



Merrill Lynch Power & Gas Leaders Conference

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September 17, 2003**

Safe Harbor Statement



This presentation contains forward-looking statements, which are subject to various risks and uncertainties. Discussion of risks and uncertainties 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. The risks and uncertainties set forth in the company's SEC filings include TXU's ability to negotiate satisfactory terms and obtain all necessary governmental and other approvals and consents for the sale of TXU Communications, prevailing government policies on environmental, tax or accounting matters, regulatory and rating agency 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 and capital market conditions, 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.

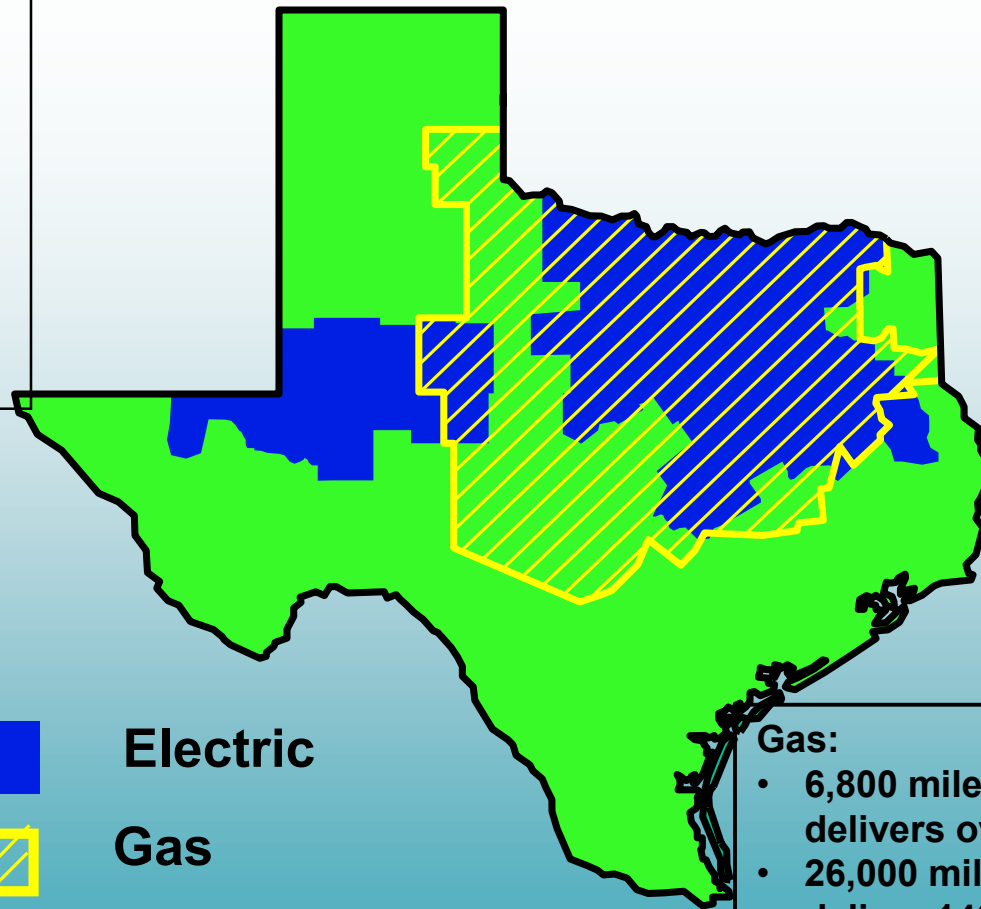
Lessons Learned...

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

North America Energy Delivery



- Diverse service area
- Reasonable regulatory environment
- Projected electricity consumption growth of approximately 2%
- Improving gas regulated return



- Electric:**
- 14,000 miles of transmission lines
 - 97,000 miles of distribution lines
 - 105 TWh annually
 - 2.9 million points of delivery
 - \$6.1 billion net plant, property, equipment

- Gas:**
- 6,800 miles of pipeline delivers over 400 Bcf annually
 - 26,000 miles distribution lines deliver 140 Bcf annually
 - 39 bcf of gas storage
 - 1.5 million customers
 - \$1.5 billion net property, plant, equipment

- **First \$500 million of securitization bonds issued**
- **System-wide gas rate case filed May 23, 2003**
 - **Proposed increase: \$69.5 million or 7.24% annual revenue**
- **New legislation permits more timely gas tariff adjustments for capital expenditures**
- **Legislature had little interest in altering SB7 – market is working**

N. America Energy Delivery – 2003 Priorities



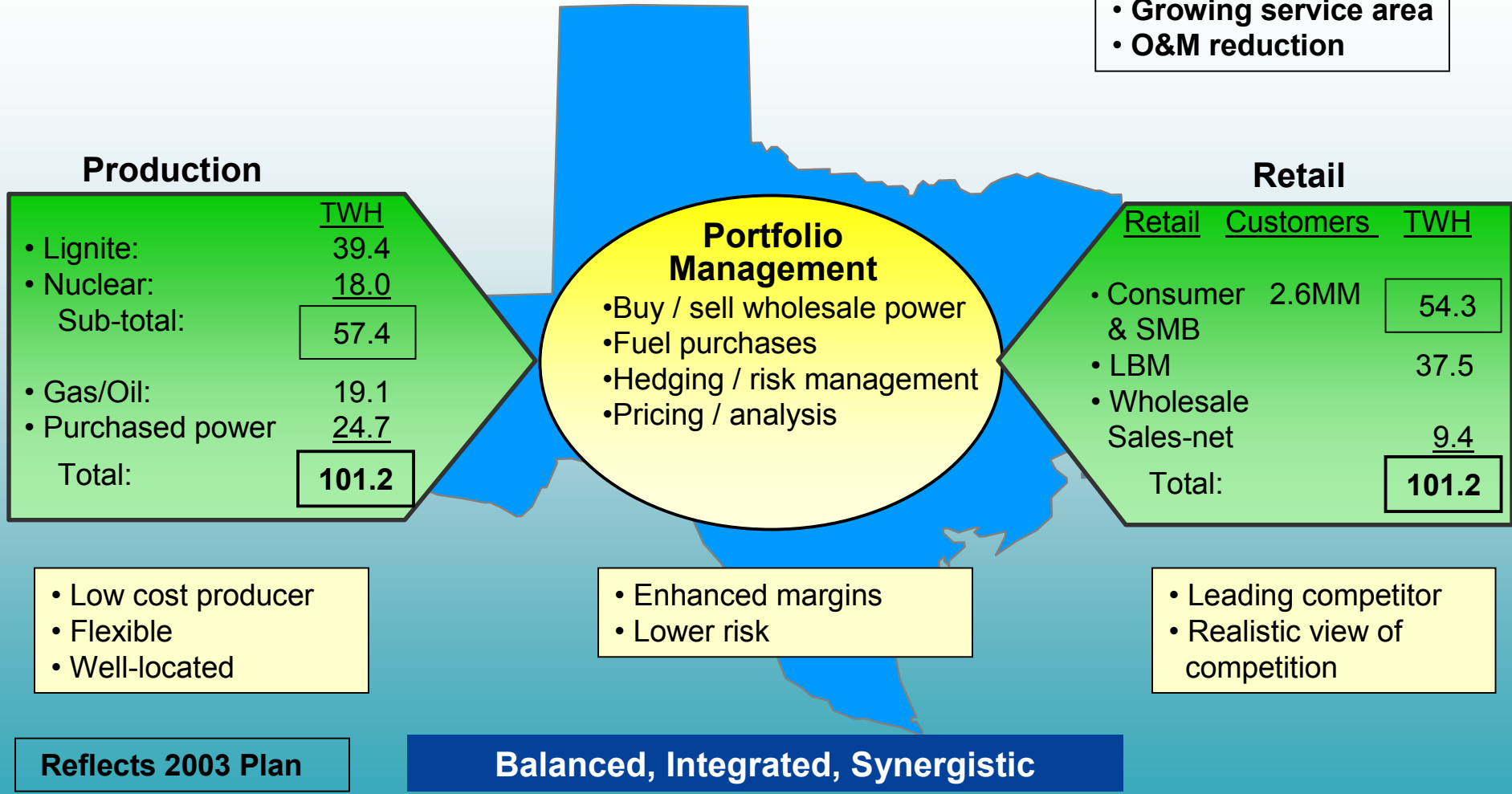
- **Deliver financial results**
- **Focus on growth in service area**
- **Reduce costs to offset upward cost pressures**
- **Improve gas business profitability through system-wide rate case**
- **Continue to provide safe and reliable energy delivery service**

North America Energy



Growth drivers:

- Growing service area
- O&M reduction



North America Energy – 2003 Priorities: “Texas First”



- **Protect and build on our leadership position in Texas**
- **Re-scale cost base**
- **Focus on customers and operational excellence**
- **Optimize the Texas portfolio**

TXU Australia

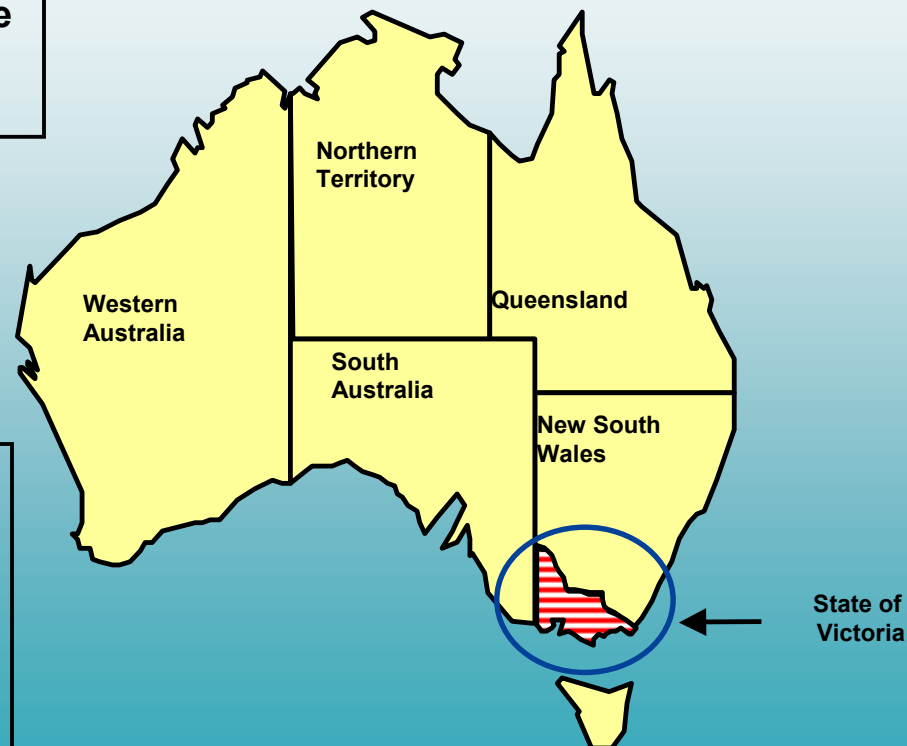


Energy Delivery

- 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 60%



Energy

- 476,000 Gas customers
Positive net churn
- 565,000 Electric customers
Positive net churn
- 1,280 MW Generation capacity
- 966 MW Master hedge agreement

TXU Australia – 2003 Priorities



- **Deliver financial results**
- **Achieve sustainable cost reductions**
- **Strengthen balance sheet through debt reduction**
- **Protect and build on our leadership position in Australia**
- **Optimize the Australian portfolio**

- **Maximize free cash flow**
 - Reduce operating and SG&A expenses
 - Deliver gross margin from operations
 - Minimize capital expenditure and working capital
- **Strengthen credit**
- **Grow earnings**
 - Organic growth
 - Debt reduction

2003 Income from Continuing Operations Before Cumulative Changes in Accounting Principles (Indicative)



(\$ million, except shares)

	<u>Previous Guidance</u>	<u>Updated Guidance</u>
Energy Delivery	230 – 240	240
Energy	625 – 655	625
Australia	65	70
Corp. & Other	(210)	(210)
Total	<u>710 – 750</u>	<u>725</u>
Dilution adjustment	52	52
Diluted Avg. Shares	379	379
Diluted EPS Guidance:	\$2.00 - \$2.10	\$2.00 - \$2.10

Indicative Cash Flow



	(\$ million)	
	<u>2003</u>	<u>2004</u>
Cash flow from operations	2,304*	2,024
Securitization	500	800
Capital expenditures	(1,106)	(1,052)
Dividend – common & preferred	<u>(183)</u>	<u>(185)</u>
Cash available to pay down debt	1,515	1,587

* Includes \$615 million IRS refund

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

Q&A