

# Enron Reports \$1 Billion In Charges And a Loss

By KENNETH N. GILPIN

The Enron Corporation, the nation's leading wholesale electricity marketer and natural gas trader, posted a third-quarter loss yesterday because of more than \$1 billion in one-time charges for various businesses.

The company reported a net loss of \$418 million, or 84 cents a share, in contrast to net income of \$292 million, or 34 cents a share, in the period a year earlier. Excluding charges, Enron said it earned \$393 million, or 43 cents a share. Revenue jumped 59 percent, to \$47.5 billion, from \$30 billion a year ago.

The charges, which total \$1.01 billion, or \$1.11 a share, included a \$287 million write-down on Azurix, the company's troubled water-management division, and \$180 billion in restructuring charges at its broadband telecommunications operation.

But more than half the charges were related to various investment losses, mostly from Enron's stake in the New Power Company, a retail electricity joint venture with AOL Time Warner and L.B.M.

"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," Kenneth L. Lay, Enron's chairman and chief executive, said in a statement.

Even as its stock surged last year and into this year, analysts complained that the company had a complex web of businesses and lacked clarity in its financial reporting.

In the wake of the California energy crisis, the value of Enron shares began a sharp retreat, and the focus on problems at some of its operations intensified.

On Aug. 14, Jeffrey K. Skilling abruptly resigned as president and chief executive after just six months on the job. The move forced Mr. Lay, who transformed the company from an intrastate pipeline company into an energy conglomerate, to resume operational control.

Wall Street had been expecting write-offs, and analysts said more could be coming. But the news yesterday had little effect on Enron's shares, which rose 67 cents, to \$33.84. They are off 59 percent this year.

"They didn't telegraph exactly what they were going to do, or when or how," said David Fleischer, an analyst at Goldman, Sachs. "But for many quarters the topic has been how many billions are they going to write off? Now the question is, 'What's next?'"

Ronald Barone, an analyst at UBS Warburg, said the write-offs were "a step in the right direction."

"Investors can look at this with more confidence that problems are being faced and addressed," he said.

Mr. Barone and others said the company might have to make decisions at some point about troubled international assets, including its power plant in India as well as its broadband unit.

Earlier this year, Mr. Skilling insisted that Enron's broadband trading business was worth \$35 billion. After the restructuring yesterday, Enron has a \$600 million investment in broadband.

"I don't think anyone knows what the broadband operation is worth," said Todd Shupman, an analyst at Standard & Poor's. "It seems to me they don't think there is a big prospect of a short-term turnaround. They are putting the whole thing in cold storage."

Despite Enron's potential, analysts said Mr. Lay faced a considerable task.

"Management has lost credibility and have to reprove themselves," Mr. Fleischer at Goldman, Sachs said. "They need to convince investors these earnings are real, that the company is for real and that growth will be realized. That has to be proven over time."

The earnings report issued yesterday provides "a little more breakdown," he added, "but it will take more disclosure."

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