CenterPoint™
Energy

Always There.

2003 ANNUAL REPORT

At Your Doorstep

After 130 Years

CENTERPOINT ENERGY, INC. (NYSE: CNP) is a Houston, Texas-based domestic energy delivery company with operations that include electricity transmission and distribution, natural gas distribution and sales, interstate pipelines and gathering operations, and more than 14,000 megawatts of power generation in Texas. The company delivers electricity and natural gas to nearly five million customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas, and has natural gas-related operations in eight other states, Alabama, Illinois, Iowa, Kansas, Kentucky, Missouri, New Mexico and Wisconsin. CenterPoint Energy has assets totaling $21 billion. With more than 11,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 130 years. For more information, visit our Web site at www.CenterPointEnergy.com.

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About the Cover: CenterPoint Energy still makes house calls. Lena Stout greets CenterPoint Energy Sr. Service Representative Jamie M. Garcia. Photo insets clockwise from top center, Ross Denson, Sr. Service Representative; T.R. Jones, Engineer, left, and Rory Courtney, Maintenance Specialist, Texas Genco; Alex Robinson, Technician, Pipelines; and Keith Dusek, Line Mechanic.

FINANCIAL HIGHLIGHTS

	Year Ended December 31		
	2001	2002	2003
	(In Millions Of Dollars Except Per Share Amounts)		
Revenues	$ 10,559	$ 7,898	$ 9,760
Operating Income	$ 1,324	$ 1,333	$ 1,604
Income From Continuing Operations(1)	$ 499	$ 369	$ 420
Per Share of Common Stock:			
Income From Continuing Operations, Basic(1)	$ 1.72	$ 1.24	$ 1.38
Income From Continuing Operations, Diluted(1)	$ 1.71	$ 1.23	$ 1.37
Book Value – Year-End	$ 22.77	$ 4.74	$ 5.77
Market Price – Year-End	$ 26.52	$ 8.01	$ 9.69
Common Dividend Paid	$ 1.50	$ 1.07	$ 0.40
Capitalization:			
Long-term Debt (Includes Current Maturities)	$ 5,552	$ 10,005	$ 10,945
Trust Preferred Securities(2)	$ 706	$ 706	$ —
Common Stock Equity	$ 6,738	$ 1,422	$ 1,761
Total Capitalization (Includes Current Maturities)	$ 12,996	$ 12,133	$ 12,706
Total Assets(3)	$ 19,579	$ 20,394	$ 21,377
Capital Expenditures(3)	$ 1,211	$ 846	$ 648
Common Stock Outstanding(4) (in thousands)	295,874	300,102	305,385
Number of Common Shareholders	71,212	67,308	63,660
Number of Employees(3)		12,019	11,046

1. Before cumulative effect of accounting change and preferred dividends.
2. See footnote (5) on page 34.
3. Excluding discontinued operations. See page 34.
4. Excludes ESOP shares of 7,069,889, 4,915,577 and 911,547 at December 31, 2001, 2002 and 2003 respectively.

Milton Carroll, left, Chairman of the Board, and David McClanahan, President and Chief Executive Officer

Dear Fellow Shareholders,

Welcome to CenterPoint Energy. Although we only recently celebrated our one-year anniversary as a new, independent energy delivery company, we are a family of over 11,000 employees and have a proud 130-year history of delivering quality service to our electricity and natural gas customers.

CenterPoint Energy is one of the largest combined gas and electric companies in the nation. Our gas and electric utilities serve nearly 5 million customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. Our customer, geographic and business diversity help to insulate us from some of the regional, economic and weather risks associated with utilities serving more limited geographic areas.

We also own a growing gas marketing business concentrating on competitive natural gas services to industrial and large commercial businesses as

Thank You for Continually Welcoming Us

well as two interstate pipelines and a natural gas gathering business serving the mid-continent region of the United States. Finally, we own an 81 percent interest in Texas Genco Holdings, Inc., a wholesale power generation company that sells power on a competitive basis in Texas.

2003: A year of progress

We made a lot of progress during 2003. Our first priority in 2003 was to improve our financial stability and liquidity. We began 2003 with a challenging bank credit facility and inadequate liquidity for a company our size. We were successful in restructuring our bank agreement, which dramatically increased our access to the capital markets. Since that time we have raised over $4 billion in debt securities in order to reduce our reliance on our banking syndicate and refinance maturing and higher cost debt. Our finance team did a superb job but it would not have been possible without the set of sound businesses that make up CenterPoint Energy.

Despite these financial challenges, our employees did not lose focus on serving our customers and improving our operating practices. All of our businesses made improvements in 2003. We reported income from continuing operations of $420 million or $1.37 per diluted share. The biggest turnaround story was at Texas Genco. Texas Genco's operating income improved to $222 million compared to a loss of $133 million the previous year. This improvement was driven by much higher electricity prices which were influenced primarily by sharp increases in the price for natural gas.

Houston Electric, our electric transmission and distribution utility, had a solid year. We added almost 50,000 new customers during 2003, marking the seventh year in a row with customer growth of 2 percent or more. We implemented a new outage management system designed to improve our response to customer outages, rolled out a new engineering design tool to improve system design and pioneered the use of new materials that reduced costs and improved power flow. These and other efforts resulted in an improved cost structure as well as enhanced system performance. The measure we use to gauge system reliability showed a 19 percent improvement, one of the best performances ever by our company.

Our gas distribution and sales business was bolstered by the addition of 38,000 new customers and the implementation of rate increases in a number of our service areas. We continue to focus on making sure our rates are adequate to recover our costs and earn a solid return. At the same time, we are seeking improvement in our cost structure and the way we operate this business. We recently announced a restructuring of some of our rural operations by taking advantage of mobile technology and centralized call center operations. We expect to implement further improvements later this year.

Our pipeline and gas gathering business continued its record of solid earnings and cash flow contributions. Our interstate pipelines focused on securing their core business with longer-term contracts and capitalizing on market opportunities that arose in the early part of the year. Our gas gathering business benefited from increased drilling in its primary operating areas and from developing new services and products to enhance its growth prospects.

We are also very proud of our employees' community involvement and volunteer efforts. Through our coordinated volunteer programs our employees devoted over 110,000 hours to community service. Our company and its employees have a long tradition of supporting community initiatives and our company motto, "Always There," has never been more evident.

We are confident that our accomplishments in 2003 will provide a solid foundation from which to grow and excel and we expect to make further progress in 2004.

2004: An eventful year

There are several key events facing the company in 2004 that present a different set of challenges but ones that we are well positioned to face. In late March, the company filed a request with the Texas Public Utility Commission to quantify its recoverable stranded costs and other regulatory assets. This is one of the last steps of the Texas restructuring law passed in 1999 that deregulated and unbundled electric utilities in Texas. Under this law, electric utilities are permitted to recover the difference between the book value of their once regulated power generating units and the market value of these same assets. This difference is called stranded investment. Under the law this determination was delayed until the market had been open for two full years. Our request was filed on March 31st and seeks the recovery of approximately $4 billion of stranded investment and other regulatory assets. If approved, the impact on the overall costs of electricity to residential customers would be less than 5 percent.

We take pride in providing years of consistent energy delivery and in focusing on our customer-centered values.

We are also in the process of selling our 81 percent interest in Texas Genco. Earlier this year Reliant Resources declined to exercise its option to buy our interest in Texas Genco. We launched a major sales and marketing effort to determine whether there are other parties that might want to purchase our interest. Since our formation as a separate, public company, we have expressed our desire to sell Texas Genco for several reasons. First, we continue to have significant debt on our balance sheet and the proceeds of any sale would be used to reduce this indebtedness. Second, CenterPoint Energy's primary focus is on regulated businesses with consistent earnings and steady cash flow. Texas Genco's earnings profile is likely to be more volatile over time than our traditional businesses. Having said that, we have positioned Texas Genco earnings and cash flow for stability over the next several years through forward sales of generating capacity. Once we receive indicative bids for our 81 percent interest in Texas Genco, we will carefully consider whether a near-term sale is in the best interest of our shareholders.

In addition to these two events we continue to concentrate on process improvements and positioning the company to grow once we recover our stranded investment and monetize Texas Genco.

Since our formation in 2002 we have been assessing our operating practices. Our focus is on serving our customers better while at the same time improving our overall cost structure through productivity improvements and efficiency gains. We have made considerable progress already and we're confident that additional improvement will be made in 2004 and 2005.

In summary, we had a very solid year in 2003. This year we are faced with a number of challenges that are likely to have long-term impacts on the company. We're confident that we are prepared to tackle these challenges and position the company for the future. We want to thank all of our employees for their hard work and dedication and we want to thank you for your investment in the company. We're working hard to earn your continued confidence and to increase the value of your investment.

Sincerely,

Milton Carroll

Milton Carroll
Chairman of the Board

David M. McClanahan

David M. McClanahan
President and
Chief Executive Officer

Our Vision is to be Recognized as America's Leading Energy Delivery Company...and More

Our Strategy is reflected in three simple phrases: One Company, Get It Right and Grow

2002 *2003*

One Company

- Leverage scale and synergies
- Refine business model and remove barriers between business units
- Implement common processes
- Create a single, high-performance culture
- Recognize our 130-year history
- Create strong brand identity

From left, Laliya Agrawal, Engineering Manager, Texas Genco; Beatrice Christopher, Advanced Clerk, Baytown, Texas; Jim Brown, Administration Coordinator, New Braunfels, Texas; Pam Riche, Gathering Service Supervisor, Shreveport, Louisiana; Kathy Kennedy, Marketing Manager, Pipelines, Houston; Ollie Scott, Head Lineman, Houston; John North, Customer Service Supervisor, Shreveport, Louisiana; Kathy Michals, Human Resources, Minneapolis; and Connie Whitton, Marketer for Field Services, Shreveport, Louisiana.

2004 *2005* *2006*

Get It Right

- Use best practices to achieve top quartile efficiency and operating performance
- Implement process-driven operational excellence
- Achieve high levels of service reliability and customer satisfaction
- Execute our regulatory plan to recover stranded investment and strengthen our balance sheet

Grow

- Focus on domestic energy delivery
- Expand existing core business
- Build and expand complementary and synergistic businesses
- Add new energy delivery businesses
- Participate in joint ventures and alliances that create shareholder value

If the lights go out, we still make house calls.

BARRY DOSSER, HEAD LINEMAN, AND LUIS VERA, LINEMAN, WORKED LONG HOURS TO RESTORE POWER ON THE GULF COAST FOLLOWING HURRICANE CLAUDETTE.

APPRENTICE LINEMAN BRIAN BOWNDS DESCENDS A POLE. BELOW, LINEMEN TROY BENNETT AND JAMES BENZAIA WORK IN GALVESTON.

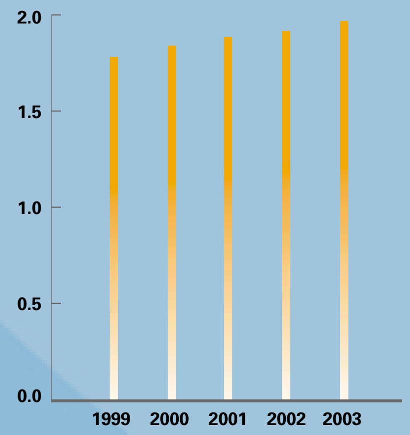
CenterPoint Energy's electric transmission and distribution business segment has more than 3,000 employees and delivers electricity in a 5,000-square-mile area that includes Houston, the nation's fourth largest city. We own and maintain more than 3,600 miles of overhead and 17 miles of underground transmission lines as well as 26,000 miles of overhead and nearly 15,000 miles of underground distribution lines.

We are primarily an infrastructure company, building, operating and maintaining the transmission and distribution facilities between the generating station and end consumer while ensuring reliability and safety. We also read meters and connect and disconnect electric service as directed by the competitive retailers. Customers contact us to report power outages, electric emergencies and downed power lines, or to request tree trimming and streetlight repair.

Because we do not sell electricity, customers never receive an electric bill from us. Instead, we receive payments from competitive retailers and large industrial customers who pay us to deliver electricity over our power lines. In 2003, there were more than 40 competitive retailers in our service territory. So, no matter whom customers buy their power from it is still our employees maintaining the energy delivery equipment with the same dependability they have demonstrated for more than a century.

2003: A year of progress

CenterPoint Energy's electric transmission and distribution unit performed well in 2003. We gained 47,000 new customers, increasing the total number of metered customers to about 1.84 million and delivered approximately 71 billion kilowatt-hours (kwh) of electricity. We were also successful in improving productivity and efficiency as a result of our ongoing process improvement efforts. These improvements helped offset a number of cost increases we experienced, such as higher pension expenses and increased insurance costs.



ELECTRIC DELIVERY CUSTOMERS
IN MILLIONS

Unfortunately, as a result of a recommendation by an administrative law judge at the Texas Utility Commission to disallow certain fuel-related costs incurred between 1997 and 2001, our operating income – excluding non-cash ECOM revenue – fell to $359 million compared to $399 million in 2002.

Improved reliability

CenterPoint Energy measures overall reliability results through SAIDI (System Average Interruption Duration Index), which records the number of minutes the average customer is without power during the year. In 2003, our SAIDI index was 89 minutes, a 19 percent improvement over 2002. We've always taken pride in our system reliability and CenterPoint Energy rated first out of a group of 13 southern electric companies in a survey of power quality and reliability by the global research firm, J.D. Power and Associates.

Major outage assistance

CenterPoint Energy is part of a mutual assistance network of electric utilities that assist each other in the event of a major power outage. In July, our line crews traveled to Rockford, Ill., to help Exelon Energy employees restore power to more than 70,000 customers affected by storm outages. Later in that same month, 100 linemen traveled to Victoria, Texas, to help American Electric Power restore service to customers after Hurricane Claudette. And in September, more than 130 crew members traveled to the Richmond, Va., area to assist Dominion Power after Hurricane Isabel knocked out power to more than 700,000 customers.

Award-winning program

The U.S. Environmental Protection Agency and the Department of Energy named CenterPoint Energy an ENERGY STAR Partner of the Year for our contribution to reducing greenhouse gas emissions by fostering the construction of energy efficient homes. A partner since 2000, CenterPoint Energy has influenced area homebuilders to construct homes that meet or exceed ENERGY STAR specifications for energy efficiency. ENERGY STAR homes are significantly more energy efficient than homes built to standard code. Our participation is part of a larger effort to reduce peak demand for electricity by 10 percent a year through energy

We go the extra steps to make sure we take care of our customers' needs.

APPRENTICE LINEMAN JOE ALBERT PADILLA IS PARTICIPATING IN AN INTENSIVE THREE-YEAR TRAINING PROGRAM.

efficiency programs. Every ENERGY STAR home keeps 4,500 pounds of greenhouse gases out of the air each year. Greenhouse gases are produced when fuel is converted to energy in power plants and by end-use customers.

ACCURACY IS A TOP PRIORITY FOR SENIOR METER READER CHRIS ARBING.

Process improvement paying off

CenterPoint Energy remains committed to achieving operational excellence while improving processes and increasing efficiency. We pioneered the use of high temperature conductor wire at high voltage transmission (345,000 volts), which allows increased power flow over existing infrastructure. This saved about $100 million in capital expenses over a four-year period compared to conventional methods.

In addition, employee teams implemented numerous process improvements that were applied to overhead and underground construction and maintenance projects, materials procurement, inventory reduction, reliability and outage management. For example, the implementation of a new engineering design tool has improved our distribution business process, allowing consistent and cost-effective distribution designs across the service area.

AMY KRETZSCHMAR, HEAD DISTRIBUTION CONTROLLER, HELPS MAINTAIN POWER RELIABILITY BY ROUTING LINEMEN IN THE MOST EFFICIENT WAY POSSIBLE.

TOP, JIM BRUSH, TECHNICIAN, WELDS PIPE IN LITTLE ROCK. KIM RASMUSSEN READS A CUSTOMER'S METER IN SUB-ZERO WEATHER IN MINNESOTA.

CenterPoint Energy's natural gas distribution segment operates in diverse jurisdictions that have varied economic and regulatory environments. We are an integral part of the communities where we operate and we address local concerns, such as rate designs and customer needs, with a local team that has the broad perspective that comes with the scale and scope of a larger business.

We own and operate about 97,000 miles of gas distribution main and service lines that deliver natural gas to more than 985 communities in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. We move approximately 900 billion cubic feet of gas per year – 4 percent of the country's total natural gas volume. The largest metropolitan areas we serve are Houston, Texas, Minneapolis, Minn., Little Rock, Ark., and Shreveport, La.

2003: A year of progress

Our corporate strategy of One Company, Get It Right and Grow guides our operations. We have made strides in applying common practices and operational techniques where appropriate. Common accounting, human resources and engineering systems are in place. A common customer information system will be in service in the next 18 months.

Overall, our local distribution business had a good year in 2003, delivering 423 billion cubic feet (Bcf) of natural gas to 3 million customers. Our total number of customers grew by about 38,000 and operating income increased to $202 million compared to $198 million for 2002.

In Houston and Minneapolis, growth is especially strong. We recorded customer growth, increased customer satisfaction and, in Houston, the approval of new rates. Commercial growth complemented fast-paced residential growth.

By targeting commercial customers in high growth market segments such as health care, education and commercial food service, we achieved an

We work hard to ensure that natural gas reaches our customers safely and efficiently.

We are committed to providing the gas our customers need to stay warm and comfortable.

ROSS DENSON, SR. SERVICE REP., AT THE CITY GATE IN HOUSTON.

CenterPoint Energy delivers natural gas to 3 million customers in Arkansas, Louisiana, Mississippi, Minnesota, Oklahoma and Texas.

increase of about 2,900 commercial customers in Houston, a 5 percent increase over historical levels. This marks the second consecutive year commercial customer growth has exceeded the historical average. Increased boiler use, gas cooling in both public and private schools, distributed generation applications and commercial food service equipment conversions were some of the gas technologies fueling commercial growth. In addition, significant inroads into the Houston multi-family market resulted in setting almost 650 individual gas meters, with commitments in excess of 2,400 individual meters for 2004.

The residential net growth in Houston last year was nearly 28,000 customers, a 3 percent increase from 2002. We installed pipe in more than 500 subdivisions serving about 40,000 lots, a 27 percent increase from 2002. A new community called Bridgelands is developing a 9,000-acre tract that will add 17,000 homes.

A results-driven internal program, Unite to Win, inspired Houston division gas employees to achievement. Unite to Win is aimed directly at improving employee engagement and participation, and is designed to make the business unit more growth-oriented, profitable, efficient, customer focused and better positioned for the future.

In the remainder of Texas, we are experiencing growth in the I-35 corridor between Austin and San Antonio. Bastrop, Comal and Hays counties' current growth rates place them in the top 100 fastest growing counties in the nation. In Hays County, net meter gain exceeded 9 percent in 2003 and another 18,800 lots are in development.

The distribution business in Minnesota, which added a record 17,000 customers for the year, focused its customer acquisition efforts on high growth areas, ethanol production facilities and supplying gas to electric generation plants.

Victor Nunez, Sr. Service Representative, checks gauges to ensure proper and safe operations in Houston.

LAUREN RUSSELL, CONSTRUCTION AND MAINTENANCE EMPLOYEE IN MINNESOTA.

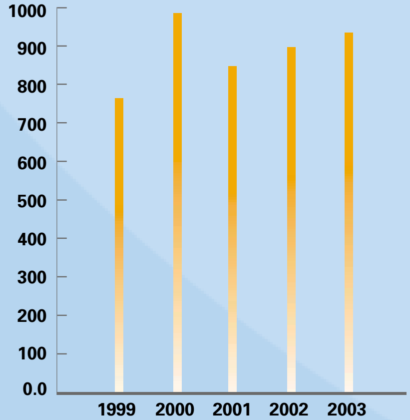
TECHNICIAN JIM BRUSH INSTALLS PIPE IN LITTLE ROCK, ARKANSAS.

Highlights for 2003 in Minnesota include the installation of gas mains and service lines for The Lakes project, which began in summer 2003. When completed in 10 years, The Lakes will have 4,000 upscale homes and 46 commercial sites.

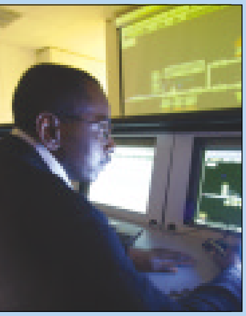
We sold 3.6 Bcf to Minnesota electricity generators in 2003, and the natural gas margins for electricity generating customers increased by 150 percent. In particular, we completed the first full year of supplying natural gas to the Black Dog electric generating plant in Burnsville. The 320 MW combined cycle turbine generator is one of the largest customers in Minnesota in terms of throughput and margin. It is also the first large power plant in Minnesota to convert from coal to natural gas.

In Arkansas, we experienced a slight decline overall in customer count during 2003. However, we saw growth in greater Little Rock, which accounted for about 60 percent of the 6,000 new customer services. We also replaced a total of 200 miles of bare steel and cast iron pipe and approximately 9,800 associated service lines in Arkansas during 2003. This is part of a program, begun in 2001, to replace more than 1,700 miles of pipe over a 10-year period.

In Louisiana, we are maintaining a stable customer base among a decreasing state population by focusing on expanding growth areas, such as Covington, Lafayette, Lake Charles and Shreveport.



NATURAL GAS DELIVERY
IN BILLIONS OF CUBIC FEET



MARK GARRAWAY, DISTRIBUTION GAS CONTROLLER, HOUSTON.

We continue to see residential, commercial and industrial growth in Mississippi. We extended service to more than 2,200 residential customers and 240 commercial customers, and installed meters at 90 multi-family units in 2003. A development in Ridgeland, The Reunion, will incorporate 2,300 lots on a 2,100-acre project, featuring a country club, an equestrian center and various size homes.

We have also seen growth in our existing manufacturing customers in Mississippi. We are serving eight new facilities that are part of the Nissan plant in Canton, Miss., with an annual load at approximately 250,000 million cubic feet (MMcf). In the Gulfport/Biloxi Gulf Coast area, the Hard Rock Hotel and Casino broke ground on February 11, 2004. The $235 million project will feature 48,500 square feet of gaming space, a 306-room hotel and restaurants. The casino and hotel will have a connected gas load of 32 MMcf per hour and will become the eleventh Mississippi Gulf Coast casino we serve.

Efficiency and safety

Safety among the company's gas distribution units is measured by recordable incidents, lost time injuries and preventable vehicle collisions. In 2003, we achieved record safety levels in all of our safety measures in Arkansas, northern Louisiana and Oklahoma. In other areas, we will continue to explore ways to increase awareness of safe work practices and reinforce accountability for a safe work culture.

Our rate design

CenterPoint Energy's approach to rate design is quite simple. In each of our jurisdictions, our objective is to earn the rate of return allowed by regulators, while minimizing the impact of external factors, such as weather and declining customer usage.

We strive for and generally have good relationships with all our regulators. While we have gas adjustment clauses that greatly limit our commodity exposure, we manage our gas cost actively in collaboration with our regulators. We file supply plans that include storage, fixed price contracts and indexed price gas purchases, etc. to achieve a degree of price stability for our customers. We first seek supply security, then seek the best purchase price, and then price stability.

We own and operate 97,000 miles of gas distribution main and service lines.

CenterPoint Energy generally has modern distribution systems. Where we have older infrastructure, such as in Arkansas, we are committed to modernization and have had and continue to enjoy the support of our regulators who have granted us cost trackers in our rates to allow us

JAMES J. PATTERSON, SERVICE HELPER, WORKS IN THE HOUSTON EAST DISTRICT.

FRONT TO BACK, WILLIE LEWIS, FIELD ESTIMATOR, TONY JACOBS, TECHNICIAN, AND JIM BRUSH, LEAD TECHNICIAN, LAY REPLACEMENT PIPE IN LITTLE ROCK, ARKANSAS.

to recover those investments. We continue to urge cost recovery mechanisms that track the causes of our costs in each of the jurisdictions we serve.

In our recent rate proceedings, we have worked with regulators and customers to move our rates in such a way as to reduce weather and volumetric sensitivities. Regulators have been responsive to our position that in order to maintain our system year-round, our revenue stream should be less volatile. Thus, we are making progress in having rates that produce consistent revenue and not extreme upward swings for colder than normal weather or dramatic dips when weather is warmer than normal. Recent increases in benefits costs, such as medical and pension expenses, have led us to file and successfully conclude rate proceedings in several of the areas we serve. Process improvements and the adoption of highly common processes will help us limit our need for future rate increases.

Customer-centric

Most of CenterPoint Energy's customers have the option of managing their natural gas accounts online from our Web site. Through our free Online Billing system, customers can view and pay their natural gas bills 24 hours a day. Online Billing became available in the summer of 2003 for customers in Houston and Minnesota, and in early 2004 for Texas customers outside of the Houston metropolitan area, and in southern Louisiana and Mississippi.

Customers in Arkansas, northern Louisiana and Oklahoma are expected to have this free, convenient and customer-friendly form of bill payment within a year. In areas where our own Online Billing is not available, we have responded to customers' requests for easier payment options by offering fee-based bill payment online or by telephone 24 hours a day through BillMatrix.

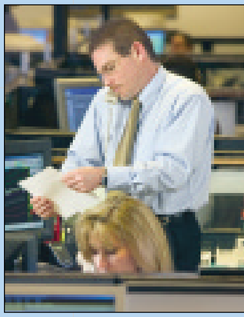
In Arkansas, northern Louisiana and Oklahoma, our customers' satisfaction in the Customer Interaction Satisfaction Study continued to improve in 2003 with an "overall satisfaction with a recent experience" rating of 80 percent, exceeding the 2002 rating of 76.3 percent. In this same study, the rating for "feeling valued as a customer" reached 54.4 percent, exceeding the 2002 rating of 49.6 percent.

Jessica Craig, Secretary, Sonny Nguyen, Programmer Analyst, and Billy Dillard, Senior Service Rep., are committed to ensuring quality gas service in the Houston metro area.

In the Houston metro area, the study showed overall satisfaction of our natural gas customers grew to 77.2 percent, and feeling valued as a customer rose to 55.5 percent, a more than 8 percentage point gain over 2002.

In Minnesota, overall satisfaction rose to 88.7 percent, considered to be a first quartile score, and those feeling valued as a customer rose to 67.4 percent, up more than 5 percentage points. Commercial and industrial customer satisfaction increased dramatically in Minnesota, with "very satisfied" rising 18 percentage points over a two-year period from 53 to 71 percent.

In a separate survey, J.D. Power and Associates, the global research firm, ranked our southern Louisiana, Mississippi and Texas operations fifth out of 11 southern U.S. natural gas utilities in residential customer satisfaction, which places this organization in the second quartile regionally. We also ranked fifth in a field of 20 Midwestern natural gas utilities, placing our Minnesota operations in the first quartile in the region.



GEOFF CARROLL, DIRECTOR, GULF COAST GAS, AND MICHELE BENNETT, GAS REPRESENTATIVE, HOUSTON.

Our teams are committed to providing a consistent level of excellent service.

Looking forward

Our gas distribution units continue to look for ways to improve operations. We have implemented internal and industry best practice standards and are also seeking continued growth in targeted markets, which support our corporate strategy. Teams have been established to evaluate and improve customer service, system growth and returns on shareholder investments.

...And more

CenterPoint Energy Gas Services

CenterPoint Energy Gas Services is our natural gas marketing and sales unit. It is complementary to our gas distribution business and serves more than 6,100 commercial and industrial customers in Arkansas, Illinois, Iowa, Louisiana, Minnesota, Mississippi, Missouri, Oklahoma, Texas and Wisconsin. Our wholesale and retail business focuses primarily on physical transactions with its customers.

CenterPoint Energy Gas Services creates value for customers by supplying competitively priced natural gas and related services to customers. We sold 511 Bcf of natural gas in 2003, an increase of 40 Bcf over 2002.

The unit has positioned itself for growth opportunities. Its strengths are customer relationships and proximity to hub and industrial market centers. Future plans for growth involve expanding transportation and marketing capabilities, providing ancillary physical services and improving asset optimization.

Home Service Plus®

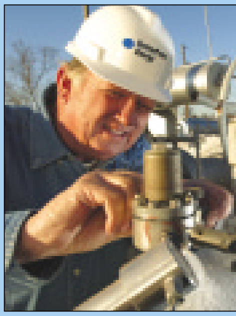
In Minnesota, we operate an unregulated energy services business, Home Service Plus®, which offers products and services such as furnace, air conditioning and appliance repair and maintenance and heating and cooling equipment sales. It is the largest provider of heating, cooling and appliance repair services and heating and cooling equipment sales in Minnesota.

We were the first gas delivery company in Minnesota to offer a comprehensive appliance repair service plan. The Home Service Plus Repair Plan covers more than 230,000 customers and more than one million appliances. This service has been offered since 1981.

We do whatever is necessary to meet the energy needs of our customers.

BRITT HUGHES, A TECHNICIAN AT THE MALVERN COMPRESSOR OPERATIONS, KEEPS TRACK OF THE DAY'S EVENTS.

TECHNICIANS ERWIN BIDDLE, TOP, AND JERRY MATHEWS KEEP THE GAS FLOWING AT THE MALVERN, ARK., COMPRESSOR OPERATIONS.



CenterPoint Energy's pipelines and gathering business segment operates two interstate natural gas pipelines, gathers and processes gas and offers related operating and technical services. Our two pipelines, CenterPoint Energy Gas Transmission Company and CenterPoint Energy – Mississippi River Transmission Corporation, have 8,200 miles of pipe and move about 800 billion cubic feet (Bcf) of natural gas per year. The gathering company, CenterPoint Energy Field Services, Inc., operates more than 4,300 miles of gathering pipeline and handled about 300 Bcf of natural gas in 2003. Pipeline Services provides project management and facility operation services.

To enhance our overall pipelines and gathering business segment and create value, we focus on building strong customer relationships, creating new market opportunities, developing operational efficiencies and maximizing use of physical assets. Our strategy involves three complementary efforts: securing the core business on a long-term basis, extending the business to new markets and maximizing operations. Operational efficiency is critical to our competitiveness and profitability, and is centered on three initiatives: operations enhancement, asset rationalization and process improvements.

Pipelines

The two pipelines together form one of the largest natural gas pipelines in the mid-continent United States, serving customers in Arkansas, Illinois, Kansas, Louisiana, Missouri, Oklahoma and Texas. It is a hub for the Gulf Coast and Midwestern U.S. and has 75 compressor stations with more than 310,000 installed horsepower representing 4.1 Bcf/day of transportation capacity. We own and operate six storage fields with a total storage working gas capacity of 59 Bcf and delivery capability of 1.2 Bcf per day. We also own an interest in the Bistineau storage field, which provides an additional storage working gas capacity of 8 Bcf and 0.1 Bcf per day of related delivery capabilities.

Our pipeline system has access to multiple supply areas in the mid-continent region, including the Anadarko, Arkoma and ArkLaTex natural gas basins. It transports natural gas to local distribution companies, electric generation facilities and industrial users. We have a strong delivery market share that is strengthened by delivering reliable and flexible service at consistent rates. CenterPoint Energy – Mississippi River Transmission's rates enable us to maintain our competitive position in the St. Louis area while CenterPoint Energy Gas Transmission's rates have remained the same since 1996.

Pipeline Services

Through our Pipeline Services business we offer innovative, safe and cost effective solutions to meet pipeline management needs for our two interstate pipelines as well as for third party owners of natural gas, water, refined products, crude oil and chemical pipelines. Services include operations and maintenance, design and construction

THE PERLA, ARK., STATION IS A VITAL PART OF PIPELINE OPERATIONS.

management, development of underground storage facilities and a complete program for the management and execution of pipeline integrity requirements.

Gas Gathering

The gathering company has strategically located assets in the major natural gas producing basins of the mid-continent region. Assets include more than 4,300 miles of natural gas gathering pipelines, 150 active natural gas dehydrators, 10 gas processing and treating plants, 150 gas compressors with over 110,000 horsepower (HP) and more than 3,300 active gas meters. Our 200 gathering systems connect more than 4,000 wells and gather 0.8 Bcf per day of natural gas for major and independent exploration and production companies in the Arkoma, Anadarko and ArkLaTex natural gas basins.

In addition to our core gathering business, we provide gathering-related services through our ServiceStar product, which provides measuring, monitoring and control of remote wellhead and compressor equipment. It is installed at approximately 4,800 locations. This communications network spans the entire Midwestern production area, as well as portions of Texas, Alabama, Mississippi and New Mexico. The network provides our customers real time information for critical points as well as remote control capability using radio, cellular and satellite links with our ServiceStar control center.

2003: A year of progress

In 2003, we strengthened our earnings from existing assets, added depth to our management team and realigned our strategic focus to assure strong growth throughout our five-year plan period. An increase in throughput and enhanced services at our gas gathering business helped offset a small decline in our interstate pipeline business. Operating income for the pipelines and gathering business segment in 2003 was $158 million compared to $153 million in 2002.

In our Pipelines business, we increased capacity utilization in 2003 by maximizing the value of our assets. We entered into long-term transactions and renewed or rolled over 143 contracts representing 0.8 Bcf per day of capacity, and executed 30 new contracts for 0.5 Bcf per day of capacity. We also began service for two new power plants, Teco Dell in northwestern Arkansas and the Kiamichi Plant in eastern Oklahoma, which represent 0.34 Bcf per day of capacity.

In Pipeline Services, we made progress in operations and pipeline integrity services despite less demand for engineering and construction management services for power plant-related property. We signed contracts to provide operations and maintenance services for a large Texas-based gas storage facility, for an offshore pipeline and related platform facilities, and to provide pipeline integrity services to six mid-sized gas operators and local distribution companies.

ALEX ROBINSON, LEFT, AND JERRY MATHEWS, TECHNICIANS ON THE MALVERN TEAM, DISCUSS THE DAY'S ASSIGNMENTS.

In our Gas Gathering business, we connected 270 wells in 2003. Based on current drilling activity, we expect to exceed this in 2004. With the increase in gas prices over the past few years, our ServiceStar product is yielding significant and sustainable value to our customers. ServiceStar continues to expand to new market areas, solidifying its position as a leading full service provider of automation and communication services. In 2003, we installed 1,270 ServiceStar units in Texas, Louisiana and Alabama, and contracted with an independent producer to install a 22-mile gathering system in East Texas to capture new production. We also renegotiated gathering contracts under long-term arrangements for 250 MMcfd and changed 60,000 HP of compression to more efficient equipment. We acquired 50 percent of BP's interest in the Waskom processing plant in Harrison County, Texas and expanded the Chismville gathering system in Western Arkansas and the Kinta-Lequire System in Eastern Oklahoma.

TECHNICIAN JERRY MATHEWS MAKES SURE BOLTS ARE TIGHT AT THE PERLA STATION.

Looking forward

A key component of our operations is to secure new market opportunities in particular regions. We see growth opportunities for both pipelines and gathering being driven by supply/demand fundamentals, which we expect to increase the movement of natural gas from western supply basins to the growing East Coast markets. Another key is to secure contracts for capacity over longer terms. Today, about 85 percent of our pipeline capacity is for terms that expire in 2005 and beyond.

TEXAS GENCO'S W.A. PARISH GENERATING STATION RECEIVES COAL SHIPMENT, TOP, WHILE ENGINEER KAPPY ALLEN WORKS NEARBY.

This past year was a breakout year for Texas Genco Holdings, Inc. It performed well above the level achieved in 2002 as it completed its second year of selling power to wholesale customers and competitive retailers in the restructured market of the Electric Reliability Council of Texas (ERCOT).

With more than 14,000 megawatts of generating capacity, Texas Genco represents a sizable investment for CenterPoint Energy, which owns 81 percent of the subsidiary. The electric generating company owns 60 generating units at 11 facilities in Texas and a 30.8 percent interest in the South Texas Project nuclear generating plant. Texas Genco generated 45 million megawatt hours of power in 2003, compared to 47.6 million in 2002, a drop that can be attributed primarily to unplanned outages and lower demand for gas capacity auction products.

2003: A year of progress

Texas Genco was successful in turning its business to profitability in 2003, earning $222 million of operating income after suffering an operating loss of $133 million in 2002. This turnaround can be attributed to capacity auction revenue increases that were driven by higher wholesale electricity prices as a result of higher natural gas prices. The company also demonstrated an ability to adapt to change in a market that has excess capacity and high reserve margins. The success in 2003 is reflected in the company's stock price, which began trading in January 2003 at $10.20 per share and closed the year at $32.50 per share.

During 2003, new capacity products augmented Texas Genco's capacity auctions. Using information from customers, the company tailored new products to meet customers' needs and provide more value and flexibility. Two of the new products, daily cycling and combined-cycle technology, allowed Texas Genco to use advantageous capability from some units to help increase revenues.

Looking forward

Texas Genco has sold forward a significant portion of available capacity at attractive prices for 2004 and 2005. Sales into the future such as this help stabilize its revenue stream and hedge against price volatility.

However, Texas Genco is not a part of our long-term strategy. We have begun exploring ways to sell our 81 percent interest in the company, or otherwise monetize our investment. In the meantime, we will continue to benefit from its strong performance.

Our goal is to provide the power you need for your important days and nights.

MAUREEN COURTNEY, ENVIRONMENTAL SPECIALIST, TALKS TO THE CONTROL ROOM AT THE W.A. PARISH PLANT TO ADJUST THE PH LEVEL IN THE WATER TO THE MAIN COOLING TOWER.

Giving back to our community is our way of saying thank you for supporting us throughout the years.

CENTERPOINT ENERGY VOLUNTEERS HELPED BUILD A HABITAT HOME FOR THE CRUZ FAMILY. FROM LEFT, CAROL HELLIKER, ASST. GENERAL COUNSEL, YOLANDA CRUZ, JOEL CRUZ, VIOLETA CRUZ, VIVIAN ALMENDAREZ, LEGAL SECRETARY, AND KIMBERLY HOWARD, CORP. LEGAL ASSISTANT. IN BACK IS HOUSTON HABITAT DEVELOPMENT DIRECTOR, DAVE DANIELS.

CenterPoint Energy employees are untiring volunteers in the communities where we live. Through our volunteer programs, we contributed a total of 110,393 volunteer hours. Using the Points of Light Foundation's $16.54 rate for volunteer hours, our employees donated $1.8 million in time to their communities.

Arkansas

In Little Rock, Pine Bluff, Jonesboro, Texarkana and Hot Springs, volunteers contributed to events such as blood drives, walks, the Arkansas Rice Depot Fundraiser, Paw on the Pavement Animal Rescue, Casco Volunteer Fire Department Rummage Sale, Cotton Pickin' Jubilee, Stars & Stripes Jubilee, Damascus House and Bikers for Babies.

Louisiana

In New Iberia, employees volunteered for highway clean-ups, assistance for the elderly, Gumbo Cookoff, Cattle Festival and the Hot Sauce Festival. Lake Charles area employees logged hours on Trash Bash, Mardi Gras, Cancer Relay and Diabetes Walk. In Shreveport, employees contributed to blood drives, the March of Dimes, the United Way, Juvenile Diabetes Walk, Paint Your Heart Out, Red River Revel and Mudbug Madness.

Minnesota

In Minnesota, employees celebrated their 11th year of partnership with Twin Cities Habitat for Humanity by making home ownership a reality for a low-income family. They participated in the United Way, HeatShare, Adopt-A-Family and sponsored the Torchlight Parade as part of the Minneapolis Aquatennial, known as the Ten Best Days of Summer.

Mississippi

Mississippi employees volunteered at the Oxford Recycling Center, March of Dimes WalkAmerica and the Salvation Army's "Souper Bowl," "Ringing the Bell" and "Angel Tree" programs. They also repaired homes for the poor in Ridgeland and worked at the Oxford and Biloxi Children's Health Fair handing out safety material and registering children for free health screenings.

Oklahoma

In Oklahoma, employees volunteered for events that included walks, runs, blood drives and clean-ups, and participated in the Partners for Animal Welfare, McAlester Chamber of Commerce, Lawton CrimeStoppers and the Chickasha High School Baseball Fever.

Texas

Houston area employees participated in such events as the JDRF Walk, Safety Education, Houston Asian American Festival, blood drives, Junior Achievement and the UNCF Walk. South Texas volunteers were fundraisers for the American Heart Association, MS Society, March of Dimes and Boys & Girls Club. East Texas/Beaumont volunteers joined the Beaumont BBQ Cook-off for the Cancer Society and the Martin Luther King Day Parade.

TOP, RICK PILON, ENGINEERING ADMINIS-TRATION, MINNESOTA, WORKED ON A HABITAT FOR HUMANITY HOME. JOHNNY BLAU, SENIOR VICE PRESIDENT, PROCESS IMPROVEMENT, GIVES ENCOURAGEMENT TO VOLUNTEER WALKERS.

"We believe our primary responsibility is to set high performance and ethical standards, help management establish strategic priorities and hold them accountable for the results," said Milton Carroll, Chairman of the Board, at a luncheon for analysts at the New York Stock Exchange in April 2003. "Consistent with this philosophy, we have organized our board and committees to ensure that we retain an appropriate level of independence. The audit, compensation, finance and governance committees are comprised entirely of independent directors. We continuously strive to implement policies that we believe represent best practices in corporate governance. Collectively, these actions demonstrate commitment from CenterPoint Energy's management and its board of directors to provide independent and effective corporate governance."

CenterPoint Energy Board of Director Governance Philosophy

In 2002, when CenterPoint Energy spun-off Reliant Resources, the company chose to appoint an independent chairman, Milton Carroll. He is not an employee of the company. All the CenterPoint Energy board members are independent except for the President and CEO, David McClanahan. In addition, each of the four board committees: audit, compensation, finance and governance, are comprised entirely of independent directors.

Both the board and the management team of CenterPoint Energy strongly believe that an independent chairman and board represent a best practice in corporate governance today. Most importantly, the company believes this practice will provide the best long-term value for shareholders.

Board of Directors

Standing, from left, Holcombe Crosswell, Michael Shannon, Thomas Madison, John Cater and Derrill Cody. Seated from left, David McClanahan and Milton Carroll.

Milton Carroll, 53, is Chairman of the Board. He is also Chairman and founder of Instrument Products, Inc., an oilfield equipment manufacturing company in Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1992. He is Chairman of the Governance Committee and also serves on the Compensation Committee.

John T. Cater, 68, is a private investor and former Chairman of Compass Bank – Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1983. He is the Chairman of the Compensation Committee and also serves on the Finance and Governance Committees.

Derrill Cody, 64, is presently of counsel to the law firm of McKinney & Stringer, P.C. in Oklahoma City, Okla. He is a former Chief Executive Officer of Texas Eastern Gas Pipeline Company and is a director of Texas Eastern Products Pipeline Company, LLC, the general partner of TEPPCO Partners, L.P. He has been a CenterPoint Energy board member since 2003. He serves on the Audit and Governance Committees.

O. Holcombe Crosswell, 63, is President of Griggs Corporation, a real estate and investment company in Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1997. He is Chairman of the Finance Committee and also serves on the Audit Committee.

Thomas F. Madison, 68, is President and Chief Executive Officer of MLM Partners, a small business consulting and investments company in Minneapolis, Minn. He is a former President of US West Communications and served as Vice Chairman of Minnesota Mutual Life Insurance Company. He has been a CenterPoint Energy board member since 2003. He serves on the Audit and Compensation Committees.

David M. McClanahan, 54, is President and Chief Executive Officer of CenterPoint Energy. He has been a member of the Board of Directors since 2002.

Michael E. Shannon, 67, is President of MEShannon & Associates, Inc. a corporate financial advisory services and investments company in Houston. He served as Chairman of the Board and Chief Financial Officer of Ecolab, Inc., a Fortune 500 specialty chemical company. He has been a CenterPoint Energy board member since 2003. He is the Chairman of the Audit Committee and also serves on the Finance Committee.

Officers

From left, Steve Schaeffer, David McClanahan, Scott Rozzell, Gary Whitlock, Preston Johnson, David Tees, Tom Standish and Byron Kelley.

Executive Committee

David M. McClanahan, 54
President and
Chief Executive Officer

Scott E. Rozzell, 54
Executive Vice President,
General Counsel and
Corporate Secretary

Stephen C. Schaeffer, 56
Executive Vice President
and Group President Gas
Distribution and Sales

Gary L. Whitlock, 54
Executive Vice President
and Chief Financial Officer

Leadership

Johnny L. Blau, 54
Senior Vice President
Process Improvement

James S. Brian, 56
Senior Vice President
and Chief Accounting Officer

Preston Johnson, Jr., 48
Senior Vice President
Human Resources and
Shared Services

Jeff W. Bonham, 41
Vice President
Texas State Relations

Rick L. Campbell, 55
Vice President
Special Projects

Walter L. Fitzgerald, 46
Vice President
and Controller

Patricia F. Graham, 51
Vice President
Information Technology

Marc Kilbride, 51
Vice President
and Treasurer

Floyd J. LeBlanc, 44
Vice President
Corporate Communications

Brenda S. Masters, 42
Vice President
Audit Services

Joseph B. McGoldrick, 50
Corporate Vice President
Strategic Planning

H. Wayne Roesler, 59
Vice President
Regulatory Relations

Allan E. Schoeneberg, 53
Vice President
Shared Services

Steven H. Schuler, 53
Vice President
Corporate and Business
Development

Rufus S. Scott, 60
Vice President, Deputy
General Counsel
and Assistant Corporate
Secretary

William J. Starr, 50
Vice President
Tax

C. Dean Woods, 52
Vice President
Human Resources
Strategy and Delivery

Business Unit Leadership

Gary M. Cerny, 48
President and Chief
Operating Officer
CenterPoint Energy Minnegasco

Byron R. Kelley, 56
President and Chief
Operating Officer
CenterPoint Energy
Pipelines and Field Services

Constantine S. Liollio, 45
President and Chief
Operating Officer
CenterPoint Energy
Arkla/Entex

Georgianna E. Nichols, 55
President and Chief
Operating Officer
CenterPoint Energy Houston Gas

Thomas R. Standish, 54
President and
Chief Operating Officer
CenterPoint Energy
Houston Electric &
Information Technology

Wayne D. Stinnett, 53
Senior Vice President
Commercial & Industrial
Gas Sales

David G. Tees, 59
President and Chief
Executive Officer
Texas Genco Holdings, Inc.

FINANCIAL INFORMATION

The accompanying financial information regarding CenterPoint Energy and its subsidiaries should be read in conjunction with the company's consolidated financial statements as well as management's discussion and analysis of financial condition and results of operations, which are presented in the company's 2003 Annual Report on Form 10-K.

Investors may also request without charge, the company's Annual Report on Form 10-K for the year ended December 31, 2003, by writing or calling CenterPoint Energy Investor Services at 1-888-468-3020. Additional investor information can be found on the inside back cover of this report and on our Web site, www.CenterPointEnergy.com.

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Selected Financial Data

	Year Ended December 31,				
	1999 (1)	2000	2001 (2)	2002	2003 (3)(4)
	(in millions, except per share amounts)				
Revenues	$ 7,511	$ 10,283	$ 10,559	$ 7,898	$ 9,760
Income from continuing operations before extraordinary item and cumulative effect of accounting change	1,631	245	499	369	420
Discontinued Operations	34	202	422	(4,289)	(16)
Extraordinary item, net of tax	(183)	—	—	—	—
Cumulative effect of accounting change, net of tax	—	—	59	—	80
Net income (loss) attributable to common shareholders	$ 1,482	$ 447	$ 980	$ (3,920)	$ 484
Basic earnings (loss) per common share:					
Income from continuing operations before extraordinary item and cumulative effect of accounting change	$ 5.72	$ 0.86	$ 1.72	$ 1.24	$ 1.38
Discontinued Operations	0.12	0.71	1.46	(14.40)	(0.05)
Extraordinary item, net of tax	(0.64)	—	—	—	—
Cumulative effect of accounting change, net of tax	—	—	0.20	—	0.26
Basic earnings (loss) per common share	$ 5.20	$ 1.57	$ 3.38	$ (13.16)	$ 1.59
Diluted earnings (loss) per common share:					
Income from continuing operations before extraordinary item and cumulative effect of accounting change	$ 5.70	$ 0.85	$ 1.71	$ 1.23	$ 1.37
Discontinued Operations	0.12	0.71	1.44	(14.31)	(0.05)
Extraordinary item, net of tax	(0.64)	—	—	—	—
Cumulative effect of accounting change, net of tax	—	—	0.20	—	0.26
Diluted earnings (loss) per common share	$ 5.18	$ 1.56	$ 3.35	$ (13.08)	$ 1.58
Cash dividends paid per common share	$ 1.50	$ 1.50	$ 1.50	$ 1.07	$ 0.40
Dividend payout ratio from continuing operations	26%	174%	87%	86%	29%
Return from continuing operations on average common equity	30.1%	4.6%	9.1%	9.0%	31.4%
Ratio of earnings from continuing operations to fixed charges	5.38	1.80	2.18	1.70	1.68

	Year Ended December 31,				
	1999 (1)	2000	2001 (2)	2002	2003 (3)(4)
	(in millions, except per share amounts)				
At year-end:					
Book value per common share	$ 18.70	$ 19.10	$ 22.77	$ 4.74	$ 5.77
Market price per common share	$ 22.88	$ 43.31	$ 26.52	$ 8.01	$ 9.69
Market price as a percent of book value	122%	227%	116%	169%	168%
Assets of discontinued operations	$ 6,095	$ 14,323	$ 12,392	$ 63	$ —
Total assets	$ 29,308	$ 35,908	$ 31,971	$ 20,457	$ 21,377
Short-term borrowings	$ 3,012	$ 4,886	$ 3,529	$ 347	$ 63
Long-term debt obligations, including current maturities	$ 8,883	$ 5,756	$ 5,552	$ 10,005	$ 10,945
Trust preferred securities (5)	$ 705	$ 705	$ 706	$ 706	$ —
Cumulative preferred stock	$ 10	$ 10	$ —	$ —	$ —
Capitalization:					
Common stock equity	36%	46%	52%	12%	14%
Trust preferred securities	5%	6%	5%	6%	—
Long-term debt, including current maturities	59%	48%	43%	82%	86%
Capital expenditures, excluding discontinued operations	$ 865	$ 905	$ 1,211	$ 846	$ 648

(1) 1999 net income includes an aggregate non-cash, unrealized gain on our indexed debt securities and our Time Warner Inc. (Time Warner) investment, of $1.2 billion (after-tax), or $4.09 earnings per basic share and $4.08 earnings per diluted share. For additional information on the indexed debt securities and Time Warner investment, please read Note 7 to our consolidated financial statements. The extraordinary item in 1999 is a loss related to an accounting impairment of certain generation-related regulatory assets of our Electric Generation business segment.

(2) 2001 net income includes the cumulative effect of an accounting change resulting from the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ($59 million after-tax gain, or $0.20 earnings per basic and diluted share). For additional information related to the cumulative effect of accounting change, please read Note 5 to our consolidated financial statements.

(3) 2003 net income includes the cumulative effect of an accounting change resulting from the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations" ($80 million after-tax gain, or $0.26 earnings per basic and diluted share). For additional information related to the cumulative effect of accounting change, please read Note 2(n) to our consolidated financial statements.

(4) Resolution of the 2004 True-Up Proceeding and monetization of our remaining interest in Texas Genco could materially impact our results of operations, financial condition and cash flows. Additionally, we are no longer permitted under the Texas electric restructuring law to record non-cash ECOM revenue in 2004. For more information on these and other matters currently affecting us, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Significant Events in 2004" in our 2003 Form 10-K.

(5) The subsidiary trusts that issued trust preferred securities have been deconsolidated as a result of the adoption of FIN 46 "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" (FIN 46) and the subordinated debentures issued to those trusts are now reported as long-term debt as of December 31, 2003. For additional information related to the adoption of FIN 46, please read Note 2(n) to our consolidated financial statements.

Condensed Statements of Consolidated Operations

	Year Ended December 31,		
	2001	2002	2003
	(in thousands, except per share amounts)		
Revenues	$ 10,558,991	$ 7,898,072	$ 9,760,124
Expenses:			
Fuel and cost of gas sold and purchased power	6,307,732	3,958,574	5,439,907
Depreciation and amortization	663,309	614,348	624,581
Other operating expenses	2,264,296	1,992,198	2,091,472
Total	9,235,337	6,565,120	8,155,960
Operating Income	1,323,654	1,332,952	1,604,164
Other Income (Expense)	(566,934)	(765,574)	(939,399)
Income From Continuing Operations Before Income Taxes, Minority Interest, Cumulative Effect of Accounting Change and Preferred Dividends	756,720	567,378	664,765
Income Tax Expense	(257,378)	(198,540)	(216,301)
Minority Interest	36	(11)	(28,753)
Income From Continuing Operations Before Cumulative Effect of Accounting Change and Preferred Dividends	499,378	368,827	419,711
Discontinued Operations, net of tax	422,625	(4,289,061)	(16,116)
Cumulative Effect of Accounting Change, net of tax	58,556	—	80,072
Income (Loss) Before Preferred Dividends	980,559	(3,920,234)	483,667
Preferred Dividends	858	—	—
Net Income (Loss) Attributable to Common Shareholders	$ 979,701	$ (3,920,234)	$ 483,667
Basic Earnings Per Share:			
Income from Continuing Operations Before Cumulative Effect of Accounting Change	$ 1.72	$ 1.24	$ 1.38
Discontinued Operations, net of tax	1.46	(14.40)	(0.05)
Cumulative Effect of Accounting Change, net of tax	0.20	—	0.26
Net Income (Loss) Attributable to Common Shareholders	$ 3.38	$ (13.16)	$ 1.59
Diluted Earnings Per Share:			
Income from Continuing Operations Before Cumulative Effect of Accounting Change	$ 1.71	$ 1.23	$ 1.37
Discontinued Operations, net of tax	1.44	(14.31)	(0.05)
Cumulative Effect of Accounting Change, net of tax	0.20	—	0.26
Net Income (Loss) Attributable to Common Shareholders	$ 3.35	$ (13.08)	$ 1.58

Condensed Statements of Consolidated Comprehensive Income

	Year Ended December 31,		
	2001	2002	2003
		(in thousands)	
Net income (loss) attributable to common shareholders	$ 979,701	$ (3,920,234)	$ 483,667
Other comprehensive income (loss), net of tax:			
Minimum pension liability adjustment	12,764	(414,254)	47,296
Other comprehensive income (loss) from continuing operations	(36,512)	(29,910)	30,988
Other comprehensive income (loss) from discontinued operations	(157,069)	161,176	680
Other comprehensive income (loss)	(180,817)	(282,988)	78,964
Comprehensive income (loss)	$ 798,884	$ (4,203,222)	$ 562,631

Condensed Consolidated Balance Sheets

	December 31, 2002	December 31, 2003
	(in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 304,281	$ 131,480
Other current assets	1,718,567	2,141,225
Current assets of discontinued operations	12,505	—
Total current assets	2,035,353	2,272,705
Property, Plant and Equipment, net	12,115,222	11,811,536
Other Assets:		
Goodwill, net	1,740,510	1,740,510
Regulatory assets	4,000,646	4,930,793
Other non-current assets	514,606	621,120
Non-current assets of discontinued operations	50,272	—
Total other assets	6,306,034	7,292,423
Total Assets	$ 20,456,609	$ 21,376,664
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	$ 1,157,325	$ 225,423
Regulatory liabilities	168,173	186,239
Other current liabilities	1,882,799	2,106,674
Current liabilities of discontinued operations	2,856	—
Total current liabilities	3,211,153	2,518,336
Other Liabilities:		
Accumulated deferred income taxes and unamortized investment tax credits	2,675,170	3,222,308
Regulatory liabilities	959,421	1,358,030
Other non-current liabilities	2,281,251	1,555,459
Non-current liabilities of discontinued operations	6,912	—
Total other liabilities	5,922,754	6,135,797
Long-term Debt	9,194,320	10,783,064
Commitments and Contingencies		
Minority Interest in Consolidated Subsidiaries	292	178,910
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely Junior Subordinated Debentures of the Company	706,140	—
Shareholders' Equity	1,421,950	1,760,557
Total Liabilities and Shareholders' Equity	$ 20,456,609	$ 21,376,664

Condensed Statements of Consolidated Cash Flows

	Year Ended December 31,		
	2001	2002	2003
		(in thousands)	
Cash Flows from Operating Activities:			
Net income (loss) attributable to common shareholders	$ 979,701	$ (3,920,234)	$ 483,667
Discontinued Operations	(422,625)	4,289,061	16,116
Income from continuing operations and cumulative effect of accounting change, less preferred dividends	557,076	368,827	499,783
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	708,770	756,679	799,923
Deferred income taxes and investment tax credit	(106,621)	302,245	499,136
Cumulative effect of accounting change, net	(58,556)	—	(80,072)
Changes in net regulatory assets and liabilities	(53,785)	(1,062,130)	(773,537)
Changes in other assets and liabilities	609,034	(99,264)	(97,989)
Other, net	75,570	56,111	48,611
Net cash provided by operating activities	1,731,488	322,468	895,855
Net Cash Used in Investing Activities	(1,195,686)	(765,555)	(666,881)
Net Cash Provided by (Used in) Financing Activities	(1,044,919)	722,763	(439,348)
Net Cash Provided by Discontinued Operations	443,858	6,997	37,573
Net Increase (Decrease) in Cash and Cash Equivalents	(65,259)	286,673	(172,801)
Cash and Cash Equivalents at Beginning of Year	82,867	17,608	304,281
Cash and Cash Equivalents at End of Year	$ 17,608	$ 304,281	$ 131,480

Condensed Statements of Consolidated Shareholders' Equity

	2001		2002		2003	
	Shares	Amount	Shares	Amount	Shares	Amount
			(in thousands of dollars and shares)			
Preference Stock, none outstanding	—	$ —	—	$ —	—	$ —
Cumulative Preferred Stock, $0.01 par value; authorized 20,000,000 shares						
Balance, beginning of year	97	9,740	—	—	—	—
Redemption of preferred stock	(97)	(9,740)	—	—	—	—
Balance, end of year	—	—	—	—	—	—
Common Stock, $0.01 par value; authorized 1,000,000,000 shares						
Balance, beginning of year	299,914	2,999	302,944	3,029	305,017	3,050
Issuances related to benefit and investment plans	3,030	30	2,073	21	1,280	13
Balance, end of year	302,944	3,029	305,017	3,050	306,297	3,063
Additional Paid-in-Capital						
Balance, beginning of year	—	3,254,191	—	3,894,272	—	3,046,043
Issuances related to benefit and investment plans	—	130,630	—	11,866	—	(31,364)
Gain (loss) on issuance of subsidiaries' stock	—	509,499	—	(12,835)	—	—
Distribution of subsidiaries' stock	—	—	—	(847,200)	—	(146,263)
Other	—	(48)	—	(60)	—	—
Balance, end of year	—	3,894,272	—	3,046,043	—	2,868,416
Treasury Stock						
Balance, beginning of year	(4,811)	(120,856)	—	—	—	—
Contribution to pension plan	4,512	113,336	—	—	—	—
Other	299	7,520	—	—	—	—
Balance, end of year	—	—	—	—	—	—
Unearned ESOP stock						
Balance, beginning of year	(8,639)	(161,158)	(7,070)	(131,888)	(4,916)	(78,049)
Issuances related to benefit plan	1,569	29,270	2,154	53,839	4,004	75,207
Balance, end of year	(7,070)	(131,888)	(4,916)	(78,049)	(912)	(2,842)
Retained Earnings (Deficit)						
Balance, beginning of year		2,520,350		3,176,533		(1,062,083)
Net income (loss)		979,701		(3,920,234)		483,667
Common stock dividends — $1.125 per share in 2001, $1.07 per share in 2002 and $0.40 per share in 2003		(323,518)		(318,382)		(121,617)
Balance, end of year		3,176,533		(1,062,083)		(700,033)
Accumulated Other Comprehensive Income (Loss)						
Balance, beginning of year		(23,206)		(204,023)		(487,011)
Other comprehensive income (loss), net of tax:						
Minimum pension liability adjustment		12,764		(414,254)		47,296
Other comprehensive income (loss) from continuing operations		(36,512)		(29,910)		30,988
Other comprehensive income (loss) from discontinued operations		(157,069)		161,176		680
Other comprehensive income (loss)		(180,817)		(282,988)		78,964
Balance, end of year		(204,023)		(487,011)		(408,047)
Total Shareholders' Equity		$ 6,737,923		$ 1,421,950		$ 1,760,557

Independent Auditors' Report

To the Board of Directors and Shareholders of CenterPoint Energy, Inc. and Subsidiaries:

We have audited the consolidated balance sheets of CenterPoint Energy, Inc. and its subsidiaries (the "Company") as of December 31, 2002 and 2003, and the related consolidated statements of operations, shareholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2003. Such consolidated financial statements and our report thereon dated March 12, 2004, expressing an unqualified opinion and including explanatory paragraphs relating to the distribution of Reliant Resources, Inc., the change in method of accounting for goodwill and certain intangible assets and the recording of asset retirement obligations (which are not included herein), are included in the Company's Annual Report on Form 10-K. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2002 and 2003, and the related condensed consolidated statements of operations, shareholders' equity, comprehensive income and cash flow for each of the three years in the period ended December 31, 2003, is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.

Deloitte & Touche LLP

Houston, Texas
March 12, 2004

Annual Meeting

CenterPoint Energy, Inc.'s (NYSE:CNP) Board of Directors announced that the Annual Meeting of Shareholders will be held on Thursday, June 3, 2004, at 9 a.m. CDT in the CenterPoint Energy Tower auditorium, 1111 Louisiana Street, Houston, Texas. Shareholders who hold shares of CenterPoint Energy as of April 5, 2004, will receive notice of the meeting and be eligible to vote.

Investor Services

If you have questions about your CenterPoint Energy investor account, or if you would like to order any publications, please contact:

In Houston: (713) 207-3060
Toll Free: (800) 231-6406
Fax: (713) 207-3169

A list of publications and investor services may be found on the company's Web site at: www.CenterPointEnergy.com/investors.

Investor Services representatives are available from 8 a.m. to 4:30 p.m. Central time, Monday through Friday to help you with questions about CenterPoint Energy common stock, first mortgage bonds and enrollment in the CenterPoint Energy Investor's Choice Plan. You also can enroll in Investor's Choice online at: www.netstockdirect.com.

The Investor's Choice Plan provides easy inexpensive options, including direct purchase and sale of CenterPoint Energy common stock; dividend reinvestment; statement-based accounting and monthly or quarterly automatic investing by electronic transfer. You can become a registered CenterPoint Energy shareholder by making an initial investment of at least $250 through Investor's Choice.

CenterPoint Energy Investor Services serves as transfer agent, registrar and dividend and interest disbursing agent for CenterPoint Energy common stock and first mortgage bonds.

Information Requests

Call (888) 468-3020 toll-free for additional copies of:

- 2003 Annual Report
- 2004 Proxy Statement
- 2003 Form 10-K

Dividend Payments

Common stock dividends are generally paid quarterly in March, June, September and December. Dividends are subject to declaration by the Board of Directors, which establishes the amount of each quarterly common stock dividend and fixes record and payment dates.

Institutional Investors

Security analysts and other investment professionals should contact Marianne Paulsen, Director of Investor Relations at (713) 207-6500.

Stock Listing

CenterPoint Energy, Inc. common stock is traded under the symbol CNP on the New York and Chicago stock exchanges.

Auditors

Deloitte & Touche LLP, Houston, Texas

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