

**CONFIDENTIAL**

To: Distribution

Date: January 17, 2000

From: Paula Rieker

RE: Enron Corp. Fourth Quarter 1999 Earnings Release Draft

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Attached is a draft of the earnings release scheduled to be released tomorrow morning, Tuesday, January 18.

Please provide your comments by 2:00 p.m. today.

Please call me at ext. 37209 to discuss, or fax your comments to 713/646-3002.

Thank you in advance for your prompt response.

*Paula*

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**ENRON CORP. CONTINUES STRONG EARNINGS GROWTH: REPORTS  
FOURTH QUARTER 1999 EARNINGS OF \$0.30 PER DILUTED SHARE**

**FOR IMMEDIATE RELEASE: Tuesday, January 18, 2000**

**HOUSTON** -- Enron Corp. announced today very strong financial and operating results for the full year 1999, including:

- a 30 percent increase in revenues to \$41 billion;
- a 37 percent increase in net income to \$953 million;
- a 17 percent increase in earnings per diluted share to \$1.17;
- a 19 percent increase in marketed volumes to 32 trillion British thermal units per day (TBtue/d); and
- a more than doubling of new retail energy services contracts to \$8.5 billion.

The financial results exclude nonrecurring items.

"Our strong results in both the fourth quarter and the full year 1999 reflect excellent performance in all of our operating businesses. Our wholesale business again registered strong profitability and growth in the rapidly expanding, deregulating energy industry worldwide. Our retail business is now profitable. This business has reached critical mass in contracting activity and service capabilities, and profitability is expected to accelerate rapidly," said Kenneth L. Lay, Enron chairman and chief executive officer. "In addition, Enron continues to develop innovative, high-growth new businesses that capitalize on our core skills, as demonstrated by the early success of our new broadband services business. Overall, a great year -- one in which our shareholders received a total return of 58 percent."

Enron also announced a very successful fourth quarter of 1999, generating earnings of \$0.30 per diluted share, an increase of 25 percent from \$0.24 a year ago.

**FULL YEAR RESULTS**

Enron's businesses include Wholesale Energy Operations and Services (including broadband services), Retail Energy Services, and Transportation and Distribution.

**Wholesale Energy Operations and Services:** Enron's wholesale group consists of two primary lines of business: Commodity Sales and Services (marketing energy commodities and services and managing the associated contract portfolios) and Energy

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Assets and Investments (investing in, developing, constructing and operating energy and other assets.)

The wholesale group increased income before interest, minority interests and taxes (IBIT) 36 percent in 1999 to \$1.3 billion.

Strong earnings in Commodity Sales and Services were reflected in a 55 percent increase in IBIT to \$636 million for 1999. Total deliveries of energy commodities increased 19 percent to 32 TBtue/d, including increases in North America and Europe of 17 percent and 48 percent, respectively. Volume growth reflects expanding, comprehensive supply management contracts for large, regional gas and power utilities. Natural gas volumes increased 22 percent, largely driven by the North American operations. Total power volumes worldwide declined slightly to 391 million megawatt hours due to a single period of unusual activity in the U.S. during the third quarter of 1998. Enron's strong early lead in large, key power markets and the successful launch during 1999 of EnronOnline, Enron's innovative global Internet-based transaction system, are expected to continue contributing significantly to growth in Commodity Sales and Services.

Energy Assets and Investments reported a 19 percent increase in IBIT to \$846 million. The earnings reflect a balanced contribution from Enron's growing energy networks worldwide, diverse energy and communications investments, and sales of power plants developed and constructed to meet energy demands worldwide.

In 1999, Enron began commercial operations of ten wholesale power plants totaling over 4,000 megawatts of capacity. Certain of these new facilities complement Enron's power marketing capabilities and provide customers in North America and Europe with valuable power in periods of high demand. Enron's plants also deliver new sources of electricity to developing markets, such as South America and India.

**Retail Energy Services:** Enron Energy Services offers comprehensive products to reduce energy costs for business customers throughout the U.S. and Europe. Enron Energy Services has built a strong sales and implementation team to capture the lead position in the energy outsource market and now manages over 16,500 facilities worldwide.

During 1999, Enron Energy Services entered into contracts representing \$8.5 billion of customers' future expenditures for natural gas, power and energy services,

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more than double the \$3.8 billion contracted in 1998. The loss before interest and taxes of \$68 million for 1999 represents a significant improvement over the \$119 million loss for the prior year and reflects the results of the increased delivery of energy commodity services under outsource contracts. Enron Energy Services was profitable in the fourth quarter of 1999 (\$7 million of IBIT) and is expected to generate significantly increased profits in 2000 and beyond.

**Transportation and Distribution:** This group includes Enron's Gas Pipeline Group and Portland General Electric. During 1999, Transportation and Distribution generated \$685 million of IBIT versus \$635 million last year.

The Gas Pipeline Group reported IBIT of \$380 million for the full year 1999, compared to \$351 million in 1998. Total volumes transported increased by 4 percent to over 9 billion cubic feet per day. Northern Natural Gas settled its rate case, providing volume and rate flexibility for its customers. Florida Gas Transmission Company filed its application with the Federal Energy Regulatory Commission for the proposed Phase V expansion, which will increase firm transportation by 400 million cubic feet per day to 2.1 billion cubic feet per day including Phase IV.

During the fourth quarter of 1999, Enron entered into an agreement to sell Portland General Electric. The transaction is expected to close in late 2000.

#### **FOURTH QUARTER RESULTS**

Enron earned \$0.30 per diluted share in the fourth quarter of 1999, an increase of 25 percent from \$0.24 last year. Revenues increased significantly to \$12 billion. Earnings for the fourth quarter of 1999 were led by:

- a 36 percent increase in wholesale IBIT as marketed volumes increased 20 percent to 34 TBtue/d; and
- \$7 million IBIT from Enron Energy Services, compared to a loss of \$26 million in the fourth quarter a year ago. In addition, new contracts of \$2.6 billion were originated in the most recent quarter.

#### **OTHER INFORMATION**

For the full year 1999, Enron reported \$1.09 of earnings per diluted share compared to \$1.01 in 1998, after nonrecurring items.

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