



TXU Corporate Update

***2001: A Year of Transformation
and Performance***

February 5, 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. 2000 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



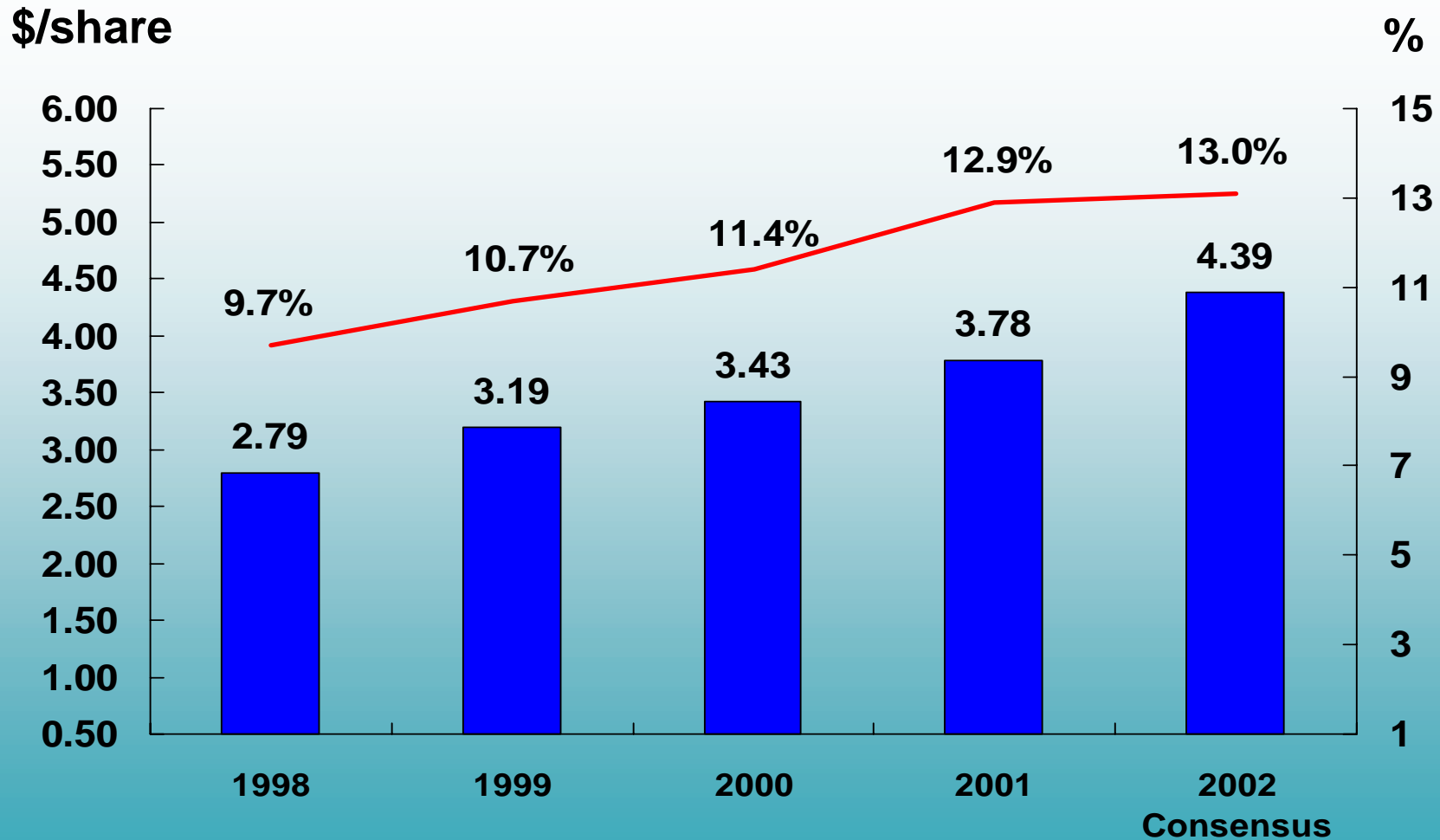
Presenters

Erle Nye	Chairman & Chief Executive
Tom Baker	President - Oncor
Phil Turberville	President - TXU Energy, International
VJ Horgan	President - TXU Energy Trading
Mike McNally	Chief Financial Officer

In Attendance

Jarrell Gibbs	President
Paul Marsh	Chief Operating Officer - TXU Europe
Susan Atteridge	Executive Vice President of Communications
David Anderson	Vice President of Investor Relations

Track Record of Financial Success



* Excludes unusual items

■ EPS* — ROE*

Achievements



Year End Report Card

12.2% Total Return

Outperformed the S&P Electrics and the S&P 500

\$3.78 Operating EPS

Earnings per share growth of 10% over 2000

12.9% Return on Equity

Increase of 11% over 2000

55% Debt

On target to reach by mid - year

- Two great businesses created by structural separation of the merchant energy & energy delivery businesses
- Disposition of power plants in UK and US and networks in UK
- Acquired/developed talent and developed retail/wholesale capabilities required for success in competitive markets
- Successfully implemented processes and systems to manage a competitive market in ERCOT
- Successfully transitioned into the deregulated Texas electricity market
- Introduced Oncor Utility Solutions

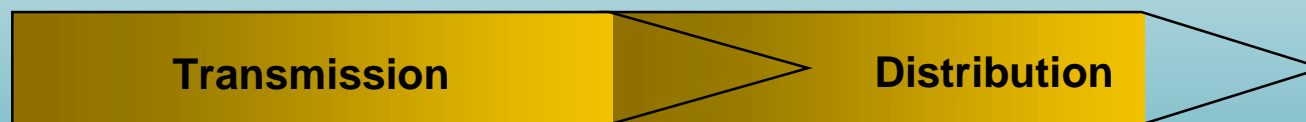
Business Model & Strategy



MERCHANT ENERGY



ENERGY DELIVERY

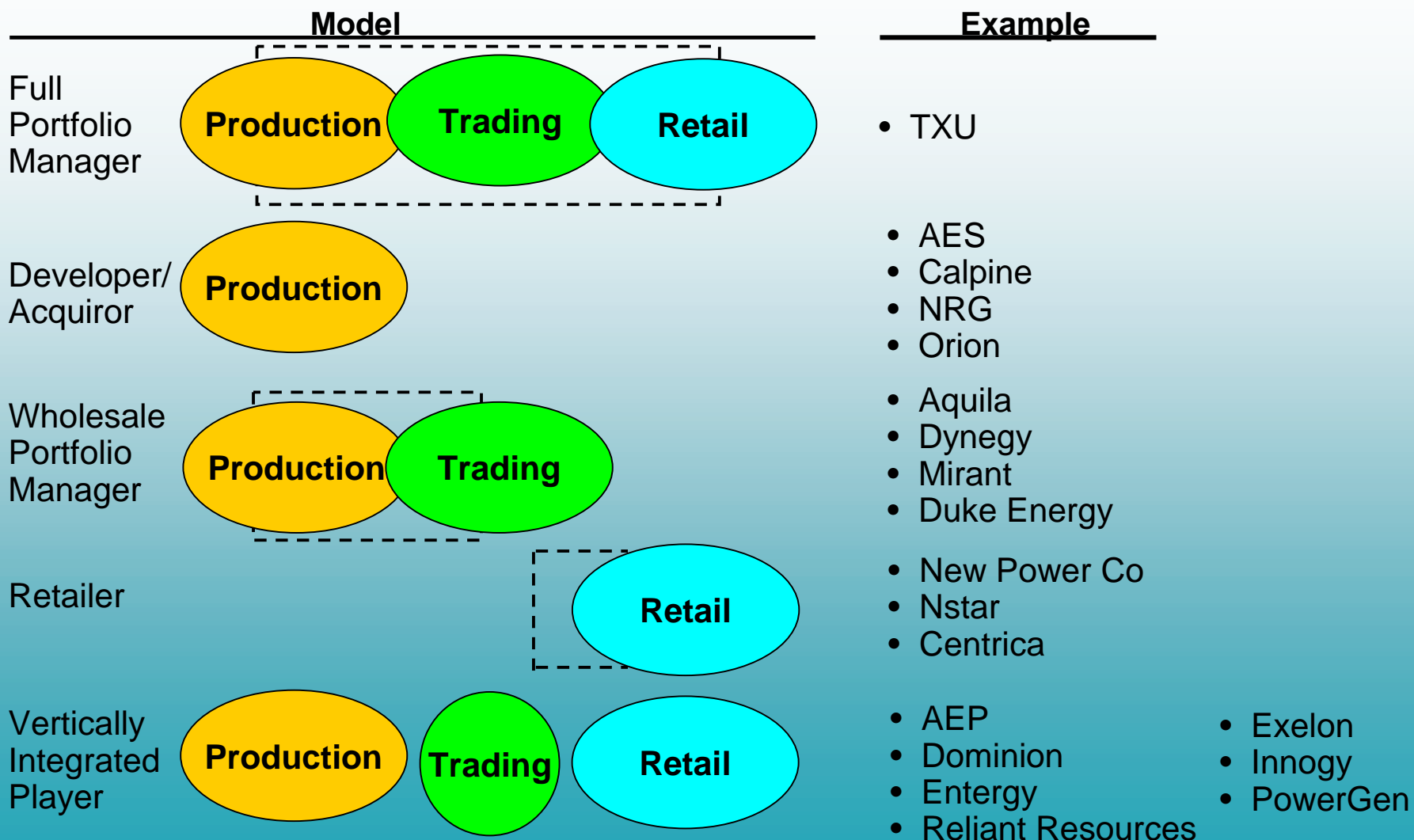


Strategy: TXU will achieve **excellent operations** of **significant scale** in **selected regions**, which **optimize a portfolio** of assets, capabilities and customer relationships across multiple products and services.

Distinctive Business Model



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

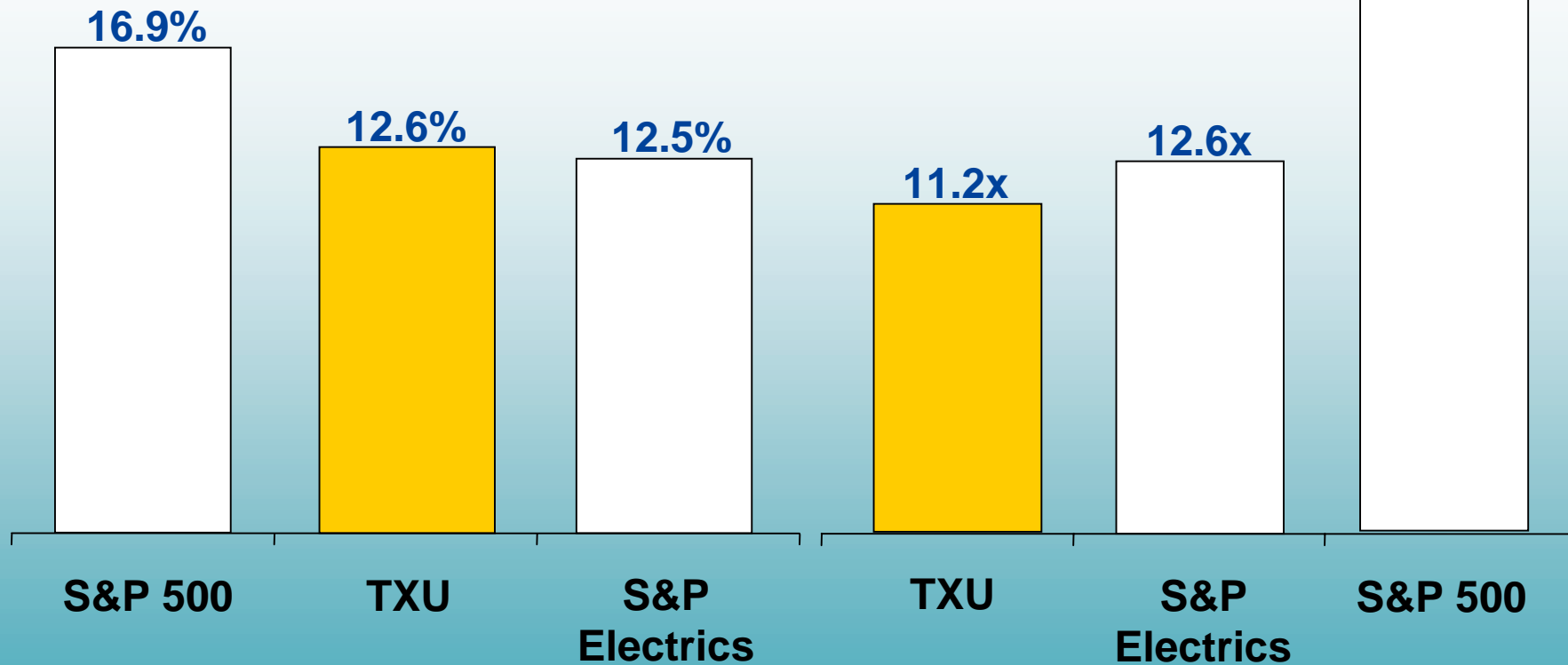


Compelling Valuation Story



5-Year Total Return Estimates *

P/2002E *



* Source: Bloomberg and I/B/E/S as of 2/01/2002

Tom Baker

President – Oncor

Successful ERCOT Transition

- Wholesale market functioning since August 2001
- Corporate separation and refinancing complete
- Initial implementation of market processes and systems complete

Comprehensive Settlement



- **Filed with the PUCT on December 31, 2001**
 - hearing - March 7-8
 - completion - end of March
- **Endorsement of all major customer groups in Texas**
- **Resolves all TXU Electric transition to competition issues**
 - T&D rates and EMC Credit
 - no true-up in 2004 of stranded costs
 - securitization of regulatory assets (\$1.3 Billion)
 - fuel costs - under-recovery and reconciliation
 - clawback
- **Eliminates uncertainty**

Oncor Priorities



- **Re-brand delivery business - Oncor**
- **Deliver growth from existing business in Texas**
- **Bundling of gas rate cases to enhance earnings**
- **Oncor Utility Solutions**
 - **asset management is key strength**
 - **excellent reputation - reliability and efficiency**
 - **\$20 billion industry**

Phil Turberville

**President – TXU Energy,
International**

Highlights 2001 - Europe



- **Major transformational disposal program complete**
 - provides unambiguous focus on Merchant Energy operations
 - repositions UK energy portfolio in difficult market conditions
 - substantially strengthens balance sheet
 - total proceeds, with UK Networks sale, over \$4 billion
- **Underlying business performing well**
 - continued strong Merchant Energy earnings growth
 - re-branding of UK retail business
- **Acquisitions in Germany well integrated & growing**

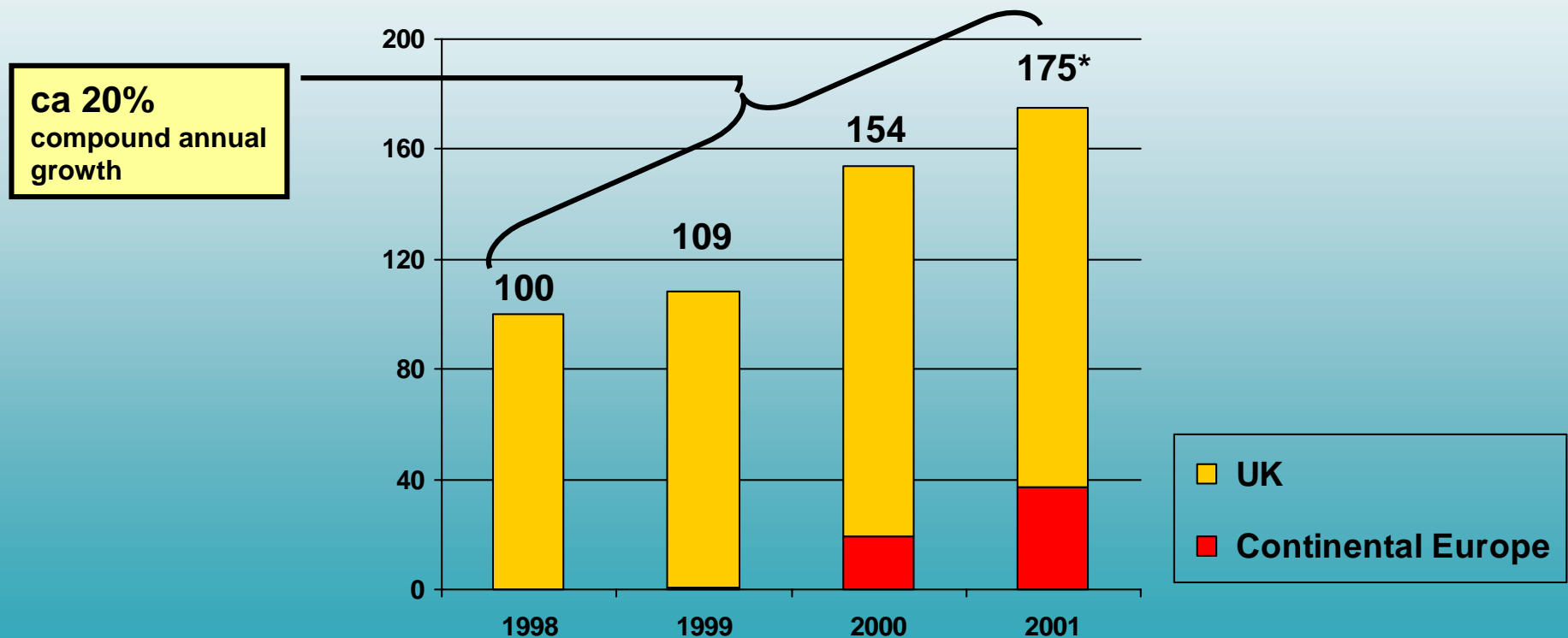


Energy Earnings Growth in Europe

- UK energy resilient in changing market conditions
- Strong growth in earnings contribution from other European markets

Net Income Energy; split between UK & rest of Europe

(£ m US GAAP; pre-restructuring, pre-goodwill amortization, post-FTC, post minority interest)



* less step-up of \$30 million

Great Value on Disposals



- **Networks; 26% premium to regulated asset base**
- **Coal plant; 21% premium (\$500/MW) over benchmark**
- **Gas plant; 6% premium (\$290/MW) over benchmark**
- **\$900 million from other disposals**

Summary

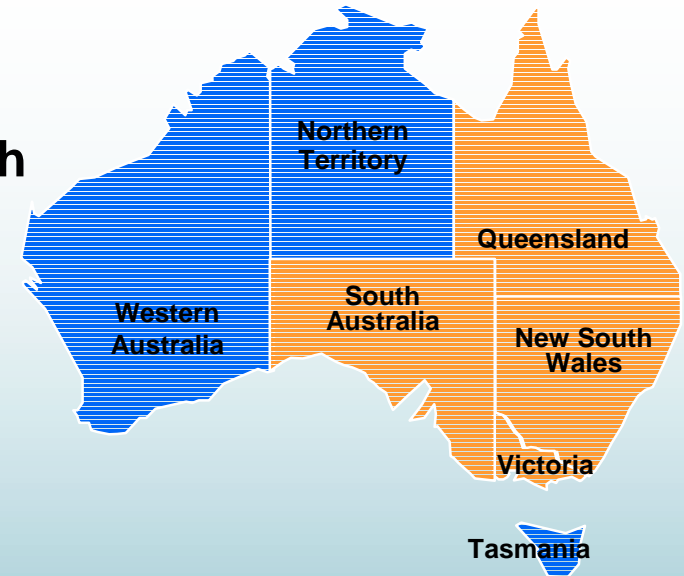


- **UK portfolio fundamentally re-positioned & balance sheet strengthened**
- **Well positioned for continued steady growth in 2002**
- **Priorities for 2002:**
 - **strengthen UK retail & trading position**
 - **enhance German portfolio**
 - **strengthen Nordic generation portfolio**
 - **continue to focus on operational efficiency**

Highlights 2001 - Australia



- Continued strong earnings & cash flow growth
- Separation of network business
- Successful integration of Torrens Island
- Electricity retail price increases of 15.5% from January 1, 2002
- Systems ready for retail contestability (Jan 2002 electric, Oct 2002 gas)
- Successful brand campaign; customer retention & product development





V.J. Horgan

President - TXU Energy Trading

Highlights 2001 - US Energy



- **Exceptional financial results**
- **Strong team**
- **Achieved successful market opening**
- **Integrated production and commercial operations**
- **Successful transition of retail business**
- **“Price to Beat” pricing**
- **Completed generation sale**
- **Expanded outside of Texas**

TXU Early Success:

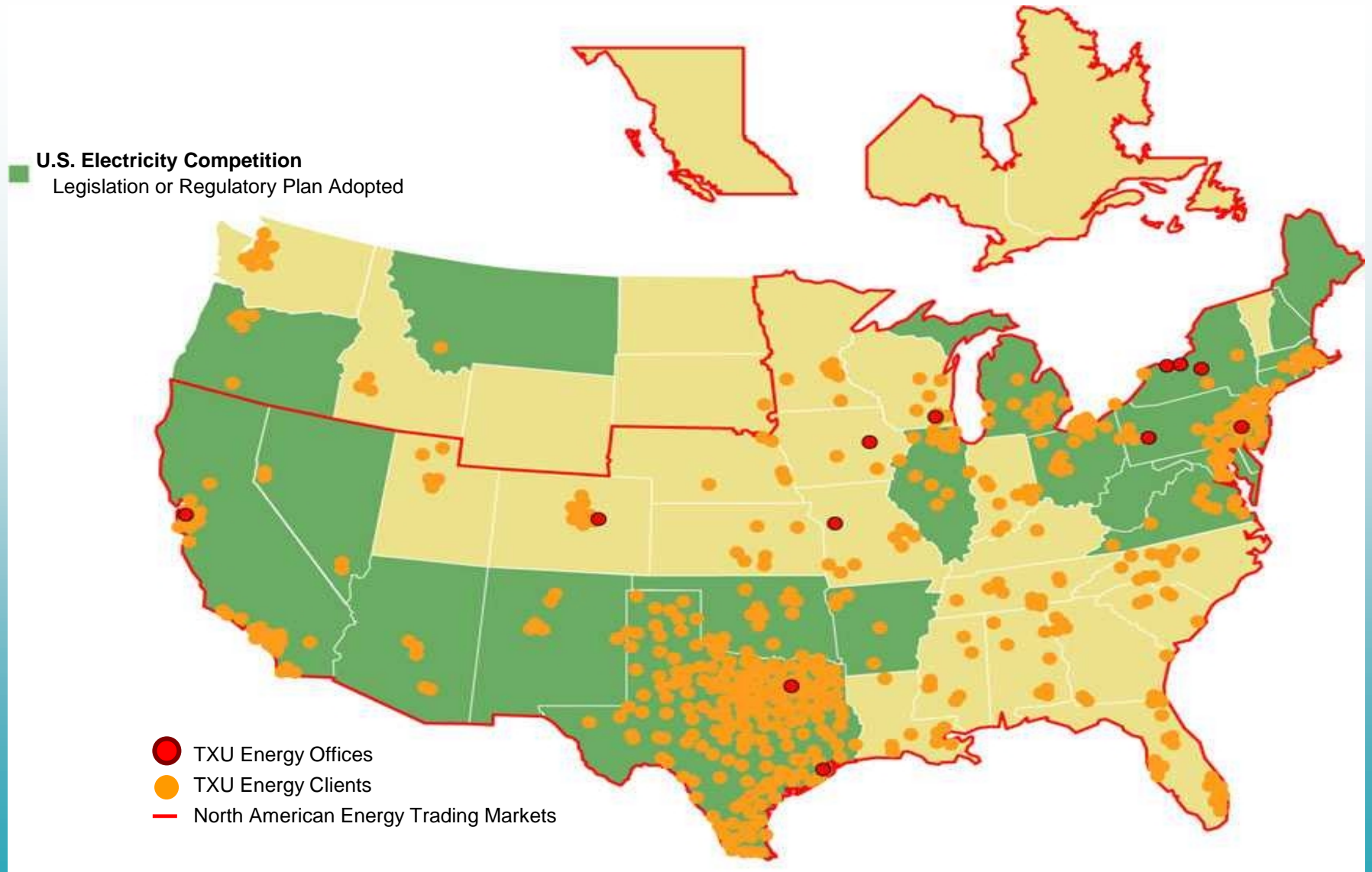
- **Gross margins stronger than originally anticipated**
- **Exceeded market share goals in retention and acquisition**
- **Closed approximately 3 times as many deals as our competitors**
- **Good demand for value-added services**
- **Extending capabilities to small business market**

Mass Market - Texas



- **Completed successful retail pilot**
- **Out of territory brand awareness up from 3% to >40%**
- **Unsolicited out of territory calls averaging 1,000/week...signing most**
- **All accomplished with very little marketing**

North American Expansion



Priorities - 2002



- **Aggressively optimize the Portfolio Management Model in ERCOT**
 - **enhance returns on capital**
- **Ensure customers enjoy all the benefits of deregulation**
- **Defend existing customer base**
- **Build strong retail entries into other markets in Texas**
- **Enhance process efficiencies**
- **Develop world class strategic insight and business development capabilities**



Mike McNally
Chief Financial Officer

Indicative Consolidated Net Income New Segments (\$Millions)



	<u>2001</u>	<u>2002</u>	<u>2003</u>
Merchant Energy			
N. America	\$6	\$650	\$720
Europe	311	420	465
Australia	<u>53</u>	<u>70</u>	<u>75</u>
	\$370	\$1,140	\$1,260
Energy Delivery			
N. America	873	285	295
Corp. & Other	<u>(263)</u>	<u>(245)</u>	<u>(230)</u>
Total	\$980	\$1,180	\$1,325

Indicative Consolidated Cash Flow (\$Millions)



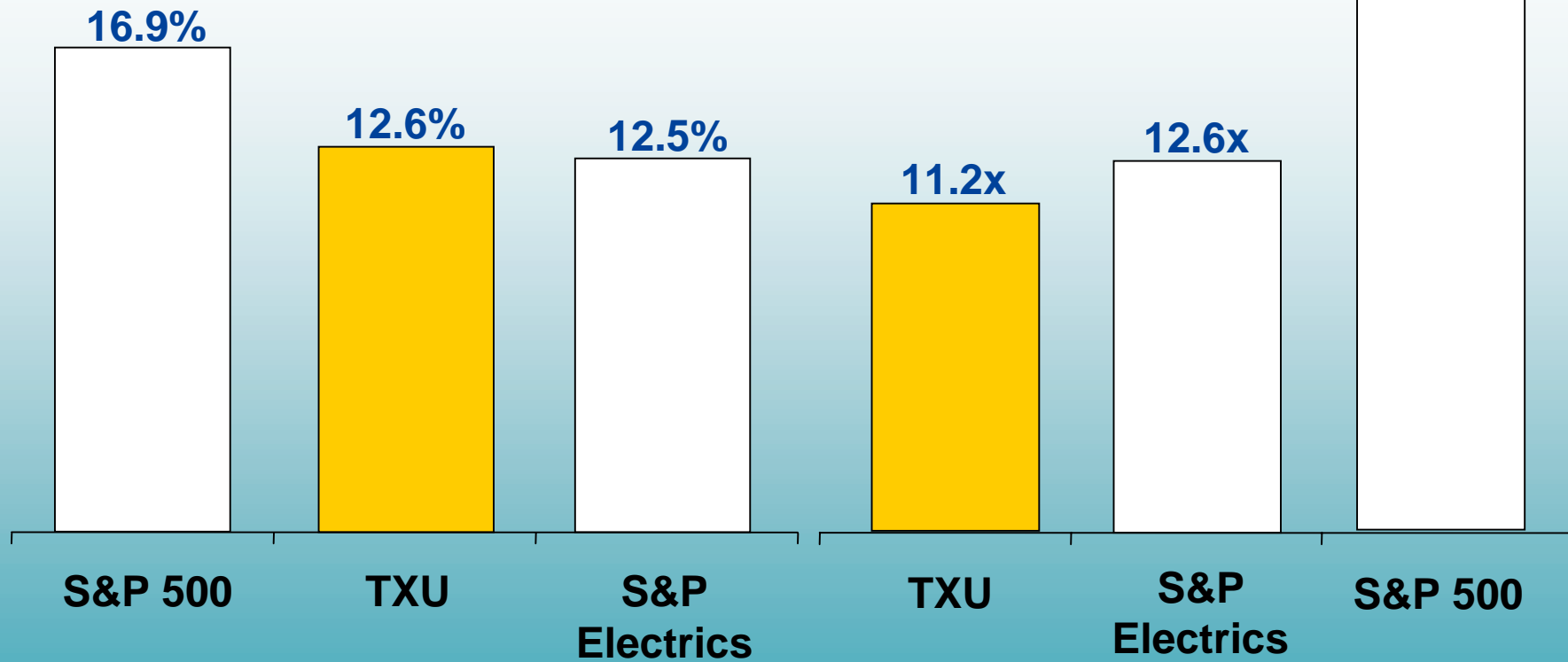
	<u>2002</u>	<u>2003</u>
Cash from operations	\$2,300	\$2,500
Asset sales	2,300	---
Securitization	<u>500</u>	<u>---</u>
Total	\$5,100	\$2,500
Maintenance cap ex	800	700
Dividend	<u>650</u>	<u>650</u>
Available cash flow	\$3,650	\$1,150

Compelling Valuation Story



5-Year Total Return Estimates *

P/2002E *



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Questions?