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Management Meeting

Energy Convergence

Natural Gas Group

EQUITY RESEARCH

Enron Corp.

(ENE-$60.19) **ATTRACTIVE** **January 28, 2000**

Intense Would Be an Understatement

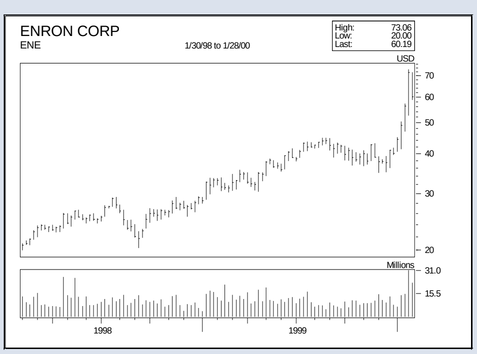
Key Data

52-Week Range	$72-31
Equity Market Cap (MM)	$43,072
Shares Outstanding (MM)	715.6
Float	89%
Institutional Holdings	63.3%
Average Daily Volume (K)	1,212
Indicated Dividend	$0.50
Yield	0.8%
Secular Growth Rate	10%
12-Month Price Target	$80.00
12-Month Total Return Potential	33.7%
Convertible?	No

EPS	1999A	2000E	2001E
1Q	$0.34	$0.37	
2Q	0.27	0.31	
3Q	0.27	0.32	
4Q	0.30	0.35	
Year	$1.18	$1.35	$1.55
P/E	—	44.6x	38.8x
Revenues (MM)	NA	NA	NA

Fiscal year ends December.

Enron Corp. is the world's leading integrated natural gas and electricity company. Its operations include the: marketing/trading of natural gas and electricity; energy financing, construction, generation, services; as well as the exploration, production and transportation of natural gas and oil; and fiber optic based wholesale communications.



Source: FactSet Research Systems Inc.

- **Houston analysts' meeting full of comprehensive presentations and surprises.** Companywide fundamentals remain very strong.
- **Dominant worldwide marketing and trading franchise expanding further internationally.** New target markets include Australia and Japan.
- **EnronOnline becomes immediate success story;** expected to rapidly expand worldwide wholesale market share.
- **Enron Energy Services maintaining torrid contracting pace** and leading market position. Rapid uptick in bottom-line contribution begins.
- **Plans to expand retail strategy** into key international markets.
- **Outline of compelling Broadband Services strategy** including significant agreement with Sun Microsystems.
- **Goal is to leverage off of established energy infrastructure** to become market maker/leader in bandwidth wholesaling and delivery services.
- **Our 12-month price target raised to $80 per share** on value of energy franchise combined with value creation in Broadband Services.

Enron recently updated the financial community on its strategic outlook at its annual analysts' conference in Houston. We believe this was the most informative conference Enron has ever hosted, full of intense presentations and surprises. After an investment summary review and new price target discussion, we summarize the key points we took away from the meeting.

Enron's conference was full of intense presentations and surprises

Investment Summary

We continue to be impressed with the relentless pace and incessant first-mover attitude at which Enron approaches the rapidly unregulating worldwide energy markets (and, more recently, the broadband services market). Beyond its established franchises and dominant positions in high-growth wholesale energy markets, the latest examples of its successful strategy include: its rapid expansion in Australia, Latin America and Japan; the torrid contracting pace and leading position of EES; the immediate success of EnronOnline; and, most recently, its aggressive movement to dominate the broadband marketplace. Given Enron's track record, compelling Broadband strategy and continued strong global growth outlook, we would have a hard time objecting to the company's recent suggestion that it has one of the deepest and most innovative management teams in the world actively working to deliver substantially increased shareholder value.

Price Target

Enron is the leader in many of the markets it operates

As suggested in our January 19th note, we have reviewed our mid-$50s price target on Enron. After giving consideration to its companywide solid growth outlook, as well as the value creation taking place at Broadband Services, we have raised our 12-month price objective to $80 per share. We arrive at this price target by first applying a 50% premium on the 24.6x 2001 market multiple, and then multiplying that product by our $1.55 estimate of its 2001 earnings, resulting in a value of $57 per share. We believe our 50% premium assumption is reasonable, as Enron is the leader in many of the markets it operates; is poised to realize a doubling of contracting activity and surge in bottom-line contribution at EES; and continues to deliver EPS growth at a rate well above that of the overall market.

To be conservative, our $23 per share value for Enron's Broadband Services business is a 40% haircut on the company's

We next add to that $57 per share value a rough $23 per share estimate of the present value of the company's Broadband Services business (based on the projected earnings streams associated with the bandwidth intermediation/content service market, as well as Enron's historical market share capabilities), thus arriving at our $80 target. To be conservative, our $23 per share value for Enron's Broadband Services business is a 40% haircut on the company's current $38 per share estimated present valuation (which one could argue is conservative in itself).

Though our new 12-month $80 price objective suggests continued upside from current trading levels (and could ultimately prove conservative), given the recent momentum in the stock (and the overall higher volatility associated with the shares of tech or tech-related companies), investors should be cognizant of the increased volatility associated with the ENE security moving forward.

Broadband Services

Enron has renamed its Communications division "Enron Broadband Services." Its business model (which, in the company tradition, emphasizes open/robust networks and markets) is aimed at developing the most efficient broadband delivery network in the world. Given that bandwidth intermediation directly parallels its energy expertise, Enron believes it is uniquely positioned to be *the* broadband platform/market maker; and that its "Intelligent Network" will be the industry standard. Along those lines, we do agree with the suggestion that "fiber is to communications what pipelines are to natural gas."

Enron believes it is uniquely positioned to be the broadband platform/market maker

Enron's broadband strategy is based on fiber, servers, pooling points and software. The company is rapidly building out a fiber network, installing servers in strategic locations, establishing pooling points; as well as refining its "Intelligent" software that assists in the routing of data and monitoring of data quality control. Its goal is to offer customers bandwidth on demand at guaranteed quality levels, effectively becoming the largest buyer and seller of bandwidth in the world (as it has already become in the global natural gas and electricity markets).

Beyond making money through the wholesale marketing of bandwidth, Enron is working to become the world's largest provider of premium broadband services (such as video streaming and data management). The company is also working to provide financing options to the industry—such as bandwidth monetization—as it does successfully throughout the energy markets today.

Enron is working to become the world's largest provider of premium broadband services

With increasing demand for video streaming and large file transfer, the high-end bandwidth market is projected to grow dramatically over the next eight years. Though open and flexible, with slow speed and limited data interchange, the Internet cannot effectively handle this traffic. This could be solved by laying fiber with dedicated point-to-point connections (as many are doing today). However, this tends to lack flexibility and is very capital intensive. As a result, Enron is looking for its network (which utilizes all possible fiber available and "Intelligent Software") to bypass the Internet and effectively improve the efficiency of other's fiber. The goal is to get data off the Internet (or other point-to-point fiber systems) as quickly as possible, into one of its servers, onto its network and directly to its destination via an instantly customized route. Enron seeks to do this in a fraction of the traditional time, with the most flexibility and at the lowest cost.

The servers Enron is installing at strategic pooling points along the fiber grid are capable of switching between various providers in order to optimize routes. Helping to drive its stock price surge during the analysts' meeting was the company's announcement of an agreement with Sun Microsystems. The deal calls for Sun to help Enron build out its broadband "Intelligent Network" infrastructure through the optimization of Enron's routing software for use with Sun's products (as well as through the promotion of Enron's high-quality broadband delivery services throughout the industry). To everyone's surprise, Scott McNealy (CEO of Sun Microsystems) made an appearance at the Enron conference, announcing this agreement as well as plans to supply Enron with 18,000 servers to help it rapidly build out the network to

Helping to drive its stock price surge during the analysts' meeting was the company's announcement of an agreement with Sun Microsystems more than 2,000 points of presence worldwide. As a further "blessing" of Enron's strategy, Sun agreed to purchase broadband video streaming services from Enron to support its worldwide operations.

Enron is also working to establish public pooling points in order to increase liquidity in the broadband trading market. It has already developed and used a standardized bandwidth contract, seeking to increase market activity and optionality within its portfolio, as well as seeking to establish useful hedges. Enron will work to aggregate discreet bandwidth obligations (or unused capacity) into portfolios for resale at opportunistic moments.

In addition to the Sun announcement, as further evidence of the serious manner in which the company is taking its Broadband Service strategy, Enron has moved several senior individuals (who helped develop its highly successful wholesale operations) into this business.

Enron's long-term goal is to have 18,000 servers and 2,000 points of presence installed worldwide

Beyond the primary use of third-party fiber lines, Enron expects its own fiber network to reach 18,000 miles by year-end 2001 and 15,000 by year-end 2000, up from 12,325 in 1999, 5,538 in 1998 and 1,755 in 1997. The company plans to have 3,000 servers installed by year-end 2001 and 1,500 by year-end 2000, up from 222 in 1999. It is working to have 40 pooling points up by year-end 2001 and 13 in 2000, up from 3 in 1999. As suggested earlier, Enron's long-term goal is to have 18,000 servers and 2,000 points of presence installed worldwide. Staffing-wise, Enron is looking to have 1,100 employees in this business by year-end 2001 and 775 in 2000, up from 490 in 1999, 89 in 1998 and 25 in 1997.

Through fairly reasonable assumptions, Enron projects its bandwidth intermediation *gross* operating income rising to more than $500 million in 2004, up from a projected $9 million in 2000. With regard to content delivery, the company projects 2004 revenues at $2.5 billion, up from a projected $45 million level in 2000.

We note that Enron is projecting Broadband Services' 2000 capital expenditures at roughly $650 million and net EBIT losses of $60 million. Along those lines, to provide guidance to the Street regarding its success in rolling out this Broadband strategy, the company will regularly release datapoints (such as number of DS-3 months delivered and the total dollar value of contracts delivered).

Enron Energy Services (EES)

The company believes that the ultimate opportunities created by retail deregulation will dwarf that in the wholesale natural gas and electricity markets.

Enron believes it is the only player capable of offering customers commodity management, energy information management, energy asset management, facilities management and capital management.

Management is striving for a 2000 contracting level of $16 billion versus $8.5 billion in 1999, $3.8 in 1998 and $1.2 billion in 1997. The operation's scalability is evident by noting that 2000 revenues are estimated at $2.7 billion (versus $1.8 billion in 1999), with only a $10 million increase in operating expenses. EES's 2000 EBIT goal is $75 million versus a loss of $68 million in 1999, $119 million in 1998 and $107 million in 1997. By year-end 2000, EES plans to be operating roughly 20,000 facilities, up from 17,000 in 1999 and 12,000 in 1998.

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With a domestic retail template well in place, management plans to take EES overseas into Europe, the Southern Cone and the Pacific Rim. Entrance decisions are based on Enron's Wholesale presence, the local regulatory status and the regional acceptance of outsourcing.

Beyond the recent signing of a $500 million, ten-year contract with Chase, EES's portfolio of customers includes other names such as: Owens Corning, Polaroid, Solo, Cisco Systems, GTE, Pacific Bell, Simon Properties, Hilton, Hyatt, Ocean Spray, Enron Field, as well as the public sector. Surprisingly, Enron sees less competition (and has more confidence in its projections) than a year ago. In fact, a further doubling of contracting in 2001 (over the projected $16 billion in 2000) was not ruled out.

By layering its retail points into its overall wholesale network, Enron's arbitrage opportunities go up exponentially. In addition, as the company continues to grow its management sites, it should be able to realize substantial operating efficiencies.

In order to continue to deliver on total outsourcing obligations, Enron will continue to rapidly expand its Facility Services division (which now encompasses 6,000 sites and 4,500 employees). The company has an exclusive agreement with Hartford Steam Boiler that allows Enron to have access to HSB's database of customers and engineering expertise.

EES's customer satisfaction remains well in check, with over 91% of customers suggesting that they would strongly refer Enron to other businesses. In addition, many customers are already having Enron manage their overseas operations.

Many customers are already having Enron manage their overseas operations

Wholesale

Management believes that the distance between itself and its nearest wholesale competitor continues to get wider.

Wholesale's contribution to Enron's overall net income has grown from 5% in 1989 to roughly 75% in 1999. EBIT from Wholesale has grown to $1,317 billion in 1999 from $0.4 billion in 1995. Worldwide physical marketed volumes have grown to 32,429 BBtue/day in 1999 from 8,966 in 1995, a 38% CAGR.

The company believes that industrywide North American marketed wholesale electricity volumes will surge to 18,000 million MWH in 2004 from 3,450 in 1999, representing a 39% projected growth rate.

Enron is already the largest wholesale marketer of natural gas, electricity and coal in the U.S. and various other countries

Enron is already the largest wholesale marketer of natural gas, electricity and coal in the U.S. and various other countries and, within the next few years, may soon become the largest coal intermediary in the world. The company is also the market maker in emissions credits and is also very active in the worldwide pulp and paper arena.

The company continues to spend roughly $500 million per year in peaking generation capacity and will continue to trade its interests in various units for interests in others (in order to diversify its overall portfolio). If the summer power markets continue to be robust, Enron believes these facilities could pay for themselves in a few years.

Within the Assets and Investments area of its Wholesale operation, Enron continues to manage/harvest a large portfolio of merchant investments. At year-end 1999, this portfolio of debt and equity investments was valued at roughly $1.5 billion.

EnronOnline is on track to become the leading Internet commerce site in the world

Given its success thus far, EnronOnline is on track to become the leading Internet commerce site in the world. The company believes it will be the most significant vehicle for volume and market share expansion moving forward. An Internet-based transaction system, EnronOnline is free to customers, as well as being global, multi-commodity, multi-currency and multi-lingual. It provides customers with real-time transparent commodity prices (and customized profiles). The system is helping to bring liquidity to fledgling international markets, currently going through deregulation.

EnronOnline handles natural gas, electricity, coal, plastics, pulp and paper, emissions, LPG, oil/refined products and weather derivatives. Transaction volume is growing exponentially, with a rapidly growing customer base encompassing 30 countries. Counterparty credit limits are monitored throughout the day in order to ensure contract delivery. Each transaction entered into the Web system is immediately entered into Enron's worldwide risk book. The system has been established with wide scalability, able to handle substantially higher volumes and product classes.

EnronOnline's development costs are estimated at just $15 million, before personnel expenses (350 Enron employees have been involved). The company is now handling 20% of its global Btue transactional volume on the system, including more than 50% of Belgium gas.

Enron believes it has the leading energy network in Europe. It currently has 18 offices in 16 countries, with 1,750 employees composed of 42 nationalities speaking 36 languages. Management views its first-mover approach and established infrastructure as a major barrier to entry.

Enron Europe's transactional volume has grown to 24,251 in 1999 from 9,451 in 1998. During that period, its total marketed volumes have nearly doubled to 4,255 BBtue/day from 2,270 in1998. The company is the leading wholesale marketer in the U.K. and Nordic energy market.

Enron continues to expand its Wholesale operations into developing energy markets such as Australia and Japan. Beyond natural gas and electricity, the company currently trades coal (and will soon trade weather derivatives) in Australia. With the Japanese power market opening in March (currently characterized as having the world's highest industrial power prices), Enron sees substantial opportunities. The company's Japan operation is fully scalable, allowing it to efficiently expand into Korea in the next few years.

Enron continues to expand its Wholesale operations into developing energy markets such as Australia and Japan

Enron continues to develop its South American and Caribbean network infrastructure with investments in pipelines, distribution systems, power facilities, LNG shipping and power generation. In India, the company continues to work on phase II of the Dabhol Power plant; has 3 Tcfe of gross natural gas reserves; has an equity interest in a large gas transmission company; and is poised to further expand its network.

General Topics

Enron's Pipeline Group remains competitively positioned to continue generating consistent levels of earnings and cash flow (with limited commodity/weather exposure).

Enron's sale of Portland General is on track for a fourth quarter 2000 close, with the proceeds going to higher-growth areas of the company.

The company believes that the key to its overall success has been: its highly qualified and energized employee base; its ability to successfully access/manage risk; its broad worldwide infrastructure; and its overall financial strength. Its strategy remains to be a first-mover, attacking an opening market at the start of its growth curve.

Enron's strategy is to be a first-mover, attacking an opening market at the start of its growth curve

Management pointed out the following total ENE shareholder returns. For 1999: 58% versus 21% for the S&P 500 and 7% for the Pipe peer group. For 1998-1999: 121% versus 56% for the S&P 500 and 1% for the Pipes. For the 1990s decade: 704% versus 432% for the S&P 500, 173% for the Pipelines and 148% for the Utility Index. The company expects continued above-average returns moving forward.

Management summarized the following key messages for 2000: continued strong growth in worldwide Wholesale Energy; strong breakout performance year in EES; substantial critical mass rollout of its broadband services strategy; and an increased emphasis on capital efficiency.

The company's asset base has grown to $35 billion in 1999 from $9 billion in 1989, with total revenues rising to north of $40 billion over this time period.

With substantial growth in its worldwide operations, Enron's employee base has increased dramatically (from 6,800 in 1989 to nearly 18,000 currently—with the average having eight years of ENE experience). A large portion of this increase has come from highly skilled hires, as 3,560 have advanced degrees. As evidence of its global thinking and reach, management pointed out how Enron actively transacts in 50 languages throughout offices around the world.

Enron actively transacts in 50 languages throughout offices around the world

Risks

Include heightened levels of competition, unfavorable changes in the regulatory environment, marketing losses beyond value-at-risk limits and the inability to successfully deploy its Broadband Services strategy.

Additional information available upon request.

Prices of companies mentioned as of January 28, 2000:

Enron Corp.	3	ENE	$60.19
Sun Microsystems	2	SUNW	$75.06

2. PaineWebber Incorporated makes a market in this security.

3. PaineWebber Incorporated has acted in an investment banking capacity for this company.

Exhibit 2: Enron Corp. Consolidated Summary Income Statement
Dollars in millions, except per share data

EBIT BY DIVISION	1997	1998	1Q	2Q	3Q	4QP	1999P	1QE	2QE	3QE	4QE	2000E	2001E
EXPLORATION & PRODUCTION	$183.0	$128.0	$12.0	$20.0	$33.0	$0.0	$65.0	-	-	-	-	-	-
TRANSPORTATION & DISTRIBUTION													
Gas Pipeline Group	364.0	351.0	126.0	72.0	85.0	97.0	380.0	129.9	74.3	87.6	100.0	391.9	407.5
Portland General	114.0	286.0	92.0	56.0	52.0	105.0	305.0	92.9	56.6	52.5	106.1	308.1	-
WHOLESALE ENERGY OPERATIONS													
Commodity Sales and Services	249.0	411.0	224.0	81.0	172.0	151.0	628.0	254.9	133.7	182.3	179.7	750.6	945.7
Energy Assets and Investments	565.0	709.0	136.0	325.0	240.0	149.0	850.0	169.8	341.3	268.8	246.4	1,026.2	1,282.7
Unallocated Expenses	(160.0)	(152.0)	(40.0)	(50.0)	(34.0)	(37.0)	(161.0)	(42.4)	(54.0)	(36.0)	(39.6)	(172.0)	(184.1)
Total Wholesale Energy Operations	654.0	968.0	320.0	356.0	378.0	263.0	1,317.0	382.3	420.9	415.1	386.5	1,604.7	2,044.4
RETAIL ENERGY SERVICES	(46.0)	(119.0)	(31.0)	(26.0)	(18.0)	7.0	(68.0)	9.0	15.0	21.0	32.0	77.0	135.0
BROADBAND SERVICES								(15.0)	(16.0)	(16.0)	(15.0)	(62.0)	(52.0)
Corporate and other (including Azurix)	(31.0)	7.0	13.0	(9.0)	(23.0)	1.0	(18.0)	(7.0)	(7.0)	(5.0)	(3.0)	(22.0)	(25.0)
EB Interest, Minority Interest & Taxes [EBIT]	**1,238.0**	**1,621.0**	**532.0**	**469.0**	**507.0**	**473.0**	**1,981.0**	**592.1**	**543.8**	**555.2**	**606.5**	**2,297.6**	**2,509.9**
Interest Expense	401.0	550.0	175.0	175.0	187.0	119.0	656.0	168.0	168.0	165.0	169.0	670.0	594.4
Dividends on Preferred Stock of Subsidiaries	69.0	77.0	19.0	19.0	19.0	19.0	76.0	19.0	19.0	19.0	19.0	76.0	76.0
Minority Interests	80.0	77.0	33.0	23.0	38.0	41.0	135.0	33.0	33.0	33.0	33.0	132.0	133.3
Earnings Before Tax	688.0	917.0	305.0	252.0	263.0	294.0	1,114.0	372.1	323.8	338.2	385.5	1,419.6	1,706.2
Income Tax Provision	(123.5)	(217.4)	(52.9)	(30.0)	(39.7)	(35.0)	(157.6)	(68.1)	(61.2)	(63.9)	(71.3)	(264.5)	(327.6)
Effective Tax Rate	*18.0%*	*23.7%*	*17.3%*	*11.9%*	*15.1%*	*11.9%*	*14.1%*	*18.3%*	*18.9%*	*18.9%*	*18.5%*	*18.6%*	*19.2%*
Net Income	564.5	699.6	252.1	222.0	223.3	259.0	956.4	304.0	262.6	274.3	314.2	1,155.1	1,378.6
Preferred dividends - Dilutive	17.0	17.0	4.0	5.0	4.0	4.0	17.0	4.0	4.0	4.0	4.0	16.0	16.0
Preferred dividends - Antidilutive	-	-	-	14.0	15.0	20.0	49.0	16.0	16.0	16.0	16.0	64.0	64.0
Net Income to Common	547.5	682.6	248.1	208.0	208.3	239.0	903.4	300.0	246.6	258.3	298.2	1,103.1	1,314.6
Recurring Diluted Earnings per Share	**$1.13**	**$1.01**	**$0.34**	**$0.27**	**$0.27**	**$0.31**	**$1.18**	**$0.37**	**$0.31**	**$0.32**	**$0.36**	**$1.35**	**$1.56**
% change from prior comparable period	*24%*	*-11%*	*4%*	*29%*	*13%*	*28%*	*17%*	*8%*	*14%*	*18%*	*17%*	*14%*	*15%*
Average diluted shares outstanding	499.3	694.9	744.2	771.0	781.1	779.1	768.9	786.9	801.8	817.5	833.8	810.0	845.0
Common dividends paid	*$0.58*	*$0.48*	*$0.13*	*$0.13*	*$0.13*	*$0.13*	*$0.51*	*$0.13*	*$0.13*	*$0.13*	*$0.13*	*$0.52*	*$0.53*

Source: Company data and PaineWebber.

Exhibit 2: Enron Corp. Consolidated Statement of Cash Flows

Dollars in millions, except per share data

	1995	1996	1997	1998	1999P	2000E	2001E
CASH FLOWS from OPERATING ACTIVITIES							
Net income / (loss)	$488.0	$493.0	$564.5	$699.6	$956.4	$1,103.1	$1,314.6
Depreciation, depletion and amortization	$432.0	$474.0	$600.0	827.0	867.0	725.0	720.0
Oil and gas exploration expenses	$79.0	$89.0	$102.0	121.0	60.0	0.0	0.0
Deferred income taxes	$216.0	$207.0	($174.0)	87.0	125.0	100.0	50.0
Cash Flow Per Share	***$4.53***	***$2.34***	***$2.19***	***$2.50***	***$2.61***	***$2.38***	***$2.47***
% change from prior comparable period		*-48%*	*-6%*	*14%*	*5%*	*-9%*	*4%*
Gains on sales of assets and investments	(530.0)	(274.0)	(195.0)	(82.0)	(400.0)	(300.0)	(200.0)
Changes in components of working capital	(834.0)	142.0	(65.0)	(233.0)	(200.0)	(100.0)	(100.0)
Net assets from price risk management activities	(98.0)	15.0	201.0	350.0	200.0	300.0	300.0
Merchant assets and investments:							
Realized gains on sales	(43.0)	0.0	(136.0)	(628.0)	(265.0)	(345.0)	(345.0)
Proceeds from sales	0.0	0.0	339.0	1,434.0	1,200.0	1,400.0	1,500.0
Additions	0.0	(192.0)	(308.0)	(721.0)	(700.0)	(825.0)	(925.0)
Other operating activities	275.0	(70.0)	(717.5)	(214.6)	(150.0)	(300.0)	(400.0)
	(15.0)	884.0	211.0	1,640.0	1,693.4	1,758.1	1,914.6
CASH FLOWS from INVESTING ACTIVITIES							
Capital expenditures	(777.0)	(864.0)	(1,392.0)	(1,905.0)	(2,250.0)	(1,900.0)	(2,000.0)
Equity investments	(170.0)	(619.0)	(700.0)	(1,659.0)	(1,550.0)	(850.0)	(1,000.0)
Proceeds from sales of assets and investments		477.0	473.0	239.0	500.0	750.0	2,000.0
Acquisition of subsidiary stock	0.0	0.0	0.0	(180.0)	0.0	0.0	0.0
Business acquisitions, net of cash acquired	0.0	0.0	(82.0)	(104.0)	(95.0)	(100.0)	(300.0)
Other investing activities	(36.0)	(68.0)	(445.0)	(356.0)	(400.0)	(300.0)	(400.0)
	(983.0)	(1,074.0)	(2,146.0)	(3,965.0)	(3,795.0)	(2,400.0)	(1,700.0)
CASH FLOWS from FINANCING ACTIVITIES							
Issuance of long-term debt	967.0	359.0	1,817.0	1,903.0	2,250.0	1,150.0	1,260.0
Repayment of long-term debt	(448.0)	(294.0)	(607.0)	(870.0)	(800.0)	(500.0)	(1,000.0)
Net increase / (decrease) in short-term borrowings	(250.0)	217.0	464.0	(158.0)	0.0	5.0	5.0
Issuance of company-obligated preferred securities of subsidiaries	0.0	215.0	372.0	8.0	0.0	0.0	0.0
Issuance of common stock	20.0	102.0	0.0	867.0	975.0	400.0	0.0
Issuance of subsidiary equity	0.0	0.0	555.0	828.0	0.0	0.0	0.0
Dividends paid	(254.0)	(281.0)	(354.0)	(414.0)	(464.3)	(524.2)	(600.0)
Net (acquisition) / disposition of treasury stock	(64.0)	5.0	(422.0)	13.0	10.0	10.0	10.0
Other financing activities	14.0	8.0	24.0	89.0	125.0	100.0	115.0
	(15.0)	331.0	1,849.0	2,266.0	2,095.7	640.8	(210.0)
Increase/(decrease) in Cash and Cash Equivalents	($1,013.0)	$141.0	($85.3)	($59.0)	($5.8)	($1.1)	$4.6
Cash and Cash Equivalents, Beginning of Period	$132.0	$115.0	$256.0	$170.7	$111.7	$105.9	$104.8
Cash and Cash Equivalents, End of Period	**($881.0)**	**$256.0**	**$170.7**	**$111.7**	**$105.9**	**$104.8**	**$109.4**

Source: Company data and PaineWebber, Inc.

Exhibit 3: Enron Corp. Consolidated Capital Structure

	1995	1996	1997	1998	1999P	2000E	2001E
Millions of dollars							
Long-term debt	$3,065	$3,349	$6,254	$7,357	$8,807	$9,457	$9,717
Minority interests	549	755	1,147	2,143	2,263	2,383	2,503
Company-obligated preferred securities of subsidiaries	377	592	993	1,001	1,001	1,001	1,001
Second preferred stock	138	137	134	132	130	128	128
Total Debt & Debt Equivalents	4,129	4,833	8,528	10,633	12,201	12,969	13,349
Common equity	3,165	3,723	5,618	7,048	8,525	9,514	10,239
Total Capitalization	**$7,294**	**$8,556**	**$14,146**	**$17,681**	**$20,726**	**$22,483**	**$23,588**

Percentage basis							
Long-term debt	*42%*	*39%*	*44%*	*42%*	*42%*	*42%*	*41%*
Minority interests	*8%*	*9%*	*8%*	*12%*	*11%*	*11%*	*11%*
Company-obligated preferred securities of subsidiaries	*5%*	*7%*	*7%*	*6%*	*5%*	*4%*	*4%*
Second preferred stock	*2%*	*2%*	*1%*	*1%*	*1%*	*1%*	*1%*
Total Debt & Debt Equivalents	*57%*	*56%*	*60%*	*60%*	*59%*	*58%*	*57%*
Common equity	*43%*	*44%*	*40%*	*40%*	*41%*	*42%*	*43%*
Total Capitalization	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*

Source: Company data and PaineWebber.