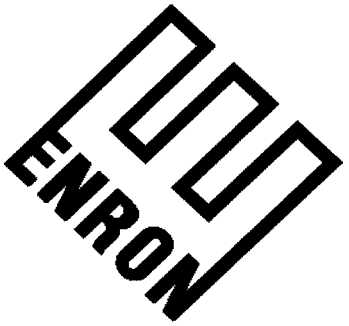
Enron Broadband Services

2001 Plan



Enron Network

Enron Broadband Services
2001 Plan
Table of Contents

	Page
Highlights	1
Gross Margin	2
Commercial Expenses	3
Cross Market Functions	4
Staff Functions/Corporate Charges/Depreciation	5
Funds Flow/Capital Expenditures	6

Enron Broadband Services

2001 Plan

Highlights

($millions except %)

	2000 Plan	2000 Forecast	2001 Plan	% Change
Revenues	330	435	925	113
Gross Margin	225	342	629	84
Commercial Expenses	(35)	(78)	(228)	194
Cross Market Functions	(91)	(112)	(138)	23
Staff Costs	(48)	(45)	(70)	56
Corporate Charges/Other	(16)	(64)	(75)	16
Depreciation and Impairments	(64)	(84)	(184)	120
EBIT	(30)	(40)	(65)	62
Funds Flow	(303)	(252)	(100)	(60)
CAPEX	425	400	700	75

Highlights

Operating

- EIN Fully lit or facilitated by Q4 2001
- TCV - $300 million in 2001, up 88%
- 15,000 DS-3 months in bandwidth business, up 188%
- 1Billion MB delivered in Content, up from 10 million MB in 2000
- Headcount increased from 1,079 to 1,569, up 45%
- 40 POPs, up 90%

Business Development

- Creating liquidity in circuits, IP and streams
- International expansion into Europe, Asia and India
- New origination in Media Services (advertising)
- Continued margin from merchant investing
- Continued global expansion of connectivity, using switching platform

Financial

- Mark to Market available for Circuits, IP and Stream Layers
- Monetizations where appropriate (Blockbuster and other VOD deals)

EXH009-00617

Enron Broadband Services
2001 Plan
Key Components of EBIT
Gross Margin

	2000 Plan ($millions)	2000 Forecast ($millions)	2001 Plan ($millions)	% Change to 2000 Forecast	Current Commercial Headcount	2001 Commercial Headcount	2001 Margin per Headcount ($millions)	Highlights
Origination								
Media & Entertainment	23.1	9.5	90.0	847	44	66	1.4	Blockbuster marked or monetized; create new VOD deals; some IP\Origination
Wholesale	146.3	148.6	165.0	11	30	43	3.8	$ 134 million Dark Fiber margin 2000; 2001 shifts to colo/IP/Circuits
Enterprise	16.0	12.4	40.0	223	18	28	1.4	2001 shift to Large Deals - Bundled deal profile (IBM, EDS)
Media Services	-	-	20.0	NM	3	19	1.1	Structured transactions with advertisers
Latin America	-	5.1	10.1	98	6	8	1.3	Fiber sales in Puerto Rico and structured deals
Remote Offices								
Europe	-	(1.2)	103.4	NM	53	142	0.7	Wholesale fiber sales, structured IP, Commodity trading
Asia	-	-	77.6	NM	7	48	1.6	Selldown of fiber optic concessions, collocation , and internet provider
Trading/Risk Management	2.0	10.5	60.0	471	36	102	0.6	Liquid commodity markets to be created in circuits, IP and streams
Ventures	37.1	157.1	60.0	(62)	4	8	7.5	Earnings from existing or pending portfolio (50%); remainder from future opportunities; overall portfolio is sized about $120 million
Corporate Development	-	-	3.0	NM	3	4	0.8	Web hosting services
Total	224.5	342.0	629.1	84	204	468	1.3	

EXH009-00618

Enron Broadband Services
2001 Plan
Components of EBIT
Commercial Expenses

	2000 Forecast ($millions)	2001 Plan ($millions)	% Change	Current Headcount	Headcount
Origination					
Media & Entertainment	13.2	17.8	35	62	77
Wholesale	9.0	15.2	69	34	47
Enterprise	13.1	13.2	1	26	38
Media Services	0.8	8.7	NM	4	22
Latin America	2.1	3.9	86	9	9
Remote Offices					
Europe	17.5	45.2	158	68	162
Asia	2.5	77.7	NM	10	65
Trading/Risk Management	10.1	33.4	231	80	132
Ventures	1.7	5.0	194	6	10
Corporate Development	2.2	2.5	14	5	5
Office of the Chairman	5.4	5.6	3	8	8
Total	77.6	228.2	194	312	575

Highlights

- First full year of operations in Europe, Latin America, Asia
- Shift in work force from sales to originations
- Commercial expenses increased 15% excluding international expansion

EXH009-00619

Enron Broadband Services
2001 Plan
Components of EBIT
Cross Market Functions *

	2000 Forecast ($millions)	2001 Plan ($millions)	% Change	Current Headcount	2001 Headcount
NetworkCo	40.1	65.3	63	233	320
Front Office	38.9	23.8	(39)	219	275
Mid Office	4.6	9.1	98	43	51
Switching Services	11.2	15.9	42	48	68
Structuring and Sales Engineers	12.2	17.5	43	51	64
Strategic Development	4.7	6.1	30	6	17
Total	111.7	137.7	23	600	795

* After 2001 Capitalized Costs - NetworkCo (12.4); Front Office (31.1); Mid-Office (1.0); Switching Services (8.0)

EXH009-00620

Enron Broadband Services
2001 Plan
Components of EBIT
Staff Functions/Corp Charges/Depreciation

	2000 Forecast ($millions)	2001 Plan ($millions)	% Change	Current Headcount	2001 Headcount
Legal	6.9	13.6	98	16	28
Back Office/Transaction Support	12.7	21.2	68	51	59
IT - Net Works	-	3.8	NM	0	0
Finance	4.0	4.1	2	17	20
Human Resources	5.6	5.5	(2)	29	31
Marketing, Communications, PR	14.3	19.4	35	47	48
Business Controls & Security	1.5	2.4	58	7	13
Total Staff	45.0	70.0	56	167	199
Corp Charges/Other	64.2	74.6	16		
Depreciation/Impairments	83.5	183.6	120		

Enron Broadband Services
2001 Plan
Funds Flow/Capital Expenditures

	2000 Plan ($millions)	2000 Forecast ($millions)	2001 Plan ($millions)	% Change
Funds Flow	(303.4)	(252.0)	(100.0)	(60)
Capital Expenditures				
Fiber		159.7	241.0	51
Fiber Lighting		83.7	126.0	51
Real Estate & Construction		44.2	99.1	124
Routers		19.8	21.0	6
Switches		4.9	84.0	NM
Servers		24.7	20.4	(17)
Set-top Boxes		-	6.0	NM
Non-Network Equipment & Other		63.0	46.5	(26)
Software/Development		-	6.0	NM
India		-	100.0	NM
Reduction in Capital		-	(50.0)	NM
Total	425.0	400.0	700.0	75

EXH009-00622