



EEI International Financial Conference

***London
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Safe Harbor Statement



This presentation contains forward looking statements, which are subject to various risks and uncertainties. Discussion of factors that could cause actual results to differ materially from management's current projections, forecasts, estimates and expectations is contained in the company's SEC filings. In addition to the factors set forth in the company's SEC filings, other factors which could affect the forward looking statements contained in this presentation include prevailing government policies on environmental, tax or accounting matters, regulatory actions, weather conditions, unanticipated population growth or decline and changes in market demand and demographic patterns, changing competition for customers including the deregulation of the U.S. electric utility industry and the entry of new competitors, pricing and transportation of crude oil, natural gas and other commodities, financial market conditions including unanticipated changes in interest rates, rates of inflation, or foreign exchange rates, unanticipated changes in operating expenses and capital expenditures, legal and administrative proceedings and settlements, inability of the various counterparties to meet their obligations with respect to financial instruments, and changes in technology used and services offered by TXU Corp.

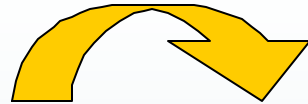
TXU will achieve **excellent operations** of **significant scale** in **selected regions**, which **optimize a portfolio** of assets, capabilities and customer relationships across **multiple products and services**.

Portfolio Growth Model



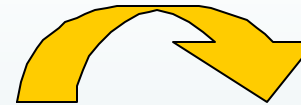
TRADING

- market information
- low risk (when properly managed)
- allows provision of risk management services



ACQUIRE BUSINESS INTERESTS

- market presence
- market knowledge
- experience
- buy balanced positions
- build portfolio of physical and contractual assets
- flexibility



CONSOLIDATE AND GROW

- optimize position in value chain
- focus on core sectors
- market knowledge
- maintain flexibility
- Divest non-core assets

Stage
1

Stage
2

Stage
3

Enhancing Shareholder Value

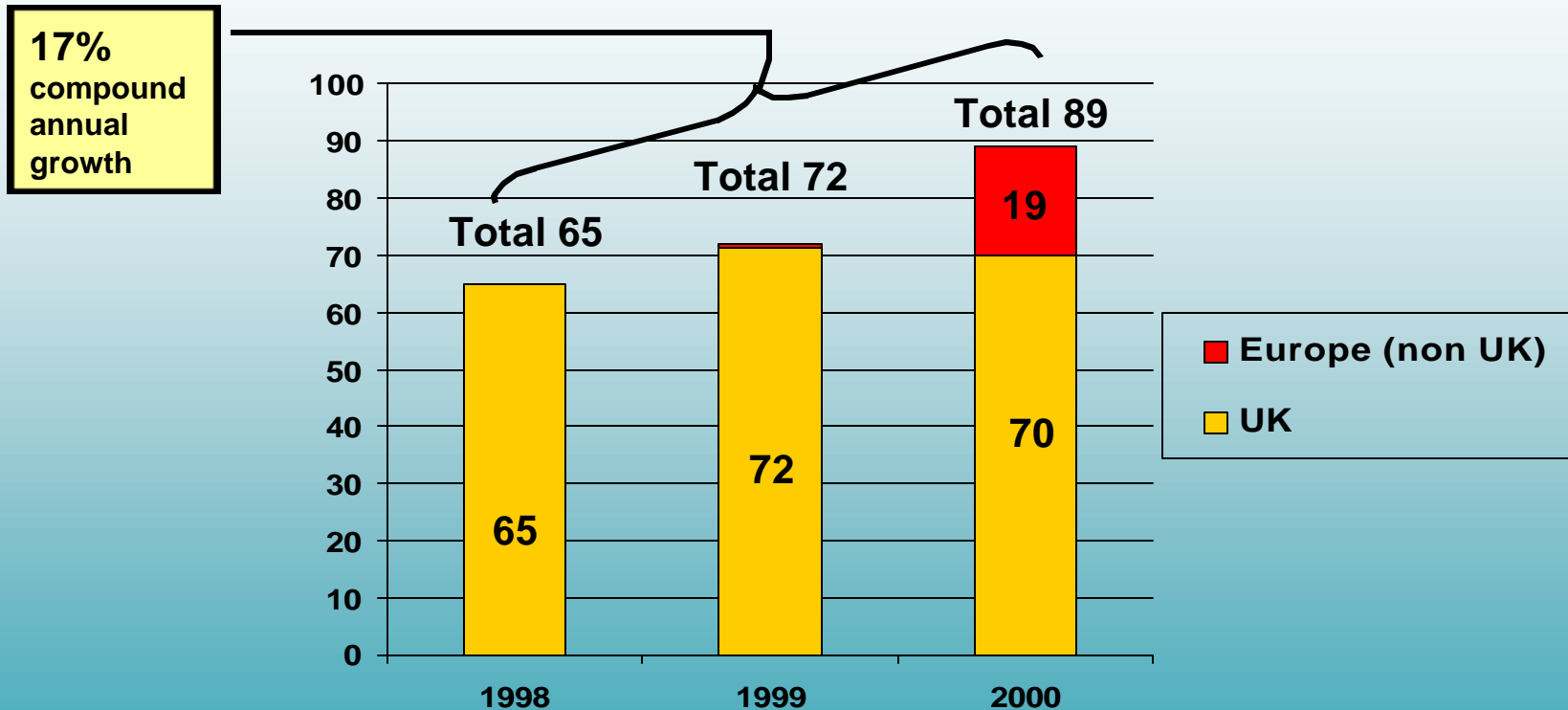


- **Clear Business Model**
- **Deliver growth from existing businesses**
- **Strengthen credit**
- **Grow unregulated merchant energy business**
- **Reduce regulatory uncertainty in Texas**

Europe Merchant Energy Earnings Growth



(£ m US GAAP; pre-restructuring)

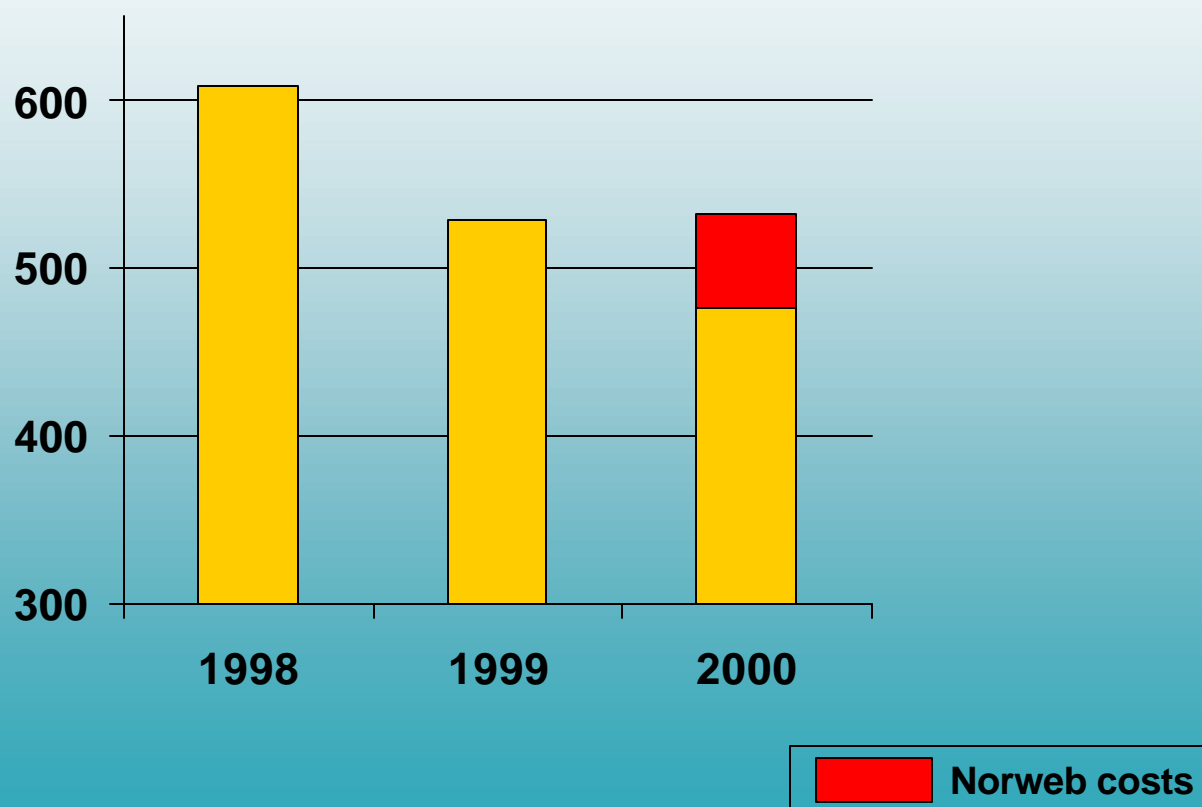


Europe Costs Falling



Continuing year-on-year operating cost reductions

Total Company O&M Costs
(£ m cash costs; excluding restructuring)



Europe Highlights 2000



- **Very strong earnings & cashflow growth**
 - Net income up 16%
 - Energy operational net income up 23%
 - Free cashflow of £361 million, up 32%
 - Cash return on TXU equity of 18%
- **Norweb Energi / Vertex**
- **Top 5 position in Central European & Nordic trading**
- **Stadtwerke Kiel**
- **Successful implementation of 24seven**
- **Disposal program delivering, more to follow**

U. S. Merchant Energy



Strategies

1. Build and dynamically manage integrated energy portfolios in Texas, the Northeast and Mid-continent.
2. Be the leader in energy retailing in Texas and leverage Texas capabilities to enter new markets.
3. Operate the premier generating fleet in Texas and selected other markets.
4. Be a national leader in C&I Energy Solutions.

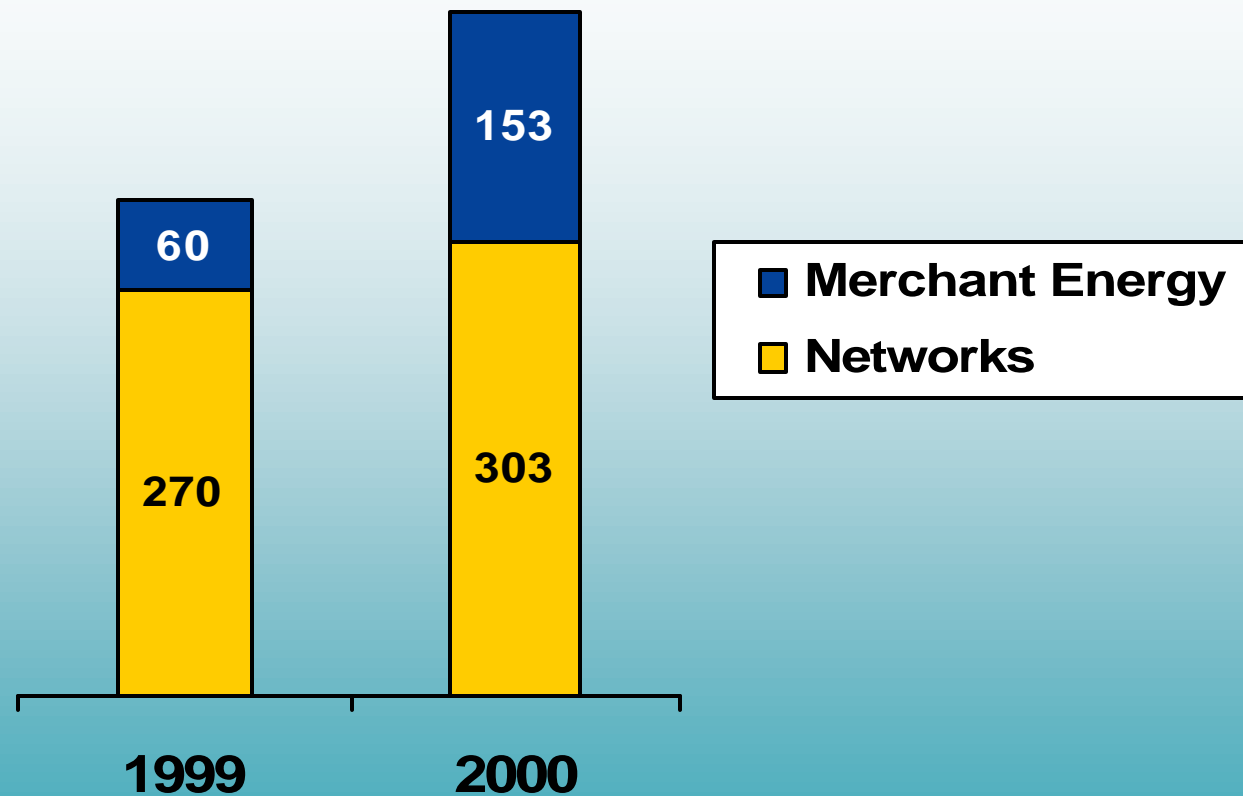
US Energy: In Summary



- **Top flight leadership team in place**
- **Preparation for Texas market opening well in hand**
- **Strong Texas portfolio about to be deregulated**
 - **21,000 MW**
 - **4 million customers**
 - **Substantial gas storage and transportation**
- **Intensified focus on strategies outside Texas**
 - **Well positioned in the Northeast**
 - **Upstream repositioning strategy to be announced soon**

Australia

EBITDA by Business (A\$)



2000 Highlights

- **Merchant trading success story**
- **Optima Energy (TIPS)**
- **Network Pricing Determination**
- **New CEO**
- **Net income of A\$97mm versus A\$10mm in 1999**

TXU Net Income

12 Months Ended December 31, 2000



(\$ millions)

	<u>Reported</u>	<u>Operating</u>
US Electric	883	837
US Gas	49	15
US Energy	(88)	(61)
Europe	215	269
Australia	57	57
Corporate & Other	<u>(212)</u>	<u>(212)</u>
	904	905
Avg. Shares (millions)	263.6	263.6
EPS	\$3.43	\$3.43

TXU Net Income Growth



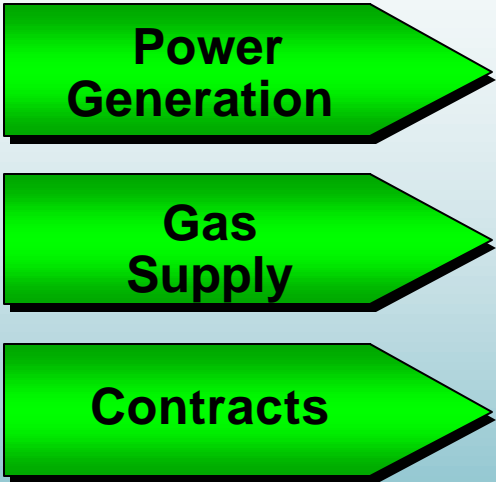
	(\$ millions)	
	2001	2002
	<u>Growth</u>	<u>Growth</u>
US Electric	5-10	(565)-(560)
US Gas	0-5	5-10
US Energy	-	610-615
Europe	50-55	20-25
Australia	(10)-(5)	4-6
Corporate & Other	10-15	20

Additional Slides

TXU Business Model



Upstream



Portfolio Optimization



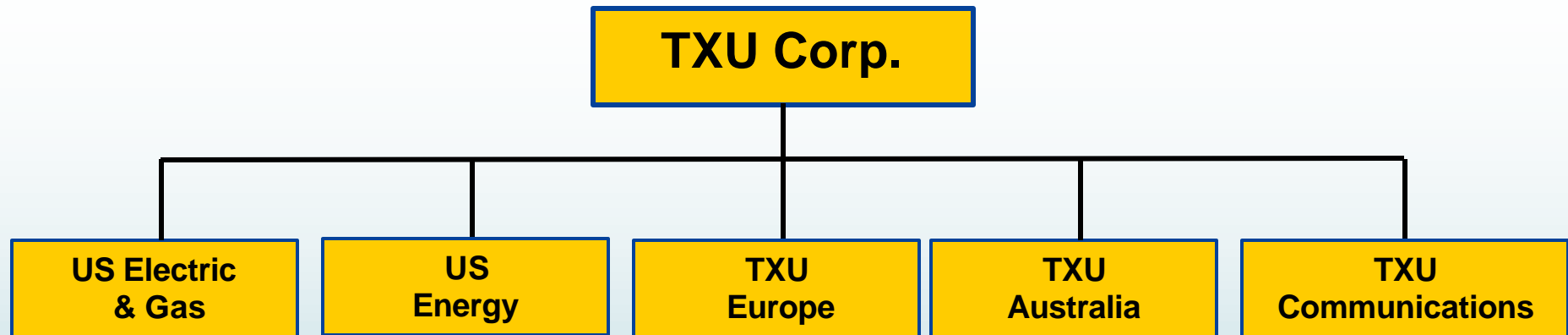
Downstream



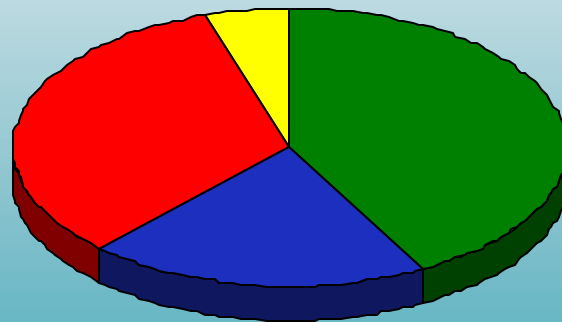
Energy Delivery



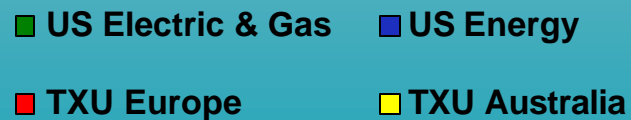
TXU Corp. - 2002



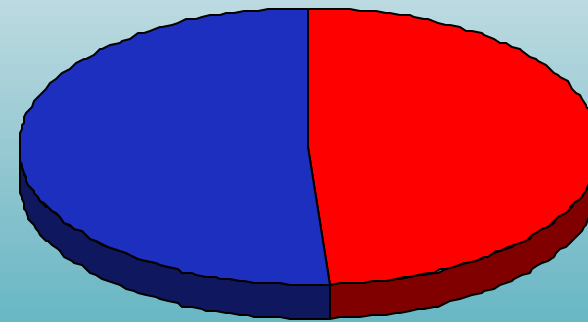
EBIT



Projected 2002



EBIT



Projected 2002



United States

Texas Business



Upstream

21,080 MW of
Generation

Purchase &
Transport 2.5
Bcf gas/day

25mm tons of
coal mined/year

Gas Storage
of 71 Bcf

Portfolio Optimization

Merchant
Trading &
Portfolio
Management

Downstream

4 Million Gas
& Electricity
Customers

Over 400,000
C&I Customers

Wholesale
Contracts

Energy Delivery

9,700 miles
gas pipeline

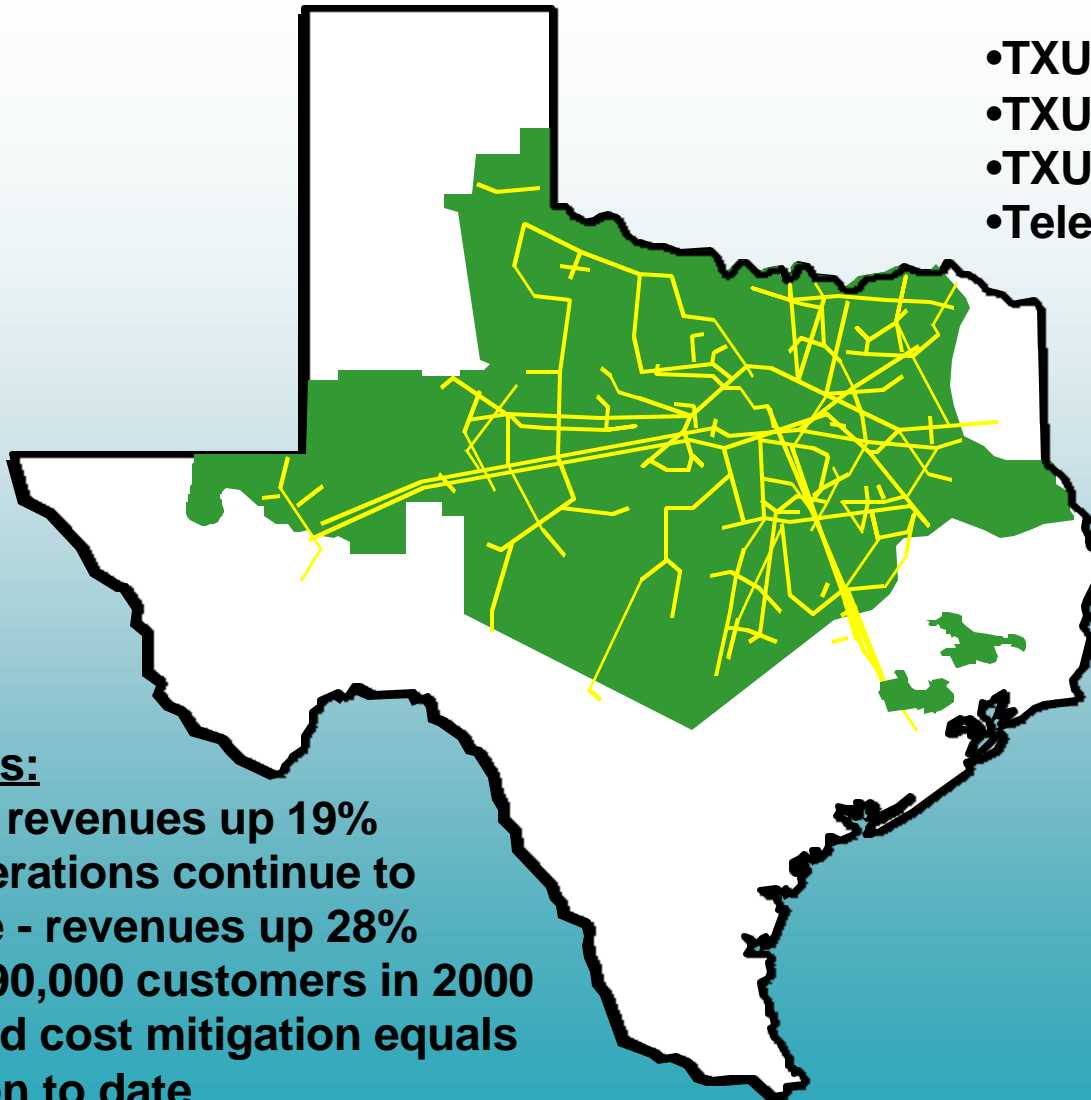
13,900 miles
transmission lines

24,000 miles gas,
91,000 miles
electric distribution

Texas Operations



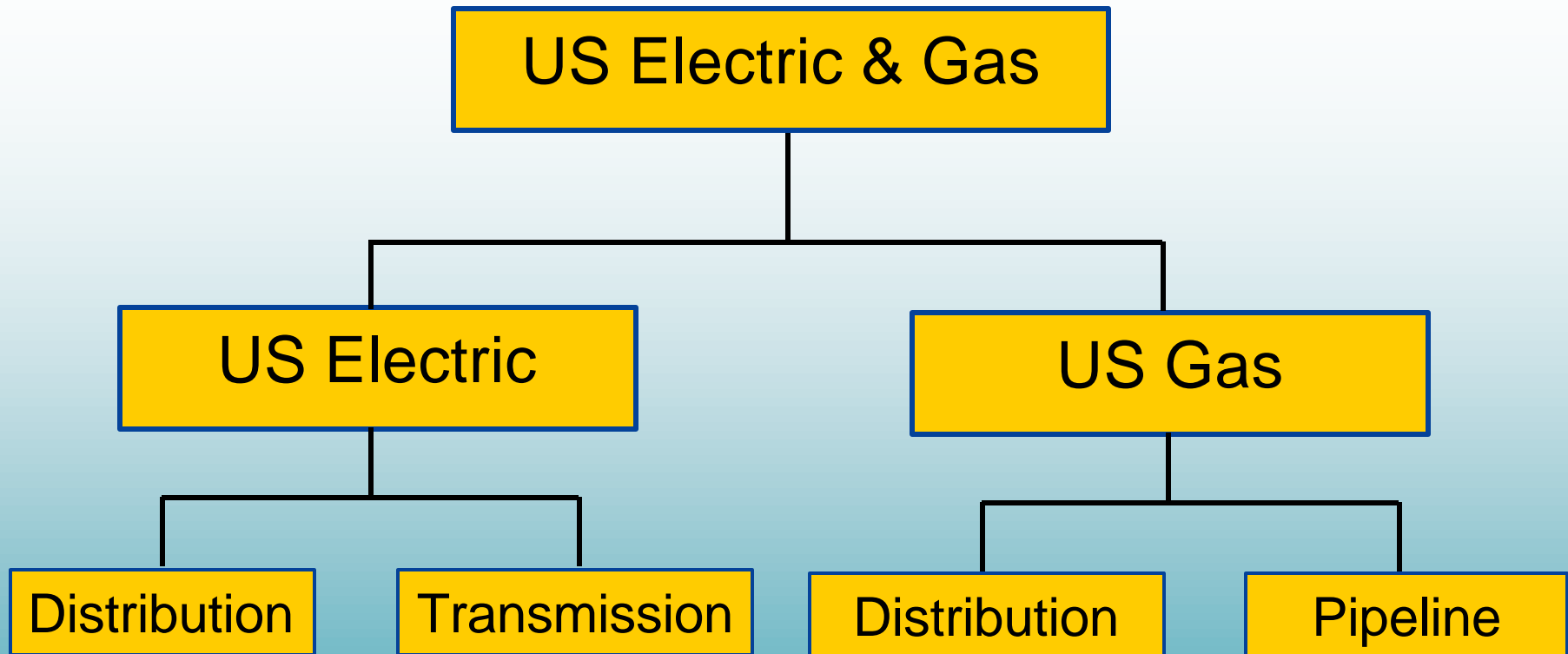
- TXU Electric
- TXU Gas
- TXU Energy Services
- Telecommunications JV



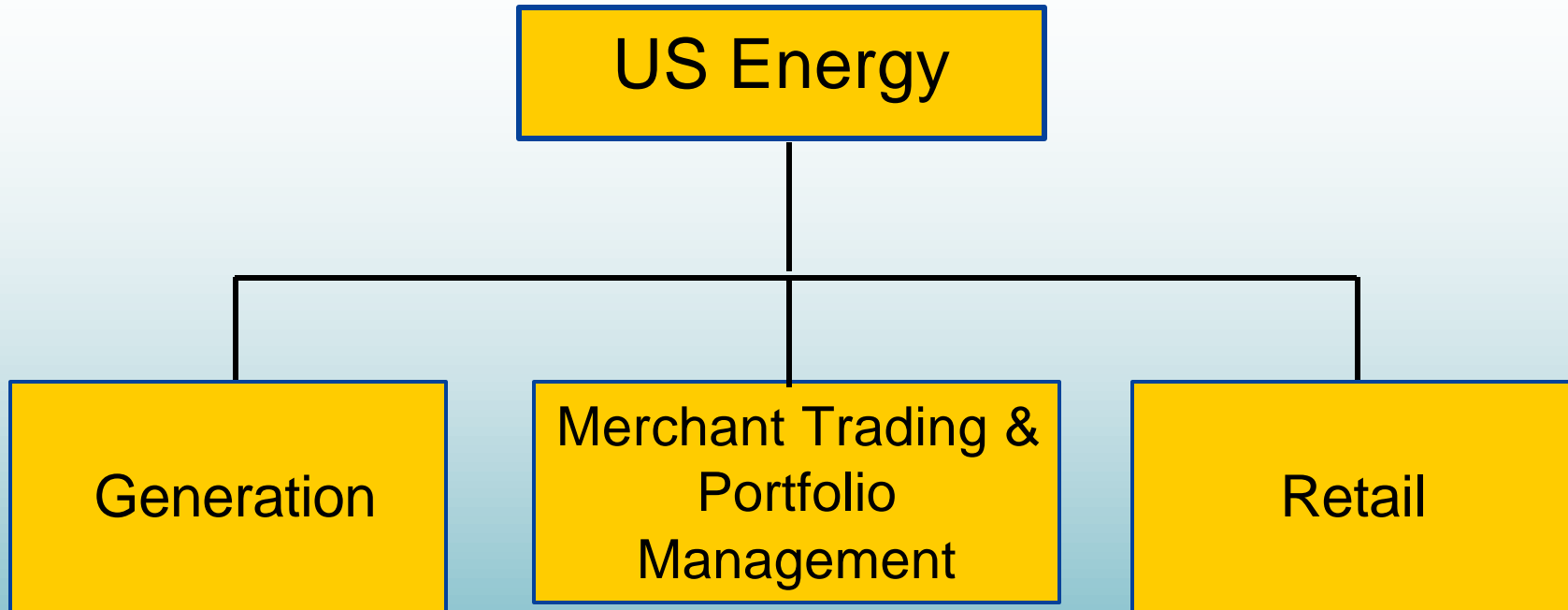
Highlights:

- Electric revenues up 19%
- Gas operations continue to improve - revenues up 28%
- Added 90,000 customers in 2000
- Stranded cost mitigation equals \$2 Billion to date

US Electric & Gas - 2002



US Energy - 2002



- \$185 million in revenues
- 181,000 access lines
- 46,000 fiber route miles
- \$950 million enterprise value

Telecom

- CLEC presence in top 20 Texas markets
- Small business customers
- Integrated services: local, long distance, internet, data networking, web services
- TXU brand and energy relationships

Telephone

- Foundation for CLEC expansion
- Growth in access lines
- Cross-sell competitive services

Transport

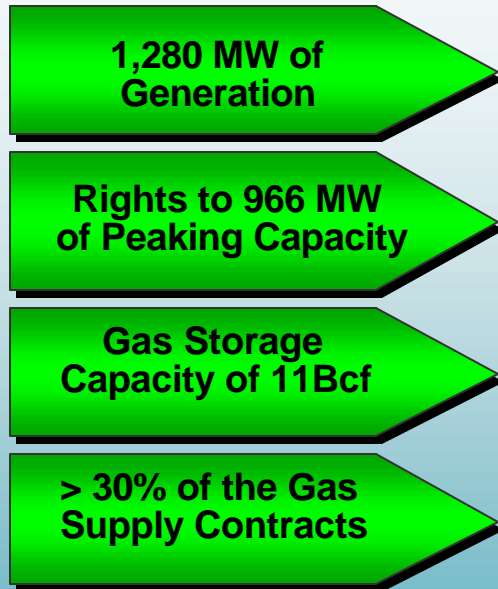
- SONET ring networks and on/off ramps in key cities
- Improved margins for TXUC
- Carrier business

Australia

Australia Business



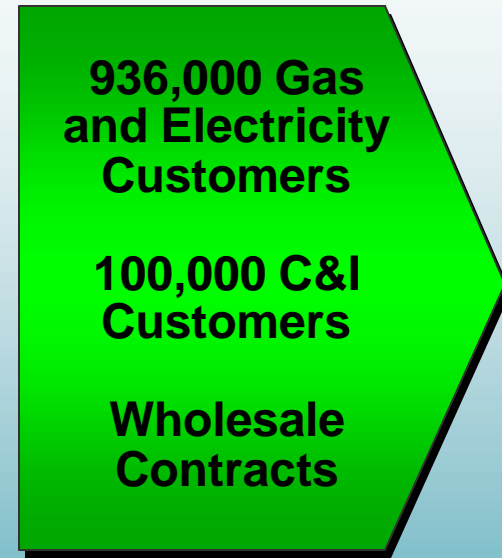
Upstream



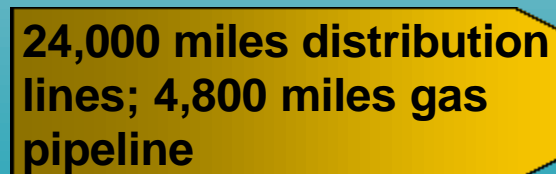
Portfolio Optimization



Downstream



Energy Delivery



TXU Australia



TXU Portfolio:

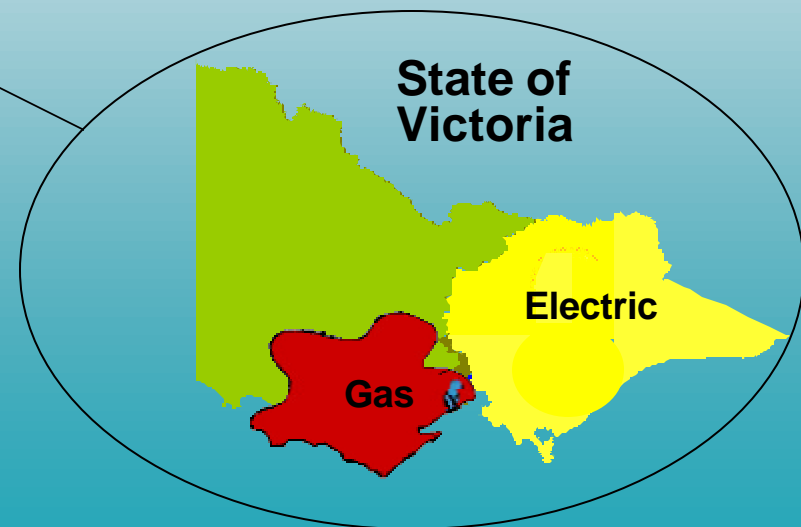
- Electric company 12/95
- Gas company 2/99
- Electric generation (966 MW) 5/99
- Gas storage (11 BCF) 8/99
- Electric generation (1,280 MW) 5/00

Australia Operations



**Torrens Island
Power Station**

- Revenues up 5.1% for the year
- O&M down 34.7% for the year
- Record earnings of \$57 million



Europe

Europe Business



Upstream

**Power Generation
7,700 MW**

Tolling / VPS capacity

**Wholesale Contract
/ Trading activity**

Gas Production & Supply

Portfolio Optimization

**Merchant
Trading &
Portfolio
Management**

Downstream

**5.5 Million Gas
& Electricity
Customers**

**Over 200,000
C&I Customers**

**Wholesale
Contracts**

Energy Delivery

**90,000 circuit km
distribution network**

UK Retail: Norweb Energi Acquisition



- Norweb Energi acquisition (£310m) a key element of UK portfolio realignment
- TXU Europe now positioned as a strong, national competitor to Centrica
- Norweb & Eastern fully integrated
- 5.5 million customer accounts, 13% energy market share
- New marketing opportunities, TXU attractive to potential strategic retail partners
- Customer service outsourcing to Vertex reduces cost-to-serve & enhances CRM & product capabilities

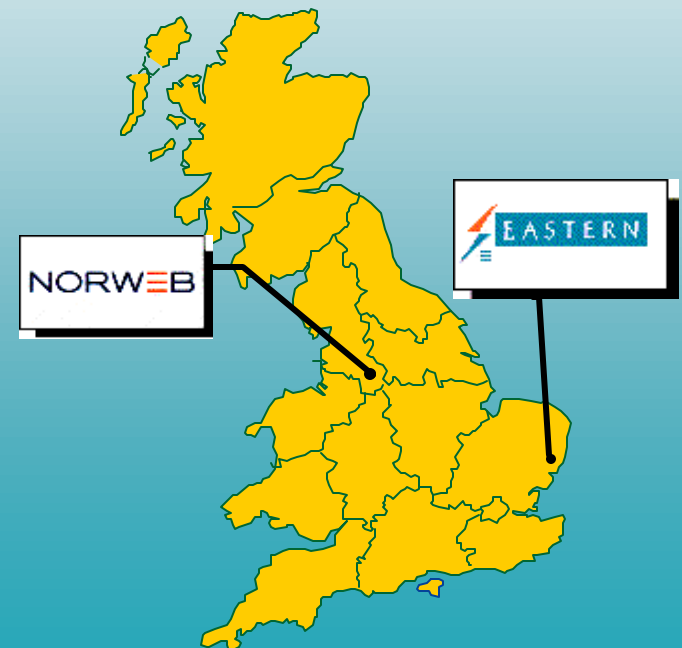
TXU Europe

#1 in UK Electricity

#2 in UK Energy

5.5 million accounts

13% energy market share



A Growing European Energy Portfolio



UK

- Leading trading & structuring position (traded 1,797 TWh)
- 6,800 MW capacity
- 5.5 million customer accounts

Nordic

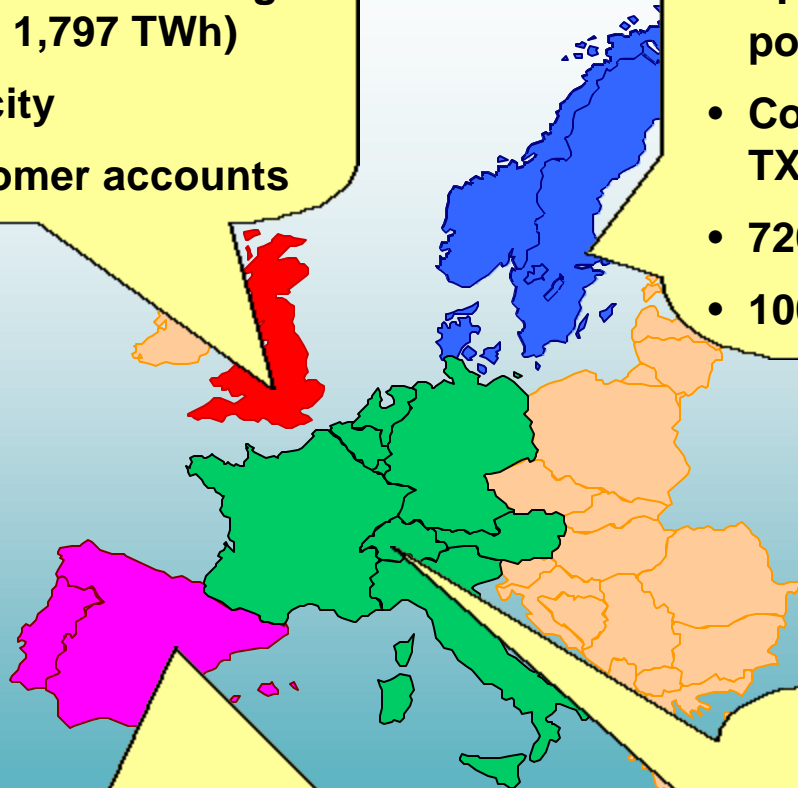
- “Top-5” structuring & trading position (traded 203 TWh)
- Consolidated into 81% owned TXU Nordic Energy JV (with PVO)
- 720 MW capacity
- 100k customers

Iberia

- exiting 19.2% HidroCantabrico stake
- Traded 2 TWh

Central Europe

- “Top-5” trading & structuring position (traded 157 TWh)
- 51% Stadtwerke Kiel (230k customers, 175 MW capacity)



Key Aims for 2001



Continued operational excellence & cost leadership
Continued re-shaping & development of portfolio in UK & continental Europe

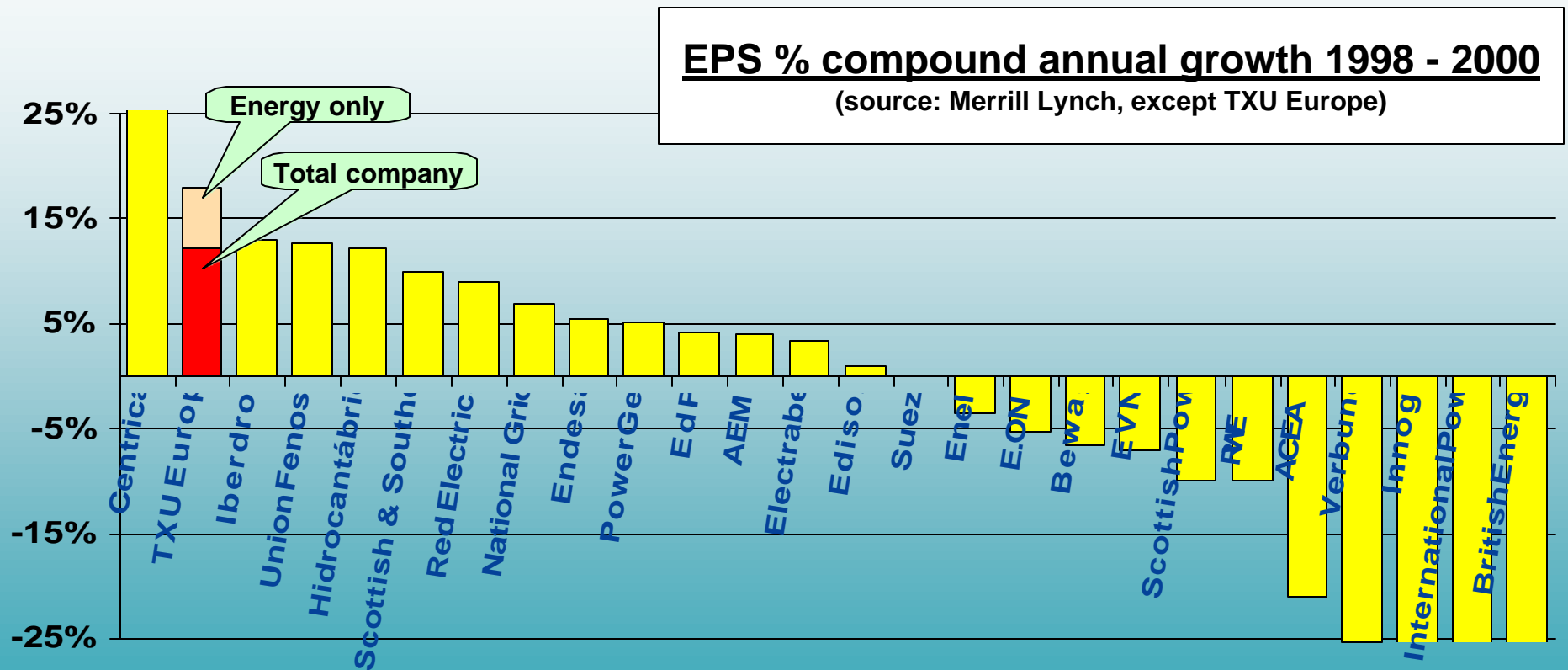
Key tasks:

- **Further strengthen balance sheet**
- **Re-align UK portfolio, refine generation position**
- **Profitably develop UK Retail position (Norweb now integrated)**
- **Build on successful positions in Nordic & Germany and integrate Kiel**
- **Complete profitable disposal of HdC stake**
- **Build Global Merchant Energy Company as a priority**

Strong Competitive Performance



- Strong growth delivered by flexible, disciplined pursuit of a portfolio-based business model



TXU Europe Income Statement



GBP millions US GAAP

	Total 2000	Total 1999	% growth
EBITDA	864	822	+ 5%
EBIT	603	562	+ 7%
Net Income	190	164	+ 16%
Operational Net Income (excl. Metering gain)	170	164	+ 4%
Restructuring costs, after tax	(63)	(8)	

Includes Norweb from 3rd August 2000

EBITDA, EBIT & Net Income are pre restructuring costs

TXU Europe Cashflow Summary



GBP millions US GAAP

	<u>2000</u>	<u>1999</u>	<u>% growth</u>
Net income pre restructuring	190	164	
Depreciation & amortisation	261	260	
Working capital movement	108	(88)	
Deferred tax, restructuring & other	<u>(52)</u>	<u>81</u>	
Operating cashflow before capex	507	417	
Maintenance capex	<u>(146)</u>	<u>(143)</u>	
Free cashflow	361	274	+ 32%

Total company cashflows excluding development capex & financing

TXU Europe Income Breakdown



GBP millions US GAAP (pre-restructuring); 12 Months Ended 31st December 2000

	Total				
	<u>2000</u>	<u>Metering</u>	<u>Energy</u>		<u>Networks</u>
EBITDA	864	30	595 +11%		239 -16%
Net Income	190	20	89 +23%		81 -12%
Operational Net Income	170	-	89 +23%		81 -12%

Includes Norweb from 3rd August 2000

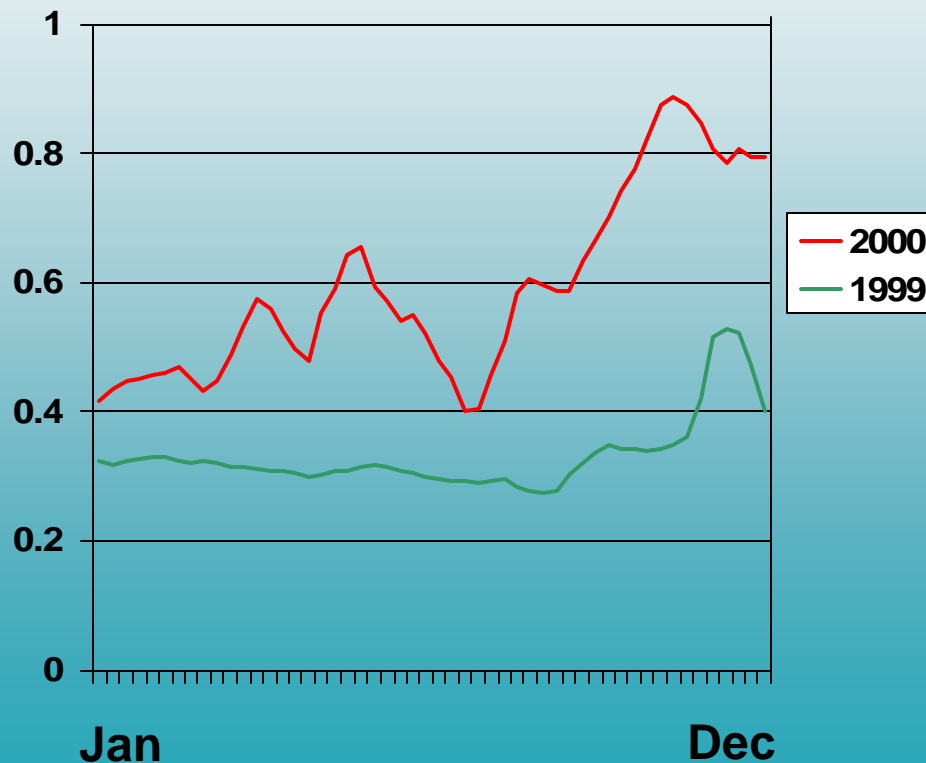
Volatile UK Trading Conditions



- Strongly rising & more volatile Gas prices
- Highly volatile Power prices, with breakdown of seasonal pattern

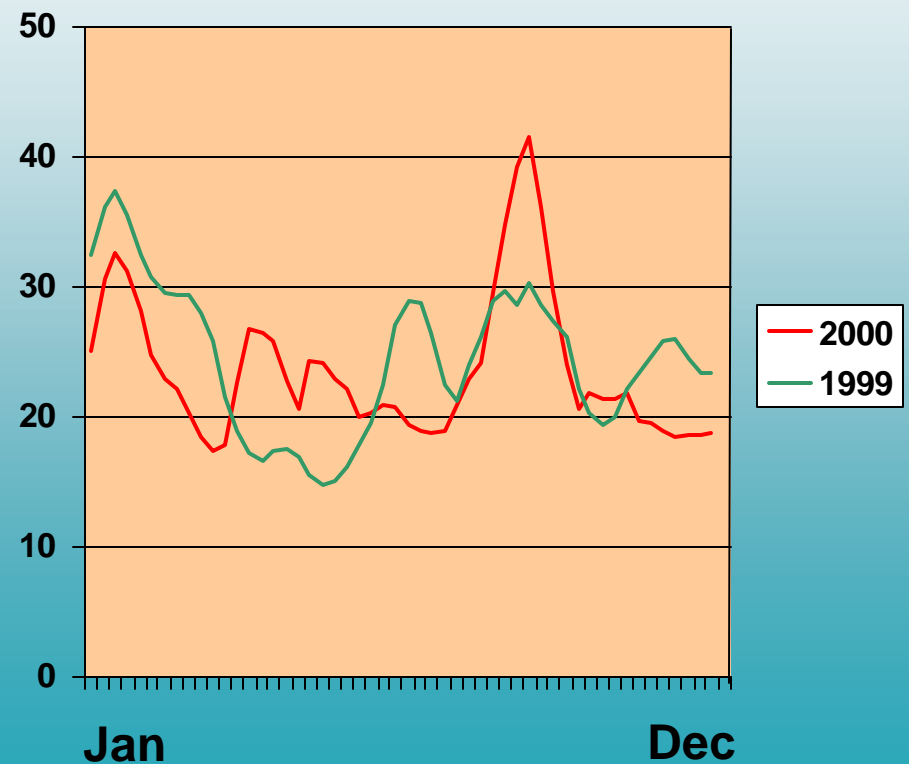
Wholesale Gas Prices 1999/2000

(4 week moving average, weekly SAP, pence/kWh)



Wholesale Power Prices 1999/2000

(4 week moving average, weekly PPP, £/MWh)

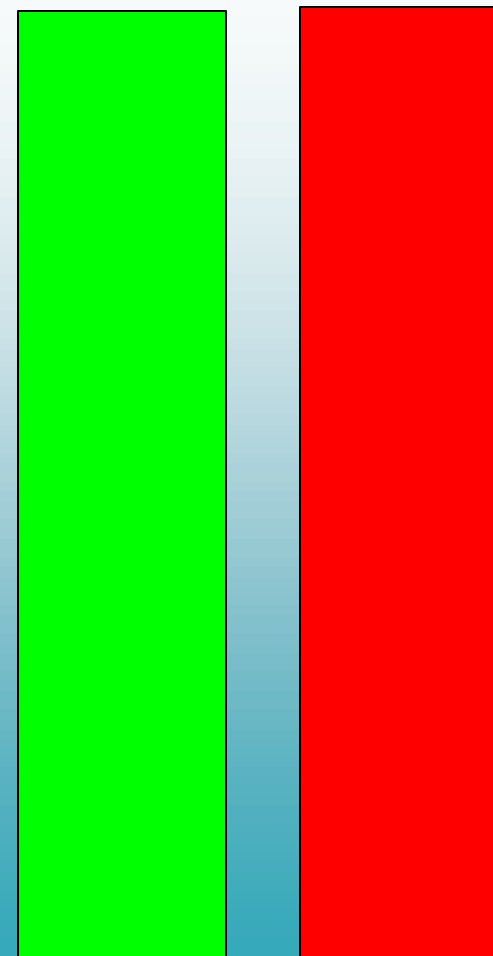


Energy Portfolio EBITDA Breakdown TXU

UK Electricity

£ 482 m

£ 483 m



EBITDA Total Energy Business

	<u>Total</u>	<u>UK Electricity</u>	<u>UK Gas</u>	<u>non-UK</u>
1999	£537m	£482m	£58m	- £3m
2000	£595m	£483m	£57m	£55m

non - UK

- £ 3 m

£ 55 m

Nordic
CE

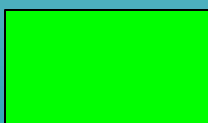
1999

2000

UK Gas

£ 58 m

£ 57 m



1999

2000

1999

2000

UK Energy Portfolio EBITDA Breakdown



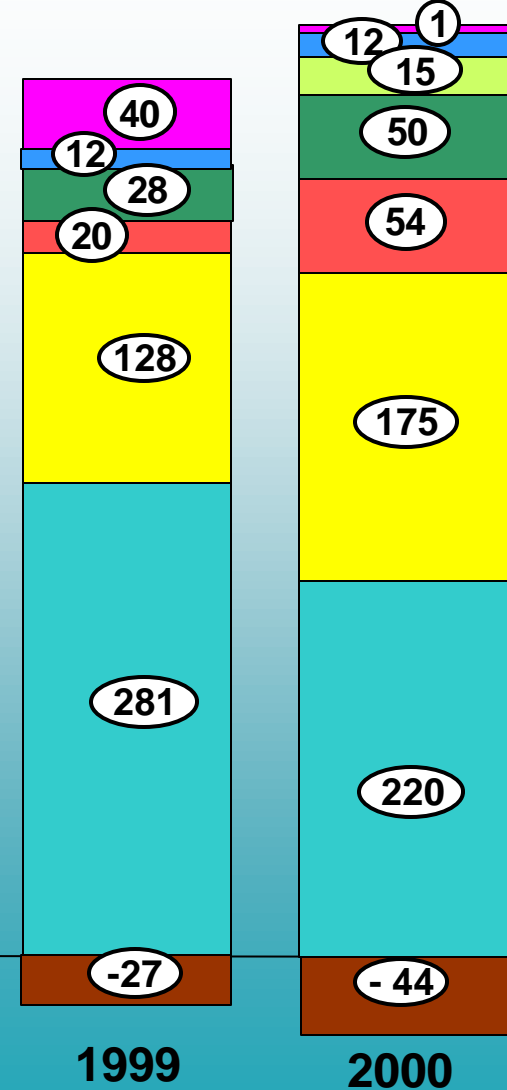
- PPAs
- Gas Virtual Power Stations
- Coal & Oil Trades plus other
- Asset sales
- Gas stations & other generation
- Flexible Virtual Power Stations
- Electricity Retail
- Coal Stations & Short Term Position management

- Gas upstream, contracts & short-term position management
- Gas Retail

UK Electricity

£ 482 m

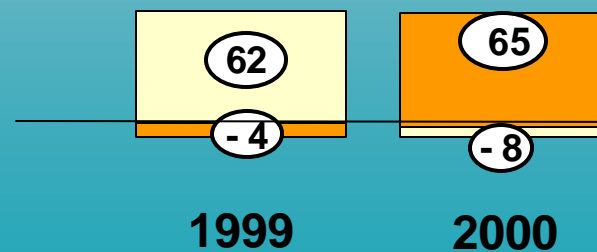
£ 483 m



UK Gas

£ 58 m

£ 57 m






European Energy Market in Context



Phased de-regulation continues; competition is driving change

POWER

-  Fully open
-  Trading open, Retail partly open
-  Closed market

GAS

- Only UK fully open
- Elsewhere:
- Little retail access
 - Trading limited (except Belgium)

Nordic area

- Strengthen “Top-5” trading and structuring position (83 TWH ytd)
- 730 MW hydro & thermal capacity
- Focus on growth through PVO relationship

UK

- Build on leading trading and structuring position (793 TWh ytd)
- 6,800 MW capacity
- Build on #1 energy retail position (5.6 million customers)

German area

- Purchased 51% of Stadtwerke Kiel (230k customers, 175 MW capacity)
- Integration of Kiel
- Strengthen “Top-5” trading and structuring position (69 TWH ytd)

Spain

- Continue efforts to build position
- Support Hidro sale process
- 2 TWh ytd

