



Morgan Stanley Global Electricity & Energy Conference

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March 13, 2003**

Safe Harbor Statement



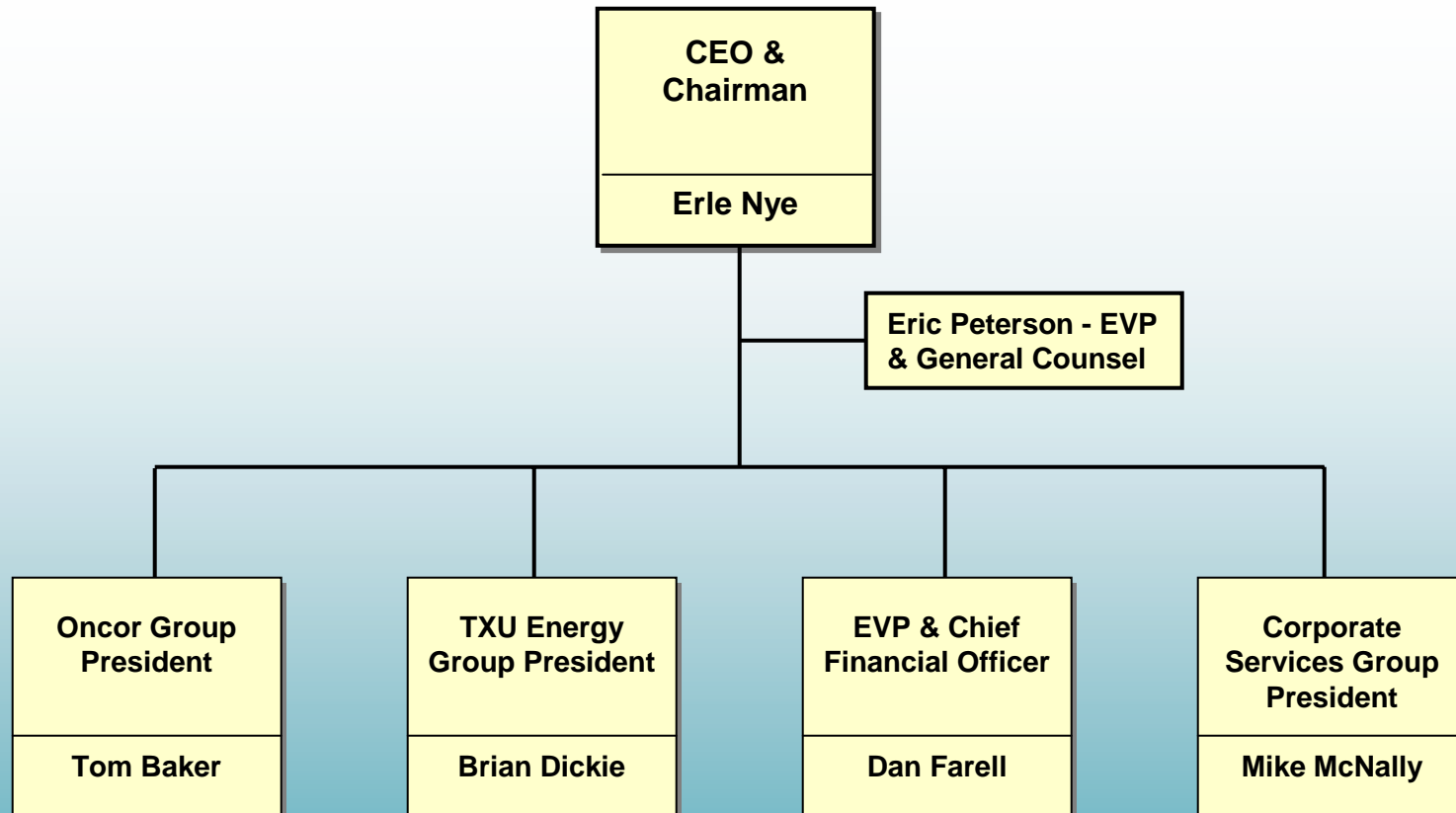
This presentation and other reports made by TXU Corp. contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Although TXU Corp. believes that in making any such statement their expectations are based on reasonable assumptions, any such 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 2002 10-Q'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; capital markets conditions; competition; rating agency actions; among others, that could cause the results of TXU Corp. to differ materially from those projected in such forward-looking statements.

Initiatives

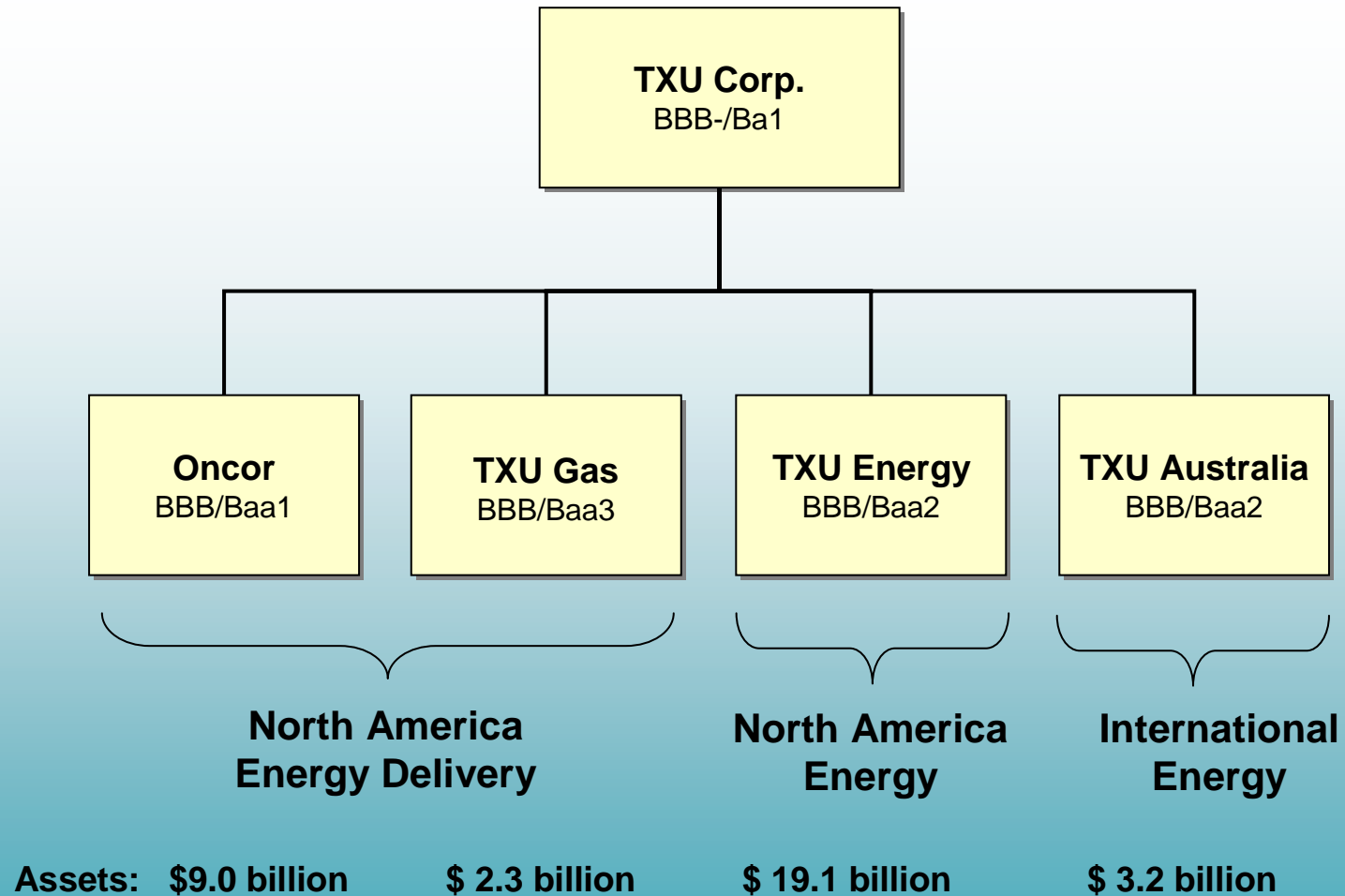


- **Strengthen balance sheet and enhance credit**
- **Deliver on the 2003 plan**
- **Achieve major, sustainable cost reductions**
- **Aggressively defend and build on leadership position in Texas and Australia**

TXU Leadership



Management changes effective March 5, 2003



TXU Australia



Energy Delivery

- Incentive based regulation
- 26,000 Electric distribution line miles
 - Delivers 6.5 TWh annually
- 5,000 Miles of gas distribution pipe
 - Delivers over 65 Bcf annually
- Gas storage >10 Bcf



Growth drivers:

- Electric demand growth of 2.8%
- Gas growth of 3.7%
- Regulated business is 65%

Capitalization YE 2002

Senior Debt	A\$2.5B	57%
Subordinated Debt	0.4B	9%
Equity	1.5B	34%
Total	A\$4.4B	

Energy

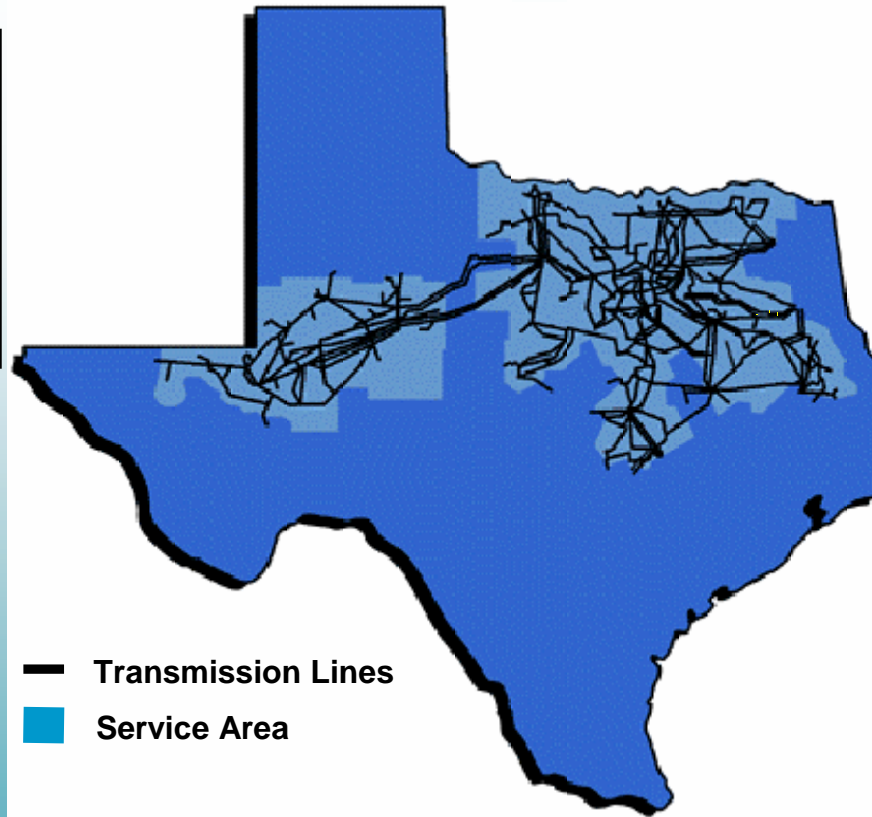
- 437,000 Gas customers
 - Positive net churn approx. 4%
- 534,000 Electric customers
 - Positive net churn approx. 7%
- 1,280 MW Generation capacity
- 966 MW Master hedge agreement

North America Energy Delivery-Electric



Transmission and Service Area

- Pure regulated business
- Growing and diverse service area
- Reasonable regulatory environment



Growth drivers:

- Regulated rate base
 - Capex = \$550 million
 - Deprec. = \$300 million
- Energy growth of 3.5%

- 14,000 Electric transmission line miles
- 95,000 Electric distribution line miles
- Delivers 105 TWh annually
- 2.9 million points of delivery

Capitalization YE 2002

Debt \$ 4.2 B 60%

Equity 2.8 B 40%

Total \$ 7.0 B

North America Energy Delivery- Gas

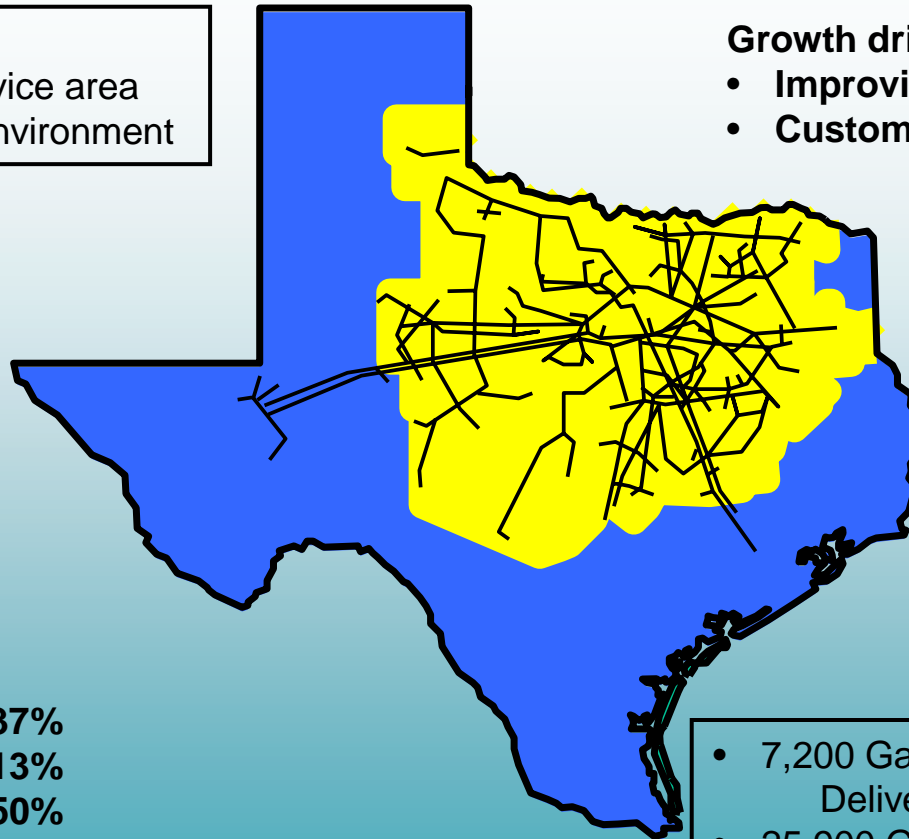


Pipes and Service Area

- Pure regulated business
- Growing and diverse service area
- Reasonable regulatory environment

Growth drivers:

- Improving regulated return
- Customer growth of 2%



Capitalization YE 2002

Debt	\$	0.6 B	37%
Preferred		0.2 B	13%
Equity		<u>0.8 B</u>	50%
Total	\$	1.6 B	

- 7,200 Gas pipeline miles
Delivers over 400 Bcf annually
- 25,900 Gas distribution line miles
Delivers 140 Bcf annually
- Gas storage 30 Bcf

Capitalization YE 2002

Debt	\$2.59B	33%
Preferred	0.75B	10%
Equity	<u>4.40B</u>	57%
Total	\$7.74B	

Growth drivers:

- Growing service area
- O&M reduction
- Debt reduction

Production

	<u>THWRS</u>
• Lignite:	39.4
• Nuclear:	<u>18.0</u>
Sub-total:	57.4
• Gas/Oil:	19.1
• Purchased power	<u>24.7</u>
Total:	101.2

Portfolio Management

- Buy / sell wholesale power
- Fuel purchases
- Hedging / risk management
- Pricing / analysis

Retail

	<u>Retail Customers</u>	<u>THWRS</u>
• Consumer & SMB	2.7MM	54.3
• C&I		37.5
• Wholesale Sales-net		<u>9.4</u>
Total:		101.2

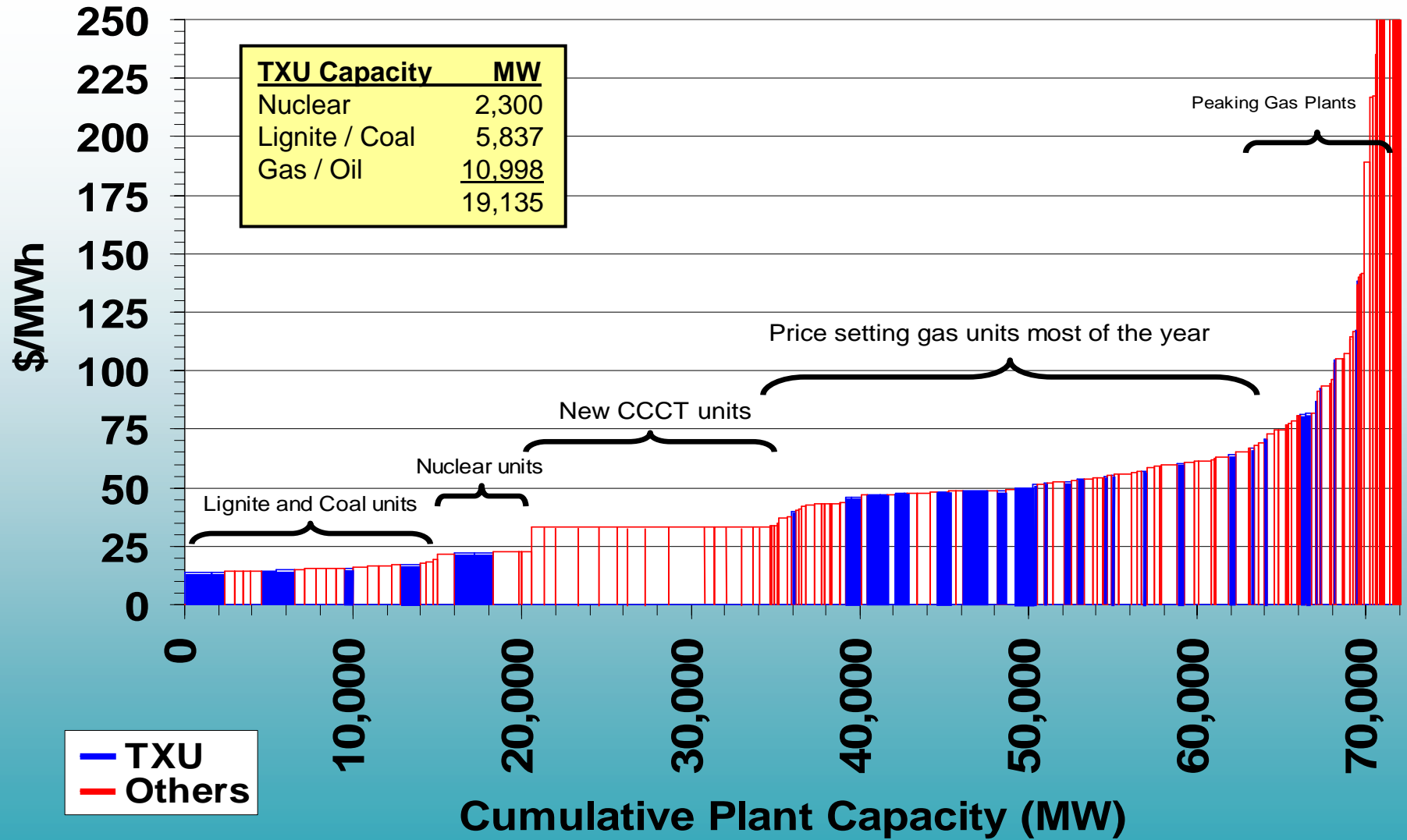
- Low cost producer
- Flexible
- Well-located

- Enhanced margins
- Lower risk

- Leading competitor
- Realistic view of competition

Balanced, Integrated, Synergistic

TXU Energy - Production

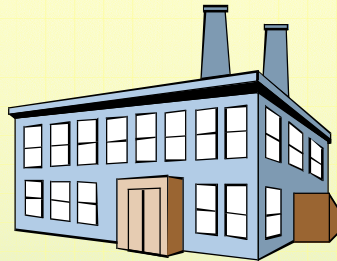


Production Cost Including Fuel

TXU Energy - Retail



Large C&I



2,300

- ~ 37% of load
- No single customer represents greater than 1% of revenue
- Focus on margin and service

Small Business & Residential



2.7 million

-
- ~ 54% of load
 - “Price to beat” with fuel adjustment mechanism
 - Large scale produces cost advantages
 - Differentiate on service not price
 - TXU’s brand provides strong position

Tight integration with portfolio management

- **Maximize free cash flow**
 - **Reduce operating costs**
 - **Deliver gross margin from operations**
 - **Minimize working capital**
- **Strengthen credit, reduce debt**
- **Drive EPS growth from debt reduction**

Indicative Cash Flow

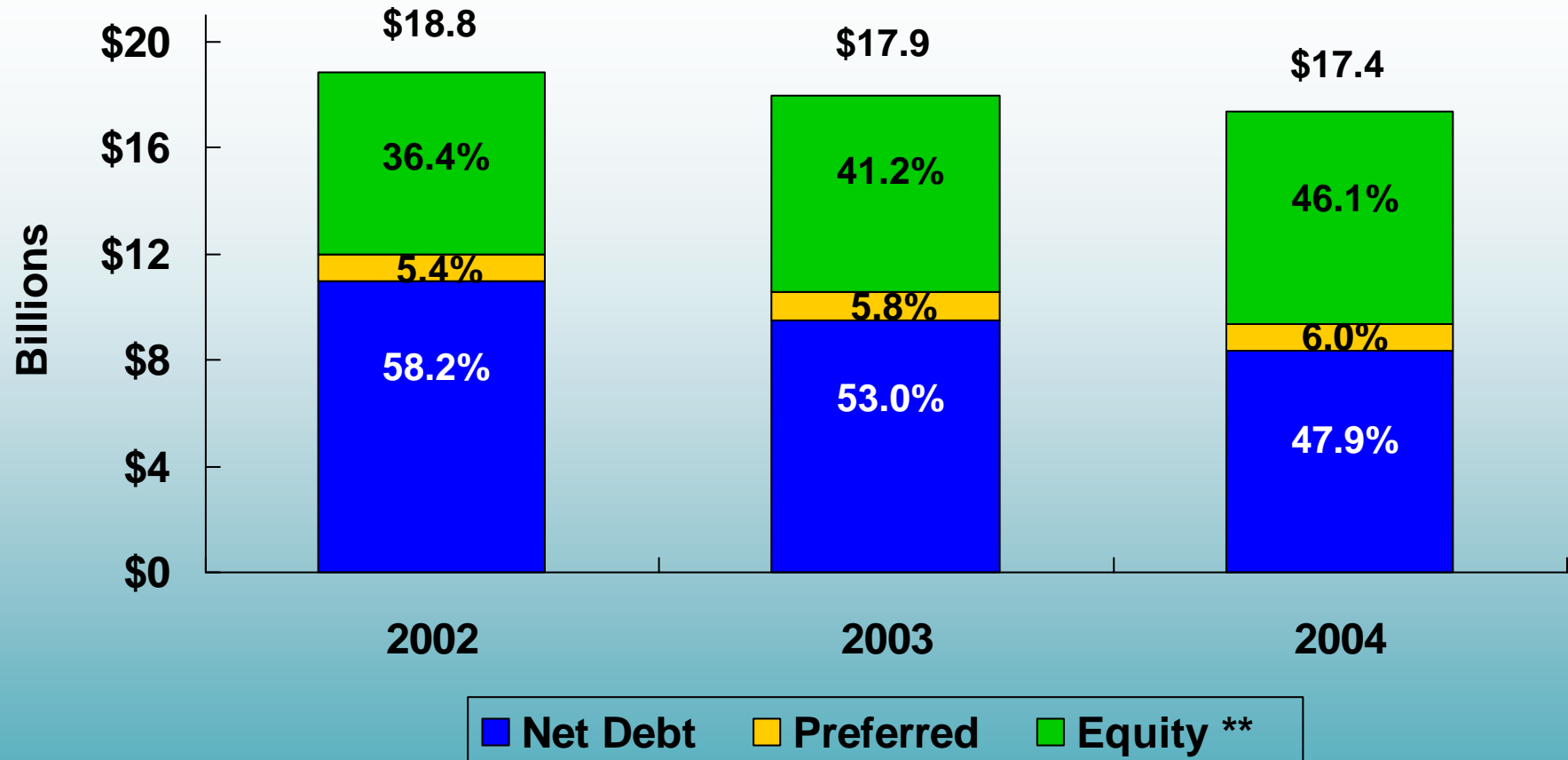


	(\$ million)	
	<u>2003</u>	<u>2004</u>
Cash flow from operations	2,287*	2,024
Securitization	500	800
Capital expenditures	(1,124)	(1,052)
Dividend – common & preferred	<u>(183)</u>	<u>(185)</u>
Cash available to pay down debt	1,480	1,587

* Includes \$600M IRS refund

Excludes capital contribution to Pinnacle to fund unwind of structure

Capitalization *



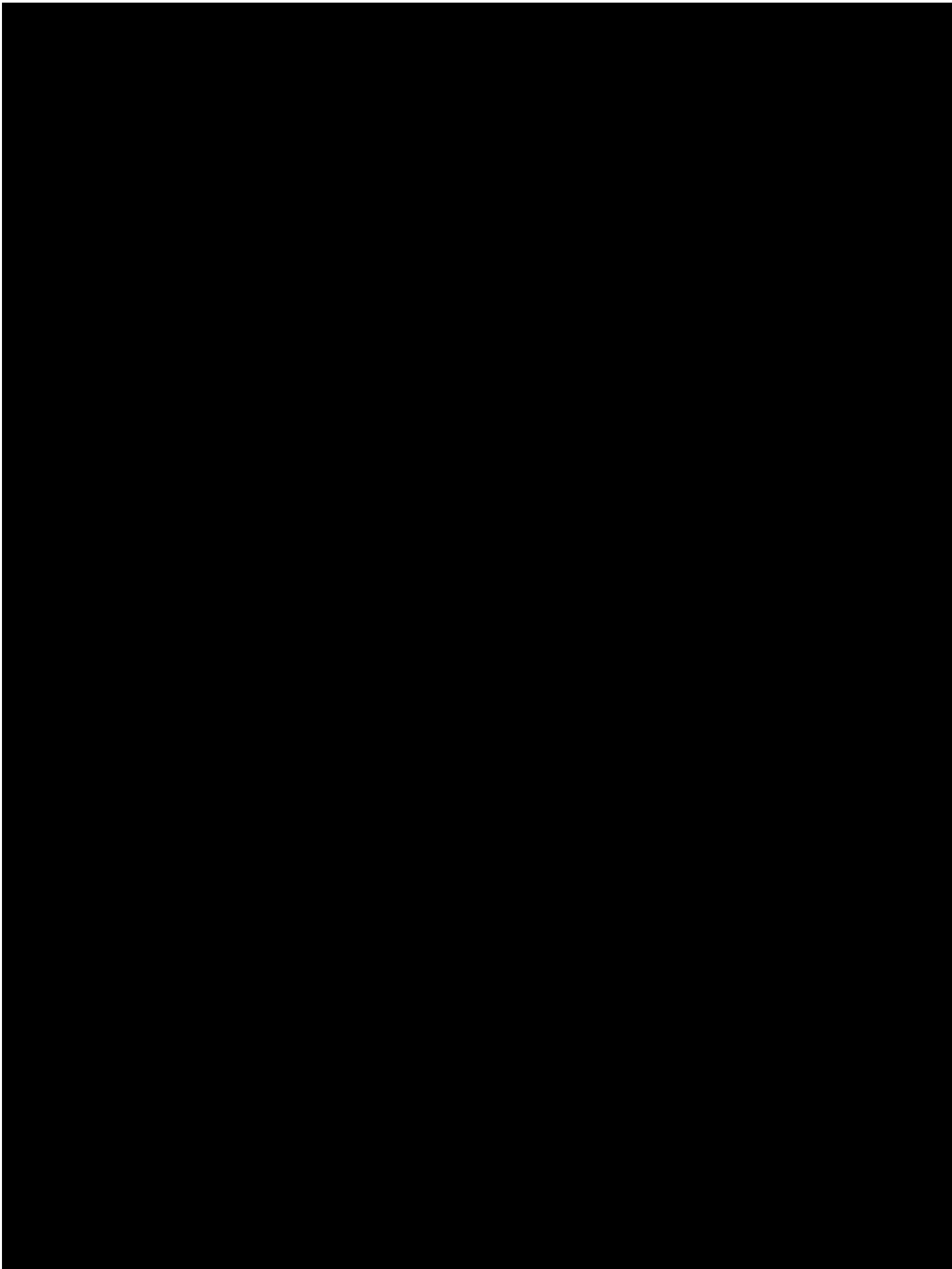
* Excludes securitization debt

** Equity includes mandatory converts and convertible preferred

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Indicative Net Income (\$ million)



	<u>2002 Actual</u>	<u>2003 Plan</u>
Energy Delivery	252	230 – 240
Energy	536	600 – 630
Australia	74	65
Corp. & Other	<u>(240)</u>	<u>(205)</u>
Total	622	690 – 730
Avg. Shares	278.1	322.5
EPS	\$2.24	\$2.15 - \$2.25
Diluted Avg. Shares	284.1	379.5
Diluted EPS	\$2.21	\$1.95 - \$2.05

Excludes exceptional items

Indicative Cash Flow & Cap. Ex.



(\$ million)

	<u>2003</u>		<u>2004</u>	
	<u>Operating Cash Flow</u>	<u>Capex</u>	<u>Operating Cash Flow</u>	<u>Capex</u>
Energy Delivery	490	653	678	665
Energy	1,052	328	1,133	300
Australia	160	126	190	73
Corp. & Other	<u>585</u>	<u>17</u>	<u>23</u>	<u>14</u>
Total	2,287	1,124	2,024	1,052