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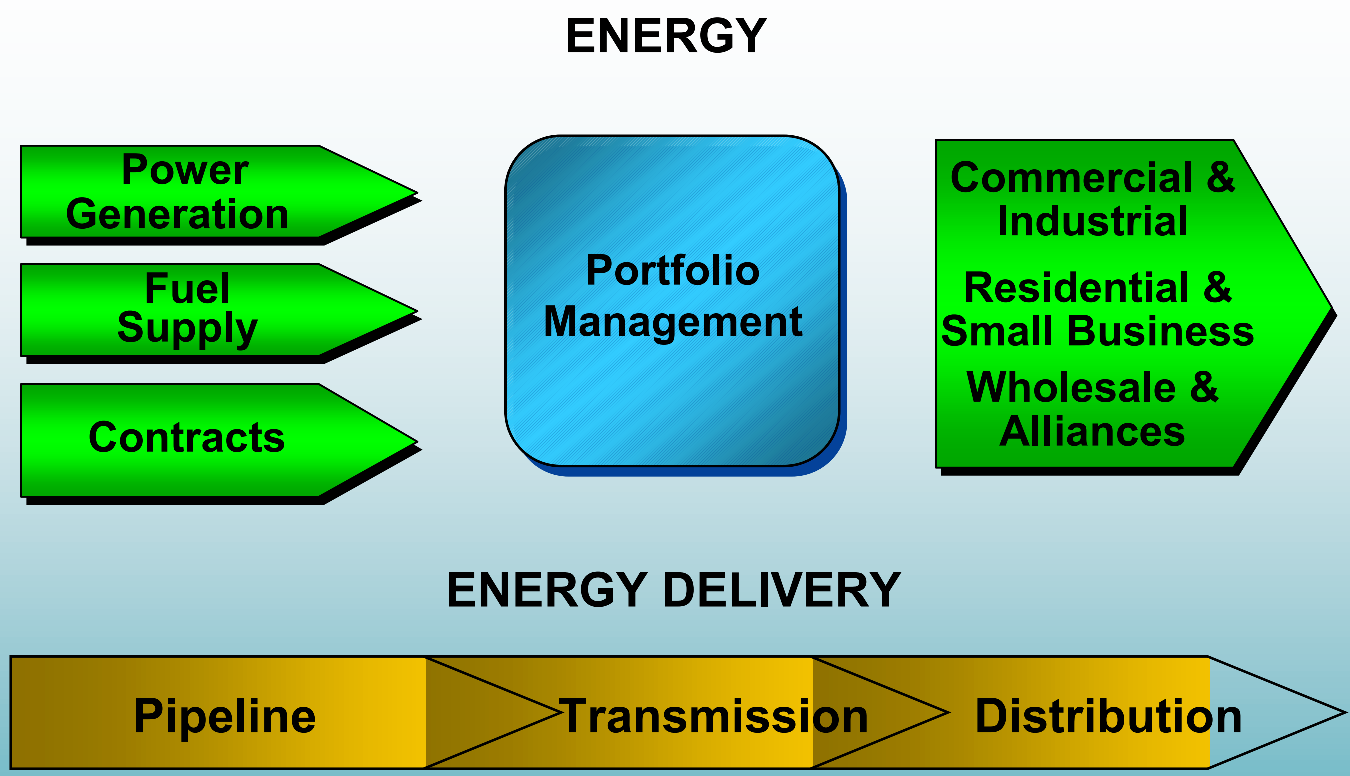
What is your business strategy?



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.

How has deregulation impacted the strategy?

TXU

- **Oncor Electric Delivery – Regulated wires business**
- **TXU Gas – Regulated LDC and pipeline**
- **Australia – Regulated electric and gas delivery business**
- **Business model designed and tested to succeed in open markets, complimented by regulated operations**
- **Continue to support deregulation at both the state and federal levels**

Deregulation

Competition is working for customers in Texas

- Retail – PUC has estimated over $1 billion savings to customers since competition started
- Wholesale – ERCOT market design already achieves most of FERC's goals for wholesale markets

Nationally, policy makers are working to stabilize competitive markets

- Goal of national energy bill should be to encourage infrastructure development and reduce uncertainty in the market
- FERC is more open to regional variations within wholesale markets

How much commodity risk does your business strategy have?

- Oncor – No commodity risk
- TXU Gas – Gas cost passed through to customers
- TXU Australia
  - ~60% of earnings and cash from regulated delivery business
  - Gas supply well positioned with contracts, pipeline access, and storage
- TXU Energy
  - Integrated business model
  - 75% of coal from owned resources ~$1.00/mmbtu
  - Low cost nuclear fuel < $0.50/mmbtu
  - Price to beat structure: effective long-term gas hedge
  - Large customers margin locked at point of contract

TXU Energy

TXU

Capitalization YE 2002

Debt	$2.59B	33%
Preferred	0.75B	10%
Equity	4.40B	57%
Total	$7.74B	

Growth drivers:
- Growing service area
- O&M reduction
- Debt reduction

Production

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

Portfolio Management

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

Retail

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

- Low cost producer
- Flexible
- Well-located

- Enhanced margins
- Lower risk

- Leading competitor
- Realistic view of competition

Balanced, Integrated, Synergistic

How much debt can your business strategy support over a commodity price cycle?

- **Targeted minimum liquidity of $1.5 billion**
- **Targeted debt repayment of ~$1.5 billion in both 2003 & 2004**
- **Oncor – target 60/40 debt/equity capital structure**
- **TXU Gas – target 50/50 debt/equity capital structure**
- **TXU Energy – target 40/60 debt/equity capital structure**

Are your profit margins in 2005 likely to be the same, higher, or lower than the level of profit margins in 2003?

- **Oncor –**
  - **Rate base growth due to growing service area**
- **TXU Gas**
  - **Comprehensive rate case ~$69.5 million in revenue**
  - **Capital expenditure tracker on governor's desk**
- **TXU Australia**
  - **Usage and economic growth**
  - **Continued positive customer growth**
  - **Growth in new open markets, e.g. South Australia**
- **TXU Energy**
  - **Maintain leadership position**
  - **Benefits of cost program in place**
- **Corporate & Other**
  - **Divestiture of telecommunications**
  - **Decreased debt and interest costs**

What earnings and cash flow growth rate is your strategy likely to deliver annually over the next three years?

TXU

Indicative Net Income ($ million)

	2003 Plan
Energy Delivery	230 – 240
Energy	625 – 655
Australia	65
Corp. & Other	(210)
Total	710 – 750
Avg. Shares	322.5
EPS	$2.20 - $2.30
Diluted Avg. Shares	379.5
Diluted EPS	$2.00 - $2.10

Continuing operations before changes in accounting principles

What earnings and cash flow growth rate is your strategy likely to deliver annually over the next three years?

TXU

Indicative Cash Flow

	2003	2004
	($ million)	
Cash flow from operations	2,278*	2,024
Securitization	500	800
Capital expenditures	(1,133)	(1,052)
Dividend – common & preferred	(183)	(185)
Cash available to pay down debt	1,462	1,587

* Includes $615 million IRS refund

Strategic Initiatives

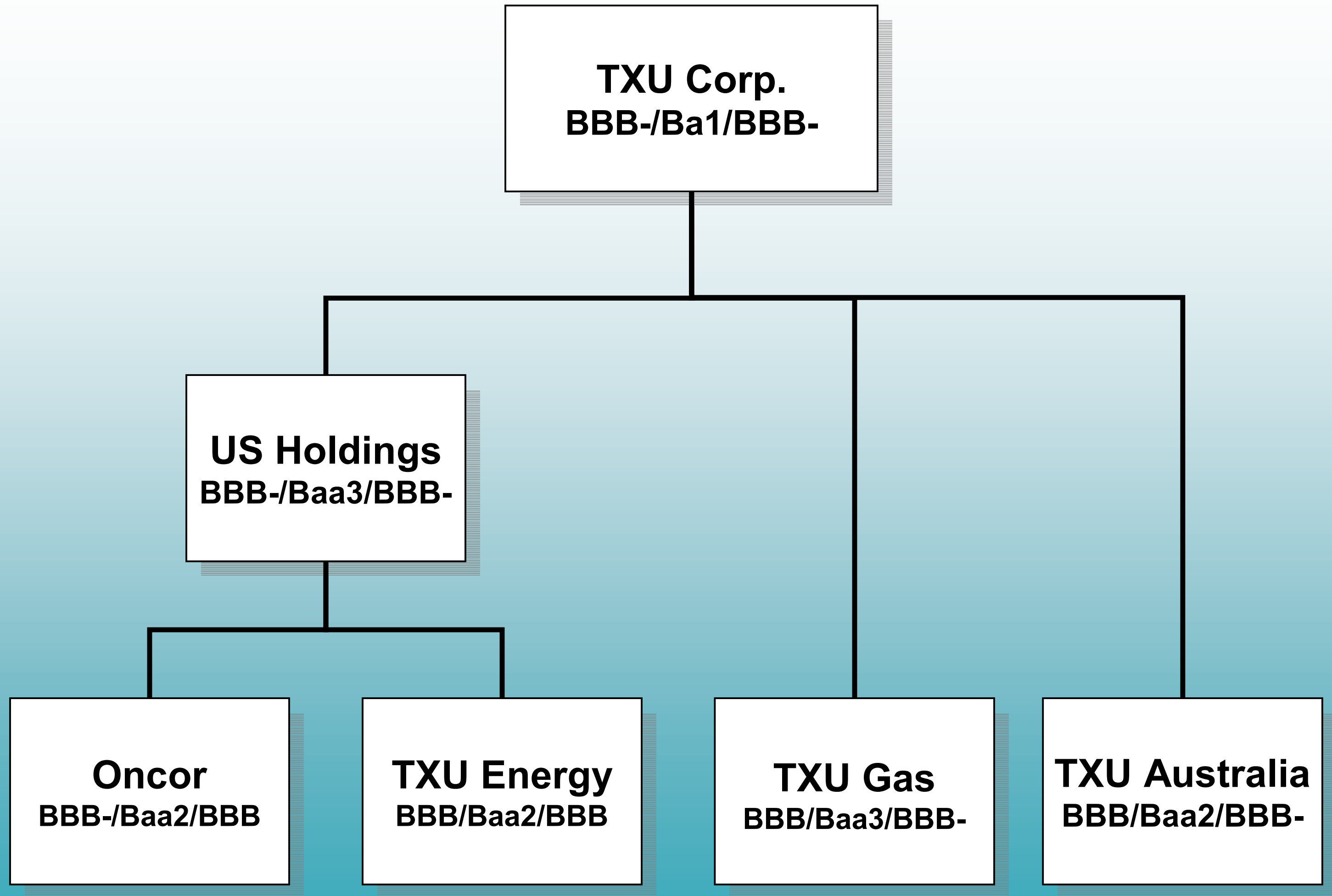
- **Strengthen balance sheet and enhance credit**
  - **Decisive actions resulted in $1.25 billion TXU Energy financing, repaid bank debt of $2.3 billion and ample liquidity**
- **Achieve major, sustainable cost reductions**
  - **Target of $250 million net reductions**
- **Deliver on the 2003 Plan**
  - **1st Quarter performance ahead of Plan**
- **Aggressively defend and build on leadership position in Texas and Australia**
  - **1st Quarter customer churn less than 0.5%**

ON TARGET!

Appendix

Corporate Structure

TXU



Assets: **$9.0 billion** **$15.5 billion** **$2.2 billion** **$3.1 billion**

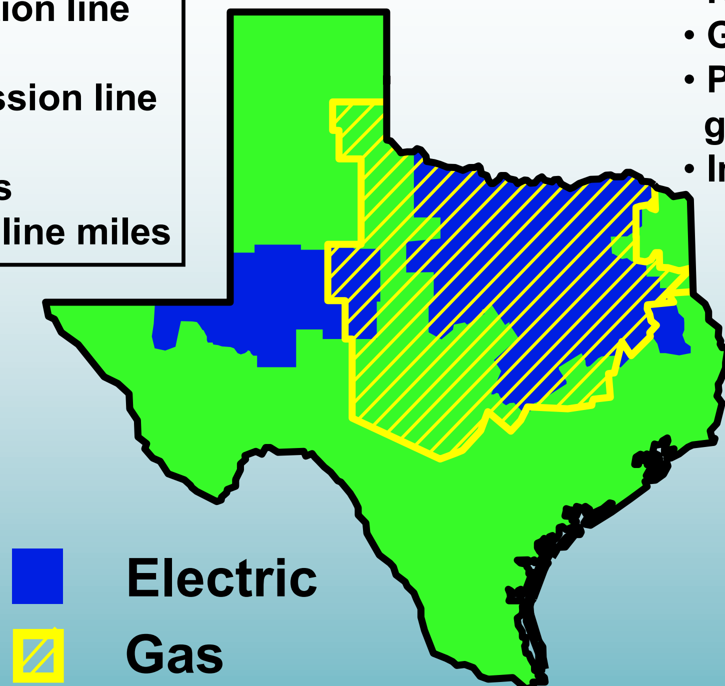
North America Energy Delivery

Energy Delivery

- **Pure regulated business**
- **95,000 Electric distribution line miles**
- **14,000 Electric transmission line miles**
- **6,800 Gas pipeline miles**
- **26,000 Gas distribution line miles**

Growth drivers:

- **Growing/ diverse service area**
- **Reasonable regulatory environment**
- **Growing electric rate base**
- **Projected electricity consumption growth of 3.5%**
- **Improving gas regulated return**

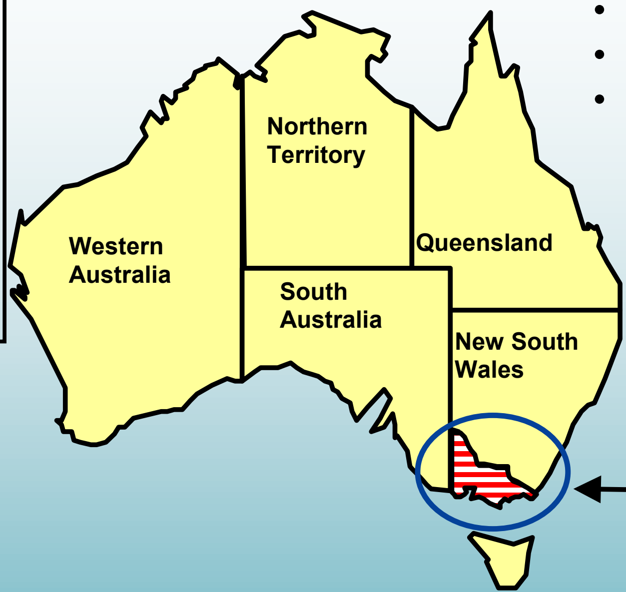


Capital – Gas		YE 2002
Debt	$ 0.6 B	37%
Preferred	0.2 B	13%
Equity	0.8 B	50%
Total	$ 1.6 B	

Capital –Electric YE 2002		
Debt	$ 4.2 B	60%
Equity	2.8 B	40%
Total	$ 7.0 B	

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
- 463,000 Gas customers
  - Positive net churn
- 559,000 Electric customers
  - Positive net churn
- 1,280 MW Generation capacity
- 966 MW Master hedge agreement