of purchased power annually through 2010. This represents 4.6% of Florida Power's total current system capacity. Florida Power has an option to lower these purchases to 200 megawatts annually, beginning in 2000, with a three-year notice. The purchased power from Southern is supplied by generating units with a capacity of approximately 3,500 megawatts and is guaranteed by Southern's entire system, totaling more than 30,000 megawatts.

As of December 31, 1994, Florida Power had entered into long-term contracts with cogenerators for 1,110 megawatts of capacity. These contracts have terms ranging from nine to 35 years. In most cases, these contracts account for 100% of the generating capacity of each of the facilities. Of the 1,110 megawatts under contract, 961 megawatts are currently available and the remaining future capacity is a part of the utility's plans for meeting future electricity demand growth. All commitments have been approved by the FPSC.

The following table shows actual payments for 1992-1994 and minimum expected future payments for purchased power commitments. Because the purchased power commitments have relatively long durations, the present value of these payments using a 10% discount rate also is presented. These amounts assume that all units are brought into service as contracted and meet contract performance requirements:

	Purchased Power Capacity Payments		
(In millions)	Utilities	Cogenerators	Present Value
1992	$22	$10	$ –
1993	41	33	–
1994	53	85	–
1995	66	180	224
1996	66	216	233
1997	66	232	224
1998	65	244	211
1999	66	256	200
2000-2025	396	9,766	2,142

Florida Power does not plan to increase the level of purchased power currently under contract. Because credit-rating agencies treat a portion of purchased power capacity payments as a debt equivalent, these contracts may weaken Florida Power's credit ratings. However, the utility believes that its current contracts help meet overall system demand and help reduce construction expenditures.

The FPSC allows these capacity payments to be recovered through a capacity cost recovery clause, which is similar to, and works in conjunction with, the fuel adjustment clause.

During 1994, a dispute occurred over the price paid for purchased power to cogenerators. Under certain contract pricing provisions, Florida Power began paying "as available" prices for purchased power, which are lower than the firm energy prices previously paid. The revised pricing reduces payments to cogenerators by about $15 million annually. Two cogenerators filed suit against Florida Power in state court challenging this pricing methodology. A third cogenerator amended its complaint in a pending lawsuit regarding a backup fuel dispute with Florida Power to include the pricing issue. Two of these three lawsuits involve antitrust claims.

Florida Power also established a generation curtailment plan in 1994 for its purchased power contracts with cogenerators to avoid having to cycle off certain lower-cost units during periods of low-system demand. Under this plan, energy purchases from cogenerators would be less during low-load periods.

Florida Power filed petitions with the FPSC to resolve these issues. It is uncertain at this time whether the FPSC or the state court will ultimately have jurisdiction in these matters.

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 1995 of $330 million for electric plant and nuclear fuel.

Thermo-Lag Fire Barrier – Florida Power's nuclear plant uses a fire-retardant material, called Thermo-Lag, as a fire barrier around electrical conduit and cables. The U.S. Nuclear Regulatory Commission wants this material replaced or upgraded because it does not provide the full fire protection originally claimed by the manufacturer. Although the most costly option of removing and replacing all of the Thermo-Lag would total about $40 million, management believes there are more effective and less expensive options available. Until there is a permanent solution, Florida Power has implemented surveillance procedures to continuously inspect the Thermo-Lag. Florida Power does not expect to have to replace all of the Thermo-Lag.

Off-Balance Sheet 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 totals of the debt support agreements were $31.9 million and $33.9 million at December 31, 1994 and 1993, respectively, of which $24.9 million and $26.4 million were guaranties, and $7 million and $7.5 million were stand-by letters of credit, respectively. If the other partners fail 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 $40.2 million as of December 31, 1994, which represents partnership liabilities exceeding amounts mentioned above. The Company considers these credit risks to be minimal, based upon the asset values supporting the partnership liabilities.

Insurance – Florida Progress and its subsidiaries utilize various risk management techniques to protect assets from risk of loss, including the purchase of insurance. Risk avoidance, risk transfer and self-insurance techniques are utilized depending on the Company's ability to assume risk, the relative cost and availability of methods for transferring risk to third parties, and the requirements of applicable regulatory bodies.

Effective November 1993, the FPSC authorized Florida Power, to self-insure the utility's transmission and distribution lines against loss due to storm damage and other natural disasters. Florida Power is accruing $6 million annually to a storm damage reserve and may defer any losses in excess of the reserve.

Under the provisions of the Price Anderson Act, Florida Power, as an owner of a nuclear plant, can be assessed for a portion of any third-party liability claims arising from an accident at any commercial nuclear power plant in the United States. If total third-party claims relating to a single nuclear incident exceed $200 million (the amount of currently available commercial liability insurance), Florida Power could be assessed up to $79.3 million per incident, with a maximum assessment of $10 million per year.

Florida Power is a member of an industry mutual insurer (NEIL), which provides replacement power cost coverage in the event of a major accidental outage at a covered nuclear power plant. Florida Power is subject to a retroactive premium assessment under this policy in the event of adverse loss experience. Florida Power's present maximum share of any such retroactive assessment is $2.6 million per policy year.

Florida Power also maintains nuclear property damage and decontamination/decommissioning liability insurance totaling $2.1 billion. The first layer of $500 million is purchased in the commercial insurance market with the remaining excess coverage purchased from NEIL. Florida Power is self-insured for any losses that are in excess of this coverage. Under the terms of the NEIL policy agreements, Florida Power could be assessed up to $8.4 million in any policy year if a loss in excess of NEIL's available surplus is incurred. In the event of multiple losses in any policy year, Florida Power's retroactive premium could total up to $15.8 million.

Florida Power has never been retroactively assessed under any of these nuclear indemnities or insurance policies.

Contaminated Site Cleanup – The Company is subject to regulation with respect to the environmental effects of its operations. The disposal of company-generated hazardous waste can result in costs to clean up facilities found to be contaminated due to past disposal practices. Federal and state statutes authorize governmental agencies to compel responsible parties to clean up certain abandoned or uncontrolled hazardous waste sites. Florida Power and other subsidiaries of the Company are currently potentially responsible parties at certain sites. Florida Power has been named in one suit brought against four prior owners of a coal gasification plant site. Liability for such cleanup costs is joint and several. The Company has no reason to believe that it will have to pay a significantly disproportionate share of these cleanup costs. The best estimate currently available to the Company indicates that its proportionate share of liability for cleaning up the sites ranges from $1.3 million to $2 million, and it has reserved $1.8 million against these potential costs. It is possible that additional claims could be asserted relating to the coal gasification plant site that could increase Florida Power's cleanup costs. Currently, no estimates of these additional costs, if any, are available.

Praxair Lawsuit – Florida Power and Florida Power & Light Company (FP&L) are co-defendants in an antitrust action. Praxair (formerly a part of Union Carbide Corporation) is a customer of FP&L and is seeking injunctive relief and damages. The suit challenges a long-standing territorial agreement between the two unaffiliated, neighboring utilities, notwithstanding the defendants' contention that the agreement was clearly authorized by state law and approved by the FPSC. Florida Power believes that the state action exemption from the antitrust laws is applicable to the agreement and its consequent refusal to provide electricity to the customer. Management believes it has a strong defense and intends to vigorously defend against this action.

QUARTERLY FINANCIAL DATA (Unaudited)

	Three Months Ended			
(In millions, except per share amounts)	March 31	June 30	September 30	December 31
1994				
Revenues	**$639.2**	**$693.2**	**$756.2**	**$682.9**
Income from operations	**91.3**	**121.7**	**155.3**	**107.7**
Net income	**36.5**	**53.7**	**75.8**	**46.0**
Earnings per average common share	**.41**	**.58**	**.80**	**.49**
Dividends per common share	**.495**	**.495**	**.495**	**.505**
Common stock price per share:				
High	**33⅜**	**30½**	**29¼**	**30⅞**
Low	**29⅛**	**24¾**	**25⅜**	**27⅜**
1993				
Revenues	$493.3	$553.3	$768.9	$633.5
Income from operations	84.8	99.5	172.2	86.1
Net income	34.4	43.0	82.0	37.2
Earnings per average common share	.39	.49	.93	.42
Dividends per common share	.485	.485	.485	.495
Common stock price per share:				
High	35⅜	36	36⅜	35¼
Low	31⅛	32⅜	34⅛	32¼

The business of Florida Power is seasonal in nature and comparisons of earnings for the quarters do not give a true indication of overall trends and changes in the Company's operations. Quarterly financial data for 1994 has been restated, compared with previously issued interim financial statements, for the acquisition of FM Industries. (See Note 1 on page 31.)

SELECTED DATA 1984 — 1994

	Annual Growth Rates (in percent) 1989-1994	1984-1994	1994	1993	1992
FLORIDA PROGRESS CORPORATION					
Summary of operations (in millions):					
Utility revenues	5.0	4.5	**$2,080.5**	$1,957.6	$1,774.1
Diversified revenues (continuing)	20.3	27.0	**691.0**	491.4	321.2
Income from continuing operations	2.6	6.2	**212.0**	195.8	175.7
Income (loss) from discontinued operations and change in accounting			**–**	.8	–
Net income	2.5	6.2	**212.0**	196.6	175.7
Balance sheet data (in millions):					
Total assets	4.4	5.2	**$5,718.7**	$5,638.8	$5,333.0
Capitalization:					
Short-term capital	(26.3)	5.9	**$ 108.2**	$ 201.6	$ 201.9
Long-term debt	10.6	3.6	**1,859.6**	1,866.6	1,656.4
Preferred stock	(9.3)	(6.1)	**143.5**	148.5	216.0
Common stock equity	7.7	8.4	**1,984.4**	1,820.5	1,737.6
Total capitalization	4.9	5.0	**$4,095.7**	$4,037.2	$3,811.9
Common stock data:					
Average shares outstanding (in millions)	4.0	3.8	**93.0**	88.3	85.4
Earnings per share:					
Utility	(1.3)	1.5	**$2.05**	$2.06	$1.99
Diversified (continuing)	(.8)	19.1	**.23**	.16	.07
Discontinued operations and change in accounting			**–**	.01	–
Consolidated	(1.3)	2.3	**2.28**	2.23	2.06
Dividends per common share	3.0	3.7	**1.99**	1.95	1.905
Dividend payout			**87.7%**	87.6%	93.0%
Dividend yield			**6.7%**	5.9%	5.9%
Book value per share of common stock	3.1	4.6	**$20.85**	$20.40	$19.85
Return on common equity			**11.1%**	11.1%	10.6%
Common stock price per share:					
High			**33⅝**	36⅜	33¼
Low			**24⅝**	31¼	27⅞
Close	2.4	6.7	**30**	33⅝	32⅝
Price earnings ratio (year-end)			**13.2**	15.1	15.8
Other year-end data:					
Number of employees	(.3)	2.9	**7,394**	7,825	7,301
Number of common shareholders	.5	(1.0)	**44,148**	44,371	44,870
FLORIDA POWER CORPORATION					
Electric sales billed (millions of KWH):					
Residential	3.3	4.9	**13,863.4**	13,372.6	12,825.8
Commercial	3.4	6.1	**8,252.1**	7,884.8	7,544.1
Industrial	(1.0)	1.8	**3,579.6**	3,380.8	3,254.5
Total retail sales	2.8	4.8	**27,675.2**	26,528.3	25,414.0
Total electric sales	2.5	3.8	**30,014.6**	28,647.8	27,375.5
Residential service (average annual):					
KWH sales per customer	.9	1.7	**12,597**	12,420	12,214
Revenue per customer	4.2	2.4	**$1,038**	$983	$884
Ratio of earnings to fixed charges (SEC method)			**3.90**	3.83	3.84
Embedded cost of long-term debt	(2.6)	(2.6)	**7.1%**	6.8%	7.5%
Embedded cost of preferred stock	(1.1)	(3.1)	**6.8%**	6.8%	7.3%
Operating data:					
Net system capability (MW)	2.9	2.1	**7,295**	7,563	7,002
Net system peak (MW)	.4	3.7	**6,955**	6,729	6,982
Construction expenditures (in millions)	5.1	2.6	**$319.5**	$426.4	$472.9
Net cash flow to capital expenditures	1.8	4.9	**103%**	63%	52%
Average number of customers	2.5	3.3	**1,243,891**	1,214,653	1,182,170
Number of full-time employees	(2.2)	(.2)	**4,972**	5,807	5,806

	1991	1990	1989	1988	1987	1986	1985	1984
	$1,718.8	$1,709.1	$1,627.0	$1,468.5	$1,472.2	$1,530.5	$1,504.9	$1,336.7
	355.9	301.7	274.3	270.1	245.5	186.0	159.0	63.4
	174.5	179.8	186.1	178.6	184.1	180.7	160.9	115.8
	(2.4)	(15.0)	1.0	1.2	3.7	.5	–	–
	172.1	164.8	187.1	179.8	187.8	181.2	160.9	115.8
	$5,024.9	$5,045.9	$4,610.4	$4,272.3	$4,067.2	$3,855.5	$3,666.6	$3,432.8
	$ 68.2	$ 681.0	$ 498.6	$ 366.5	$ 269.0	$ 89.5	$ 205.0	$ 61.1
	1,659.1	1,326.2	1,125.8	1,048.8	1,093.0	1,240.3	1,220.9	1,310.7
	231.0	233.5	233.5	233.5	233.5	233.5	265.1	268.2
	1,587.7	1,424.3	1,372.3	1,316.9	1,264.7	1,156.4	1,014.2	883.5
	$3,546.0	$3,665.0	$3,230.2	$2,965.7	$2,860.2	$2,719.7	$2,705.2	$2,523.5
	80.8	77.0	76.6	76.6	75.4	73.3	68.4	64.0
	$2.03	$2.15	$2.19	$2.21	$2.20	$2.25	$2.25	$1.77
	.13	.18	.24	.13	.24	.21	.10	.04
	(.03)	(.19)	.01	.01	.05	.01	–	–
	2.13	2.14	2.44	2.35	2.49	2.47	2.35	1.81
	1.843	1.777	1.72	1.667	1.613	1.54	1.46	1.38
	87.0%	82.9%	70.4%	71.0%	64.7%	61.4%	62.2%	76.3%
	6.0%	7.2%	6.6%	7.3%	7.6%	6.1%	7.4%	9.1%
	$19.14	$18.37	$17.92	$17.20	$16.51	$15.51	$14.42	$13.35
	11.4%	11.8%	13.9%	13.9%	15.5%	16.4%	16.8%	13.6%
	31½	27	26¼	25⅛	29¼	31¼	20⅞	16⅜
	24⅜	22⅛	22⅜	21¼	19½	20⅛	15½	12½
	31¼	25½	26⅝	23¼	21¾	26⅜	20½	15¾
	14.7	11.9	10.9	9.9	8.7	10.7	8.7	8.7
	7,350	7,879	7,490	7,974	8,116	8,030	7,208	5,573
	42,176	41,970	43,005	44,929	46,147	46,586	48,052	48,933
	12,623.9	12,415.5	11,786.9	11,065.6	10,318.8	9,819.2	9,175.0	8,553.6
	7,489.2	7,328.7	6,989.8	6,479.4	6,016.4	5,573.0	5,106.6	4,547.7
	3,303.0	3,455.7	3,766.1	3,680.6	3,349.4	3,122.3	3,166.0	2,989.0
	25,179.1	24,878.3	24,123.3	22,691.7	21,039.6	19,833.8	18,716.0	17,279.1
	27,350.2	27,143.7	26,510.5	26,130.9	24,103.7	23,170.0	21,272.4	20,596.4
	12,257	12,319	12,059	11,754	11,356	11,255	10,940	10,638
	$899	$896	$845	$814	$827	$914	$883	$818
	3.87	3.89	3.79	3.79	4.08	4.29	3.81	3.07
	7.7%	7.9%	8.1%	8.0%	8.1%	8.7%	8.8%	9.2%
	7.3%	7.2%	7.2%	7.2%	7.2%	8.4%	9.3%	9.3%
	6,623	6,571	6,309	6,086	5,966	5,961	5,989	5,927
	6,056	5,026	6,817	6,188	5,087	5,977	5,813	4,858
	$345.9	$265.3	$249.6	$197.0	$188.5	$189.4	$194.1	$247.4
	66%	70%	94%	103%	117%	116%	138%	64%
	1,159,237	1,135,499	1,101,817	1,060,971	1,023,222	980,427	940,976	900,799
	5,677	5,570	5,553	5,512	5,395	5,323	5,215	5,070

BOARD OF DIRECTORS

Dr. Jack B. Critchfield, 61, is Chairman of the Board and Chief Executive Officer of Florida Progress. He served as a Florida Power Corporation director from 1975 to 1978 before joining the utility in 1983. He is a director of Barnett Banks, Inc., in Jacksonville, Florida. A company director since 1988, he is chairman of the Executive Committee.

Willard D. Frederick, Jr., 60, is a citrus grower and investor. He served as mayor of the city of Orlando from 1980 to 1992 and was a board member of the Orlando Utilities Commission. He will retire as a Partner from the law firm of Holland & Knight, effective April 1995. He is a director of Atlantic Gulf Commodities, Inc., Blue Cross Blue Shield of Florida and Rollins College. A company director since January 1995, he is a member of the Compensation and Compliance Committees.

Michael P. Graney, 51, is a Partner in the law firm of Simpson Thacher & Bartlett in Columbus, Ohio. Specializing in utilities law, litigation and antitrust, he is a member of the American, District of Columbia, Ohio and Columbus Bar Associations and the Federal Energy Bar Association. A company director since 1991, he is chairman of the Indemnification and Nominating Committees and a member of the Executive and Compliance Committees.

Allen J. Keesler, Jr., 56, is President and Chief Executive Officer of Florida Power. Since joining Florida Power in 1963, he has held several positions in engineering and operations. In 1982, he was promoted to President and Chief Executive Officer of Talquin Corporation and served in that position until returning to Florida Power in 1988. He is a director of SouthTrust Corporation. A Florida Power director since 1988 and a company director since 1992, he is a member of the Finance & Budget Committee.

Richard Korpan, 52, is President and Chief Operating Officer of Florida Progress. He joined the company in 1989 as Executive Vice President and Chief Financial Officer. He previously served as President and Chief Executive Officer of Pacific Diversified Capital Company, a subsidiary of San Diego Gas & Electric Company. He is a director of SunBank of Tampa Bay and Acordia Central Florida, Inc. A company director since 1989, he is a member of the Executive and Finance & Budget Committees.

Clarence V. McKee, 52, is Chairman and Chief Executive Officer of McKee Communications, Inc., a television and radio investment firm in Tampa, Florida. He is a director of Barnett Bank of Tampa, N.A. and Barnett Banks, Inc., in Jacksonville. A company director since 1989, he is chairman of the Compensation Committee and a member of the Audit Committee.

Vincent J. Naimoli, 57, is Chairman, President and Chief Executive Officer of Anchor Industries International, Inc., and Harvard Industries, Inc., Tampa-based operating and holding companies. He previously served as Chairman, President and Chief Executive Officer of Anchor Glass Container Corporation. A company director since 1992, he is a member of the Compensation, Finance & Budget and Nominating Committees.

Richard A. Nunis, 62, is Chairman of Walt Disney Attractions in Orlando, Florida. He is a director of The Walt Disney Company and SunBank, N.A. in Orlando. A company director since 1989, he is chairman of the Finance & Budget Committee and a member of the Executive and Compensation Committees.

Charles B. Reed, 53, is Chancellor of the State University System of Florida in Tallahassee, Florida. He previously served as Chief of Staff and Deputy Chief to Florida Governor Bob Graham. A company director since 1992, he is a member of the Finance & Budget and Nominating Committees.

Joan D. Ruffier, 55, is a General Partner in Sunshine Cafes, an Orlando-based food and beverage concession business, which has operations at two Florida airports. A certified public accountant, she is a former chairman of the Board of Regents of the State University System of Florida. She is a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta. A company director since 1990, she is chairman of the Compliance Committee and a member of the Audit, Indemnification and Finance & Budget Committees.

Robert T. Stuart, Jr., 62, is a retired Chairman and Chief Executive Officer of Mid-Continent Life Insurance Company in Oklahoma City, which Florida Progress acquired in 1986. A company director since 1986, he is a member of the Executive Committee.

Jean Giles Wittner, 60, is President of Wittner & Company, a St. Petersburg firm involved in real estate management, insurance brokerage and consulting. She previously served as President and Chief Executive Officer of a savings association until it was sold in 1986. A Florida Power director since 1977 and a company director since 1982, she is chairman of the Audit Committee and a member of the Compensation and Compliance Committees.

OFFICERS

Dr. Jack B. Critchfield
Chairman and Chief Executive Officer

Richard Korpan
President and Chief Operating Officer

Jeffrey R. Heinicka
Senior Vice President and Chief Financial Officer

Joseph H. Richardson
Senior Vice President, Corporate Development

Kenneth E. Armstrong
Vice President, General Counsel and Secretary

David R. Kuzma
Vice President and Treasurer

Darryl A. LeClair
Vice President, Mergers, Acquisitions and Divestitures, and President, Progress Credit Corporation

Larry J. Newsome
Vice President, Tax Administration

John Scardino, Jr.
Vice President and Controller

Allen J. Keesler, Jr.
President and Chief Executive Officer, Florida Power Corporation

Richard D. Keller
President and Chief Executive Officer, Electric Fuels Corporation

Dudley E. Bryant
President and Chief Executive Officer, Advanced Separation Technologies Incorporated

INVESTOR INFORMATION

PROGRESS PLUS STOCK PLAN

The company offers the Progress Plus Stock Plan as an economical, convenient and flexible way to purchase shares of Florida Progress common stock. Plan participants can purchase stock directly from the company and reinvest quarterly dividends without paying typical brokerage fees. Those eligible for the plan are:

- Registered shareholders of Florida Progress.
- Nonshareholders who are Florida residents.
- Employees of the company and its subsidiaries.

The plan is offered only by means of a prospectus, which can be obtained by contacting the company.

Correspondence concerning the plan, dividend checks, address changes and financial publications should be directed to:

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

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:

Chemical Bank
Stock Transfer Administration
450 West 33rd Street, 15th Floor
New York, New York 10001
(800) 851-9677

COMMON STOCK DIVIDENDS

Record dates are normally on or about the fifth day of March, June, September and December. Quarterly dividend checks are 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 REPORT ON FORM 10-K

A copy of the company's 1994 Form 10-K, without exhibits, will be supplied without charge to shareholders requesting it. Requests should be addressed to Investor Services.

LIFE INSURANCE INFORMATION

Inquiries concerning life insurance policies issued by Mid-Continent Life Insurance Company should be directed to:

Marketing Department
Mid-Continent Life Insurance Company
1400 Classen Drive
Oklahoma City, Oklahoma 73106
(800) 735-9701

AUDITORS

KPMG Peat Marwick LLP
St. Petersburg, Florida

ANALYSTS' CONTACTS

Richard A. Champion (813) 824-6428
Director, Investor Relations

Mark A. Myers (813) 824-6422
Manager, Investor Communications

Investor Relations Fax (813) 824-6401

CORPORATE OFFICES

Barnett Tower
One Progress Plaza
St. Petersburg, Florida 33701
(813) 824-6400

Florida Progress wishes to thank the Auto Toy Store for helping create some of the theme photography for this report. From its showroom in Fort Lauderdale, Fla., the Auto Toy Store sells an exotic collection of world-class automobiles, ranging from championship racing cars to vintage classics. The company also manages racing crew teams.

P.O BOX 33028 ST. PETERSBURG FLORIDA 33733-8028