

TXU Quarterly Review

April 29, 2002

Safe Harbor Statement



This presentation and other reports made by TXU Corp. contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Although TXU Corp. believes that in making any such statement their expectations are based on reasonable assumptions, any such statement involves uncertainties and is qualified in its entirety by reference to factors contained in the Forward-Looking Statements section of Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in the TXU Corp. 2001 Form 10-K and 2001 10Q's, as well as general industry trends; implementation of the 1999 Texas electric industry restructuring legislation and other legislation; changes in business strategy or development plans; changes in, or failure or inability to comply with, governmental regulations, including, without limitation, environmental regulations; changes in tax laws; among others, that could cause the actual restructuring or other results of TXU Corp. to differ materially from those projected in such forward-looking statements.

Erle Nye

Chairman & Chief Executive

Today's Presenters



Erle Nye	Chairman & Chief Executive
Paul Marsh	Chief Operating Officer – TXU Energy, Europe
Brian Dickie	President - TXU Energy, North America
Mike McNally	Chief Financial Officer

First Quarter Highlights



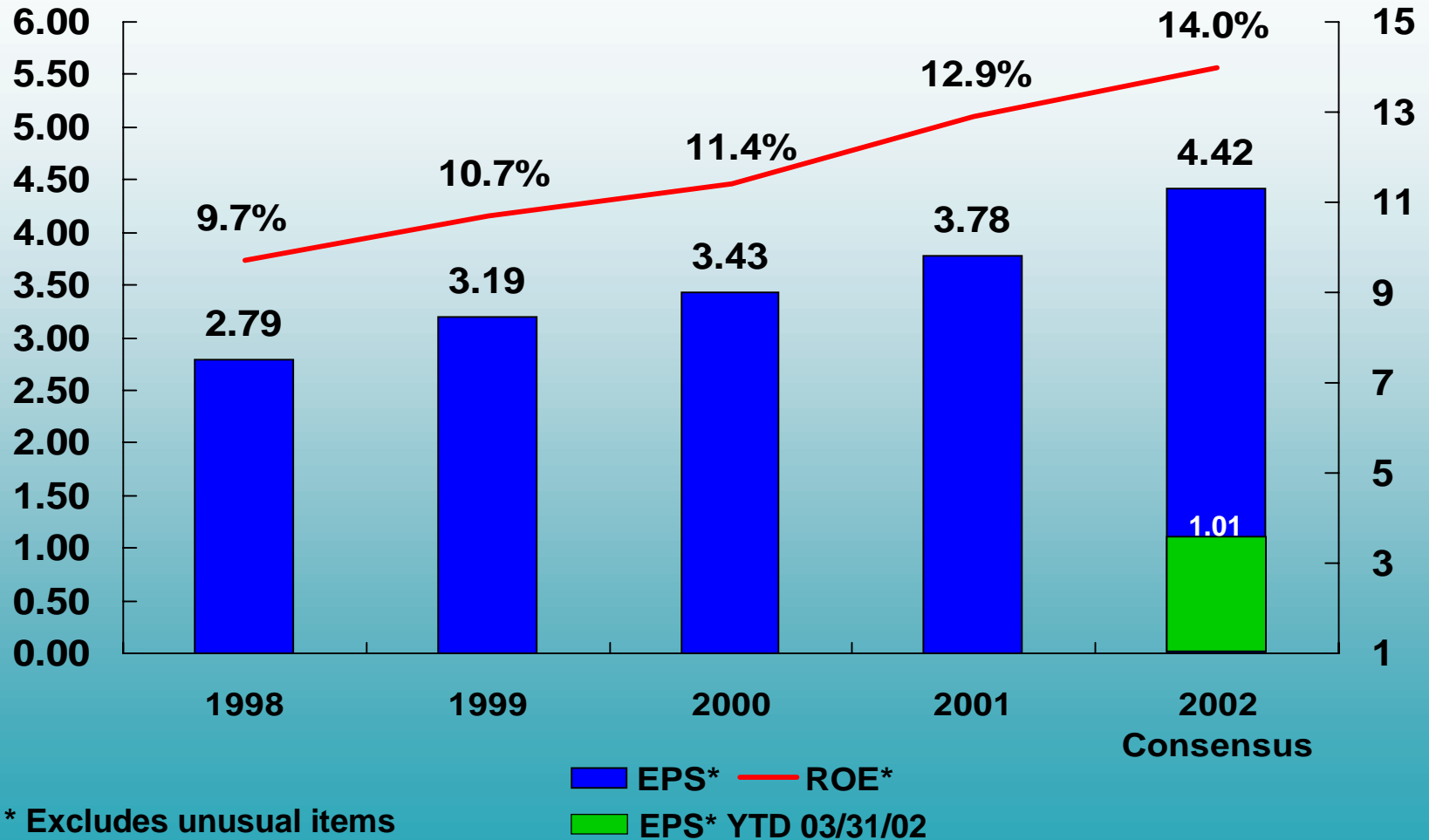
- **Exceptional financial results**
- **Operating Earnings Per Share of \$1.01, up 22%**
- **Balance sheet further strengthened**
 - **Debt reduced to 56% of long-term capitalization**
- **Success in newly deregulated markets in North America and Australia**
- **Strength of merchant energy model delivered**

Track Record of Financial Success



\$/share

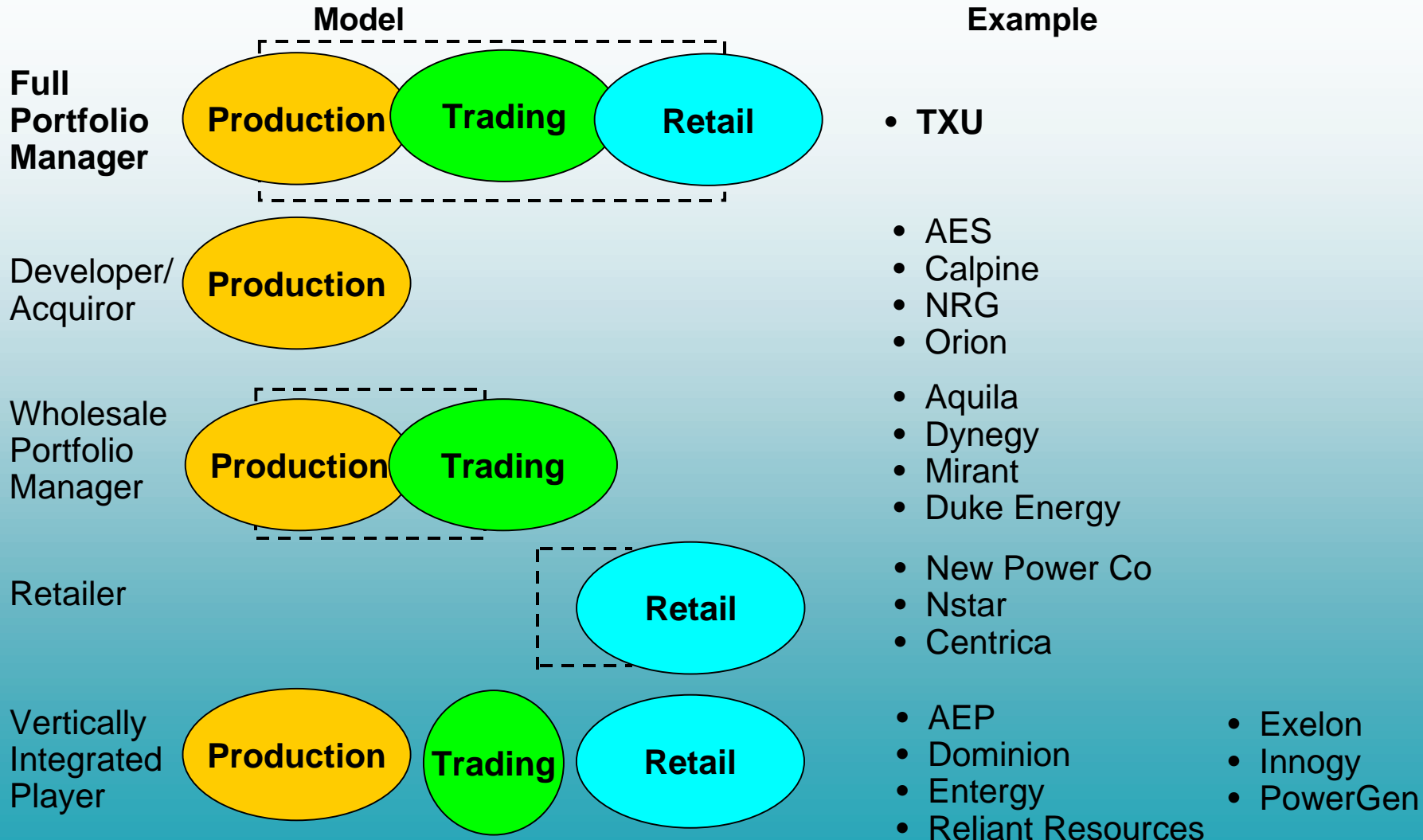
%



Distinctive Business Model



TXU's Approach is Differentiated from Other Merchant Companies Through its Integration of Production, Trading and Retail Activities



- **Enhance returns on capital**
- **Continue to deliver earnings growth**
 - **operational efficiency**
 - **developmental activities**
- **Maintain strong cash flows and commitment to credit strength**

Paul Marsh

**Chief Operating Officer -
TXU Energy, Europe**

Highlights Q1 2002 - Europe



- **Operating Net Income (\$10m) vs \$42m Energy (\$84m total) in Q1 2001**
- **Difficult UK energy trading conditions**
 - steep wholesale price decline
 - continuing strong retail competition
- **UK portfolio was positioned for volatility and higher winter prices**
- **Some recovery later in year from retail hedge**
- **Response:**
 - mothballing and summer colding of generation units
 - focus on retail retention

UK Power Trading Conditions



Spot prices in Q1

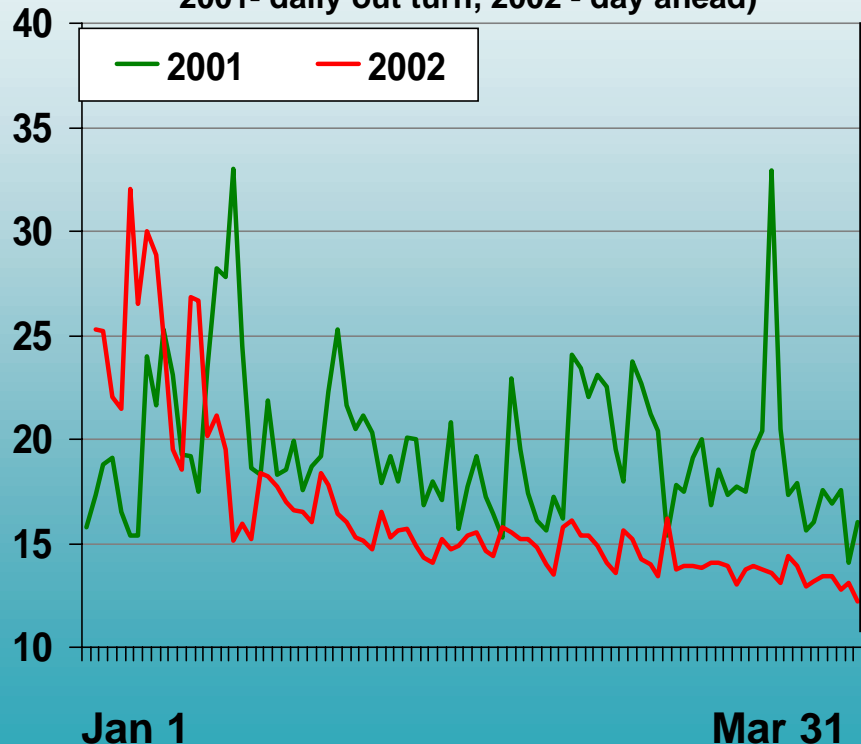
Q1 '01 TW average £19.6/MWh

Q1 '02 TW average £16.7/MWh

Spot Power Prices

(£/MWh baseload prices;

2001- daily out turn, 2002 - day ahead)

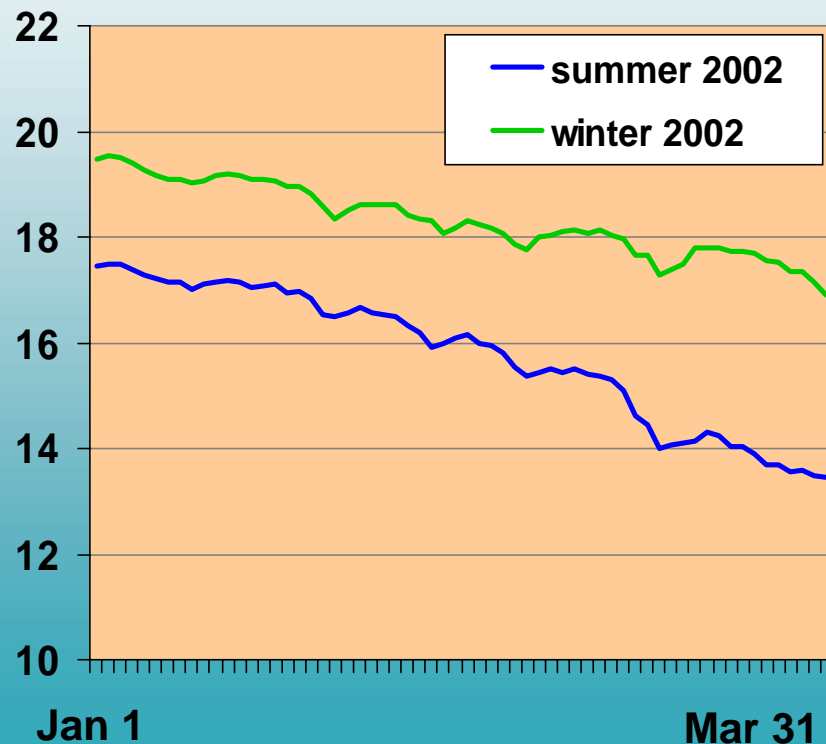


Forward prices in Q1

very low prices,
this sentiment feeding along the curve

Forward Power Prices

(£/MWh; baseload closing price)



UK Gas Trading Conditions



Spot prices in Q1

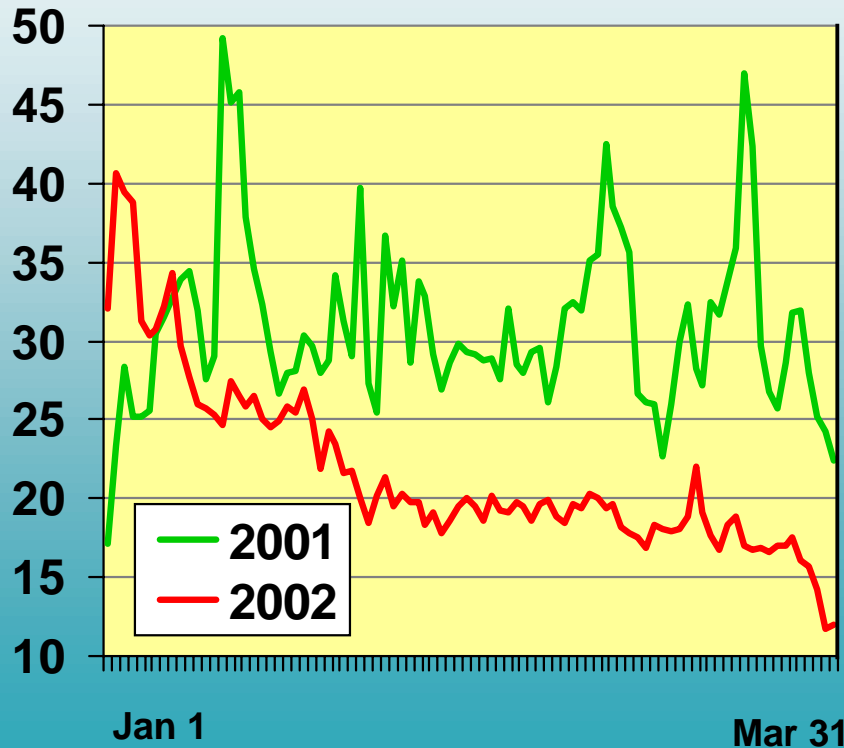
Q1 '01 average 31.9 p/th
Q1 '02 average 21.7 p/th

Forward prices in Q1

Falling prices with reduced volatility

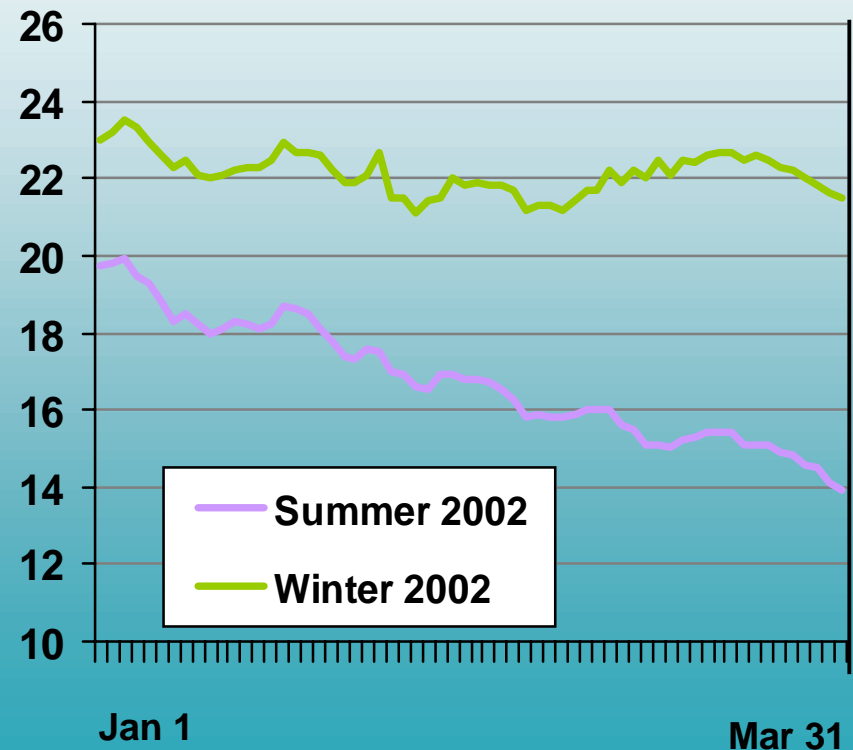
Spot Gas Prices

(pence/therm, actual system average price)



Forward Gas Prices

(pence/therm, average quarterly Heren price)

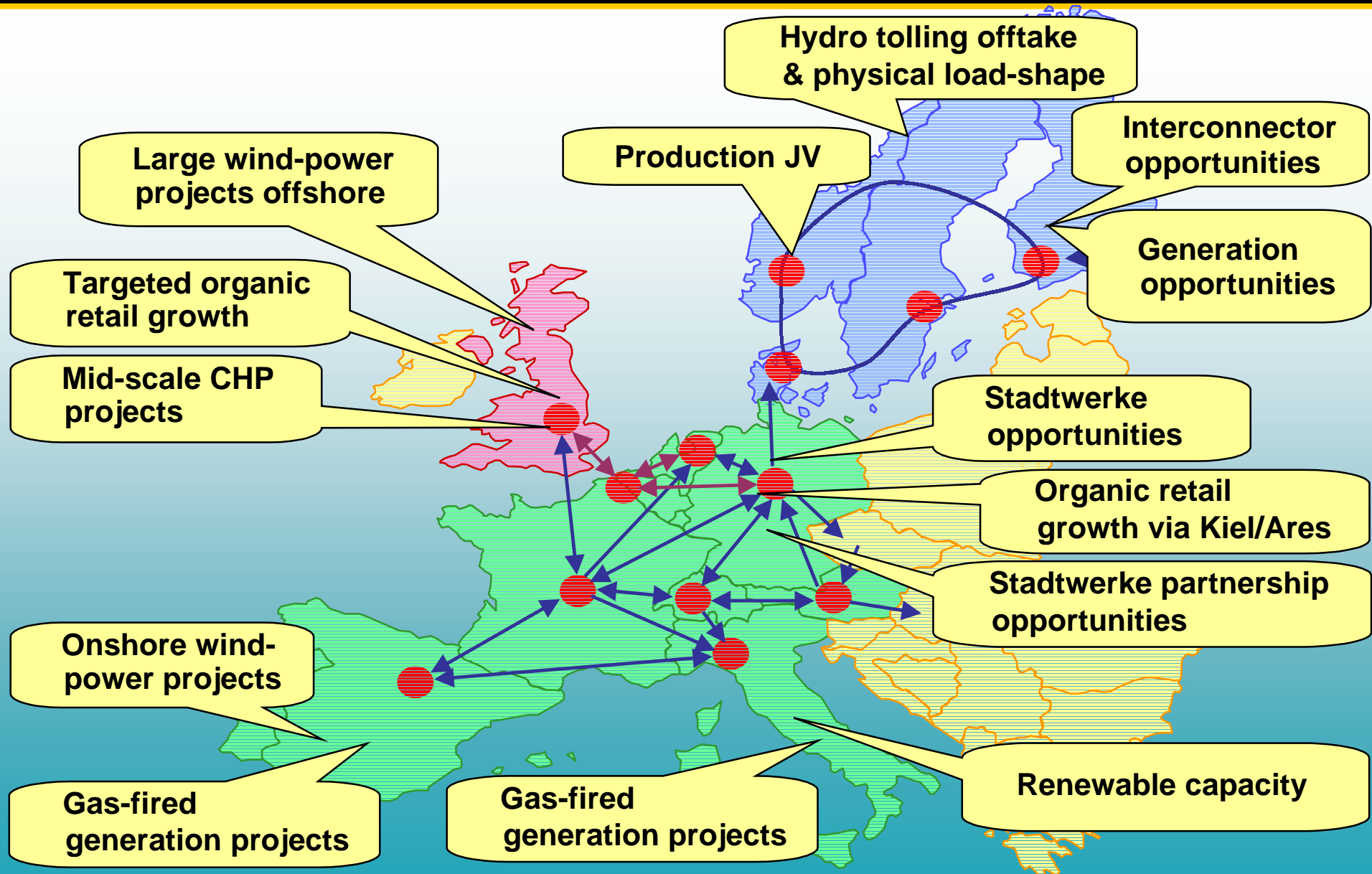


Further Highlights Q1 2002 - Europe



- **Successful acquisition of Amerada Hess retail business**
 - 400,000 customer accounts
 - 7% of UK industrial and commercial market
- **Continental Europe operations continue to grow - EBITDA up 25% to \$55m**
- **Progressing on German stadtwerke and Nordic upstream development**

Growth Across Europe



Europe Priorities



- **Further improve operational excellence & cost leadership**
- **Focus on retail customer retention**
- **Strengthen portfolio growth in Germany & Nordic regions**
- **Deliver & integrate new acquisitions**
- **Focus on financial performance and credit**

Brian Dickie

President - TXU Energy, North America

Q1 Highlights - North America



- **Completed separation of the merchant energy and energy delivery businesses**
- **Net income \$281m vs. \$193m in Q1 2001, 46% increase**
- **Positive market open in Texas**
- **Progress on settlement of outstanding regulatory issues**
- **Filed for “Price to Beat” fuel factor increase**
- **Growing momentum outside Texas**

Texas Market Opening



- **No major disruptions**
- **Positive regulatory, legislative, and media response**
- **Concerted efforts to resolve remaining systems issues**

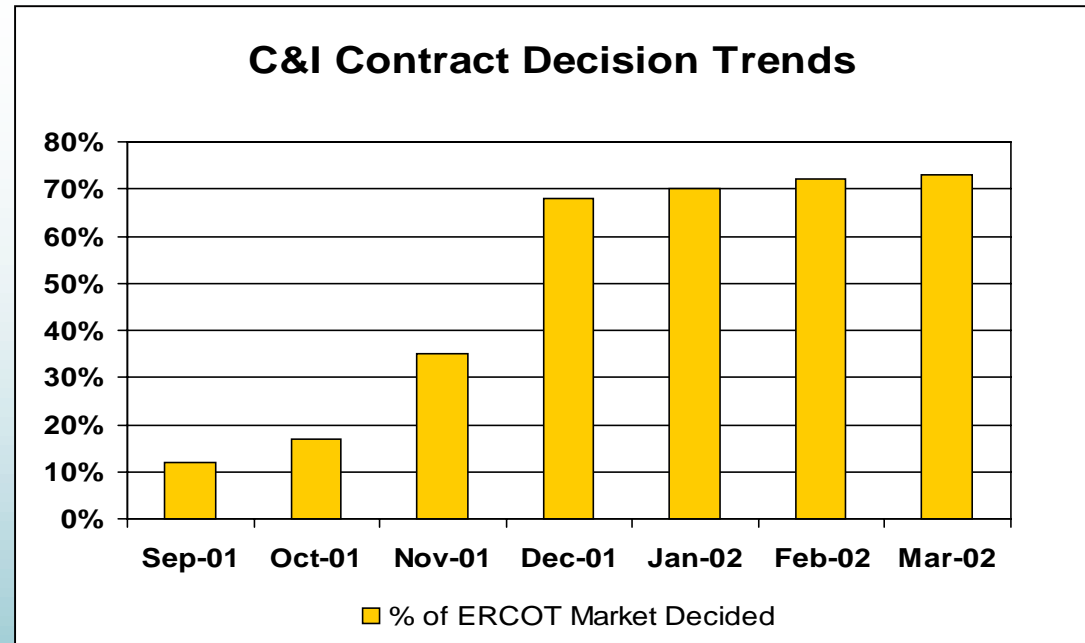
We are confident that market startup issues will be resolved and that we will be the strongest competitor in the market

Retail Market Update



Large C&I Market

- 73% of large customers have made a choice
- TXU has maintained overall share despite entry of several new competitors
- Maintaining satisfactory margins



Mass Market

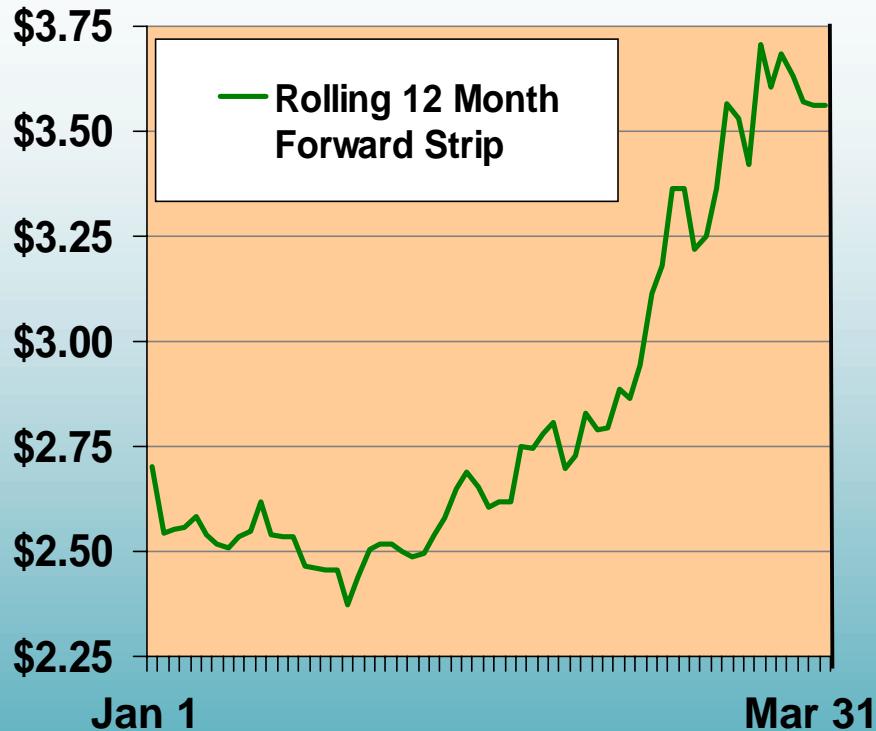
- Market developing relatively slowly; expected to heat up by summer
- Competitive landscape beginning to clear-up
 - TXU, Reliant, and Centrica emerging as primary competitors
- TXU's customer position is at high end of expectations

ERCOT Trading Conditions



Forward Gas Prices

\$/mmBTU; NYMEX Henry Hub Product



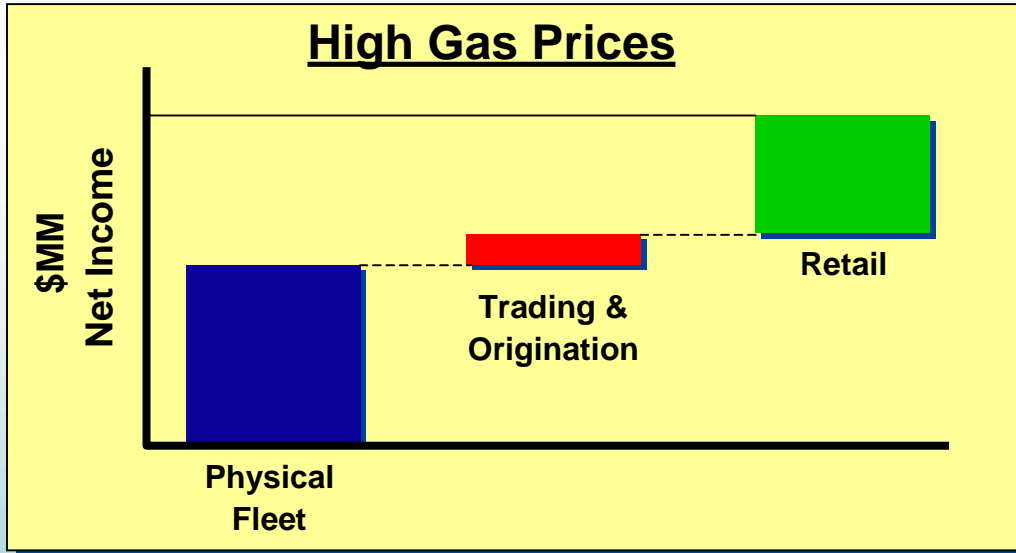
Forward Power Prices

\$/MWh; North Zone 5x16 Product

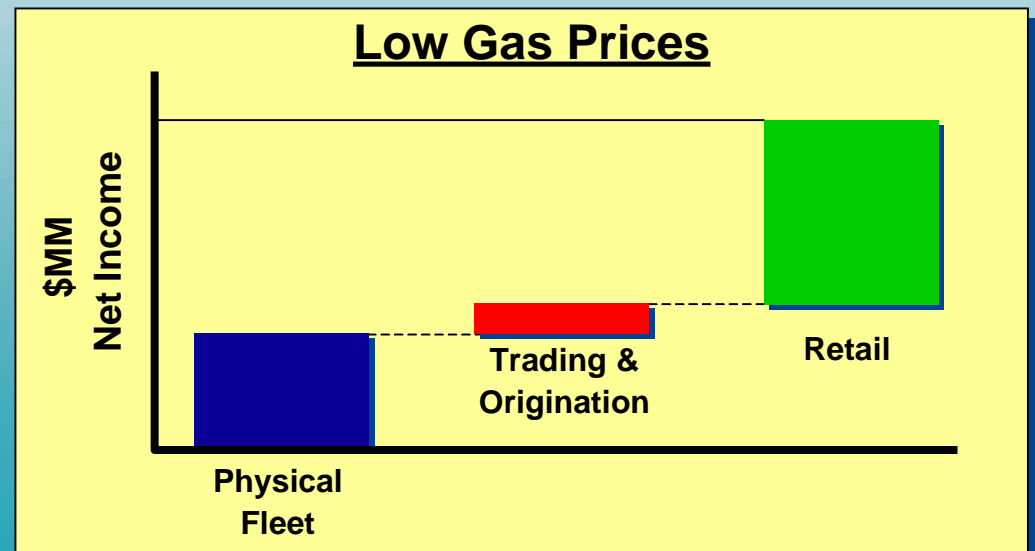


- During Q1, gas prices rose significantly, with corresponding power increases.
- Active portfolio management maintains value.

Portfolio Management



Implementation of our model in Texas enables our ability to capture value in a range of market conditions.

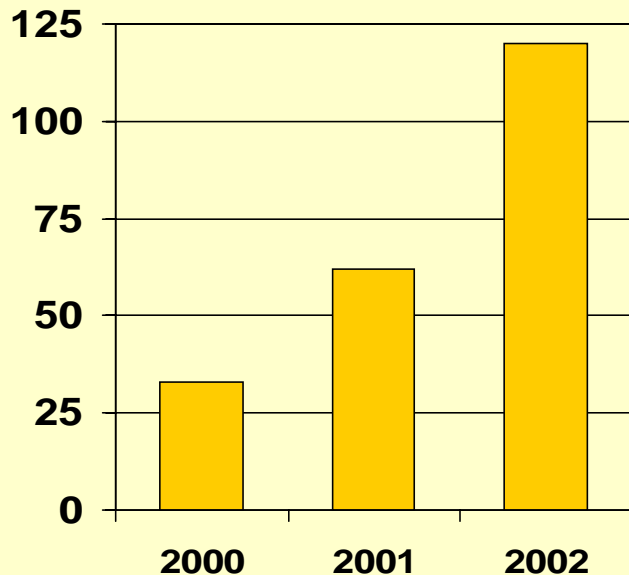


(For indicative purposes only)

Regional Expansion



Gross Margin Outside Texas



North America Regional Strategy



- Focus on Northeast and Midwest
- Wholesale-led
- Disciplined development

- **Succeed in ERCOT**
- **Accelerate growth outside of Texas**
- **Continue to build world-class capabilities**

Mike McNally

Chief Financial Officer

Indicative Net Income (Millions)



	<u>2002</u>	<u>2003</u>
Energy		
N. America	\$660	\$720
International	<u>470</u>	<u>540</u>
Total	\$1,130	\$1,260
N.A. Energy Delivery	295	295
Corp. & Other	<u>(245)</u>	<u>(230)</u>
Total	\$1,180	\$1,325

Indicative Cash Flow (Millions)



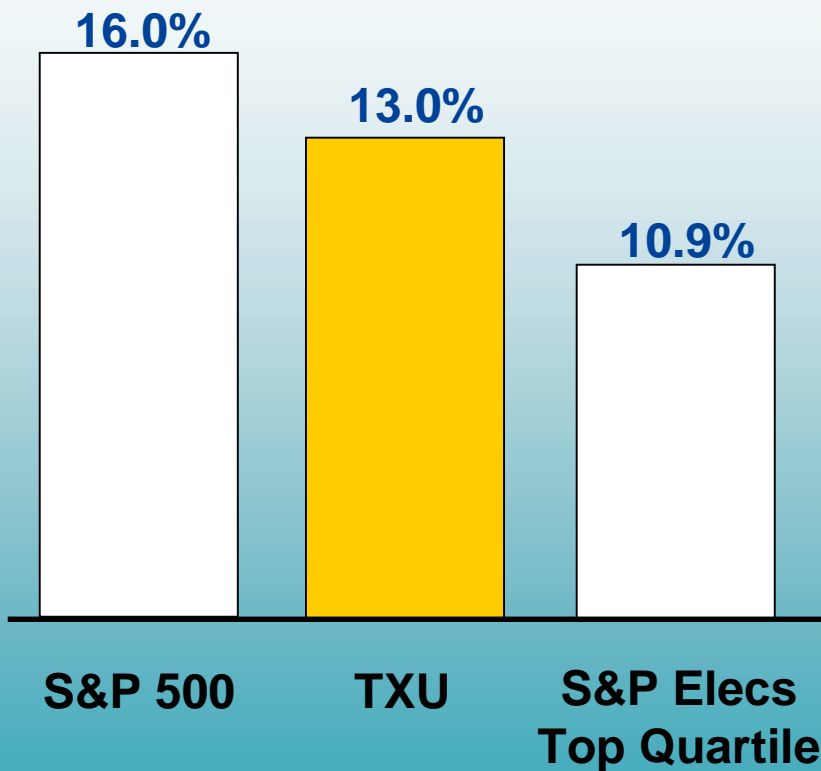
	<u>2002</u>	<u>2003</u>
Cash from operations	\$2,300	\$2,500
Asset sales	2,300	---
Securitization	<u>500</u>	<u>---</u>
Total	\$5,100	\$2,500
Debt reduction	2,850	450
Dividend	<u>650</u>	<u>650</u>
Available cash flow	\$1,600	\$1,400

- **Enhance returns on capital**
- **Continue to deliver earnings growth**
 - **operational efficiency**
 - **developmental activities**
- **Maintain strong cash flows and commitment to credit strength**

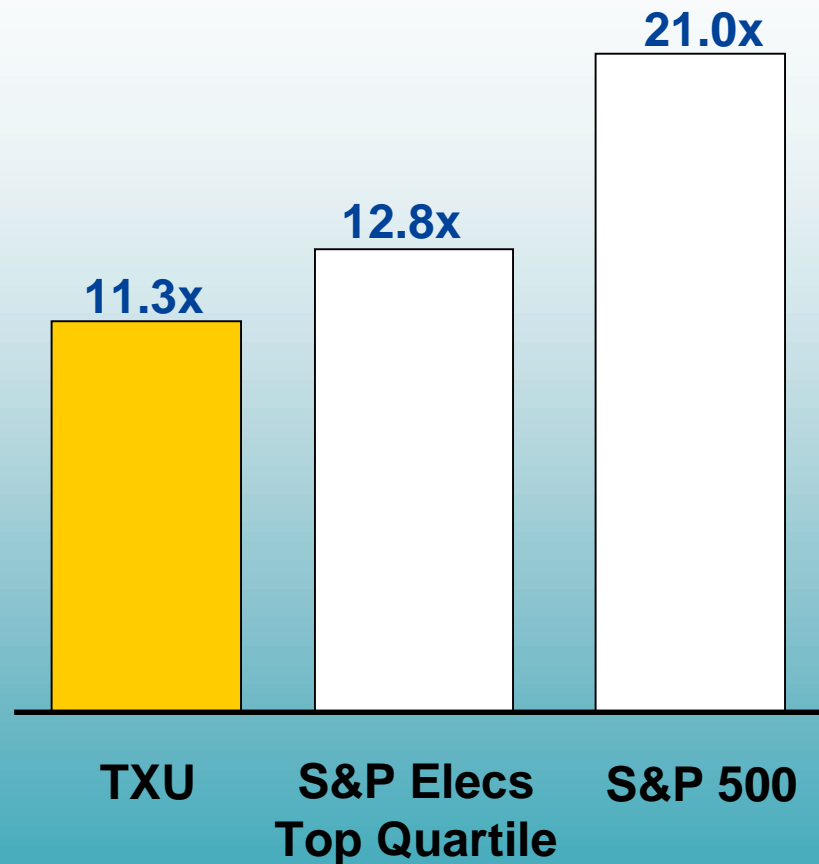
Compelling Valuation Story



5-Year Total Return Estimates *



P/2003E *



* Source: Bloomberg and I/B/E/S as of 4/26/02

Q & A