

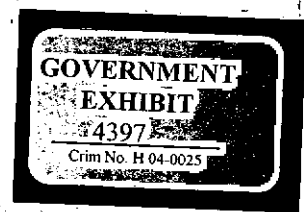
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ENRON CORPORATION

Houston, Texas

October 23, 2001

All Employee Meeting



1 P R O C E E D I N G S

2 KEN LAY: Good morning. Good morning. There it  
3 is. We've got a packed house again, and we appreciate that.  
4 But I think we've got an overflow crowd outside. And some of  
5 you apparently because of fire marshals and other people  
6 like that may have to go back to your desks and watch this on  
7 the webcast. But I'm sorry again we didn't have quite enough  
8 space, but this is the biggest place we've got close by.  
9 Probably in more normal circumstances I would have  
10 had a few more words to say about September the eleventh  
11 because it  
12 obviously has changed our world forever, probably forever.  
13 And horrendous acts of terrorism, needless loss of lives, I  
14 think we've now seen who the true heroes in our country are.  
15 And again, men and women of character and people  
16 willing to run into burning buildings and give their lives  
17 for other people or try to save other people. Somebody commented  
18 recently that I think we're looking to that event and the  
19 very courageous behavior during that event for heroes a lot  
20 more than we're looking at Hollywood today, and that's  
21 probably not all bad.  
22 But, of course, today we're going to talk about  
23 Enron because just like America's under attack by terrorism,  
24 I think we're under attack. And we're going to talk about  
25 that today.  
26 I said we, in my phonemail and my e-mail we do have a lot.

1 to talk about. I've been reading your questions. You  
2 particularly want to hear more about LJM, the related party  
3 transaction which involved our chief financial officer. And,  
4 of course, now we've got the SEC inquiry, informal inquiry,  
5 underway. And I'm going to talk about all of that. And I'm  
6 going to try to talk about anything else you want to talk  
7 about in the Q and A.

8 I will say that there are going to be some limitations  
9 given we do have the SEC request. And that's what it is  
10 right now, a request for some information. But certainly out  
11 of events like this you have lawsuits and other things that  
12 occur. And so I may, I and others in the audience might have  
13 limitations on some specific details. But we're going to be  
14 as candid as we can.

15 But before I discuss this I think it important that  
16 you hear an abbreviated -- of course, recently we've had a  
17 much larger and abbreviated presentation on our third quarter  
18 results from Greg Whalley, our president and chief operating  
19 officer. These results were, in fact, very strong as the  
20 company continues to perform at a very high level.

21 But after Greg concludes his 10 or 15 minute  
22 presentation on the highlights of our third quarter results,  
23 then I'm going to jump back in to talk about LJM and some  
24 other matters and, of course, to take your questions.

25 So Greg, if you'd do that, please.

1 (Applause)

2 GREG WHALLEY: Okay, good morning. I want to thank  
3 everybody for coming today. And I do want to address our  
4 third quarter results. I'll try to be quick, there are a lot  
5 of issues to get to. It shouldn't take me more than about ten  
6 minutes. Despite the fact that we've done some resegmenting  
7 and some incremental disclosures on our business, which we  
8 will, by the way, continue on through the end of the year as  
9 we try to provide balance sheets and allocated capital by  
10 these segments, we still can characterize them, at least for  
11 the time being, in these three broad groups -- the  
12 transportation distribution group, wholesale services group  
13 and the retail services group.  
14 The overall performance of the company was to  
15 report a net income increase of thirty five percent over the prior  
16 over the relative quarter in the prior year. As you look at  
17 the numbers, the transportation distribution numbers, which  
18 includes natural gas pipelines, Portland General and the  
19 global assets, reported an IBIT of eighty seven million for the  
20 quarter compared to a hundred and  
21 seventy six million for the same period a year ago.  
22 The primary results for the decline had to do with  
23 the earnings off of Portland General and had to do with  
24 purchased power to serve their load, which had declined in  
25 value. We'll answer questions on that to the extent

1 necessary. The wholesale services business also reported  
2 substantial earnings growth. Growth in IBIT of twenty eight  
3 percent to seven hundred fifty four million for the third quarter  
4 of two thousand and one compared to the five hundred and eight  
5 nine for the prior year. This increase is attributed to  
6 extremely strong growth throughout the business segment,  
7 especially in the energy businesses in Enron Americas.  
8 The retail services business also reported positive  
9 quarterly IBIT of seventy one million, a hundred and sixty three  
10 percent increase over a year ago.  
11 The profitability continues to accelerate very quickly in the  
12 business and we're very pleased with those results.  
13 Enron's broadband segment reported a loss of eighty  
14 million, which is, substantially exceeded the prior year. And  
15 we'll address some of the issues associated with broadband.  
16 In total we had a total IBIT of seven hundred and seventy three  
17 Million resulting in a net income of three hundred and ninety  
18 three million. There were non-recurring items written off of  
19 about one point oh one billion dollars. Two hundred and eight  
20 seven million dollars of the write-down was related to the sale of  
21 Azurix and the write-down of certain Azurix's assets in North  
22 America. A hundred and eighty three million was associated with  
23 Enron broadband services primarily associated with severance  
24 costs, write-down of inventory costs as well as the write down of  
25 content. Five hundred forty four million related to investments  
26 primarily in new power and other broadband investments and  
27 technology investments in the underlying of the facility that held  
28 them.

