



TXU Corp. Quarterly Analyst Meeting

February 17, 2004

Safe Harbor Statement & Reg G



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 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, unanticipated power plant outages, 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.

Regulation G: This presentation may include certain non-GAAP financial measures as addressed by SEC Regulation G. If such measures are used, they will be reconciled to the most directly comparable GAAP measure in the appendix of the printed version of the slides and the version included on the company's website at www.txucorp.com under Investor Resources/Presentations.

Company Representatives



- **Erle Nye – Chairman and Chief Executive**
- **Dan Farell – EVP and Chief Financial Officer**
- **Tom Baker – EVP and Group President, TXU Energy**
- **Kirk Oliver – Treasurer and Assistant Secretary**
- **Paul O’Malley – Principal Financial Officer - Energy**
- **Scott Longhurst – Principal Financial Officer - Energy Delivery**
- **Tim Hogan, Laura Conn – Investor Relations**

Agenda



- **Opening Remarks - Nye**
- **Energy - Baker**
- **Energy Delivery and Australia - Farell**
- **Financial Overview - Farell**
- **Conclusion - Nye**

Highlights



- **Delivered on 2003 Plan**
- **Strengthened the balance sheet**
- **Substantially reduced costs**
- **Comprehensive gas rate case underway**
- **Successful mass market retention and large business market contracting**
- **Agreement signed for TXU Communications sale**
- **Evaluating partial IPO of Australia**

2004 Initiatives



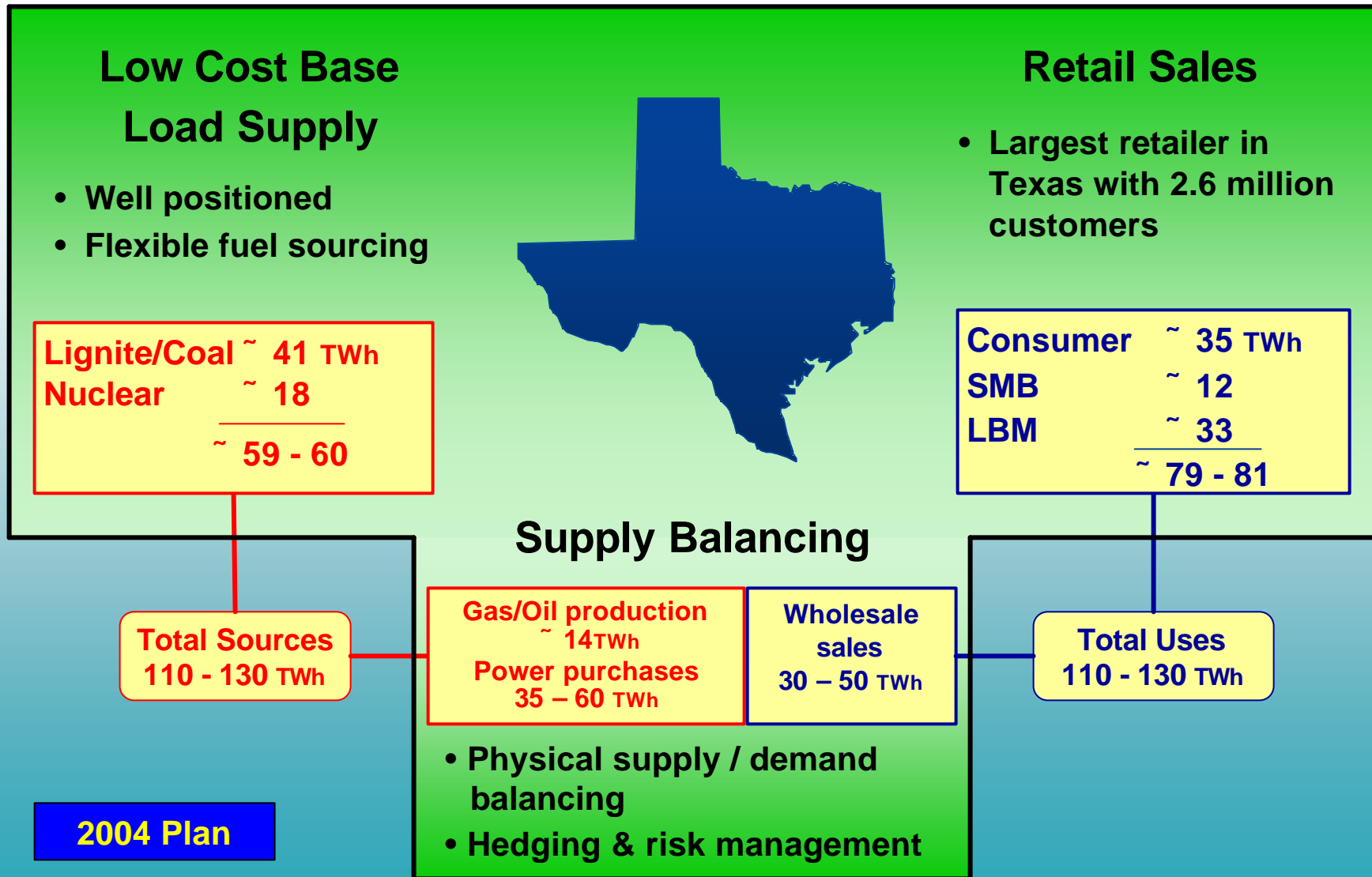
Stay the course in 2004

- **Strengthen balance sheet and enhance credit**
- **Deliver on the 2004 Financial Plan**
- **Pursue industry leading cost competitiveness**
- **Capitalize on market leadership positions in Texas and Australia**

Energy

- **Strong cash flows**
- **Solid return on capital**
- **Free to compete for small business**
- **Strong production performance**
- **Significant cost reduction initiatives implemented**

Business Model



History of In-Territory Rates



(Average bill amount for 1,000 KWh)

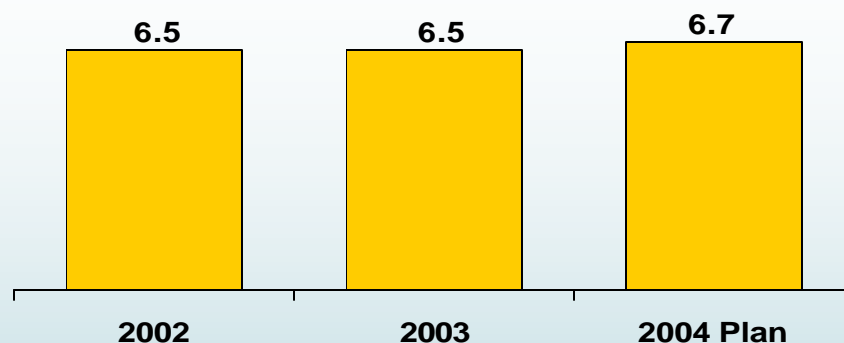


Source: PUC Retail Electric Service Rate Comparison

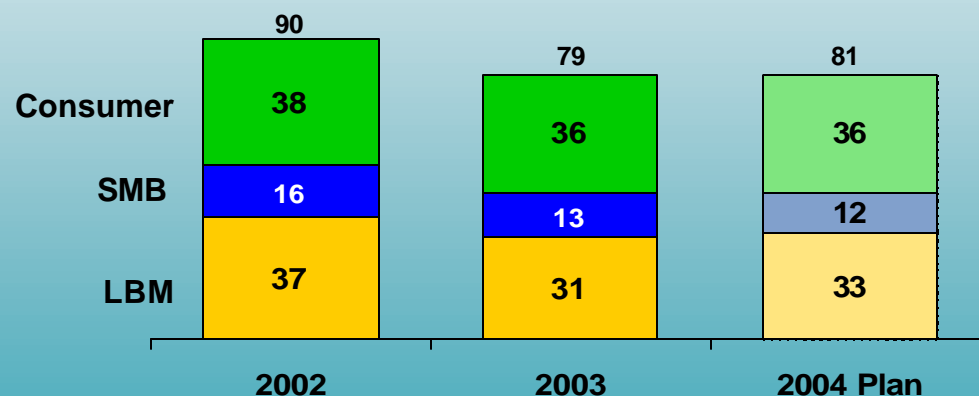
Retail Sales



Total Retail Power Revenues, \$B/yr



Approx. Retail Volumes by segment, TWh/yr



2003 Performance

- Customer retention better than plan
- Higher average rates
- SMB volume loss higher than expected
- LBM reflects late 2002 decreased contracting

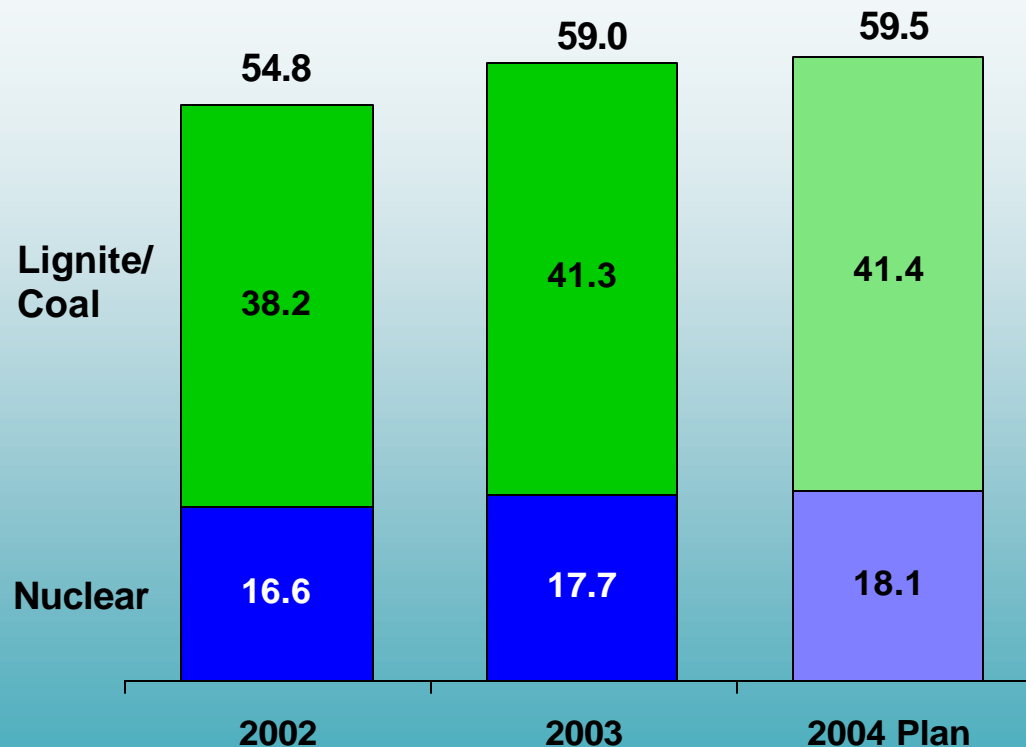
2004 Plan

- Higher average rates
- Stable net customer count
- Free to compete for SMB
- Improved LBM market share

Base Load Supply



Base load supply volumes, TWh/yr



2003 Performance

- Achieved 7.7% increase vs. '02
- Safely completed 25 day CPSES refueling
- Flexible fuel capability for lignite/coal
- 1 CPSES refueling vs. 2 in 2002

2004 Plan

- Base load production up from 2003, driven by slightly higher availability in both nuclear and lignite
- 1 CPSES refueling

Energy - 2004 Success Factors



- **Deliver financial objectives**
- **Focus on customers**
- **Maximize base load production**
- **Balance supply needs economically & efficiently**
- **Excel in service quality and cost management**
- **Enhance employee development**

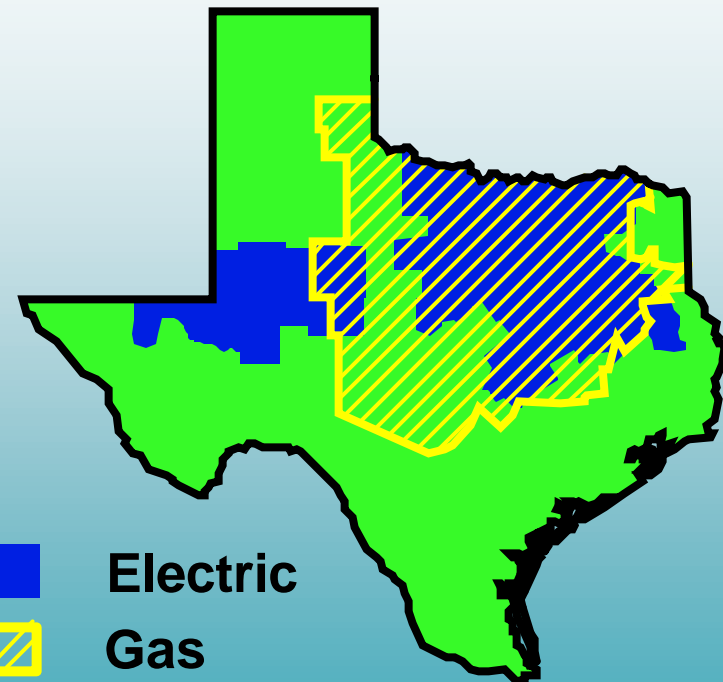
Energy Delivery and Australia

Energy Delivery



Delivered better than planned earnings contribution and operating cash flow in 2003

- **Deliver on financial objectives**
- **Issue securitization bonds**
- **Positive gas rate case outcome**
- **Continue to provide safe and reliable service delivery**



Australia



Delivered better than planned earnings contribution and operating cash flow in 2003

- **Deliver earnings & cash flow expectations**
- **Strengthen the balance sheet**
- **Maintain and grow customer base**
- **Continue operational excellence and cost leadership**
- **Position business to fund growth opportunities**



Financial Overview

Financial Highlights - 2003



- **Delivered on earnings and cash flows**
 - **EPS from continuing operations of \$2.03**
 - **Cash flow of \$2.8 billion**
- **Substantially reduced debt**
- **Maintained ample liquidity**
- **Significantly reduced costs**

2004 Plan Corporate Assumptions



- **Balance Sheet improvement and strengthening credit continues to be a top priority.**
- **Securitization proceeds of approximately \$790 million in Q1**
- **Underlying Oncor premise growth of 1.5%**
- **Retail mass market customer gains essentially offset losses**
- **Competitive approach to SMB market**
- **LBM market share of 42%**
- **Gas market price range of \$4.70-\$4.90 with ability to respond to reasonable variations**
- **Conservative cost assumptions with long-term objective of industry leadership in cost management**

Indicative Segment Earnings*



	(\$ million, except shares)	
	<u>2003 Actuals</u>	<u>2004 Indicative</u>
Energy Delivery	299	220
Energy	493	610
Australia	102	75
Corp. & Other	(179)	(140)
Total	715	765
Dilution adjustment	53	54
Diluted Avg. Shares	379	382

Diluted EPS

\$2.03

~ \$2.15

* Earnings from continuing operations, net of preference stock dividends.

Key Sensitivities



- **Natural gas prices:**
 - **Competition – Price to beat/contract pricing**
 - **Fuel and purchased power costs**
- **Competition:**
 - **Customer/load gains and retention**
 - **Margins**
- **Base load plant performance**
- **Gas rate case**
- **Weather**
- **Economic growth**

Indicative Cash Flow



	(\$ million)		
	<u>2003 Actuals</u>	<u>2004 Indicative</u>	<u>Total</u>
Cash flow from operations	2,798*	1,780	4,578
Cash flow from discontinued operations	(37)	(15)	(52)
Gross proceeds from Securitization	500	790	1,290
Telecom sale gross cash proceeds	-	524	524
Investing activity	(974)	(1,065)	(2,039)
Dividend – common & preferred	<u>(182)</u>	<u>(185)</u>	<u>(367)</u>
Cash available to pay down obligations	<u>2,105</u>	<u>1,829</u>	<u>3,934</u>

* Includes \$616 million IRS refund

Indicative Cash Available



	(\$ million) 2004 <u>Indicative</u>
Cash balance	875
Cash available to pay down obligations ⁽¹⁾	<u>1,829</u>
Sub-total	2,704
Maturities ⁽²⁾	(1,214)
Additional repurchases at Oncor	<u>(400)</u>
Cash available to pay down other obligations	1,090

(1) From previous slide

(2) Includes \$560 million Pinnacle bonds. Excludes transition bond amortization, \$121 million of remarketings at Energy and \$751 million of borrowings under Australia facilities that expire in October and will be replaced with an underwritten syndicated facility expected to close this month.

2004 Indicative Capital Expenditures and Maturities



(\$ million)

	<u>Capital Expenditures</u>	<u>Maturities*</u>
Energy Delivery	650	371
Energy	325	0
Australia	115	0
Corp. & Other	(25)	843
Total	1,065	1,214

*Includes \$560 million Pinnacle bonds. Excludes transition bond amortization, \$121 million of remarketings at Energy and \$751 million of borrowings under Australia facilities that expire in October and will be replaced with an underwritten syndicated facility expected to close this month.

Conclusion

Delivered solid results in 2003

Stay the course in 2004

- **Strengthen balance sheet and enhance credit**
- **Deliver on the 2004 Financial Plan**
- **Pursue industry leading cost competitiveness**
- **Capitalize on market leadership positions in Texas and Australia**

Appendix

Reconciliation of Net Debt to Capitalization Ratio at December 31, 2003



	Dollars in Millions		
	Financial Statements	Adjustments	As Adjusted
Cash	875		875
Restricted cash	594	(69)(a)	<u>525</u>
Total cash			1,400
Notes payable	97		97
LTD, due currently	677		677
LTD held by subsidiary trusts	546	(546)(b)	-
LTD	<u>12,324</u>	(1,940)(c)	<u>10,384</u>
Total Debt	13,644		11,158
Total Debt Less Total Cash (Net Debt)			9,758
LTD held by subsidiary trusts	-	546(b)	546
Preferred securities of subsidiaries	759		759
Shareholders' Equity	<u>5,919</u>	1,440(c)	<u>7,359</u>
Total Capitalization	20,322		18,422
Ratio of Debt to Capitalization			67.1%
Ratio of Net Debt to Capitalization			53.0%

Net debt is a measure used by management to target leverage improvement.

- (a) Adjusted to include only the restricted cash in trust to secure the 5 year revolving credit facility.
- (b) Adjusted to reflect preferred stock characteristics of these securities (trust originated preferred securities).
- (c) 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.

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



Dollars in Millions

	Financial Statements	Adjustments	As Adjusted
Cash	1,573		1,573
Restricted Cash	306	(96)(a)	210
Total Cash			1,783
Notes Payable	2,324		2,324
LTD, due currently	958		958
LTD held by subsidiary trusts	546	(546)(b)	-
LTD	<u>11,593</u>	(2,079)(c)	<u>9,514</u>
Total Debt	15,421		12,796
Total Debt Less Total Cash (Net Debt)			11,013
LTD held by subsidiary trusts	-	546(b)	546
Preferred securities of subsidiaries	211	639(c)	850
Shareholders' Equity	<u>5,066</u>	1,440(c)	<u>6,506</u>
Total Capitalization	20,698		18,915
Ratio of Debt to Capitalization			74.5%
Ratio of Net Debt to Capitalization			58.2%

Net debt is a measure used by management to target leverage improvement.

- (a) Adjusted to include only the restricted cash in trust to pay the 2003 Oncor maturity.
- (b) Adjusted to reflect preferred stock characteristics of these securities (trust originated preferred securities).
- (c) 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.

Reconciliation of Cash Flow at December 31, 2003



Items Reported in TXU Corp Analyst Call February 12, 2004:

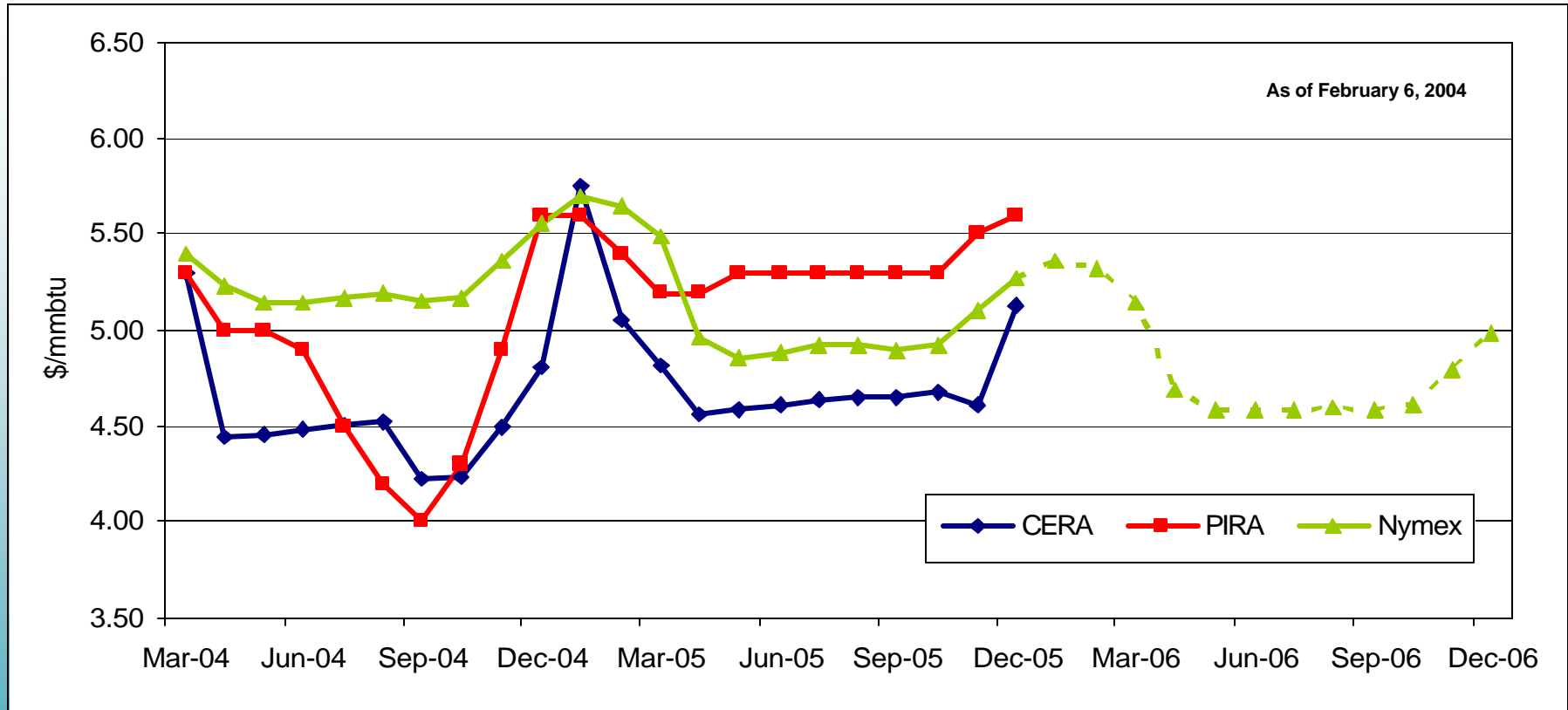
Components of Investing Activity:

Capital expenditures	\$ (956)
Proceeds from sale of assets	24
Nuclear fuel	(44)
Other	<u>2</u>
Investing activity	<u><u>\$ (974)</u></u>

Reconciliation to Amounts per U.S. GAAP Reporting:

Investing activity from above	\$ (974)
Acquisitions of business	(150)
Investment in collateral trust	<u>(525)</u>
Cash used in investing activities per GAAP Consolidated Statement of Cash Flows	<u><u>(1,649)</u></u>

Forecasted Natural Gas Prices and Nymex Forward Curve



Sources: CERA, PIRA, Nymex

Price To Beat Customer Summary - 2003



Jan – December 2003	Customer Change ('000)
In-Territory Net	(157.6)
New-Territory Net	50.1
Total Net	(107.5)
Change	(4.3)%