

UNITED STATES SECURITIES AND EXCHANGE
COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2001

Commission File Number 1-13159

ENRON CORP.

(Exact name of registrant as specified in its charter)

Oregon	47-0255140
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Enron Building	
1400 Smith Street	
Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

(713) 853-6161
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has
filed all reports required to be filed by Section 13 or
15(d) of the Securities Exchange Act of 1934 during the
preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90
days.
Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest
practicable date.

Class	Outstanding at July 31, 2001
Common Stock, No Par Value	749,857,388 shares

ENRON CORP. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
 ENRON CORP. AND SUBSIDIARIES
 CONSOLIDATED INCOME STATEMENT
 (In Millions, Except Per Share Amounts)
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues	\$50,060	\$16,886	\$100,189	\$30,031
Costs and Expenses				
Cost of gas, electricity, metals and other products	48,173	15,324	96,332	27,212
Operating expenses	1,027	892	2,020	1,639
Depreciation, depletion and amortization	240	192	453	364
Taxes, other than income taxes	78	59	166	125
	49,518	16,467	98,971	29,340
Operating Income	542	419	1,218	691
Other Income and Deductions				
Equity in earnings of unconsolidated equity affiliates	100	55	174	319
Gains on sales of non-merchant assets	18	72	50	90
Other income, net	133	63	146	133
Income Before Interest, Minority Interests and Income Taxes	793	609	1,588	1,233
Interest and Related Charges, net	215	196	416	357
Dividends on Company-Obligated Preferred Securities of Subsidiaries	18	21	36	39
Minority Interests	30	39	70	74
Income Tax Expense	126	64	256	136
Net Income Before Cumulative Effect of Accounting Changes	404	289	810	627
Cumulative Effect of Accounting Changes, net of tax	-	-	19	-
Net Income	404	289	829	627
Preferred Stock Dividends	21	21	41	41
Earnings on Common Stock	\$ 383	\$ 268	\$ 788	\$ 586
Earnings Per Share of Common Stock				
Basic				
Before Cumulative Effect of Accounting Changes	\$ 0.51	\$ 0.37	\$ 1.02	\$ 0.80
Cumulative Effect of Accounting Changes	-	-	0.02	-
Basic Earnings per Share	\$ 0.51	\$ 0.37	\$ 1.04	\$ 0.80
Diluted				
Before Cumulative Effect of Accounting Changes	\$ 0.45	\$ 0.34	\$ 0.92	\$ 0.73
Cumulative Effect of Accounting Changes	-	-	0.02	-
Diluted Earnings per Share	\$ 0.45	\$ 0.34	\$ 0.94	\$ 0.73
Average Number of Common Shares Used in Computation				
Basic	757	733	755	728
Diluted	891	862	882	857

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

PART I. FINANCIAL INFORMATION - (Continued)
ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In Millions)
(Unaudited)

	June 30, 2001	December 31, 2000
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 847	\$ 1,374
Trade receivables (net of allowance for doubtful accounts of \$453 and \$133, respectively)	11,234	10,396
Other receivables	1,347	1,874
Assets from price risk management activities	8,815	12,018
Inventories	913	953
Deposits	2,412	2,433
Other	756	1,333
Total Current Assets	26,324	30,381
Investments and Other Assets		
Investments in and advances to unconsolidated equity affiliates	5,934	5,294
Assets from price risk management activities	9,023	8,988
Goodwill	3,527	3,638
Other	7,843	5,459
Total Investments and Other Assets	26,327	23,379
Property, Plant and Equipment, at cost		
Natural gas transmission	6,287	6,916
Electric generation and distribution	3,784	4,766
Fiber-optic network and equipment	926	839
Construction in progress	809	682
Other	2,481	2,256
	14,287	15,459
Less accumulated depreciation, depletion and amortization	3,546	3,716
Property, Plant and Equipment, net	10,741	11,743
Total Assets	\$63,392	\$65,503

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

PART I. FINANCIAL INFORMATION - (Continued)
ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(In Millions)
(Unaudited)

June 30, December 31,
2001 2000

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities		
Accounts payable	\$ 9,646	\$ 9,777
Liabilities from price risk management activities	7,470	10,495
Short-term debt	3,457	1,679
Customers' deposits	1,820	4,277
Other	1,920	2,178
Total Current Liabilities	24,313	28,406
Long-Term Debt	9,355	8,550
Deferred Credits and Other Liabilities		
Deferred income taxes	1,758	1,644
Liabilities from price risk management activities	10,062	9,423
Other	2,866	2,692
Total Deferred Credits and Other Liabilities	14,686	13,759
Minority Interests	2,395	2,414
Company-Obligated Preferred Securities of Subsidiaries	903	904
Shareholders' Equity		
Second preferred stock, cumulative, no par value	116	124
Mandatorily Convertible Junior Preferred Stock, Series B, no par value	1,000	1,000
Common stock, no par value	9,416	8,348
Retained earnings	3,827	3,226
Accumulated other comprehensive income	(1,606)	(1,048)
Common stock held in treasury	(861)	(32)
Restricted stock and other	(152)	(148)
Total Shareholders' Equity	11,740	11,470
Total Liabilities and Shareholders' Equity	\$63,392	\$65,503

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

PART I. FINANCIAL INFORMATION - (Continued)
ITEM 1. FINANCIAL STATEMENTS - (Continued)
ENRON CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(In Millions)
(Unaudited)

Six Months Ended
June 30,
2001 2000

Cash Flows From Operating Activities

Reconciliation of net income to net cash

provided by (used in) operating activities

Net income	\$ 829	\$ 627
Cumulative effect of accounting changes, net of tax	(19)	-
Depreciation, depletion and amortization	453	364
Deferred income taxes	188	31
Gains on sales of non-merchant assets	(50)	(90)
Changes in components of working capital:		
Net margin deposit activity	(2,342)	(350)
Other working capital	(800)	(174)
Net assets from price risk management activities	782	(799)
Merchant assets and investments:		
Realized (gains) losses on sales	(64)	29
Proceeds from sales	479	553
Additions	(175)	(1,206)
Unrealized losses	21	111
Other, net	(639)	357
Net Cash Used in Operating Activities	(1,337)	(547)

Cash Flows From Investing Activities

Capital expenditures	(1,200)	(1,009)
Equity investments	(1,088)	(390)
Proceeds from sales of non-merchant assets	1,423	105
Acquisitions of subsidiary stock	-	(485)
Business acquisitions, net of cash acquired	(34)	(358)
Other investing activities	(262)	(117)
Net Cash Used in Investing Activities	(1,161)	(2,254)

Cash Flows From Financing Activities

Issuance of long-term debt	2,864	2,479
Repayment of long-term debt	(1,782)	(431)
Net increase in short-term borrowings	1,169	1,301
Issuance of common stock	185	264
Issuance (redemption) of preferred securities of subsidiaries	-	(95)
Dividends paid	(256)	(265)
Acquisition of treasury stock	(209)	(129)
Other financing activities	-	107
Net Cash Provided by Financing Activities	1,971	3,231
Increase (Decrease) in Cash and Cash Equivalents	(527)	430
Cash and Cash Equivalents, Beginning of Period	1,374	288
Cash and Cash Equivalents, End of Period	\$ 847	\$ 718

Changes in Components of Other Working Capital

Receivables	\$ (937)	\$(2,615)
Inventories	(114)	36
Payables	(139)	2,319
Other	390	86
Total	\$ (800)	\$ (174)

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

PART I. FINANCIAL INFORMATION - (Continued)

ITEM 1. FINANCIAL STATEMENTS - (Continued)

ENRON CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The consolidated financial statements included herein have been prepared by Enron Corp. (Enron) without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, these statements reflect all adjustments (consisting only of normal recurring entries) which are, in the opinion of management, necessary for a fair statement of the financial results for the interim periods. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Enron believes that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in Enron's Annual Report on Form 10-K for the year ended December 31, 2000 (Form 10-K).

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain reclassifications have been made in the 2000 amounts to conform with the 2001 presentation.

"Enron" is used from time to time herein as a collective reference to Enron Corp. and its subsidiaries and affiliates. The businesses of Enron are conducted by Enron Corp.'s subsidiaries and affiliates whose operations are managed by their respective officers.

2. SUPPLEMENTAL CASH FLOW INFORMATION

Net cash paid for income taxes for the first half of 2001 and 2000 was \$167 million and \$33 million, respectively. Cash paid for interest for the same periods, net of amounts capitalized, was \$426 million and \$376 million, respectively.

In 2000, Enron entered into an agreement with Azurix under which the holders of Azurix's approximately 39 million publicly traded shares would receive cash of \$8.375 in exchange for each share. On March 16, 2001, Azurix shareholders approved the agreement whereby Enron paid approximately \$330 million for an equivalent number of shares held by the public and all publicly traded shares of Azurix Corp were redeemed.

Non-Cash Activity. In March 2001, Enron acquired the limited partner's interests in an unconsolidated equity affiliate, Joint Energy Development Investments Limited Partnership (JEDI), for \$35 million. As a result of the acquisition, JEDI has been consolidated. JEDI's balance sheet as of the date of acquisition consisted of net assets of approximately \$500 million, including an investment of 12 million shares of Enron common stock valued at approximately \$785 million, merchant investments and other assets of approximately \$670 million and third-party debt and debt owed to Enron of approximately \$950 million. Enron repaid the third-party debt of approximately \$620 million prior to March 31, 2001. Also see Note 8.

3. LITIGATION AND OTHER CONTINGENCIES

Litigation

Enron is a party to various claims and litigation, the significant items of which are discussed below. Although no assurances can be given, Enron believes, based on its experience to date and after

considering appropriate reserves that have been established, that the ultimate resolution of such items, individually or in the aggregate, will not have a material adverse impact on Enron's financial position or results of operations.

In 1995, several parties (the Plaintiffs) filed suit in Harris County District Court in Houston, Texas, against Intratex Gas Company (Intratex), Houston Pipe Line Company and Panhandle Gas Company (collectively, the Enron Defendants), each of which is a wholly-owned subsidiary of Enron. The Plaintiffs were either sellers or royalty owners under numerous gas purchase contracts with Intratex, many of which have terminated. Early in 1996, the case was severed by the Court into two matters to be tried (or otherwise resolved) separately. In the first matter, the Plaintiffs alleged that the Enron Defendants committed fraud and negligent misrepresentation in connection with the "Panhandle program," a special marketing program established in the early 1980s. This case was tried in October 1996 and resulted in a verdict for the Enron Defendants. In the second matter, the Plaintiffs allege that the Enron Defendants violated state regulatory requirements and certain gas purchase contracts by failing to take the Plaintiffs' gas ratably with other producers' gas at certain times between 1978 and 1988. The trial court certified a class action with respect to ratable claims. On March 9, 2000, the Texas Supreme Court ruled that the trial court's class certification was improper and remanded the case to the trial court. The Enron Defendants deny the Plaintiffs' claims and have asserted various affirmative defenses, including the statute of limitations. The Enron Defendants believe that they have strong legal and factual defenses, and intend to vigorously contest the claims. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

On November 21, 1996, an explosion occurred in the Humberto Vidal Building in San Juan, Puerto Rico. The explosion resulted in fatalities, bodily injuries and damage to the building and surrounding property. San Juan Gas Company, Inc. (San Juan Gas), an Enron affiliate, operated a propane/air distribution system in the vicinity, but did not provide service to the building. Enron, San Juan Gas, four affiliates and their insurance carriers were named as defendants, along with several third parties, including The Puerto Rico Aqueduct and Sewer Authority, Puerto Rico Telephone Company, Heath Consultants Incorporated, Humberto Vidal, Inc. and their insurance carriers, in numerous lawsuits filed in U.S. District Court for the District of Puerto Rico and the Superior Court of Puerto Rico. These suits seek damages for wrongful death, personal injury, business interruption and property damage allegedly caused by the explosion. After nearly four years without determining the cause of the explosion, all parties agreed not to litigate further that issue, but to move these suits toward settlements or trials to determine whether each plaintiff was injured as a result of the explosion and, if so, the lawful damages attributable to such injury. The defendants agreed on a fund for settlements or final awards. Numerous claims have been settled and ten cases involving 19 plaintiffs are scheduled for trial in the United States District Court beginning on December 10, 2001. No cases have yet been scheduled for trial in the Superior Court. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Trojan Investment Recovery. In early 1993, Portland General Electric (PGE) ceased commercial operation of the Trojan nuclear power generating facility. The Oregon Public Utility Commission (OPUC) granted PGE, through a general rate order, recovery of, and a return on, 87 percent of its remaining investment in Trojan.

The OPUC's general rate order related to Trojan has been subject to litigation in various state courts, including rulings by the Oregon Court of Appeals and petitions to the Oregon Supreme Court filed by parties opposed to the OPUC's order, including the Utility Reform Project (URP) and the Citizens Utility Board (CUB).

In August 2000, PGE entered into agreements with the CUB and the staff of the OPUC to settle the litigation related to PGE's recovery of its investment in the Trojan plant. Under the agreements, the CUB agreed to withdraw from the litigation and to support the settlement as the means to resolve the Trojan litigation. The OPUC approved the accounting and ratemaking elements of the settlement on September 29, 2000. As a result of these approvals, PGE's investment in Trojan is no longer included in rates charged to customers, either through a return on or a return of that investment. Collection of ongoing decommissioning costs at Trojan is not affected by the settlement agreements or the September 29, 2000 OPUC order. With the CUB's withdrawal, the URP is the one remaining significant adverse party in the litigation. The URP has indicated that it plans to continue to challenge the settlement and the original OPUC order allowing PGE recovery of and a return on its investment in Trojan.

Enron cannot predict the outcome of these actions. Although no assurances can be given, Enron believes that the ultimate resolution of these matters will not have a material adverse effect on its financial position or results of operations.

Other Contingencies

Environmental Matters. Enron is subject to extensive federal, state and local environmental laws and regulations. These laws and regulations require expenditures in connection with the construction of new facilities, the operation of existing facilities and for remediation at various operating sites. The implementation of the Clean Air Act Amendments is expected to result in increased operating expenses. These increased operating expenses are not expected to have a material impact on Enron's financial position or results of operations.

Enron's natural gas pipeline companies conduct soil and groundwater remediation on a number of their facilities. Enron does not expect to incur material expenditures in connection with soil and groundwater remediation.

Developments in the California Power Market. During 2000, prices for wholesale electricity in California significantly increased as a result of a combination of factors, including higher natural gas prices, reduction in available hydroelectric generation resources, increased demand, over-reliance on the spot market for electricity and limitations on supply. California's regulatory regime instituted in 1996 permitted wholesale price increases but froze retail prices below market levels. The resulting disparity between costs of supply and customer revenues caused two of California's public utilities, Pacific Gas & Electric Company (PG&E) and Southern California Edison Company (SCE), to accrue substantial unrecovered wholesale power costs and certain obligations related to the difference between third party power purchase costs and frozen rates charged to retail customers. PG&E and SCE have defaulted on or are challenging payments owed for certain outstanding obligations, including wholesale power purchased through the California Power Exchange (the Power Exchange), from the California Independent System Operator (the Independent System Operator), and from qualifying facilities. In addition, PG&E and the Power Exchange each have filed a voluntary petition for bankruptcy.

Various legislative, regulatory and legal remedies to the energy situation in California have been implemented or are being pursued, and may result in restructuring of markets in California and elsewhere. Additional initiatives are likely at the Federal, state and local level, but it is not possible to predict their outcome at this time.

Enron has entered into a variety of transactions with California utilities, the Power Exchange, the Independent System Operator, end users of energy in California, and other third parties, and is owed amounts by certain of these entities. Enron has established reserves related to such activities and believes that the combination of such reserves in accounts receivables and other credit offsets with such parties are adequate to cover its exposure to developments in the California power market. Due to the uncertainties involved, the ultimate outcome of the California power situation cannot be predicted, but Enron believes these matters will not have a material adverse impact on Enron's financial condition or results of operations.

India. Enron indirectly owns 50% of the net voting interest in Dabhol Power Company (Dabhol), which owns a 740 megawatt power plant and is constructing an additional 1,444 megawatt power plant together with an LNG regasification facility (collectively Phase II) in India. Enron accounts for its investment in Dabhol under the equity method and the debt of Dabhol is non-recourse to Enron. Dabhol has been in dispute with the Maharashtra State Electricity Board (MSEB), the purchaser of power from Dabhol, and the Government of Maharashtra (GOM) and the federal government of India (GOI), the guarantors of payments by the MSEB pursuant to the terms and conditions of the power purchase agreements (PPA) and the other project documents. The contract disputes relate principally to (a) the failure by the MSEB to pay certain capacity and energy payments under the PPA, and the failure of the GOM and GOI to satisfy certain guarantee obligations under the project documents and (b) MSEB's statements that MSEB has "rescinded" the PPA and MSEB is therefore no longer bound by the PPA. As a result of such disputes, the Phase II lenders have stopped funding the continued construction of Phase II and the construction contractors have terminated the construction contracts for non-payment. There is no assurance that Dabhol will be able to resolve such disputes to its favor and to successfully collect on and to enforce any judgment or settlement. However, Dabhol believes that the MSEB's actions are in clear violation of the terms of the PPA, and Dabhol intends to pursue all available legal remedies under the project documents. As a result of these disputes, the 740 megawatt power plant is not being dispatched by MSEB. Further, Dabhol has suspended construction activity on Phase II. Enron does not believe that any contract dispute related to Dabhol will have a material adverse impact on Enron's financial condition or results of operations.

4. EARNINGS PER SHARE

The computation of basic and diluted earnings per share is as follows (in millions, except per share amounts):

	Second Quarter		Six Months Ended	
	2001	2000	June 30, 2001	2000
Numerator:				
Basic				
Income before cumulative effect of accounting changes	\$ 404	\$ 289	\$ 810	\$ 627
Preferred stock dividends:				
Second preferred stock	(4)	(4)	(8)	(8)
Series B Preferred Stock	(17)	(17)	(33)	(33)
Income available to common shareholders before cumulative effect of accounting changes	383	268	769	586
Cumulative effect of accounting changes	-	-	19	-
Income available to common shareholders	\$ 383	\$ 268	\$ 788	\$ 586
Diluted				
Income available to common shareholders before cumulative effect of accounting changes	\$ 383	\$ 268	\$ 769	\$ 586
Effect of assumed conversion of dilutive securities:				
Second preferred stock	4	4	8	8
Series B Preferred Stock	17	17	33	33

Income before cumulative effect of accounting changes	404	289	810	627
Cumulative effect of accounting changes	-	-	19	-
Income available to common shareholders after assumed conversions	\$ 404	\$ 289	\$ 829	\$ 627
Denominator:				
Denominator for basic earnings per share - weighted-average shares	757	733	755	728
Effect of assumed conversion of dilutive securities:				
Preferred Stock:				
Second Preferred Stock	32	35	33	35
Series B Preferred Stock	50	50	50	50
Stock options and other equity instruments	52	44	44	44
Dilutive potential common shares	134	129	127	129
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	891	862	882	857
Basic earnings per share:				
Before cumulative effect of accounting changes	\$0.51	\$0.37	\$1.02	\$0.80
Cumulative effect of accounting changes	-	-	0.02	-
Basic earnings per share	\$0.51	\$0.37	\$1.04	\$0.80
Diluted earnings per share:				
Before cumulative effect of accounting changes	\$0.45	\$0.34	\$0.92	\$0.73
Cumulative effect of accounting changes	-	-	0.02	-
Diluted earnings per share	\$0.45	\$0.34	\$0.94	\$0.73

5. COMPREHENSIVE INCOME

Comprehensive income includes the following (in millions):

	Second Quarter		Six Months Ended	
	2001	2000	June 30, 2001	June 30, 2000
Net income	\$ 404	\$ 289	\$ 829	\$ 627
Other comprehensive income (net of tax):				
Foreign currency translation adjustment	(401)	(99)	(551)(a)	(101)
Derivative instruments:				
Cumulative effect of accounting changes	-	-	25	-
Deferred loss on derivative instruments associated with hedges of future cash flows	(26)	-	(34)	-
Recognition in earnings of previously deferred gains related to derivative instruments used as cash flow hedges	4	-	(9)(b)	-
Change in value of available-for-sale investments	10	(6)	11	(19)
Total comprehensive income (loss)	\$ (9)	\$ 184	\$ 271	\$ 507

(a) Change primarily reflects the decline in value of the Brazilian real and the British Pound.

(b) Includes an after-tax gain of \$10 million related to the discontinuance of a cash flow hedge or a forecasted transaction that became probable of not occurring.

6. BUSINESS SEGMENT INFORMATION

Enron's business is divided into reporting segments, defined as components of an enterprise about which financial information is available and evaluated regularly by the Office of the Chairman, which serves as the chief operating

decision making group.

Beginning in 2001, the commodity-related risk management activities of Retail Energy Services' North American customer contracts were transferred to the Wholesale Services segment, consolidating all energy commodity risk management activities within one segment. In 2001, Retail Energy Services' business includes origination of new commodity and energy asset management and services contracts, execution of energy asset management and services activity and management of customer relationships. Year 2000 results in the following table have been restated to reflect this change.

(In Millions)	Wholesale Services(c)	Retail Energy Services(c)	Broadband Services	Transportation and Distribution	Corporate and Other(d)	Total
Three Months Ended June 30, 2001						
Unaffiliated revenues(a)	\$48,340	\$ 559	\$ 15	\$ 935	\$ 211	\$ 50,060
Intersegment revenues(b)	138	(2)	1	46	(183)	-
Total revenues	\$48,478	\$ 557	\$ 16	\$ 981	\$ 28	\$ 50,060
Income (loss) before interest, minority interests and income taxes	\$ 802	\$ 60	\$(102)	\$ 142	\$(109)	\$ 793
Six Months Ended June 30, 2001						
Unaffiliated revenues(a)	\$96,747	\$1,201	\$ 100	\$1,868	\$ 273	\$100,189
Intersegment revenues(b)	237	49	(1)	126	(411)	-
Total revenues	\$96,984	\$1,250	\$ 99	\$1,994	\$(138)	\$100,189
Income (loss) before interest, minority interests and income taxes	\$ 1,557	\$ 100	\$(137)	\$ 335	\$(267)	\$ 1,588
Three Months Ended June 30, 2000						
Unaffiliated revenues	\$15,632	\$ 409	\$ 151	\$ 545	\$ 149	\$ 16,886
Intersegment revenues	335	11	-	52	(398)	-
Total revenues	\$15,967	\$ 420	\$ 151	\$ 597	\$(249)	\$ 16,886
Income (loss) before interest, minority interests and income taxes	\$ 415	\$ 46	\$ (8)	\$ 139	\$ 17	\$ 609
Six Months Ended June 30, 2000						
Unaffiliated revenues	\$27,794	\$ 697	\$ 210	\$1,144	\$ 186	\$ 30,031
Intersegment revenues	502	37	-	56	(595)	-
Total revenues	\$28,296	\$ 734	\$ 210	\$1,200	\$(409)	\$ 30,031
Income (loss) before interest, minority interests and income taxes	\$ 844	\$ 52	\$ (8)	\$ 372	\$ (27)	\$ 1,233

- (a) Enron recognized revenues from transactions with unconsolidated equity affiliates of approximately \$1,111 million in the first half of 2001, including \$125 million related to commodity contracts entered into in the second quarter.
- (b) Intersegment sales are made at prices comparable to those received from unaffiliated customers and in some instances are affected by regulatory considerations.
- (c) The 2000 amounts have been restated. Prior to the restatement, Retail Energy Services reported revenues and IBIT of \$840 million and \$24 million, respectively, for the second quarter of 2000. Restated full year 2000 revenues and IBIT were \$1,766 million and \$173 million, respectively. Operating results in 2001 include servicing charges from Wholesale Services for management of Retail Services' risk management activities. These servicing charges are reflective of the applicable level of risk management services provided and have been presented on a basis consistent with how such charges are reported internally.
- (d) Includes consolidating eliminations.

Total assets by segment are as follows (in millions):

June 30, December 31,

Wholesale Services	\$49,314	\$51,099
Retail Energy Services	1,353	1,205(a)
Broadband Services	1,453	1,337
Transportation and Distribution	8,499	8,283
Corporate and Other	2,773	3,579
Total Assets	\$63,392	\$65,503

(a) Retail Energy Services' total assets have been restated.

7. DERIVATIVE INSTRUMENTS

On January 1, 2001, Enron recognized an after-tax non-cash gain of \$19 million in earnings and deferred an after-tax non-cash gain of \$25 million in "Accumulated Other Comprehensive Income" (OCI), a component of shareholders' equity, and reclassified \$277 million from "Long-Term Debt" to "Other Liabilities" to reflect the initial adoption of Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 must be applied to all derivative instruments and requires that such instruments be recorded in the balance sheet either as an asset or a liability measured at its fair value through earnings, with special accounting permitted for certain qualifying hedges as described in the following paragraphs.

In the ordinary course of business, Enron enters into derivative instruments, as defined in SFAS No. 133, as part of its normal risk management operations, which are subject to parameters established by Enron's Board of Directors. The adoption of SFAS No. 133 has no impact on the way Enron accounts for its risk management business activities.

On a much more limited basis, Enron's other businesses enter into derivative instruments, such as forwards, swaps and other contracts, in order to hedge certain non-trading risks, including interest rate risk, commodity price risk and foreign currency exchange rate risk. Enron primarily uses cash flow hedges, for which Enron's objective is to provide protection against variability in cash flows due to an associated variable risk. Enron accounts for such hedging activity by initially deferring the gain or loss related to the fair value changes in derivative instruments in OCI. The deferred change in fair value is then reclassified into income concurrently with the recognition in income of the cash flow item hedged. The net after-tax amount expected to be reclassified from OCI within the next 12 months is approximately \$10 million. Enron recognized a loss of approximately \$13 million related to ineffectiveness in cash flow hedges. Enron has also entered into a limited number of fair value hedges to protect the fair value of certain liabilities from variability caused by fluctuations in either interest rates or foreign currency exchange rates. Enron accounts for these hedges by recognizing the fair value of both the derivative instrument and the hedged item into income concurrently. There was no material ineffectiveness in fair value hedges during the first six months of 2001. Certain of Enron's unconsolidated affiliates entered into net investment hedges to protect against the foreign currency exposure related to foreign operations. Enron recorded an increase of approximately \$9 million in OCI related to such hedges in 2001. Enron also holds a limited number of derivative instruments in its non-risk management businesses, which do not meet the requirements of SFAS No. 133 for hedge accounting, but provide Enron with an economic hedge of an associated risk.

The maximum amount of time over which cash flow exposure in forecasted transactions is hedged, excluding hedges of variable interest rate risk on existing financial instruments, is approximately 20 years. Derivative contracts are entered into with counterparties who are equivalent to investment grade. Accordingly, Enron does not anticipate any material impact to its financial position or results of operations as a result of nonperformance by the third parties on derivative instruments related to non-risk management business activities.

8. RELATED PARTY TRANSACTIONS

During the second quarter of 2001, Enron did not recognize any material revenues or income from transactions with the limited partnerships discussed below. Additionally, the senior officer, who previously was the general partner of these partnerships, sold all of his financial interests as of July 31, 2001, and no longer has any management responsibilities for these entities. Accordingly, such partnerships are no longer related parties to Enron.

All transactions with these partnerships (the Partnerships) have been approved by Enron's senior risk officers as well as reviewed annually by the Board of Directors. Management believes that the terms of the transactions were reasonable compared to those which could have been negotiated with unrelated third parties.

In the first quarter of 2001, Enron entered into transactions with the Partnerships, now unrelated, to hedge certain merchant investments and other assets. As part of these transactions, Enron has entered into agreements with entities formed in 2000 (the Entities), which included the obligation to deliver 12 million shares of Enron common stock in March 2005 (the Commitment) and entered into derivative instruments which eliminated the contingent nature of existing restricted forward contracts executed in 2000. The Commitment and the shares to be delivered under the derivative instruments are restricted through March 2005. In exchange, Enron received notes receivable from the Entities totaling approximately \$827.6 million. In addition, Enron entered into share settled costless collar arrangements with the Entities on the 12 million shares of Enron common stock. Such transactions will be accounted for as equity transactions when settled. Enron received a \$6.5 million note receivable from the Entities to terminate share-settled options on 7.1 million shares of Enron common stock. The transactions resulted in non-cash increases to non-current assets and equity.

In the first half of 2001, Enron recognized net revenues of approximately \$241.1 million (of which \$5.0 million related to the second quarter), primarily related to the change in the market value of derivatives instruments entered into with the Entities in 2000 to hedge certain merchant investments and other assets. Revenues recognized on the derivative instruments offset market value changes of certain merchant investments and price risk management activities. In addition, Enron and the Entities terminated certain derivative instruments (originally entered into in 2000) with a combined notional value of approximately \$727.2 million. Enron received note receivables from the Entities for approximately \$133.3 million related to such terminations. At June 30, 2001, cash in the Entities of \$156 million was invested in Enron demand notes. Enron recognized \$63 million and \$10 million of interest income and interest expense, respectively, on notes receivable from and notes payable to the Entities. In the second quarter of 2001, Enron acquired investments from the Partnerships for approximately \$36.6 million.

In the first half of 2001, Enron received approximately \$241.8 million from Whitewing Associates, LP (Whitewing), an unconsolidated equity affiliate, related to securitizations. In the second quarter of 2001, Enron acquired investments from Whitewing for approximately \$28.8 million. No gains were recorded by Enron in connection with these transactions. Management believes that these transactions are reasonable compared to those which could have been negotiated with third parties.

PART I. FINANCIAL INFORMATION - (Continued)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
ENRON CORP. AND SUBSIDIARIES

RESULTS OF OPERATIONS

Second Quarter 2001
vs. Second Quarter 2000

The following review of Enron's results of operations should be read in conjunction with the Consolidated Financial Statements.

RESULTS OF OPERATIONS

Consolidated Net Income

Enron's second quarter 2001 net income was \$404 million compared to \$289 million in the second quarter of 2000. Enron's business is divided into five reporting segments including:

Wholesale Services. Wholesale Services includes Enron's wholesale businesses around the world. Wholesale Services operates in developed markets such as North America and Europe, as well as developing or newly deregulating markets including South America and Japan.

Retail Energy Services. Retail Energy Services (Energy Services) is extending Enron's energy expertise and capabilities to end-use retail customers in the industrial and commercial business sectors to manage their energy requirements and reduce their total energy costs.

Broadband Services. Enron's broadband services business (Broadband Services) provides customers with broadband services, including network services intermediation and the delivery of premium content.

Transportation and Distribution. Transportation and Distribution consists of Enron Transportation Services (Transportation Services) and Portland General (PGE). Transportation Services includes Enron's interstate natural gas pipelines, primarily Northern Natural Gas Company (Northern), Transwestern Pipeline Company (Transwestern), Enron's 50% interest in Florida Gas Transmission Company (Florida Gas) and Enron's interests in Northern Border Partners, L.P. and EOTT Energy Partners, L.P. (EOTT).

Corporate and Other. Corporate and Other includes Enron's investment in Azurix Corp. (Azurix), which provides water and wastewater services, results of Enron Renewable Energy Corp., which develops and constructs wind-generated power projects, and the operations of Enron's methanol and MTBE plants as well as overall corporate activities of Enron.

Basic and diluted earnings per share of common stock were as follows:

	Second Quarter	
	2001	2000
Basic earnings per share	\$0.51	\$0.37
Diluted earnings per share	\$0.45	\$0.34

Income Before Interest, Minority Interests and Income Taxes

The following table presents income (loss) before interest, minority interests and income taxes (IBIT) for each of Enron's reporting segments (in millions):

	Second Quarter	
	2001	2000
Wholesale Services	\$ 802	\$ 415
Retail Energy Services	60	46
Broadband Services	(102)	(8)
Transportation and Distribution:		
Transportation Services	77	77
Portland General	65	62
Corporate and Other	(109)	17
Income before interest, minority interests and taxes	\$ 793	\$ 609

Wholesale Services

Enron builds its wholesale businesses through the creation of networks involving selective asset ownership, contractual access to third-party assets and market-making activities. Each market in which Wholesale Services operates utilizes these components in a slightly different manner and is at a different stage of development. This network strategy has enabled Wholesale Services to establish a leading position in its markets. Wholesale Services' activities are categorized into two business lines: (a) Commodity Sales and Services and (b) Assets and Investments. Activities may be integrated into a bundled product offering for Enron's customers.

Wholesale Services manages its portfolio of contracts and assets in order to maximize value, minimize the associated risks and provide overall liquidity. In doing so, Wholesale Services uses portfolio and risk management disciplines, including offsetting or hedging transactions, to manage exposures to market price movements (commodities, interest rates, foreign currencies and equities). Additionally, Wholesale Services manages its liquidity and exposure to third-party credit risk through monetization of its contract portfolio or third-party insurance contracts. Wholesale Services also sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

The following table reflects IBIT for each of Wholesale Services' business lines (in millions):

	Second Quarter	
	2001	2000
Commodity Sales and Services	\$762	\$420
Assets and Investments	134	55
Unallocated expenses	(94)	(60)
Income before interest, minority interests and taxes	\$802	\$415

The following discussion analyzes the contributions to IBIT for each business line.

Commodity Sales and Services. Wholesale Services provides reliable commodity delivery and predictable pricing to its customers through forwards and other contracts. Activity includes the purchase, sale, marketing and delivery of natural gas, electricity, liquids and other commodities, as well as the management of Wholesale Services' own portfolio of contracts. Contracts associated with this activity are accounted for using the mark-to-market method of accounting. Wholesale Services' market-making activity is facilitated through a network of capabilities including selective asset ownership. Accordingly, certain assets involved in the delivery of these services are included in this business (such as intrastate natural gas pipelines, gas storage facilities and certain electric generation assets).

Wholesale Services markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

Second Quarter
2001 2000

Physical Volumes (BBtue/d)(a)

Gas:

North America	25,614	22,438
Europe and Other	7,290	3,593
	32,904	26,031
Transport Volumes	319	595
Total Gas Volumes	33,223	26,626
Crude Oil and Liquids	10,054	5,048
Electricity(b)	31,500	15,056
Total	74,777	46,730

Electricity Volumes Marketed (Thousand MWh)(c)

North America	213,948	124,089
Europe and Other	72,704	12,912
Total	286,652	137,001

Financial Settlements (Notional) (BBtue/d)	258,443	152,627
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- (a) Billion British thermal units equivalent per day.
 (b) Represents electricity volumes, converted to BBtue/d.
 (c) Thousand megawatt-hours.

Earnings from commodity sales and services increased \$342 million in the second quarter of 2001 as compared to the same period in 2000. The quarter over quarter increase was primarily due to increased earnings from North American and European power marketing and certain other marketing operations, partially offset by decreased North American gas marketing results. Profits from North American power marketing operations, which increased significantly, included the sale of three peaking power plants. With increased liquidity in the market, Enron can now use power purchase contracts as an alternative to the peaking plants to directly support contracts to sell power. Earnings from other wholesale marketing operations, including coal, steel and forest products, also contributed to the earnings growth of Enron's commodity sales and services business. Volumes growth, which increased 60 percent in the second quarter of 2001 as compared to the second quarter of 2000, and price volatility in the power markets were the key contributors to increased profits in the power intermediation businesses.

Assets and Investments. Enron's Wholesale businesses make investments in various energy and certain related assets as a part of its network strategy. Wholesale Services either purchases the asset from a third party or develops and constructs the asset. In most cases, Wholesale Services operates and manages such assets. Earnings principally result from operations of the assets or sales of ownership interests.

Additionally, Wholesale Services invests in debt and equity securities of energy-related businesses, which may also utilize Wholesale Services' products and services. With these merchant investments, Enron's influence is much more limited relative to assets Enron develops or constructs. Earnings from these activities, which are accounted for on a fair value basis and are included in revenues, result from changes in the market value of the securities. Wholesale Services uses risk management disciplines, including hedging transactions, to manage the impact of market price movements on its merchant investments.

Earnings from assets and investments increased \$79 million in the second quarter of 2001 as compared to the same period in 2000 as a result of increased valuations of Wholesale Services' merchant investments, sales of interests in international energy assets and improved results from international asset operations.

Unallocated Expenses. Net unallocated expenses such as

systems expenses and performance-related costs increased in 2001 due to increased profitability and the growth of Wholesale Services' businesses.

Retail Energy Services

Energy Services sells or manages the delivery of natural gas, electricity, liquids and other commodities to industrial and commercial customers located in North America and Europe. Energy Services also provides full energy management services. This integrated product includes the management of commodity delivery, energy information and energy assets, and price risk management activities.

Significant components of Energy Services' results are as follows (in millions):

	Second Quarter	
	2001	2000(a)
Revenues	\$557	\$420
Cost of sales	328	295
Operating expenses	168	83
Depreciation and amortization	10	8
Equity losses	(13)	(18)
Other, net	22	30
Income before interest, minority interests and taxes	\$ 60	\$ 46

(a) Amounts for the second quarter of 2000 have been restated. See Note 6 to the Consolidated Financial Statements.

Revenues and gross margin increased \$137 million and \$104 million, respectively, in the second quarter of 2001 compared to the second quarter of 2000, primarily as a result of long-term energy contracts originated in 2001 and the growth of Energy Services' European operations. Operating expenses increased primarily as a result of higher employee-related costs. Equity losses for both periods reflect Energy Services' portion of losses of The New Power Company. Other, net in both the second quarter of 2001 and 2000 consisted primarily of gains associated with securitizations related to The New Power Company.

Broadband Services

Enron is extending its market-making and risk management skills to develop the network services intermediation business that allows customers to manage unexpected fluctuation in the price, supply and demand of network-related requirements, including bandwidth and storage. The Enron Intelligent Network (the EIN), a nationwide fiber optic network, which connects 25 pooling points in North America, Europe and Japan, provides the infrastructure for Broadband Services' products. The EIN also gives Enron a bandwidth-on-demand platform that allows the delivery of high-bandwidth media-rich content. Broadband Services sells interests in certain investments and other assets to improve liquidity and overall return, the timing of which is dependent on market conditions and management's expectations of the investment's value.

Enron is significantly modifying the cost structure of Broadband Services to correspond to slower market development and the associated lower revenue outlook. Enron will focus on the intermediation business while providing content and network services in a cost effective manner. Enron expects losses to continue through at least 2001 in the Broadband Services segment. Future profitability is dependent on the recovery of the broadband and communications sectors.

Significant components of Broadband Services' results are as follows (in millions):

Second Quarter	
2001	2000

Gross margin	\$ (6)	\$ 76
Operating expenses (including depreciation)	93	85
Other, net	(3)	1
Loss before interest, minority interests and taxes	\$(102)	\$ (8)

Gross margin decreased \$82 million in the second quarter of 2001 compared to the second quarter of 2000. Weak market conditions in the broadband and communications sectors negatively impacted the 2001 gross margin. Second quarter 2000 gross margin included earnings from sales of excess dark fiber. Operating expenses (including depreciation) increased as a result of depreciation on fiber-optic related equipment placed into service in late 2000. General and administrative expenses in the second quarter of 2001 were comparable to the prior period.

Transportation and Distribution

Transportation Services. The following table summarizes total volumes transported for each of Enron's interstate natural gas pipelines.

	Second Quarter	
	2001	2000
Total Volumes Transported (BBtu/d)(a)		
Northern Natural Gas	2,908	3,237
Transwestern Pipeline	1,973	1,606
Florida Gas Transmission	1,574	1,591
Northern Border Pipeline	2,303	2,429

(a) Billion British thermal units per day. Reflects 100% of each entity's throughput volumes. Florida Gas and Northern Border Pipeline are unconsolidated equity affiliates.

Significant components of IBIT are as follows (in millions):

	Second Quarter	
	2001	2000
Net revenues	\$121	\$148
Operating expenses	54	76
Depreciation and amortization	17	17
Equity in earnings	16	10
Other, net	11	12
Income before interest and taxes	\$ 77	\$ 77

Revenues, net of cost of sales (net revenues) of Transportation Services decreased \$27 million in the second quarter of 2001 as compared to the second quarter of 2000 primarily due to lower sales of gas storage inventory by Northern, partially offset by increased storage revenues received by Northern and increased revenues generated by Transwestern from transportation and operational gas sales. Operating Expenses decreased \$22 million primarily as a result of decreased overhead costs and the timing of other pipeline expenses. Equity in earnings increased \$6 million in the second quarter of 2001 as compared to the same period in 2000 primarily due to improved operating results from EOTT and Florida Gas.

Portland General. Statistics for PGE for the second quarter of 2001 and 2000 are as follows:

	Second Quarter	
	2001	2000

Electricity Sales (Thousand MWh)		
Residential	1,548	1,480
Commercial	1,785	1,769
Industrial	1,139	1,235
Total Retail	4,472	4,484
Wholesale	3,035	4,909
Total Electricity Sales	7,507	9,393
Average Billed Revenue (cents per kWh)		
	10.95	4.51
Resource Mix		
Coal	12%	7%
Combustion Turbine	17	6
Hydro	7	7
Total Generation	36	20
Firm Purchases	58	74
Secondary Purchases	6	6
Total Resources	100%	100%
Average Variable Power Cost (Mills/kWh)(a)		
	83.6	26.9
Retail Customers (end of period, thousands)		
	730	726

(a) Mills (1/10 cent) per kilowatt-hour.

Significant components of IBIT are as follows (in millions):

	Second Quarter	
	2001	2000
Revenues	\$831	\$431
Purchased power and fuel	624	252
Operating expenses	94	76
Depreciation and amortization	55	46
Other, net	7	5
Income before interest and taxes	\$ 65	\$ 62

Revenues, net of purchased power and fuel costs, increased \$28 million in the second quarter of 2001 as compared to the second quarter of 2000. The increase was due to higher profits from wholesale power sales, partially offset by increased power costs resulting from general market conditions, including lower hydroelectric generation. Operating expenses increased primarily as a result of higher maintenance costs and increased regulatory and overhead expenses. Depreciation and amortization increased in 2001 primarily as a result of increased regulatory amortization.

Corporate and Other

Corporate and Other realized a loss before interest, minority interests and taxes of \$109 million in the second quarter of 2001 while reporting IBIT of \$17 million in the second quarter of 2000. Second quarter 2001 results include higher unallocated corporate-wide expenses and decreased earnings from non-core businesses, including Azurix.

Interest and Related Charges, net

Interest and related charges, net, is reported net of interest capitalized of \$9 million and \$13 million for the second quarter of 2001 and 2000, respectively. Net expense increased \$19 million in the second quarter of 2001 as compared to the same period of 2000, primarily due to increased debt levels.

Minority Interests

Minority interests decreased \$9 million to \$30 million in the second quarter of 2001 compared to the same period in 2000, primarily due to lower earnings from South American operations and the impact of lower interest rates on certain majority-owned limited partnerships.

Income Tax Expense

Income taxes increased during the second quarter of 2001 as compared to the second quarter of 2000 primarily as a result of increased pretax earnings. The projected effective tax rate for 2001 is lower than the statutory rate mainly due to equity earnings, foreign tax rate differential and differences between the book and tax basis of certain assets and stock sales.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2001
vs. Six Months Ended June 30, 2000

RESULTS OF OPERATIONS

Consolidated Net Income

Enron reported net income of \$810 million (excluding a gain of \$19 million related to the cumulative effect of accounting changes) for the first six months of 2001 compared to \$627 million during the same period in 2000.

Basic and diluted earnings per share of common stock were as follows:

	Six Months Ended June 30,	
	2001	2000
Basic earnings per share:		
Before cumulative effect of accounting changes	\$1.02	\$0.80
Cumulative effect of accounting changes	0.02	-
Reported basic earnings per share	\$1.04	\$0.80
Diluted earnings per share:		
Before cumulative effect of accounting changes	\$0.92	\$0.73
Cumulative effect of accounting changes	0.02	-
Reported diluted earnings per share	\$0.94	\$0.73

Income Before Interest, Minority Interests and Income Taxes The following table presents IBIT for each of Enron's reporting segments (in millions):

	Six Months Ended June 30,	
	2001	2000
Wholesale Services	\$1,557	\$ 844
Retail Energy Services	100	52
Broadband Services	(137)	(8)
Transportation and Distribution:		
Transportation Services	210	205
Portland General	125	167
Corporate and Other	(267)	(27)
Income before interest, minority interests and taxes	\$1,588	\$1,233

Wholesale Services

The following table reflects IBIT for each of Wholesale Services' business lines (in millions):

	Six Months Ended June 30,	
	2001	2000
Commodity Sales and Services	\$1,547	\$ 676
Assets and Investments	193	275
Unallocated expenses	(183)	(107)

Income before interest, minority interests and taxes	\$1,557	\$ 844
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The following discussion analyzes the contributions to IBIT for each of the business lines.

Commodity Sales and Services. Wholesale Services markets, transports and provides energy commodities as reflected in the following table (including intercompany amounts):

	Six Months Ended June 30,	
	2001	2000
Physical Volumes (BBtue/d)(a)		
Gas:		
North America	26,430	21,523
Europe and Other	7,991	3,031
	34,421	24,554
Transport Volumes	412	526
Total Gas Volumes	34,833	25,080
Crude Oil and Liquids	8,454	5,591
Electricity(b)	28,677	13,613
Total	71,964	44,284
Electricity Volumes Marketed (Thousand MWh)(c)		
North America	410,012	226,992
Europe and Other	109,042	20,756
Total	519,054	247,748
Financial Settlements (Notional) (BBtue/d)	280,447	147,247

(a) Billion British thermal units equivalent per day.

(b) Represents electricity volumes, converted to BBtue/d.

(c) Thousand megawatt-hours.

Earnings from commodity sales and services increased \$871 million in the first half of 2001 as compared to the same period in 2000. The increase was primarily due to significantly higher earnings from North American power marketing operations and increased earnings from North American gas marketing and European power marketing. Profits from North American power marketing operations included the sale of five peaking power plants. Earnings from other wholesale marketing operations, including coal, steel, weather and forest products, also contributed to the earnings growth of Enron's commodity sales and services business. Volumes growth, which increased 63 percent in the first half of 2001 as compared to the first half of 2000, and price volatility in both the power and gas markets were the key contributors to increased profits in the power and gas intermediation businesses.

Assets and Investments. Earnings from assets and investments decreased \$82 million in the second quarter of 2001 as compared to the same period in 2000 primarily as a result of a decrease in the value of Wholesale Services' merchant investments. Earnings from international asset operations were comparable to 2000 levels.

Unallocated Expenses. Net unallocated expenses such as systems expenses and performance-related costs increased in 2001 due to increased profitability and the growth of Wholesale Services' businesses.

Retail Energy Services

Significant components of Energy Services' results are as follows (in millions):

	Six Months Ended June 30,	
	2001	2000(a)

Revenues	\$1,250	\$734
Cost of sales	823	529
Operating expenses	332	169
Depreciation and amortization	19	17
Equity loss	(28)	(17)
Other, net	52	50
Income before interest, minority interests and taxes	\$ 100	\$ 52

(a) Amounts for 2000 have been restated. See Note 6 to the Consolidated Financial Statements.

Revenues and gross margin increased \$516 million and \$222 million, respectively, in the first half of 2001 compared to the first half of 2000, primarily as a result of long-term energy contracts originated in 2001 and the growth of Energy Services' European operations. Operating expenses increased primarily as a result of higher employee-related costs. Equity losses for both periods reflect Energy Services' portion of losses of The New Power Company. Other, net in 2001 and 2000 consisted primarily of gains associated with securitizations related to The New Power Company.

Broadband Services

	Six Months Ended June 30,	
	2001	2000
Gross margin	\$ 48	\$ 127
Operating expenses (including depreciation)	185	137
Other, net	-	2
Loss before interest, minority interests and taxes	\$(137)	\$ (8)

Gross margin decreased \$79 million in the first half of 2001 compared to the same period of 2000. Weak market conditions in the broadband and communications sectors negatively impacted the 2001 gross margin. Gross margin for 2001 included the realized appreciation associated with a portion of Enron's broadband content delivery platform while gross margin for the first half of 2000 primarily reflects earnings from sales of excess dark fiber and an increase in the market value of Broadband Services' merchant investments. Operating expenses increased due to higher employee-related costs and depreciation on fiber-optic related equipment placed into service in late 2000.

Transportation and Distribution

Transportation Services. The following table summarizes total volumes transported for each of Enron's interstate natural gas pipelines.

	Six Months Ended June 30,	
	2001	2000
Total Volumes Transported (BBtu/d)(a)		
Northern Natural Gas	3,327	3,691
Transwestern Pipeline	1,859	1,584
Florida Gas Transmission	1,404	1,571
Northern Border Pipeline	2,396	2,447

(a) Billion British thermal units per day. Reflects 100% of each entity's throughput volumes. Florida Gas and Northern Border Pipeline are unconsolidated equity affiliates.

Significant components of IBIT are as follows (in

millions):

	Six Months Ended June 30,	
	2001	2000
Net revenues	\$364	\$349
Operating expenses	161	141
Depreciation and amortization	34	33
Equity in earnings	30	17
Other, net	11	13
Income before interest and taxes	\$210	\$205

Revenues, net of cost of sales (net revenues) of Transportation Services increased \$15 million in the first half of 2001 as compared to the first half of 2000 primarily due to increased revenues generated by Transwestern from transportation and operational gas sales and increased storage revenues received by Northern, partially offset by lower sales of gas storage inventory by Northern. Operating Expenses increased \$20 million primarily as a result of higher gas prices and other costs associated with the volumes transported by Transwestern and other pipeline expenses. Equity in earnings increased \$13 million in the first half of 2001 as compared to the same period in 2000 primarily due to improved operating results from EOTT and Florida Gas.

Portland General. Statistics for PGE for the first half of 2001 and 2000 are as follows:

	Six Months Ended June 30,	
	2001	2000
Electricity Sales (Thousand MWh)(a)		
Residential	3,719	3,841
Commercial	3,605	3,641
Industrial	2,339	2,404
Total Retail	9,663	9,886
Wholesale	5,774	9,190
Total Electricity Sales	15,437	19,076
Average Billed Revenue (cents per kWh)	10.22	4.25
Resource Mix		
Coal	14%	10%
Combustion Turbine	17	8
Hydro	6	8
Total Generation	37	26
Firm Purchases	56	68
Secondary Purchases	7	6
Total Resources	100%	100%
Average Variable Power Cost (Mills/kWh)(b)	77.6	23.8
Retail Customers (end of period, thousands)	730	726

(a) Thousand megawatt-hours.

(b) Mills (1/10 cent) per kilowatt-hour.

Significant components of IBIT are as follows (in millions):

	Six Months Ended June 30,	
	2001	2000
Revenues	\$1,598	\$828

Purchased power and fuel	1,206	454
Operating expenses	161	154
Depreciation and amortization	106	92
Other, net	-	39
Income before interest and taxes	\$ 125	\$167

Revenues, net of purchased power and fuel costs, increased \$18 million in the first six months of 2001 as compared to the same period of 2000. The increase was due to higher wholesale power sales, partially offset by increased power costs resulting from general market conditions, including lower hydroelectric generation and higher gas prices. Operating expenses increased primarily as a result of higher maintenance costs and increased regulatory expenses. Depreciation and amortization increased in 2001 primarily as a result of increased regulatory amortization. Other, net in 2000 was favorably impacted by certain regulatory events.

Corporate and Other

Corporate and Other realized a loss before interest, minority interests and taxes of \$267 million in the first six months of 2001 compared to a loss of \$27 million in the first six months of 2000. The 2001 results include higher unallocated corporate-wide expenses and decreased earnings from non-core businesses, including Azurix.

Interest and Related Charges, net

Interest and related charges, net, is reported net of interest capitalized of \$24 million and \$26 million for the first half of 2001 and 2000, respectively. Net expense increased \$59 million in the first half of 2001 as compared to the same period of 2000, primarily due to increased debt levels.

Income Tax Expense

Income taxes increased during the first half of 2001 as compared to the first half of 2000 primarily as a result of increased pretax earnings. The projected effective tax rate for 2001 is lower than the statutory rate mainly due to equity earnings, foreign tax rate differential and differences between the book and tax basis of certain assets and stock sales.

Enron recorded tax benefits in shareholders' equity related to stock options exercised by employees of approximately \$162 million in the first half of 2001.

CUMULATIVE EFFECT OF ACCOUNTING CHANGES

On January 1, 2001, Enron recognized an after-tax non-cash gain of \$19 million in earnings and deferred an after-tax non-cash gain of \$25 million in "Accumulated Other Comprehensive Income," a component of shareholders' equity and reclassified \$277 million from "Long-Term Debt" to "Other Liabilities" to reflect the initial adoption of Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133). SFAS No. 133 must be applied to all derivative instruments and requires that such instruments be recorded in the balance sheet either as an asset or a liability measured at its fair value through earnings, with special accounting permitted for certain qualifying hedges.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142, which must be applied to fiscal years beginning after December 15, 2001, modifies the accounting and reporting of goodwill and intangible assets.

The pronouncement requires entities to discontinue the amortization of goodwill, reallocate all existing goodwill among its reporting segments based on criteria set by SFAS No. 142 and perform initial impairment tests by applying a fair-value-based analysis on the goodwill in each reporting segment. Any impairment at the initial adoption date shall be recognized as the effect of a change in accounting

principle. Subsequent to the initial adoption, goodwill shall be tested for impairment annually or more frequently if circumstances indicate a possible impairment.

Under SFAS No. 142, entities are required to determine the useful life of other intangible assets and amortize the value over the useful life. If the useful life is determined to be indefinite no amortization will be recorded. For intangible assets recognized prior to the adoption of SFAS No. 142, the useful life should be reassessed. Other intangible assets are required to be tested for impairment in a manner similar to goodwill. At June 30, 2001, Enron's goodwill related to consolidated entities was approximately \$3.5 billion. Estimated annual amortization of such goodwill is approximately \$100 million. Enron is in the process of evaluating the application of SFAS No. 142.

FINANCIAL CONDITION

Cash Flows

(In Millions)	Six Months Ended	
	June 30,	
	2001	2000
Cash provided by (used in):		
Operating activities:		
Operating activities excluding		
net margin deposit activity	\$ 1,005	\$ (197)
Net margin deposit activity	(2,342)	(350)
Operating activities	\$(1,337)	\$ (547)
Investing activities	\$(1,161)	\$(2,254)
Financing activities	1,971	3,231

Cash used in operating activities totaled \$1,337 million in the first half of 2001 as compared to \$547 million in the same period last year. Cash used in operating activities in the first half of 2001 reflects cash provided by operations and price risk management activities, offset by net cash used related to margin deposit activity. Excluding net margin deposit activity, cash provided by operating activity was \$1,005 million. Enron received significant cash deposits as credit collateral during the fourth quarter of 2000 resulting from volatility in the power and gas markets. During the first six months of 2001, net deposits of \$2,342 million were returned as volatility in the commodity prices have declined. Net cash used in operating activities in the first half of 2000 primarily reflects net cash used in acquiring merchant assets and investments and working capital requirements. Management anticipates cash from operating activities in the second half of 2001 to be positively impacted by reduced working capital requirements and overall operating activities.

Cash used in investing activities totaled \$1,161 million in the first six months of 2001 as compared to \$2,254 million in the same period of 2000. Cash used in the first six months of 2001 reflects investments in unconsolidated equity affiliates and capital expenditures. Investments in unconsolidated equity affiliates in 2001 include the acquisition of a company whose assets include a newsprint mill and related assets, a power generation related entity and the purchase of all publicly traded shares of Azurix Corp. Capital expenditures in 2001 related to Wholesale Services' energy network.

Cash provided by financing activities totaled \$1,971 million in the first half of 2001 as compared to \$3,231 million during the same period of 2000. The first half of 2001 includes the net issuances of short- and long-term debt of \$2,251, partially offset by payments of dividends.

Enron is able to fund its normal working capital requirements mainly through operations or, when necessary, through the utilization of credit facilities and its ability to sell commercial paper and accounts receivable. Enron has classified as short term, approximately \$1.25 billion of notes payable that is convertible at the option of the noteholder into Enron Corp common stock. Proceeds, the

amount which is based on the market price of Enron common stock for any conversion, may be paid either in cash or in Enron common stock, depending on Enron's stock price at the date of conversion. Based on current conditions, management does not anticipate any of the notes to be converted.

CAPITALIZATION

Total capitalization at June 30, 2001 was \$27.9 billion. Debt as a percentage of total capitalization increased to 46.0% at June 30, 2001 as compared to 40.9% at December 31, 2000. The increase in the ratio reflects increased debt levels, including the issuance in January 2001 of \$1.25 billion of notes payable and increased net short-term borrowings in 2001, and the impact of the decline in value of certain foreign currencies, partially offset by earnings.

FINANCIAL RISK MANAGEMENT

Enron Wholesale's business offers price risk management services primarily related to commodities associated with the energy sector (natural gas, electricity, crude oil and natural gas liquids). Broadband Services also offers price risk management services to its customers. Enron's other businesses also enter into forwards, swaps and other contracts primarily for the purpose of hedging the impact of market fluctuations on assets, liabilities, production and other contractual commitments. Enron utilizes value at risk measures that assume a one-day holding period and a 95% confidence level. For a complete discussion of the types of financial risk management products used by Enron, the types of market risks associated with Enron's portfolio of transactions, and the methods used by Enron to manage market risks, see Enron's Annual Report on Form 10-K for the year ended December 31, 2000.

Enron's value at risk for trading commodity price risk increased to \$79 million at June 30, 2001 as compared to \$66 million at December 31, 2000. This increase is attributable to increased price volatility both in the gas and power markets combined with increased activity in anticipation of the peak summer season.

Enron's value at risk for trading equity declined \$11 million in the first six months of 2001 primarily as a result of sales of merchant investments and decreased volatility.

In addition, value at risk for non-trading interest rate risk increased by \$11 million in the first six months of 2001. This increase is a result of contracts to hedge interest rate risks associated with Yen-denominated notes issued by Enron during the second quarter of 2001.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Report and the Form 10-K include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts contained in these documents are forward-looking statements. Forward-looking statements include, but are not limited to, statements relating to expansion opportunities for the Transportation Services, extension of Enron's business model to new markets and industries, demand in the market for broadband services and high bandwidth applications, transaction volumes in the U.S. power market, commencement of commercial operations of new power plants and pipeline projects, completion of the sale of certain assets and growth in the demand for retail energy outsourcing solutions. When used in this document, the words "anticipate," "believe," "estimate," "expects," "intend," "may," "project," "plan," "should" and similar expressions are intended to be among the statements that identify forward-looking statements. Although Enron believes that its expectations reflected in these forward-looking statements are based on reasonable assumptions, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Important factors that could cause actual results to differ materially from those

in the forward-looking statements herein include success in marketing natural gas and power to wholesale customers; the ability of Enron to penetrate new retail natural gas and electricity markets (including energy outsourcing markets) in the United States and foreign jurisdictions; development of Enron's broadband network and customer demand for intermediation and content services; the timing, extent and market effects of deregulation of energy markets in the United States, including the current energy market conditions in California, and in foreign jurisdictions; other regulatory developments in the United States and in foreign countries, including tax legislation and regulations; political developments in foreign countries; the extent of efforts by governments to privatize natural gas and electric utilities and other industries; the timing and extent of changes in commodity prices for crude oil, natural gas, electricity, foreign currency and interest rates; the extent of success in acquiring oil and gas properties and in discovering, developing, producing and marketing reserves; the timing and success of Enron's efforts to develop international power, pipeline and other infrastructure projects; the effectiveness of Enron's risk management activities; the ability of counterparties to financial risk management instruments and other contracts with Enron to meet their financial commitments to Enron; and Enron's ability to access the capital markets and equity markets during the periods covered by the forward-looking statements, which will depend on general market conditions and Enron's ability to maintain the credit ratings for its unsecured senior long-term debt obligations.

PART II. OTHER INFORMATION
ENRON CORP. AND SUBSIDIARIES

ITEM 1. Legal Proceedings

See Part I. Item 1, Note 3 to Consolidated Financial Statements entitled "Litigation and Other Contingencies," which is incorporated herein by reference.

ITEM 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of Enron Corp. was held on May 1, 2001 in Houston, Texas, for the purposes of electing a board of directors; approving a proposed amendment to Enron's Amended and Restated Articles of Incorporation to increase the total number of authorized shares of Common Stock from 1,200,000,000 to 2,400,000,000, contingent upon certain conditions; approving the Amended and Restated Enron Corp. 1991 Stock Plan (as amended and restated effective May 1, 2001); the appointment of auditors and voting on certain shareholder proposals described below. Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934 and there was no solicitation in opposition to management's nominees.

(a) All of management's nominees for directors as listed in the proxy statement were elected with the following vote:

Nominee	Shares FOR	Shares WITHHELD
Robert A. Belfer	639,538,731	6,982,509
Norman P. Blake, Jr.	640,117,095	6,404,145
Ronnie C. Chan	546,486,640	100,034,600
John H. Duncan	639,626,643	6,894,597
Wendy L. Gramm	631,721,679	14,799,561
Robert K. Jaedicke	639,767,551	6,753,689
Kenneth L. Lay	640,098,009	6,423,231
Charles A. LeMaistre	639,416,086	7,105,154
John Mendelsohn	639,844,439	6,676,801
Paulo V. Ferraz Pereira	640,071,804	6,449,436
Frank Savage	639,970,208	6,551,032
Jeffrey K. Skilling	640,118,885	6,402,355
John Wakeham	633,943,112	12,578,128
Herbert S. Winokur, Jr.	640,043,939	6,477,301

(b) The proposal, contingent upon Enron declaring a stock split of at least 2-for-1 on or before May 1, 2003, to amend Enron's Amended and Restated Articles of Incorporation to increase the total number of authorized shares of Common Stock from 1,200,000,000 to 2,400,000,000 was approved by the following vote:

Shares FOR	Shares AGAINST	Shares ABSTAINING
634,485,158	8,355,896	3,680,186

(c) The Amended and Restated Enron Corp. 1991 Stock Plan (as amended and restated effective May 1, 2001) was approved by the following vote:

Shares FOR	Shares AGAINST	Shares ABSTAINING
572,910,613	68,211,644	5,398,983

(d) The appointment of Arthur Andersen LLP as independent auditor was approved by the following vote:

Shares FOR	Shares AGAINST	Shares ABSTAINING
639,400,879	3,661,979	3,458,382

(e) The votes cast for the proposals from Brent Blackwelder, Dianne Burnham, Hildegard Hannum, and Eleanor MacCracken (collectively, "Friends of the Earth"); General Board of Pension and Health Benefits of The United Methodist Church; Solidago Foundation; Agape Foundation; and Domini Social Investments were as follows:

Shares FOR	Shares AGAINST	Shares ABSTAINING
38,976,823	457,230,799	39,138,546

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit 12 Computation of Ratio of Earnings to Fixed Charges

(b) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENRON CORP.
(Registrant)

Date: August 14, 2001 By: RICHARD A. CAUSEY
Richard A. Causey
Executive Vice President and Chief
Accounting Officer
(Principal Accounting Officer)

ENRON CORP. AND SUBSIDIARIES
COMPUTATION OF RATIO OF EARNINGS TO
FIXED CHARGES
(Dollars in Millions)
(Unaudited)

	Six Months Ended 6/30/01	2000	Year Ended December 31, 1999	1998	1997	1996
Earnings available for fixed charges						
Net income	\$ 810	\$ 979	\$1,024	\$ 703	\$105	\$ 584
Less:						
Undistributed earnings and losses of less than 50% owned affiliates	(22)	20	(12)	(44)	(89)	(39)
Capitalized interest of nonregulated companies	(25)	(44)	(61)	(66)	(16)	(10)
Add:						
Fixed charges(a)	582	1,184	948	809	674	454
Minority interest	70	154	135	77	80	75
Income tax expense	282	478	137	204	(65)	297
Total	\$1,697	\$2,771	\$2,171	\$1,683	\$689	\$1,361
Fixed Charges						
Interest expense(a)	\$ 552	\$1,136	\$ 900	\$ 760	\$624	\$ 404
Rental expense representative of interest factor	30	48	48	49	50	50
Total	\$ 582	\$1,184	\$948	\$ 809	\$674	\$ 454
Ratio of earnings to fixed charges	2.92	2.34	2.29	2.08	1.02	3.00

(1) Amounts exclude costs incurred on sales of accounts receivables.