FINAL
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ENRON Corp.
First Quarter Earnings Release

Conference Call Information

Time: 9:00am (Central)
10:00am (Eastern)

Dial In: (913) 981-4900; Code 626804
Website: www.enron.com; Reference Investors
Replay: (719) 457-0820; Code 626804 (available until April 24th)

Introductions

Jeff Skilling, President and CEO
Mark Koenig, Executive VP, Investor Relations
Paula Rieker, Managing Director, Investor Relations
Rick Causey, Executive VP and Chief Accounting Officer

Thank you for joining us on the call and web broadcast this morning. Earlier today, we reported our first quarter results.

I will provide a brief overview of our quarterly results, then open the call for your questions.

Summary of Earnings

For the first quarter of 2001, Enron reported outstanding recurring results, including:

- An 18 percent increase in diluted earnings per share to $0.47 (compared to $0.40 a year ago);
- a 281 percent increase in revenues to $50 billion (vs. $13 billion a year ago); and
- a 20 percent increase in net income to $406 million (vs. $338 million a year ago).

Volumes and transaction levels are expanding rapidly. We are translating this activity growth into increased profitability. Our first quarter results demonstrate the tremendous strength of all our businesses.

Today we also announced an increase in our earnings expectations for 2001 to a range of $1.75 to $1.80 per diluted share.

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GOVERNMENT EXHIBIT
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Crim. No. H-04-25 (S-2)

Wholesale Services

Wholesale Services led our strong performance in the first quarter. Total income before interest, minority interest and taxes (or IBIT) for the quarter increased 76 percent to $755 million from $429 million a year ago, marking Wholesale Services' 21st consecutive period of year-over-year quarterly earnings growth.

These earnings are primarily attributable to Enron's leading role worldwide in our Commodity Sales and Services business, where we market and reliably deliver energy and other commodities.

First quarter IBIT for the commodity business increased 207 percent to $785 million. In the first quarter:

- total volumes increased 65 percent to 69 Bcfe/d (versus 42 Bcfe/day a year ago);
- natural gas volumes increased 55 percent to 36 Bcf/d (versus 24 Bcf/day a year ago); and
- power volumes increased 109 percent to 232 million megawatt hours (versus 111 million megawatt hours a year ago).

North America

Our North American natural gas volumes increased 32 percent in the quarter to 27.8 Bcf/d. States east of the Rockies contributed the largest volume increase, followed by solid increases in each of Canada and in the western U.S.

Power volumes in North America increased 90 percent to 195 million megawatt hours. Deliveries in the eastern U.S. grew substantially, accounting for nearly 80 percent of the total increase. We completed the previously announced sale of two peaker plants in the Southeast in the first quarter. Enron continues to actively develop new generation sites, providing both an inventory of future capacity sales and low cost, high value optionality. We have 50 generation prospects under various stages of development in North America.

Europe

Our European energy businesses continue to grow.

Natural gas volumes increased over 250 percent to 8.7 Bcf/d. The accessible market is expanding rapidly due, in part, to the Gas Directive implemented on the Continent in August of last year.

European power volumes increased over 360 percent from a year ago to 36 million megawatt hours. The growth outlook for European power markets is very favorable. The U.K. power market, historically a financial market, has been substantially modified to a physical market through the New Energy Trading Arrangement, or NETA, which became effective March 27th. The new structure provides for long-term and bilateral transactions, which play to Enron's strengths, and is similar to other markets in which we participate.

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Other Businesses
We are successfully extending our business model to new commodity markets. We have already established strong, profitable franchises in new markets, including crude and products, coal, metals and steel. Metals and coal volumes during the quarter increased over 90 percent and 120 percent, respectively.

EnronOnline
EnronOnline continues to provide a key competitive advantage by significantly expanding market reach and increasing efficiencies. During the quarter, Enron executed over 275,000 transactions with a total gross value of $162 billion. Since inception in November 1999, over $525 billion of total gross value has been transacted online. New records for average weekly volume continued to be set throughout the first quarter.

Assets and Investments reported IBIT of $59 million for the first quarter compared to $220 million last year. The change in earnings from last year is primarily due to reduced earnings from Enron's merchant investments and related assets .

WHOLESALE - BACKGROUND ONLY			
IBIT ($MM)	**1Q01**	**1Q00**	**% Increase**
Commodity Sales and Services	785	256	207%
Assets and Investments	59	220	-73%
Unallocated Expenses	(89)	(47)	89%
Total Wholesale	755	429	76%
Physical Volumes			
Natural Gas (Bcf/d)			
U.S. (including transport)	21,404	16,673	28%
Canada	6,358	4,389	45%
Europe/Other	8,699	2,469	252%
Total Gas	36,461	23,531	55%
Power (Million MWh)			
U.S.	195,246	102,903	90%
Europe/Other	36,339	7,844	363%
Total Power	231,585	110,747	109%
Financial Settlements (Bcfe/d)	302,694	141,865	113%

Retail Energy Services

In our Retail Energy Services business, first quarter IBIT increased to $40 million. Contracting continues accelerating, with a nearly 60 percent increase in the current quarter activity to $5.9 billion of new contracts. Recently announced long-term customers include Owens-Illinois, Quaker Oats, Eli Lilly, JCPenney and Saks Incorporated. In total, we added over 2,500 facilities to our service portfolio during the quarter for a total of 31,300 facilities under management. Enron is the largest manager of customer energy assets with more than 3 billion square feet of facilities under management.

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Beginning in 2001, commodity-related risk management associated with Enron's retail customer contracts is being managed by Wholesale Services, consolidating all energy commodity risk management activities within Wholesale. Reported results for the retail and wholesale businesses have been restated to reflect this change. The restated impact to last year's annual IBIT is an $8 million increase to Retail Energy Services and a reduction of the same amount to Wholesale Services. Revenues have also been restated, reducing Retail Services' revenues for last year by $2.8 billion and increasing Wholesale Services' revenue an equal amount.

The retail business will continue to reflect the management of customer relationships, net profits of new commodity contracts originations and all flows related to energy asset management and services. Our 2001 targets of $225 million for Retail IBIT and $30 billion of new contracts remain unchanged.

Transportation and Distribution

Our Transportation and Distribution business is comprised of Enron Transportation Services, which includes our interstate gas pipelines, and Portland General Electric.

Transportation Services continues to report solid earnings, with first quarter IBIT of $133 million compared to $128 million last year. We have several expansions under way, including the addition of 150 MMcf/d of capacity to California, to be placed in-service in 2002, and two capacity additions to Florida for 200 MMcf/d and 425 MMcf/d to be placed in service in the second quarter of this year and next year, respectively.

Portland General reported IBIT of $60 million in the recent quarter compared to $105 million in the first quarter of 2000. Reduced earnings in 2001 reflect higher power costs, reduced investment income and the impacts of certain regulatory events. As previously reported, the sale of Portland General has been delayed due to legislative actions in the western U.S. states that are impacting the sale of assets by the potential buyer. The delay has no impact to Enron's earnings or credit rating.

Broadband Services:

Our broadband business reported an IBIT loss of $35 million in the first quarter.

Our network is substantially complete. We have 25 pooling points operating in North America, Europe and Japan.

As you know, we have two revenue sources in Enron Broadband - Bandwidth Intermediation and Content Services.

In our bandwidth intermediation business, we are making excellent progress in creating a commodity market.

- We completed over 580 transactions in the first quarter, or more than double fourth quarter 2000 activity and more than all of 2000 activity. We also more than doubled our customer base during the quarter with the addition of 70 new customers, for a total of 120 customers. Seventy percent of our customers are carriers or network

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service providers. These two customer groups accounted for about half of the transactions completed in the quarter.

- We are physically delivering bandwidth against our contracts. We report these deliveries in terms of Terabytes, which is a common denominator for different sizes of bandwidth, IP transport and storage capacity. In the first quarter, we delivered 43,400 Terabytes. At the end of the first quarter 2001, we already had commitments in place to deliver over 40 percent of our target of 570,000 Terabytes of deliveries in 2001.

Similar to our gas and power business, the next step will be the origination of long-term, structured transactions. We have had discussions with many interested parties, but this is currently moving slowly as there is a lack of credit capacity in the industry. We are working on ways to improve this.

In our <u>content services</u> business, we are focused almost exclusively on high potential, near-term opportunities with large content providers to provide video-on-demand. We have already successfully demonstrated the technical capabilities of our network. During the first quarter, we terminated our relationship with Blockbuster due to their inability to secure content from major movie studios. We expect to secure premium content directly from content owners. New content-related contracts signed during the quarter totaled $45 million and included the contract with Electronics Boutique. We are also working with our distribution partners to extend our network over DSL, cable and satellite.

Revenues for the quarter relate to the monetization of a portion of Enron's content services business.

This is a very important year for Broadband Services, as we move quickly to become the leading participant in intermediation and content services areas. [Our annual IBIT loss will probably be a little bit higher than we expected (probably $95-$100 million versus earlier estimates of $65 million). Enron's total overall IBIT is over $2.5 billion, so this will not affect our overall earnings per share target for 2001.]

<u>Corporate and Other</u>

In Corporate and Other, we reported an IBIT loss of $158 million for the first quarter of 2001, primarily due to increased unallocated corporate-wide expenses and operating losses from non-core operating businesses including Azurix.

<u>Non-Recurring Items</u>

Like all U.S. companies, Enron was required to adopt new accounting standards in 2001, resulting in a nonrecurring after-tax gain of $19 million, or $0.02 per diluted share, in the first quarter. Enron follows mark-to-market accounting for its price risk management activities. The new rules require certain derivative instruments that are not included in Enron's price risk management activities to be recorded at fair value. Including these nonrecurring results, Enron reported earnings of $0.49 per diluted share in the first quarter of 2001, compared to $0.40 in the same period in 2000.

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California and PG&E Bankruptcy

The press recently reported a $580 million receivable to Enron from PG&E. Let me clarify those reports and update you regarding the California power market. Last week, Enron requested appointment and was appointed to the creditors' committee for the PG&E bankruptcy. Nothing has changed from our earlier disclosures. We fully expect to be paid the amounts due us. In addition, we have adequate reserves and other credit offsets in place to cover this exposure. As we have stated previously, we remain confident that the situation in California will have no material impact on our financial condition and no adverse impact on 2001 earnings.

Conclusion

In summary, our first quarter results were outstanding. Each of our major businesses continue to generate high levels of earnings and provide opportunities to extend our business model to new markets. We are very optimistic about each of our businesses and are confident that our record of growth is sustainable for many years to come.

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