To the Unitholders of Enterprise Products Partners L.P.:

We are not pleased to begin our first annual letter to unitholders with an apology for the unit's performance since our IPO, but we feel one is due. Looking back with 20/20 hindsight, the timing of the offering was somewhat unfortunate given subsequent market events which had an effect on our units. During our first month as a public company, the overall stock market experienced extreme volatility and a market correction with both the Dow Jones Industrial Average and the Standard and Poor's 500 Index losing 17 percent of their respective values. Additionally, the price of crude oil steadily declined during the second half of the year reaching its lowest level in more than a decade. This caused stock price declines for major oil companies as well as other energy-related companies. Although approximately 85 percent of our margins in 1998 were from tolling fee arrangements not subject to commodity price volatility, this general decline in energy-related stocks also adversely impacted Enterprise by association. These events have made for a difficult market environment for our newly issued units.

The good news is that all of our business units continue to perform well despite intense competition from crude oil derivatives and weakness in global petrochemical markets. While the natural gas liquids ("NGLs") and petrochemical industries are at cyclical bottoms, our firm base of cash flow from fee-based business is more than sufficient to pay the Minimum Quarterly Distribution to common unitholders. In 1998, the coverage ratio of Distributable Cashflow to the Minimum Quarterly Distribution to common unitholders was 1.24 times.

We see the current growth prospects for Enterprise to be better than at any time since the Company was formed in 1968. We believe that growth opportunities will arise from joint venture projects with strategic partners and from acquisitions of mid- stream natural gas processing and transportation assets and other complementary assets.

Since starting the business, we have consistently managed Enterprise to create long-term value. Frankly, from this vantage, we are not overly concerned about the stock market's daily measurement of what Enterprise is worth today, next week, or even next month. Our focus is to consistently increase the value of the Company's units over the next five, ten and fifteen years. We realize that some of our public limited partners may have shorter-term investment horizons than ours, so we are also sensitive to short-term returns on partner investment; however, our main focus remains on long-term value creation.

Purpose of the IPO

We took Enterprise public to position the Company to take advantage of the next wave of growth and consolidation in the NGL processing and transportation businesses. The IPO raised approximately $247 million that was used to retire high-cost debt and pre-fund four growth projects which are currently under construction and will become operational during 1999. The proceeds from the IPO were not used to cash out any existing equity owners or to pay a big one-time dividend to existing owners. Enterprise's management retained its significant ownership position, representing more than 82.3 percent of the outstanding common and subordinated units.

At December 31, 1998, our debt to total capitalization was 13.8 percent, which provides Enterprise with a strong balance sheet and financial flexibility in financing future growth. We plan to finance the Company's growth through the issuance of debt and, when necessary, we will judiciously issue new partnership units. Our plan is to maintain a conservative balance sheet in terms of leverage - one which will support an investment grade rating.

Growth Strategy

Enterprise's strategy for growth has three components: (1) capitalizing on expected increases in NGL production, (2) investing with strategic partners, and (3) expanding through acquisitions.

We believe that production of both oil and natural gas in the Gulf of Mexico will continue to increase over the next several years. The availability of processing, storage and import facilities, pipeline distribution systems and petrochemical and refinery end-product demand makes the Gulf Coast the most significant marketplace for domestic and imported NGLs.

The deepwater natural gas fields in the Gulf of Mexico offshore Louisiana, which are currently under development, are expected to produce natural gas with significantly higher NGL content than typical domestic production. We believe that the Gulf Coast is the only major marketplace with sufficient infrastructure and petrochemical and refinery demand to absorb this new NGL production.

Enterprise has efficient, large-scale integrated operations strategically located on the Gulf Coast. We plan to lever off the Company's significant market position as the leading integrated provider of processing and transportation services to producers of NGLs and consumers of NGL products.

Enterprise has been successful in developing long-term relationships with and participating in joint ventures with strategic partners who commit feedstock volumes to or purchase a significant portion of the production from joint venture facilities. We plan to continue to pursue these types of joint investments with strategic partners in the future.

We are also analyzing potential acquisitions, joint ventures or similar transactions in complementary markets and geographic regions. We expect that major oil and natural gas companies will continue to divest non-strategic assets, including those in the midstream natural gas industry. We plan to be in a position to take advantage of these divestitures.

1998 in Review

During the four years ending in 1997, Enterprise's earnings before interest, taxes and depreciation from all of our operations increased at a 19.2 percent compound annual growth rate. We are disappointed that we could not continue that growth trend in 1998. Nonetheless, 1998 was a solid year for Enterprise in terms of financial performance. We weathered the downward spiral of crude oil prices during the last half of 1998 which negated some

Operating Margin by Business Unit ($000s):

	1997	1998
NGL Fractionation	$ 2,801	$ 3,743
Isomerization	38,286	17,540
Propylene Fractionation	18,996	11,275
Pipelines	13,520	14,121
Storage and Other	8,441	6,063
Total Operating Margin	$82,044	$52,742

upside profit opportunities we normally enjoy in our Isomerization business. As a result, operating margin for 1998 was $52.7 million compared to $82.0 million in 1997. The Isomerization and Propylene Fractionation businesses accounted for 97 percent of this decline in operating margin. The remainder of Enterprise's businesses posted solid earnings as the result of their high percentage of tolling fee-based revenues.

Isomerization margin was significantly affected by the reduced spread between normal butane and isobutane. This spread averaged $0.033 per gallon in 1997 compared to an average of $0.011 per gallon in 1998. This spread narrowed due to price declines for crude oil and it's derivatives and motor gasoline and its additives. Isobutane competes with crude oil derivatives as a feedstock for motor gasoline additives.

In the Isomerization business, Enterprise has the option to purchase commercial butane at highly seasonal prices throughout the year or to build up inventories of low-cost imported commercial butane at its storage facilities at Mont Belvieu, Texas during the months of February through October when demand is at its seasonal low globally. By utilizing its storage facilities, the Company can withdraw these volumes from inventory for processing into isobutane during the summer months when the spread between normal butane and isobutane is typically at its greatest and during the winter months when the absolute value of isobutane is at its seasonal high. In previous years, using the storage option for commercial butane has been consistently more profitable for the Company than it would have been to purchase the feedstock throughout the year; however, in 1998, because isobutane prices deteriorated throughout the last half of the year with price declines of competing crude oil derivatives, the Company incurred inventory write-downs which contributed to the decrease in operating margin. In 1999, we will evaluate which of these purchase options or combination of options will provide Enterprise the greatest return balanced with our aversion to risk.

While domestic demand for high-purity propylene grew approximately 5 percent in 1998, reduced export demand for the feedstock in Asian markets resulted in weak pricing conditions. The decrease in Propylene Fractionation operating margin was attributable to the declining prices for high-purity propylene throughout 1998. As a result, there were losses on some spot sales merchant activities, reduced production volumes and write-downs of feedstock inventory used to maintain plant load.

O.S. Andras (left), President and Chief Executive Officer; and Dan L. Duncan, Chairman

Outlook for 1999

We have been able to significantly limit future commodity risk in the Propylene Fractionation business by matching volumes required under term sales contracts with term supply contracts. By matching the volume, timing and price of feedstock purchases with sales of the end products, we are stabilizing the margins and reducing risk in the merchant portion of this business.

Enterprise is in various stages of completing the four projects that were funded with the proceeds from the IPO. The Company is participating in two NGL pipeline projects, Tri-States and Wilprise. These pipeline projects are scheduled to begin deliveries during the second quarter of 1999. The pipelines will transport NGLs from the production areas in Alabama and Mississippi to fractionation and storage facilities in Louisiana. The Company will own an interest in and operate a 60,000 barrel per day NGL fractionation facility in Baton Rouge, Louisiana which is also scheduled to begin production during the second quarter of 1999.

The fourth project funded by the proceeds from the IPO is the Company's share of a new fully refrigerated export terminal that is part of the recently formed EPIK joint venture. EPIK is a joint venture between Enterprise and Japan's largest importer of liquified petroleum gases. The joint venture will own and operate the fully refrigerated NGL marine terminal loading facility. The addition of this refrigerated terminal will make our import/export facility, located on the Houston Ship Channel, the United States' highest rated, fully refrigerated loading facility capable of loading propane and butane on world class, refrigerated NGL tankers. This refrigerated terminal is scheduled to begin operations at the end of the third quarter.

In January, we announced the formation of Entell NGL Services, LLC, a 50/50 joint venture between Enterprise and Tejas Natural Gas Liquids, LLC, an affiliate of Shell Oil Company. Entell plans to develop a pipeline from Breaux Bridge, Louisiana to our facility at Mont Belvieu to transport deepwater Gulf of Mexico NGLs from Tejas' and other extraction facilities in south Louisiana to petrochemical and refinery markets on the lower Mississippi River corridor and the Louisiana and Texas Gulf Coast. As part of Enterprise's 50 percent share of investment in Entell, we will contribute some of our existing Louisiana pipeline assets and plan to invest an additional $20 to $30 million. We anticipate the completion of this pipeline during the second quarter of 2000.

We are excited about the prospects for the Company in the coming years. Our goal is to make Enterprise a growth master limited partnership with annual distribution increases supported by a solid base of cash flows from tolling operations and low risk merchant activities.

With management's significant ownership position, our interests are fully aligned with those of our public limited partners.

Dan L. Duncan
Chairman

O.S. Andras
President and Chief Executive Officer