

TXU Briefing

October 7, 2002

Safe Harbor Statement



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Erle Nye

Chairman & Chief Executive

- **Difficult UK market conditions**
- **Initiatives in place to achieve adequate UK financial performance**
- **Excellent performance at**
 - **North America Energy**
 - **North America Energy Delivery**
 - **Australia**
- **Promising future**

- **Weak wholesale electricity market**
- **Retail competition**
- **Limited opportunities for structured transactions**
- **Loss of market participants**
- **Renegotiation of production contracts challenging**

- **Organizational focus and cost reductions**
- **Retail customer retention**
- **Deferral of developmental activity**
- **Renegotiation of production contracts**
- **Potential asset sales**

- **Initiatives in place to achieve adequate UK financial performance**
- **Excellent performance at**
 - **North America Energy**
 - **North America Energy Delivery**
 - **Australia**
- **Sound business model and strategy**
- **Strong cash flows and secure dividend**

Mike McNally

Chief Financial Officer

Severe UK wholesale market conditions

- **Electricity: low price - low volatility**
- **Gas: high price - high volatility**
- **British Energy failure**
- **Counterparties exiting**

- **Limited ability to optimize cost of goods sold**
- **Strong electricity retail competition**
- **Reduced opportunities for structured deals**
- **Production contract restructuring**
- **Foreign tax credits**

- **Organizational focus and cost reduction**
- **Retail customer retention**
- **Production contract renegotiation**
- **Deferral of developmental activity**
- **Asset sales**

UK Organizational Focus & Cost Reduction



- **Refocusing organization away from business development to cash generation and customer retention**
- **Builds on process review work in 2002**
- **£35m cost reduction in 2003**
- **Other opportunities**

- **Vertex outsourcing - cost and working capital reductions from single platform**
- **Loss rates reducing significantly**
- **Marketing and brand-targeting concentrated on in-area customers**
- **Acquisition routes continue to focus on niche sectors (Staywarm, E-Commerce) and alliances (Tesco and Lloyds TSB 'white label')**
- **Refocused best talent from business development to customer retention**

UK Production Contracts



<u>Contract</u>	<u>Capacity (MW)</u>	<u>Capacity Fee (£M)</u>
Rugeley	1,000	50 - 60
Roosecote	220	30 - 40
Keadby	680	20 - 30
Barking	275	30 - 40
Drax	3,150	200 - 250

Indicative Net Income (millions)



	<u>2002 Operating</u>	<u>2003 Operating</u>
N. America Energy	\$690	\$725
N. America Energy Delivery	300	315
International Energy	140	190
Corporate & Other	<u>(240)</u>	<u>(230)</u>
Total	\$890	\$1,000

Indicative Cash Flow (millions)



	<u>2002</u>	<u>2003</u>
Cash from operations	\$2,000	\$2,300
Asset sales	2,300	400
Equity issuance	1,080	40
Securitization	<u>---</u>	<u>500</u>
Total	\$5,380	\$3,240
Debt reduction	2,850	950
Dividend – common & pref.	<u>680</u>	<u>710</u>
Available cash flow	\$1,850	\$ 1,580

Liquidity



Capacity	N. America	Europe	Australia	Total
Bank Facilities	2,900	1,700	950	5,550
Other Facilities/Cash	<u>800</u>	<u>300</u>	<u>50</u>	<u>1,150</u>
Total Capacity	3,700	2,000	1,000	6,700
Uses				
Bank Draws	(350)	(1,200)	(900)	(2,450)
CP Back-up	(1,100)	-0-	-0-	(1,100)
LCs	<u>(550)</u>	<u>-0-</u>	<u>-0-</u>	<u>(550)</u>
Total Uses	<u>(2,000)</u>	<u>(1,200)</u>	<u>(900)</u>	<u>(4,100)</u>
Liquidity Before Financings	1,700	800	100	2,600

Amounts above are rounded to the nearest \$50 million

Financing Plan (12 months)



	N. America	Europe	Australia	Total
Liquidity Before Financings	1,700	800	100	2,600
Financings:				
TXU Gas	325	-	-	325
Oncor (incl. securitization)	1,200	-	-	1,200
TXU Energy - PCRBs	<u>325</u>	<u>-</u>	<u>-</u>	<u>325</u>
Liquidity w/financings	3,550	800	100	4,450
Maturities	<u>(2,330)</u>	<u>(450)</u>	<u>-</u>	<u>(2,780)</u>
Minimum liquidity	1,220	350	100	1,670
Additional financings:				
TXU Energy/Corp.	2,250	450	-	2,700

Summary



- **Focused initiatives for UK performance improvement**
- **Strong cash flow**
- **Reasonable financing plan**
- **Ample liquidity**

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Chairman & Chief Executive

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