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News Release

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ENRON REPORTS RECURRING THIRD QUARTER EARNINGS OF \$0.43 PER DILUTED SHARE; REPORTS NON-RECURRING CHARGES OF \$1.01 BILLION AFTER-TAX; REAFFIRMS RECURRING EARNINGS ESTIMATES OF \$1.80 FOR 2001 AND \$2.15 FOR 2002; AND EXPANDS FINANCIAL REPORTING

FOR IMMEDIATE RELEASE: Tuesday, Oct. 16, 2001

HOUSTON – Enron Corp. (NYSE – ENE) announced today recurring earnings per diluted share of \$0.43 for the third quarter of 2001, compared to \$0.34 a year ago. Total recurring net income increased to \$393 million, versus \$292 million a year ago.

“Our 26 percent increase in recurring earnings per diluted share shows the very strong results of our core wholesale and retail energy businesses and our natural gas pipelines,” said Kenneth L. Lay, Enron chairman and CEO. “The continued excellent prospects in these businesses and Enron’s leading market position make us very confident in our strong earnings outlook.”

Non-recurring charges totaling \$1.01 billion after-tax, or \$(1.11) loss per diluted share, were recognized for the third quarter of 2001. The total net loss for the quarter, including non-recurring items, was \$(618) million, or \$(0.84) per diluted share.

“After a thorough review of our businesses, we have decided to take these charges to clear away issues that have clouded the performance and earnings potential of our core energy businesses,” said Lay.

Enron also reaffirmed today it is on track to continue strong earnings growth and achieve its previously stated targets of recurring earnings per diluted share of \$0.45 for the fourth quarter 2001, \$1.80 for 2001 and \$2.15 for 2002.

PERFORMANCE SUMMARY

Enron has recently expanded the reporting of its financial results by both providing additional segments and expanding financial and operating information in the attached tables. Enron's business segments are as follows:

- Wholesale Services
 - Americas
 - Europe and Other Commodity Markets
- Retail Services
- Transportation and Distribution
 - Natural Gas Pipelines
 - Portland General
 - Global Assets
- Broadband Services
- Corporate and Other

Wholesale Services: Total income before interest, minority interests and taxes (IBIT) increased 28 percent to \$754 million in the third quarter of 2001, compared to \$589 million in the third quarter of last year. Total wholesale physical volumes increased 65 percent to 88.2 trillion British thermal units equivalent per day (Tbtue/d) in the recent quarter.

Americas – This segment consists of Enron's gas and power market-making operations and merchant energy activities in North and South America. IBIT from this segment grew 31 percent to \$701 million in the recent quarter from \$536 million a year ago, driven by strong results from the North America natural gas and power businesses. Natural gas volumes increased 6 percent to 26.7 Tbtu/d, and power volumes increased 77 percent to 290 million megawatt-hours (MWh).

Europe and Other Commodity Markets – This segment includes Enron's European gas and power operations and Enron's other commodity businesses, such as metals, coal, crude and liquids, weather, forest products and steel. For the third quarter of 2001, IBIT for the segment remained unchanged at \$53 million as compared to last year. Although physical volumes increased for each commodity in the segment, the low level of volatility in the gas and power markets caused profitability to remain flat.

Retail Services: Enron's Retail Services product offerings include pricing and delivery of natural gas and power, as well as demand side management services to minimize energy costs for business consumers in North America and Europe. In the third quarter of 2001, Retail Services generated IBIT of \$71 million, compared to \$27 million a year ago. Retail Services continues to successfully penetrate markets with standard, scalable products to reduce consumers' total energy costs. Enron recently added new business with large consumers, including Wal-Mart, Northrop Grumman, the City of Chicago, Equity Office Properties and Wendy's in the U.S. and Sainsbury and Guinness Brewery in the U.K. To date in 2001, Enron has completed over 50 transactions with large consumers. Enron is also successfully extending its retail energy products to small business customers, completing over 95,000 transactions in the first nine months of this year.

Transportation and Distribution: The Transportation and Distribution group includes Natural Gas Pipelines, Portland General and Global Assets.

Natural Gas Pipelines - This segment provided \$85 million of IBIT in the current quarter, up slightly from the same quarter last year. Pipeline expansions are underway in high growth areas and include a 428 million cubic feet per day (MMcf/d) expansion by Florida Gas Transmission and a 150 MMcf/d expansion by Transwestern.

Portland General - Portland General Electric, an electric utility in the northwestern U.S., reported an IBIT loss of \$(17) million compared to IBIT of \$74 million in the same quarter a year ago. Portland General entered into power contracts in prior periods to ensure adequate supply for the recent quarter at prices that were significantly higher than actual settled prices during the third quarter of 2001. Although the rate mechanism in place anticipated and substantially mitigated the effect of the higher purchased power costs, only the amount in excess of a defined baseline was recoverable from ratepayers. Increased power cost recovery was incorporated into Portland General's new fifteen-month rate structure, which became effective October 1, 2001 and included an average 40 percent rate increase.

Last week, Enron announced a definitive agreement to sell Portland General to Northwest Natural Gas for approximately \$1.9 billion and the assumption of approximately \$1.1 billion in Portland General debt. The proposed transaction, which is subject to customary regulatory approvals, is expected to close by late 2002.

Global Assets – The Global Assets segment includes assets not part of Enron's wholesale or retail energy operations. Major assets included in this segment are Elektro, an electric utility in Brazil; Dabhol, a power plant in India; TGS, a natural gas pipeline in Argentina; Azurix; and the Enron Wind operations. For the third quarter of 2001, IBIT for the segment remained unchanged at \$19 million as compared to last year.

Broadband Services: Enron makes markets for bandwidth, IP and storage products and bundles such products for comprehensive network management services. IBIT losses were \$(80) million in the current quarter compared to a \$(20) million loss in the third quarter of last year. This quarter's results include significantly lower investment-related income and lower operating costs.

Corporate and Other: Corporate and Other reported an IBIT loss of \$(59) million for the quarter compared to \$(106) million loss a year ago. Corporate and Other represents the unallocated portion of expenses related to general corporate functions.

NON-RECURRING ITEMS

Enron's results in the third quarter of 2001 include after-tax non-recurring charges of \$1.01 billion, or \$(1.11) per diluted share, consisting of:

- \$287 million related to asset impairments recorded by Azurix Corp. These impairments primarily reflect Azurix's planned disposition of its North American and certain South American service-related businesses;
- \$180 million associated with the restructuring of Broadband Services, including severance costs, loss on the sale of inventory and an impairment to reflect the reduced value of Enron's content services business; and
- \$544 million related to losses associated with certain investments, principally Enron's interest in The New Power Company, broadband and technology investments, and early termination during the third quarter of certain structured finance arrangements with a previously disclosed entity.

OTHER INFORMATION

A conference call with Enron management regarding third quarter results will be conducted live today at 10:00 a.m. EDT and may be accessed through the Investor Relations page at www.enron.com.

Enron is one of the world's leading energy, commodities and service companies. The company makes markets in electricity and natural gas, delivers energy and other physical commodities, and provides financial and risk management services to customers around the world. The stock is traded under the ticker symbol "ENE."

Please see attached tables for additional financial information.

This press release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by Enron or on its behalf. These forward-looking statements are not historical facts, but reflect Enron's current expectations, estimates and projections. All statements contained in the press release which address future operating performance, events or developments that are expected to occur in the future (including statements relating to earnings expectations, sales of assets, or statements expressing general optimism about future operating results) are forward-looking statements. Although Enron believes that its expectations are based on reasonable assumptions, it can give no assurance that its goals will be achieved. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include success in marketing natural gas and power to wholesale customers; the ability to penetrate new retail natural gas and electricity markets, including the energy outsource market, in the United States and Europe; the timing, extent and market effects of deregulation of energy markets in the United States and in foreign jurisdictions; development of Enron's broadband network and customer demand for intermediation and content services; political developments in foreign countries; receipt of regulatory approvals and satisfaction of customary closing conditions to the sale of Portland General; and conditions of the capital markets and equity markets during the periods covered by the forward-looking statements.