Reliant Energy Reports Second Qtr 2002 Earnings

Houston, TX. - Reliant Energy, Incorporated (NYSE: REI) today reported net income for the second quarter of 2002, of $236 million, or $0.79 per diluted share, compared to net income of $316 million, or $1.08 per diluted share, for the second quarter of 2001. Reliant Energy's earnings reflect its approximately 83 percent interest in Reliant Resources (NYSE: RRI).

The decrease in net income for the second quarter of 2002 was largely driven by an earnings decline in the company's wholesale energy segment due to less favorable market conditions, somewhat offset by increases in earnings in the company's retail energy, European energy and natural gas distribution segments. Results for the second quarter of 2002 also reflected increased interest expense and a negative impact related to the ZENS securities.

For the six months ended June 30, 2002, Reliant Energy reported income before the cumulative effect of accounting change of $461 million, or $1.55 per diluted share, compared to $517 million, or $1.78 per diluted share, for the same period of 2001. The decrease for this period was largely driven by the factors discussed above.

"The company and our industry have faced many challenges in recent months," said Steve Letbetter, chairman, president and chief executive officer. "We remain focused on the effective operation of our businesses, and in the quarter, our retail electric business in Houston and our regulated natural gas distribution operations performed very well. However, weak wholesale market conditions negatively impacted our results."

Summary of Two New Reportable Business Segments This year, Reliant Energy started reporting two new reportable business segments, electric transmission & distribution and electric generation, instead of the former electric operations segment. With the opening of the Texas market to retail electric competition in January, generation and retail electric sales were deregulated. Retail electric sales are now reported as the retail energy segment of Reliant Resources and the previously regulated generation operations in Texas are being reported in the new segment, electric generation.

The electric transmission and distribution segment reports results from two sources, including the regulated transmission and distribution operations as well as the impacts of generation-related stranded costs recoverable by the regulated utility. This segment also reports the impact of some regulated electric utility operations resulting from the transition to a restructured electric market in Texas.

As a result of the implementation of deregulation and the subsequent new segments, there are no meaningful comparisons for these segments against prior periods.

EBIT BY SEGMENT DETAILED

Electric Transmission & Distribution

The electric transmission & distribution segment reported EBIT (earnings before interest and taxes) of $277 million for the second quarter of 2002. This reflected EBIT of $107 million for the regulated electric transmission and distribution business and non-cash EBIT of $170 million associated with certain generation-related regulatory assets (ECOM, or Excess Cost Over Market, true-up) recorded pursuant to the Texas restructuring law.

The electric transmission and distribution business recovers the cost of its service through an energy delivery charge. This business benefited from growth in residential demand in the second quarter of 2002 compared to the same period of last year, partially offset by an anticipated decline in deliveries to industrial customers resulting from a move to self-generation. Metered electric customers, totaling 1.75 million at the end of the second quarter of 2002, continue to grow at an annualized rate of 2 percent.

Under the Texas restructuring law, a regulated utility may recover as part of its stranded investment any difference between auction market prices and the market prices used in the Texas Public Utility Commission's ECOM model. This difference, which is recorded as a regulatory asset, produced the $170 million of non-cash EBIT for the ECOM true-up in the second quarter of 2002.

Although the company's retail electric sales are now conducted by Reliant Resources, retail customers remained regulated customers of Reliant Energy HL&P through the date of their first meter reading in 2002. Sales during this transition period produced EBIT of $14 million in the first quarter of 2002, which is reflected in this segment. In the second quarter of 2002, additional costs of $7 million associated with transitioning to a competitive marketplace were incurred. The company expects to

continue to incur transition costs during the remainder of the year, which the company anticipates will substantially offset the EBIT recorded in the first quarter.

Electric Generation

The electric generation segment is comprised of over 14,000 MW of electric generation located entirely in the state of Texas, and will be called Texas Genco after the company's restructuring. This segment reported a $26 million loss before interest and taxes for the second quarter of 2002.

Natural Gas Distribution

The natural gas distribution segment reported EBIT of $14 million for the second quarter of 2002 compared to a loss before interest and taxes of $41 million for the same period of 2001. The amount of goodwill amortization expense recognized in the second quarter of 2001 was approximately $8 million. A significant improvement in bad debt expense in the second quarter of 2002 compared to the high levels of bad debt experienced in the same period last year contributed to the operating improvement. Also contributing to the quarter-over-quarter EBIT increase were changes in estimates of unbilled revenues and deferred gas costs, which negatively impacted the second quarter of 2001.

Pipelines and Gathering

EBIT for the pipelines and gathering segment increased to $41 million for the second quarter of 2002 compared to $34 million for the same period of 2001. The amount of goodwill amortization expense recognized in the second quarter of 2001 was approximately $4 million.

Wholesale Energy

EBIT for the wholesale energy segment was $31 million in the second quarter of 2002, compared to $298 million in the same period of 2001. The decrease was primarily due to less favorable market conditions, which resulted in lower operating margins from trading and marketing activities and power generation operations. Other factors affecting the decrease include: charges in connection with the cancellation of power plant development projects; increased depreciation expense related to ownership of the Orion assets and a write-off due to closure of a power plant in Pennsylvania; increased operation and maintenance expense primarily related to ownership of the Orion assets and an increase in a reserve for anticipated refunds to be ordered by the FERC relating to California operations.

Retail Energy

The company's retail energy segment produced EBIT of $205 million in the second quarter of 2002, compared to a loss of $2 million in the second quarter of 2001. The Texas retail electricity market opened to full competition in January 2002. At that time, the retail energy segment began serving approximately 1.7 million electricity customers in the greater Houston, Texas area. These increased sales were partially offset by increased overhead, gross receipts taxes, marketing and bad debt expense.

European Energy

The European energy segment produced EBIT of $105 million in the second quarter of 2002, compared to $62 million in the 2001 period. This increase was primarily the result of a one-time net gain of $109 million due to amendments to two power supply contracts. Results for 2001 reflected efficiency and energy payments from NEA, the coordinating body for the Dutch electric generating sector prior to the start of wholesale competition, and the valuation of the company's interest in NEA, which was recorded as equity income in 2001.

Other Operations

The company's other operations, which include its thermal systems, power systems, new ventures businesses, various real estate used in business operations, remaining operations in Latin America and unallocated corporate costs, reported a loss before interest and taxes for the second quarter of 2002 of $15 million. This compares to a loss before interest and taxes of $25 million for the same period of 2001.

Goodwill and Other Intangible Assets

On January 1, 2002, the company discontinued amortizing goodwill in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets". The amounts of goodwill amortization expense that were recognized in 2001 were $21 million and $42 million for the quarter and six months ended June 30, respectively. During the second quarter, the company completed the evaluation of goodwill for its regulated operations units, the natural gas distribution and pipeline and gathering units. The evaluation concluded that no impairment was required to be recognized for these units. The analysis of impairment for the goodwill associated with its European operations has concluded that an impairment does exist. However, the quantification of the impairment has not been finalized. Upon completion of the quantification, the impairment will be recorded as a cumulative effect

of a change in accounting principle as of January 1, 2002.

OUTLOOK FOR 2002

After the spin-off of Reliant Resources, CenterPoint Energy will include primarily the regulated businesses reported under the electric transmission and distribution, natural gas distribution and pipelines and gathering segments. CenterPoint Energy will also include the Texas power generation assets, reported under the electric generation segment, until at least 2004 when Reliant Resources has an option to purchase these assets. Reliant Resources provides competitive energy services including non-regulated power generation, wholesale energy trading and marketing, retail energy services and wholesale energy in Europe.

Assuming completion of the spin-off of Reliant Resources, 2002 earnings per share for the segments that will comprise CenterPoint Energy are expected to be in the range of $1.17 to $1.22, excluding its prior interests in Reliant Resources. Reliant Resources, Inc. (NYSE: RRI), which completed its initial public offering of approximately 20 percent of its shares in May 2001, revised its earnings guidance for 2002 from a range of $1.80 to $2.00 per share to a range of $1.65 to $1.85 per share. This revision is primarily due to continued weakness in wholesale market conditions in the U.S. and Europe, partially offset by stronger performance in Reliant Resources' retail operations.

Reliant Energy and Reliant Resources continue to have constructive discussions with their banks regarding refinancing alternatives and expect acceptable results will be achieved.

Reliant Energy remains committed to the spin-off of Reliant Resources and continues to believe it is the right strategic step for both companies. Each company is well positioned for success in its respective market sector. Additionally, as separate entities, the companies will have better access to capital than as a combined company.

View second quarter financial statements

Reliant Energy (NYSE: REI), based in Houston, Texas, is an international energy services and energy delivery company. The company has nearly 31,000 megawatts of power generation in operation in the U.S. and nearly 3,500 megawatts of power generation in Western Europe. Reliant Energy's retail marketing and distribution operations serve approximately four million electricity and natural gas customers in the U.S. More information on Reliant Energy can be found on its web site at www.reliantenergy.com.

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This news release includes forward-looking statements. Actual events and results may differ materially from those projected. Factors that could affect actual results include the timing and impact of future regulatory and legislative decisions, effects of competition, weather variations, changes in Reliant Energy's business plans, financial market conditions and other factors discussed in Reliant Energy's filings with the Securities and Exchange Commission.

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