


In the strategic repositioning of the company, the acquisition of NorAm is an important step. We will continue to look for opportunities in our domestic business to build value for shareholders in the future.

Our international operations have the potential to provide attractive earnings growth and will continue to play an important role in our strategy in 1997 and beyond. Our subsidiary, Houston Industries Energy, has aggressively pursued opportunities in growing foreign markets and has ownership/operating positions in electric distribution systems serving more than 3 million customers in Brazil and Argentina. HI Energy also owns, operates or is in the process of building cogeneration plants in Argentina and India. The addition of NorAm's natural gas expertise will allow us to offer multiple forms of energy to customers and develop greenfield projects in these markets as well.

In January 1997, as part of the merger integration process, we established a new organizational framework to bring the NorAm businesses into HI. Steve Letbetter, formerly president of Houston Lighting & Power Company, was named president and chief operating officer of Houston Industries, a position that had been vacant. Mr. Letbetter will oversee the operations of three new operating divisions: HI Power Generation, HI Retail Energy Group and HI Trading and Transportation Group. Our traditional electric utility operations, excluding power generation, fit within the retail energy group as will the NorAm natural gas distribution operations and HI Energy's foreign projects. The chart and map on the foldout provide an overview of the organization and operations of the combined company.

As you may have gathered by now, the days of electric companies as local firms that never venture outside their service territories are gone forever. As today's electric and, more broadly, energy companies respond to developing opportunities, strategies for growth will increasingly resemble those of leading companies in other industries. Unlike the traditional utility investments, leading companies in this emerging industry will be much more growth oriented. We will be one of those.

At Houston Industries, we are committed to a vision of becoming a major national and international energy company. Our strategies for the future, explained in this annual report, hold the keys to our success in a dynamic world.



Don D. Jordan
Chairman and Chief Executive Officer