ENRON Corp.
Third Quarter 2000 Earnings Release

Conference Call Information

Time: 9:00 a.m. (Central)
10:00 a.m. (Eastern)

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Introductions

Jeff Skilling, President and COO
Mark Koenig, Executive VP, Investor Relations
Rick Causey, Executive VP, Chief Accounting Officer
Kevin Hannon, President and COO, Enron Broadband Services

Thank you for joining us on the call and on the web broadcast this morning. Earlier today, we reported our third quarter 2000 results - we hope you have seen the release.

Summary of Earnings

We had an another excellent quarter across the company.

For the third quarter, Enron reported:

- a **26% increase in earnings** to $0.34 per diluted share, compared to $0.27 a year ago;
- a **31% increase in net income** to $292 million, versus $223 million last year,
- a **154% increase in revenues** to $30.0 billion from $12 billion a year ago.

These comparisons exclude last year's nonrecurring gain on the EOG sale and the MTBE-related charge.

Key operating highlights include a 64% increase in physical volumes in our wholesale group, $4.1 billion of new contracts at EES, and increasing volumes in our bandwidth intermediation business.

Wholesale Energy Operations and Services

Our wholesale energy business reported a 66% increase in income before interest, minority interest and taxes (or IBIT) to $627 million in the third quarter versus $378 million last year.

We have consistently increased year over year quarterly earnings in this business for 19 consecutive periods (almost 5 years), due to our extremely strong market positions in every major market where we operate.

We report our wholesale business in two categories:

- *Commodity Sales and Services,* where we market energy commodities and services and manage the associated contract portfolios, and
- *Assets and Investments*, where we invest in, develop, construct and operate energy and other assets worldwide.

IBIT for the **Commodity Sales and Services** business was $404 million for the third quarter - a 135% increase over last year. As I mentioned, total physical volumes delivered grew 64% to 53.5 Bcfe/day versus 32.6 Bcfe/day a year ago.

Before I discuss specific gas and power results, I would like to provide an update of EnronOnline.

EnronOnline

- EnronOnline has provided tremendous scale to our wholesale business. Since inception we have executed over 355,000 transactions online, totaling over $185 billion of gross transaction value.
- The increase in transactions and volumes gives us additional liquidity, information and insight that greatly enhance our ability to make markets and uncover new opportunities.
- EnronOnline remains the only principal-based energy transaction site in the market, and we are not sitting still. In September, we launched Version 2 of EnronOnline, bringing customers advanced features, such as customized product and market screens and the ability to place limit orders.
- We are also rapidly expanding the reach of EnronOnline by adding products such as bandwidth, metals, and pulp and paper. We are now offering almost 1,200 products online.

Natural Gas

Total **natural gas volumes** almost doubled in the third quarter to a record 28.8 Bcf/day from 15.5 Bcf/day in 1999.

- In **North America**, third quarter gas volumes grew 82% to 25.2 Bcf/day from 13.9 Bcf/day last year. We are experiencing the benefits of both growing overall market demand and increasing market share, and our growth is very broad-based.

- Our **U.S.** gas volumes increased 95% in the third quarter to 17.8 Bcf/day, or an increase of 9 Bcf/day, reflecting growth in every market.
- In **Canada**, our volumes were up 57% to 7.4 Bcf/day. Just as in the U.S., EnronOnline has increased price transparency and market liquidity.

- Delivered gas volumes in **Europe** more than doubled to 3.6 Bcf/day in the third quarter versus 1.6 Bcf/day last year.
  - In the **U.K.**, we have seen significantly increased price volatility and there has been a marked increase in the number of both market participants and our counterparties. On the **Continent**, the Gas Directive was implemented in August. Today about 20% of the market is open. The Netherlands, Spain, Belgium and Germany are the most active markets today.

Power

Physical **power volumes** marketed increased **52%** during the quarter to 173 million megawatt hours from 114 million megawatt hours a year ago.

- In **North America**, power volumes increased 46% to 163 million megawatt hours. Again, our power business is very broad-based.
  - During the third quarter, our **U.S.** volumes were split roughly 50/50 between the western and eastern U.S. Supply constraints and resulting price pressures in California and other locations have demonstrated the need for skilled marketers like Enron to provide reliable power supply and stable prices.
  - We are significantly growing our power business in **Canada**. Enron was recently the successful bidder for a 20-year Power Purchase Agreement for approximately 700 MW in Alberta. We acquired long-term contractual access to power output with control over plant dispatch at a cost well below a new-build cost.
- Our power business in **Europe** continues to expand. Physical power volumes in Europe more than tripled to 9.9 million megawatt hours in the recent quarter.

The integration of the recently acquired **metals business** into our wholesale operations is going very well. We are offering metals products through EnronOnline and are actively pursuing longer term, structured and cross-commodity transactions with existing and new customers.

Enron also experienced a 94% increase in **financial settlements** to 212 Bcfe/day. This reflects our unparalleled ability to provide our customers liquidity and price risk management products.

IBIT attributable to our **Assets and Investments** business for the third quarter was $305 million versus last year's level of $240 million due to strong performance from our investments (including net increases in the value of investments and from investment securitizations) and earnings from asset operations. Traditionally this business was largely made up of our development projects internationally and in North America. Today this business also includes merchant investments in the energy and communications sectors. We frequently protect the value of these investments through hedging and other risk management techniques. Our merchant assets and investments generate income from equity earnings and both realized and unrealized gains or losses.

Background Only:

	3Q 2000	3Q 1999		
Wholesale Revenue	$28,145	$11,062	154%	Increase
IBIT (MM)				
Commodity Sales/Services	$404	$172	135%	Increase
Assets and Investments	305	240	27%	Increase
Unallocated Exp.	(82)	(34)	141%	Decrease
Total Wholesale	$627	$378	66%	Increase
Physical Volumes (BBtue/d)	**53.5**	**32.6**	**64%**	**Increase**
Natural Gas (Bcfe/d)				
U.S. (incl. transport)	17.8	9.1	95%	Increase
Canada	7.4	4.7	57%	Increase
Europe/Other	3.6	1.6	121%	Increase
Total	28.8	15.5	86%	Increase
Power (Million MWh)				
United States	163.0	111.3	46%	Increase
Europe/Other	10.5	2.8	277%	Increase
Total	173.5	114.1	52%	Increase
Financial Settlements (Bcfe/d)				
North America	164.0	72.6	126%	Increase
Europe/Other	48.2	36.8	31%	Increase
Total	212.2	109.4	94%	Increase

Overall – a great quarter in our wholesale business, a trend that has continued throughout the year. Year to date, wholesale IBIT is up 41%, and volumes are up 49%.

Retail Energy Services

Enron Energy Services has been running at a breakout pace this year. Enron's ability to provide comprehensive energy outsourcing on a national scale continues to be a key competitive advantage. With this year's high gas and power prices, Enron's price risk management and energy outsourcing services are experiencing much higher demand.

Third quarter **IBIT** of $30 million compared to a loss of $18 million a year ago – a $48 million positive swing in earnings. Year-to-date, this business has reported IBIT of $70 million.

New energy **contracts** totaled $4.1 billion, including a $1 billion 10-year agreement with Starwood Resorts & Hotels. We also closed several mid-size deals with companies such as Compaq, General Growth, Macerich and several others. General Growth and Macerich are two of the largest shopping mall REITs in the country. Together with Simon Properties, a $1.2 billion deal we closed last year, we now manage the energy requirements for three of the top five mall operators in the U.S. We have enormous scale to optimize these assets and maximize efficiency. Also, our initial contracts typically represent only a portion of the outsourcing potential with a customer. Initial contracts with new customers serve as the beginning of relationships that offer big upselling potential. During the third quarter, we closed over $500 million of contracts with existing customers, including Simon Properties. As we perform, our customers are seeing the value in outsourcing additional facilities to Enron.

In Europe, we have two components of our retail business – industrial outsourcing and mid-market outsourcing. Both operations are growing quickly. We are ramping up contracting with the European operations of our U.S. industrial customers. Also, we are seeing significant growth in our European mid-market commodity business, signing up an average of 3,000 small customers a week.

The large increases in contracting activity we have experienced is resulting in significant **revenue** increases. For the third quarter, retail revenues were up over 172% to $1.5 billion.

Background Only:

(MM)	3Q 2000	3Q 1999
Revenues	$1,476	$ 542
CGS	(1,325)	(485)
Gross Margin	$ 151	$ 57
GM as a % of Revenue	10.2%	10.5%
Expenses (incl. Deprec.)	(137)	(82)
Gain on Warrant Sale	30	--
Other	(14)	7
IBIT	$ 30	$(18)

Transportation and Distribution

Enron's Transportation and Distribution business includes Enron Transportation Services (formerly the Gas Pipeline Group) and Portland General Electric. Third quarter IBIT was up 15% to $157 million.

Planned pipeline expansions in Florida are progressing on schedule, with significant capacity increases coming in each of the next three years. All of our major pipelines continue to report solid earnings and cash flow.

Portland General's earnings increased primarily due to increased wholesale margins and volumes sold. The sale of Portland General is expected to close early in the first quarter next year.

(MM) IBIT	3Q 2000	3Q 1999	Change		Reason
Gas Pipeline Group	$ 83	$ 85	2%	**Decrease**	'99 Interest from EOTT to GPG
Portland General	$ 74	$ 52	42%	Increase	higher wholesale vols, margins
Total	$157	$137	15%	Increase	

Broadband Services

Enron reported an IBIT loss of $20 million in the third quarter, reflecting costs to establish this new business, largely offset by revenues from the increased value of our communications-related investments.

We are building a high capacity network as a low-cost platform for delivery of bandwidth services, similar to our energy model. Unlike the energy industry, carrier networks are not adequately interconnected. Enron is creating the switching network that will be highly interconnected with other carriers.

Our network is comprised of fiber, pooling points, network control software and servers.

- With 15,000 miles of owned and swapped **fiber** capacity complete or in installation plus our leased capacity, we connect today to 40 cities and will reach 60 major cities in the U.S. and Europe within just a few months.
- During the third quarter, we completed **pooling points** in nine additional cities. We now have 13 pooling points installed, which was our full-year target. Another six will be complete by year-end. These pooling points are the switches that now provide access to over 50 networks in common carrier hotels and data centers.
- With our **network control software,** we can manage bandwidth independent of the underlying fiber ownership.

- We have over 400 **servers** deployed. We are optimizing our network architecture by incorporating new software technology and deploying servers in the most cost-effective locations.

The network enables us to offer a range of products and services, which we report as Bandwidth Intermediation and Content Services.

Enron is actively making markets and transacting in **Bandwidth Intermediation.**

- In the third quarter, we confirmed 24 trades with 9 counterparties. We also had over 10 additional transaction requests, subject to getting agreements in place. During the quarter, we extended our product beyond circuits – we executed both our first trade for satellite capacity and for IP transport.
- We report in terms of DS3 equivalents delivered (a common denominator for differing capacities actually delivered). In the third quarter, we delivered almost 1,400 DS3 month equivalents, which was a 42% increase over last quarter and equal to our total first half activity. With fourth quarter commitments in hand, we expect to meet or exceed our full year target of 5,000 DS-3 month equivalent deliveries.

In our **Content Services** business, we executed an additional $19 million of new contracts during the quarter, with a significant new contract for IP transport, which includes a firm level of bandwidth services and peaking levels as well. Also, we are deploying the first phase of our Entertainment-on-Demand product for Blockbuster's movie content. As we discussed last quarter, we believe this agreement is one of the largest ever signed and represents enormous long term value – well over $1 billion in future revenues. All product equipment and software components are finalized, and we are rolling out in select neighborhoods of Seattle, Portland, Salt Lake City and New York City.

Corporate and Other

Corporate and Other reported an IBIT loss of $128 million in the third quarter versus a recurring loss of $23 million last year. Included in this segment are corporate expenses and Enron's investments in Azurix, clean fuels and renewable energy. IBIT this quarter was down from last year due to long-term employee compensation tied to specific goals for increasing shareholder value, reduced earnings from equity investments in this group and and increased information technology expenses related to our new business and eCommerce initiatives.

Conclusion

We are very pleased with this quarter's performance and remain comfortable with a full year earnings expectation of $1.40.