

# **Earnings Review Third Quarter 2003**

**November 5, 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. 2002 Form 10-K and 2003 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.*

# Earnings Highlights



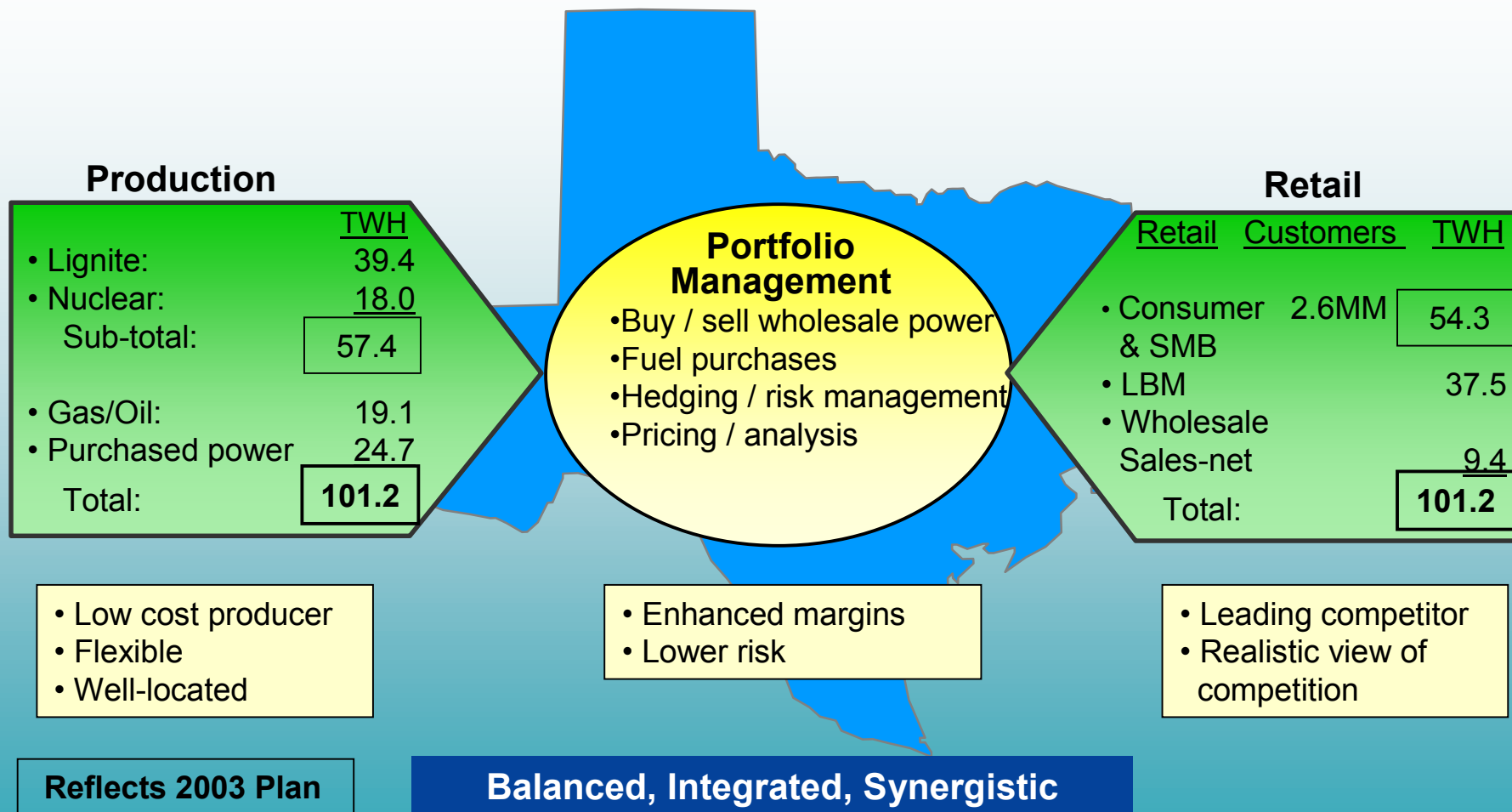
- **3Q 2003 earnings from continuing operations, net of preference stock dividends:**  
**\$368 million, \$1.01 per diluted share**
- **3Q 2003 net income available to common stock:**  
**\$392 million, \$1.07 per diluted share**
- **Full year 2003 guidance for earnings from continuing operations before cumulative effect of changes in accounting principles remains at around \$2.00 per diluted share**

# Business Highlights



- **Strong results**
- **TXU Communications sale**
- **Evaluation of partial IPO of Australia**
- **Price to Beat increase**
- **Improved performance at TXU Gas**
- **Securitization bonds issued**

# Energy



# Q3 Performance



- **Mass market customer retention slightly better than plan**

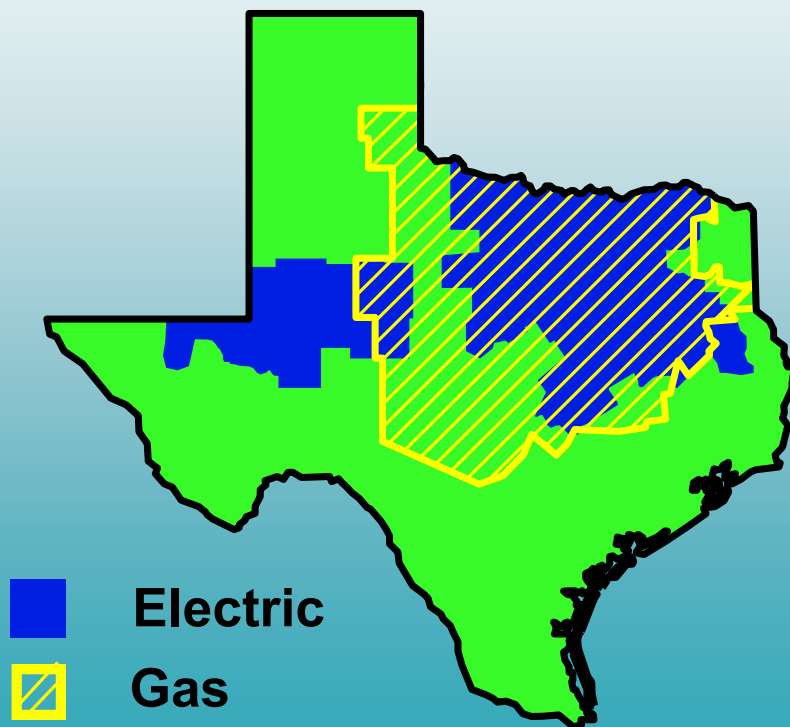
<b>Jan – Sept 2003</b>	<b>Customer Change (‘000)</b>
<b>In-Territory Net</b>	<b>(118.5)</b>
<b>New-Territory Net</b>	<b>44.5</b>
<b>Total Net</b>	<b>(74.0)</b>
<b>Change</b>	<b>(2.8)%</b>

- **Large Business Market share exceeding expectations**
- **Solid production performance**
- **Significant progress has been made in reducing Bad Debt expense**
- **Price to Beat filing approved on August 21**

# Energy Delivery



- Segment includes the electric transmission and distribution assets, the company's natural gas pipeline and distribution business
- Continued solid performance with successful management of upward cost pressures
- Third quarter net income contribution of \$117 million vs \$78 million third quarter 2002
  - Electric delivery net income improved by \$30 million
  - Natural gas delivery net income improved by \$9 million



## Key Strengths

- #1 electric delivery business in ERCOT
- Diverse service area
- Reasonable regulatory environment
- Exemplary safety and reliability records
- Leading asset management practices

# Australia



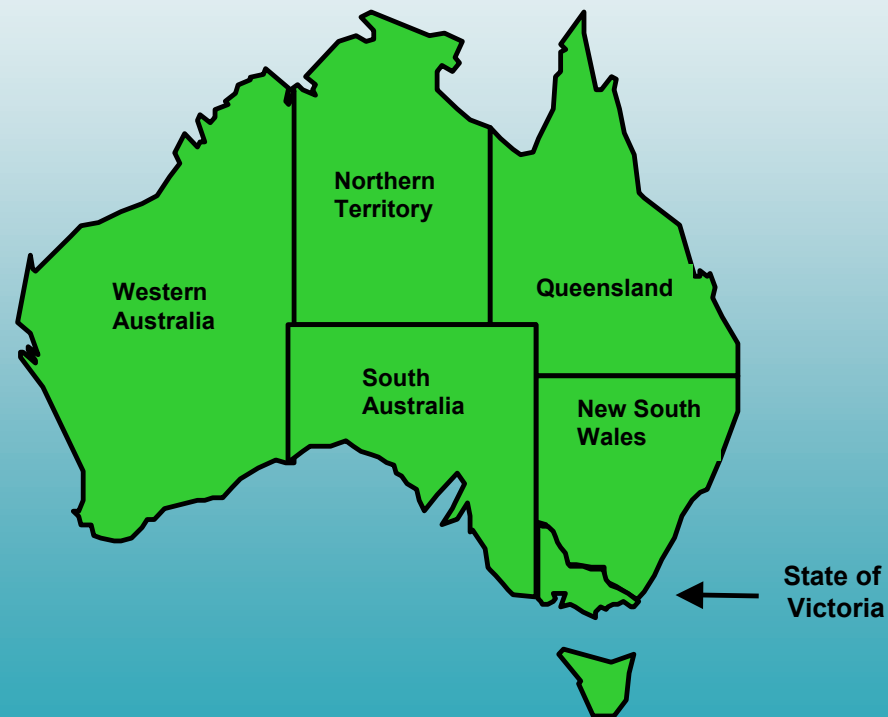
- Australia includes the company's generation, portfolio management, retail and wholesale operations, and the regulated electricity and gas delivery operations in Australia.
- Net income contribution of \$43 million in the third quarter of 2003 vs \$16 million in 2002
- Current period benefited from increased volumes due to weather and continued customer growth, tax expense adjustments and favorable currency exchange rate movement

## 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 approx 20 Bcf

## Energy

- Over 1 million gas and electricity customers
- 1,280 MW Generation capacity
- 966 MW master hedge agreement





# Balance Sheet & Cash Flows



- **\$3.4 billion of available liquidity (cash and available credit facility capacity) at September 30, 2003**
- **For the nine months ended September 30, 2003**
  - **cash provided by operating activities was \$2 billion as compared to \$1 billion in the prior year period**
  - **includes \$615 million tax refund in Q1**
- **Total debt to capital of 65%, down from 72% at year-end 2002**
- **Net debt to capital of 54%, down from 58% at year-end 2002**

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

# Appendix

# Reconciliation of Net Debt to Capitalization Ratio at September 30, 2003



Dollars in Millions

	Financial Statements	Adjustments	As Adjusted
Cash	651		651
Restricted Cash	643	(118)(a)	<u>525</u>
Total Cash			1,176
Commercial Paper	34		34
Banks	6		6
LTD, due currently	402		402
LTD	<u>12,596</u>	(1,940)(b)	<u>10,656</u>
Total Debt	13,038		11,098
Total Debt Less Total Cash (Net Debt)			9,922
Mandatorily redeemable PS	522		522
Preferred Stock	757		757
Shareholders' Equity	<u>5,689</u>	1,440(c)	<u>7,129</u>
Total Capitalization	20,006		18,330
Ratio of Debt to Capitalization			65.2%
Ratio of Net Debt to Capitalization			54.1%

(a) adjusted to include only the restricted cash in trust to secure the 5 year revolving credit facility

(b) adjusted to reflect the equity-linked features of \$1.440 billion of Equity Units and Prides, and the off credit treatment of \$500 million of securitization bonds

(c) adjusted to reclassify Equity Units and Prides into shareholders' equity

# Reconciliation of Net Debt to Capitalization Ratio at December 31, 2002



	Dollars in Millions		
	Financial Statements	Adjustments	As Adjusted
Cash	1,574		1,574
Restricted Cash	306	(96)(a)	<u>210</u>
Total Cash			1,784
Commercial Paper	18		18
Banks	2,306		2,306
LTD, due currently	958		958
LTD	<u>11,598</u>	(2,079)(b)	<u>9,519</u>
Total Debt	14,880		12,801
Total Debt Less Total Cash (Net Debt)			11,017
Mandatorily redeemable PS	515	639(c)	1,154
Preferred Stock	211		211
Shareholders' Equity	<u>5,066</u>	1,440(d)	<u>6,506</u>
Total Capitalization	20,672		18,888
Ratio of Debt to Capitalization			72.0%
Ratio of Net Debt to Capitalization			58.3%

(a) adjusted to include only the restricted cash in trust to pay the 2003 Oncor maturity

(b) adjusted to reflect the equity-linked features of \$1.440 billion of Equity Units and \$639 million (net of discount) of the \$750 million principal amount of exchangeable subordinated notes as long term debt

(c) adjusted to reclassify subordinated notes into preferred securities

(d) adjusted to reclassify Equity Units into shareholders' equity