



Enron
P.O. Box 1188
Houston, TX 77251-1188

News Release

Karen Denne
(713) 853-9757

ENRON REPORTS SECOND QUARTER EARNINGS OF \$0.45 PER DILUTED SHARE; CONFIRMS 2001 EPS ESTIMATE OF \$1.80 AND ANNOUNCES 2002 TARGET

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HOUSTON -- Enron Corp. announced today a 32 percent increase in diluted earnings per share to \$0.45 for the second quarter of 2001 from \$0.34 a year ago. Strong results in the quarter include:

- a 40 percent increase in net income to \$404 million;
- a 58 percent increase in energy volumes delivered to 74 trillion British thermal unit equivalents per day (TBtue/d); and
- an 89 percent increase in new retail energy services contracts to \$7.2 billion.

"Enron completed another quarter of exceptional performance. Our wholesale and retail energy businesses continue to dramatically expand business activity and increase profitability. In addition, Enron is distinct in developing a leading role in the European energy markets and in other high potential wholesale markets," said Jeff Skilling, Enron president and CEO.

"In contrast to our extremely strong energy results, this was a difficult quarter in our broadband business. However, our asset-light approach will allow us to adjust quickly to weak broadband industry conditions. We are significantly reducing our broadband cost structure to match the reduced revenue opportunities currently available," said Skilling.

Enron also announced both confidence in achieving \$1.80 of recurring earnings per diluted share for the full year 2001 and new guidance for 2002 of \$2.15 per diluted share.

PERFORMANCE SUMMARY

Enron's businesses are reported as Wholesale Services, Retail Energy Services, Transportation and Distribution, and Broadband Services.

Wholesale Services: Enron's wholesale business has led the company's growth for more than a decade and continues to deliver very strong results. Income before interest, minority interests and taxes (IBIT) for the business increased 93 percent in the recent quarter to a record level of \$802 million.

Commodity Sales and Services: Enron's wholesale business provides an unparalleled market-making service for customers to secure commitments to purchase or sell gas, power and other commodities at a broad range of physical receipt and delivery points. Enron uses its broad network of owned and contract assets to provide these services at a low cost. In addition, Enron offers customers a range of bundled services with terms structured to fit their business needs.

IBIT related to these activities increased 81 percent to \$762 million in the recent quarter. Wholesale physical volumes continued to experience strong growth, including significant increases in gas, power and crude-related activities:

- Total Wholesale:
 - a 58 percent increase in total wholesale volumes to 74 TBtue/d;
 - a 21 percent increase in natural gas volumes to 32.3 TBtu/d; and
 - a 108 percent increase in power volumes to 285 million megawatt hours.
- North America:
 - a 9 percent increase in natural gas volumes to 25 TBtu/d, and
 - a 71 percent increase in power volumes to 212 million megawatt hours.
- Europe and Other:
 - a 103 percent increase in natural gas volumes to 7.3 TBtu/d, and
 - a 463 percent increase in power volumes to 73 million megawatt hours.

In addition, Enron has demonstrated early success in effectively building physical liquidity in other wholesale markets. During the recent quarter, Enron more than doubled delivered volumes in weather, metals, lumber and steel relative to a year ago.

Enron's broad-based North American energy business led the increase in wholesale profitability, with strong results from power marketing activities across the U.S. Enron's

expanded scale of operations and deep contract access to gas and power supplies in North America have enabled a further reduction in energy asset ownership, including a sale in the recent quarter of three power plants totaling 1,710 megawatts of peaking capacity that directly supported commodity sales contracts. Enron's wholesale energy business in Europe continues to expand, as reflected in increased profitability in the energy marketing operations.

During the quarter, EnronOnline, Enron's eCommerce transaction platform, surpassed one million transactions since inception in late 1999, with over \$685 billion of total gross value transacted to date. EnronOnline continues to advance functionality and price transparency for customers, as well as increase Enron's transaction efficiencies and reduce costs.

Assets and Investments: Enron invests in, develops, constructs and operates energy-related and other assets. IBIT from Assets and Investments was \$134 million compared to \$55 million last year, primarily due to increased valuation and sales of investments relative to a year ago.

Retail Energy Services: Enron Energy Services is the leading provider of energy management services in North America and Europe. IBIT for the business increased 30 percent to \$60 million in the second quarter. Enron's retail business is firmly on track in 2001 to more than double last year's results to \$225 million.

In the second quarter, \$7.2 billion of new contracts were completed, which represents an 89 percent increase compared to a year ago. Enron has very successfully penetrated key customer segments with its outsource energy product, including new contracts with large companies in the hospitality, entertainment and retail food markets in the U.S. and Europe. In addition, Enron is experiencing significant new demand for its products and services from a range of existing and new customers who value Enron's reliable delivery and predictable pricing in uncertain energy markets.

Transportation and Distribution: Enron's Transportation and Distribution segment includes Enron's regulated businesses, Enron Transportation Services and Portland General Electric.

Enron Transportation, comprised largely of Enron's North American interstate gas pipelines, reported \$77 million of IBIT. A pipeline expansion project recently completed by Florida Gas adds 200 million cubic feet per day (MMcf/d) of new capacity to Florida, and a 425

MMcf/d expansion is underway. A 150 MMcf/d capacity addition on the Transwestern pipeline to California will be completed in 2002.

IBIT for Portland General was \$65 million in the second quarter. Portland General continues to optimize over 2,000 MW of owned generation and consistently maintains a balance of supply and demand through its wholesale market activities.

Broadband Services: Enron Broadband Services reported a \$102 million IBIT loss for the second quarter compared to a loss of \$8 million in the same period a year ago. This quarter's loss reflects significantly lower revenues and comparable operating expenses from a year ago. Enron expects to significantly modify the cost structure of its broadband business in the near-term to reduce future losses associated with a lower revenue outlook. Priorities include focusing on the intermediation business and retaining the option value associated with the network and content services business in a cost effective manner.

During the second quarter, Enron completed 759 intermediation transactions, providing circuits, IP, storage and other services. Enron's intermediation business has served 165 customers, including more than 45 new customers in the quarter.

The value of Enron's broadband network and unique business approach is reflected in a recently completed multi-year agreement with MSN to provide bandwidth on-demand and network services. Enron is enabling MSN to dynamically provision and pay for bandwidth based on usage.

Corporate and Other: Corporate and Other reported an IBIT loss of \$109 million for the quarter which included higher unallocated corporate-wide expenses and the impact of Azurix and other non-core businesses.

A conference call with Enron management regarding second quarter results will be conducted live today at 10:00 a.m. EDT and may be accessed through the Investor page at www.enron.com.

Please see attached tables for additional financial information.

This press release includes 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. Although Enron believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. 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 to penetrate new retail natural gas and electricity markets, including the energy outsource market, in the United States and Europe; the timing, extent and market effects of deregulation of energy markets in the United States and in foreign jurisdictions; development of Enron's broadband network and customer demand for intermediation and content services; and conditions of the capital markets and equity markets during the periods covered by the forward looking statements.