



Edison Electric Institute Annual Financial Conference

October 27, 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.

Company Representatives



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

Agenda



- **Opening Remarks - Nye**
- **North America Energy - Baker**
- **North America Energy Delivery - Greene**
- **Financial Outlook - Farell**
- **Conclusion - Nye**

Highlights



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

2003 Initiatives



- **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

2003 Highlights



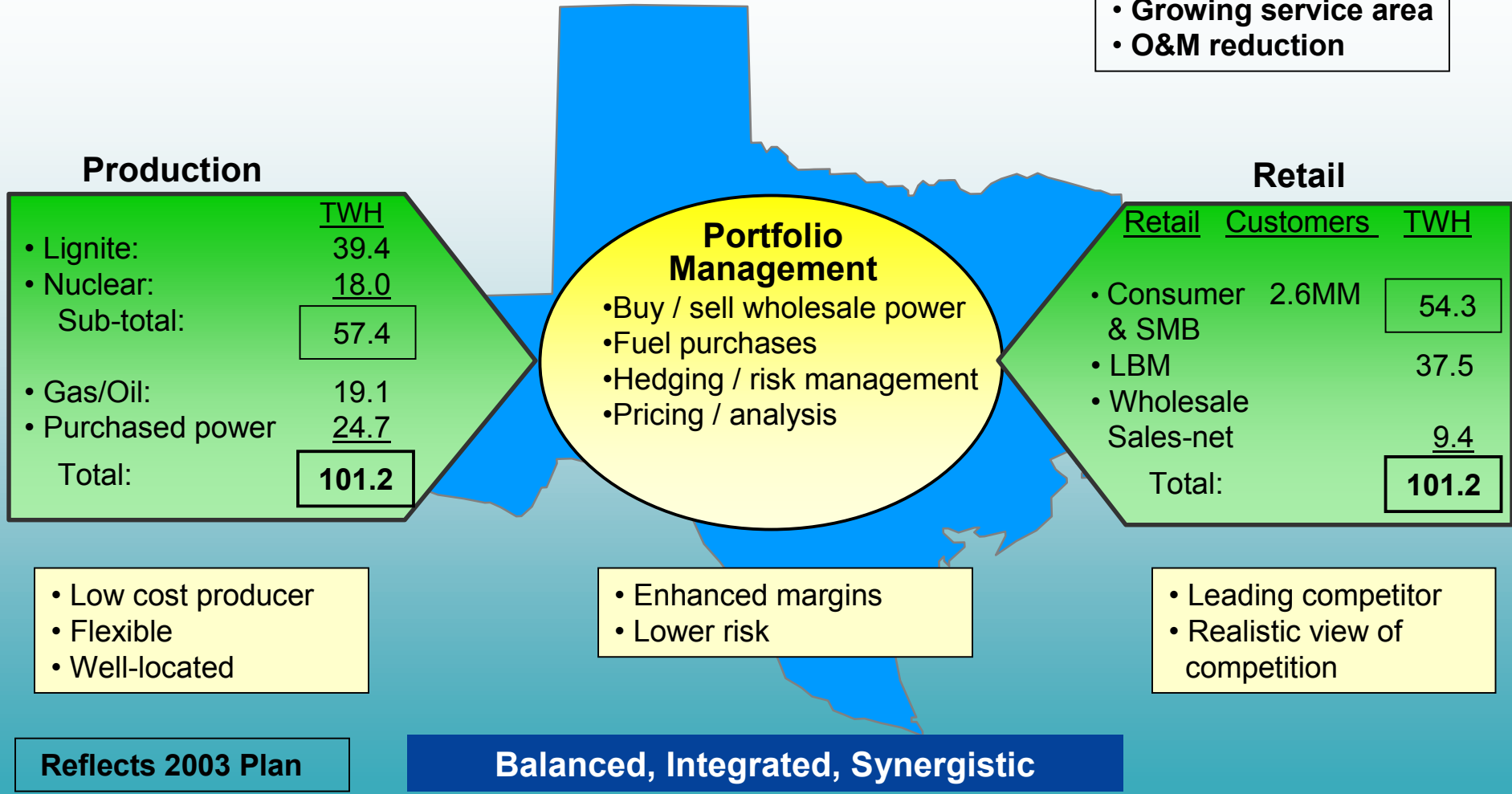
- **Mass market customer retention slightly better than plan**
- **Large Business Market share exceeding expectations**
- **Solid production performance**
- **Price to Beat filing approved on August 21**
- **Significant progress has been made in reducing Bad Debt expense**
- **Significant cost reduction initiatives have been implemented**

North America Energy



Growth drivers:

- Growing service area
- O&M reduction



North America Energy Delivery

2003 Highlights

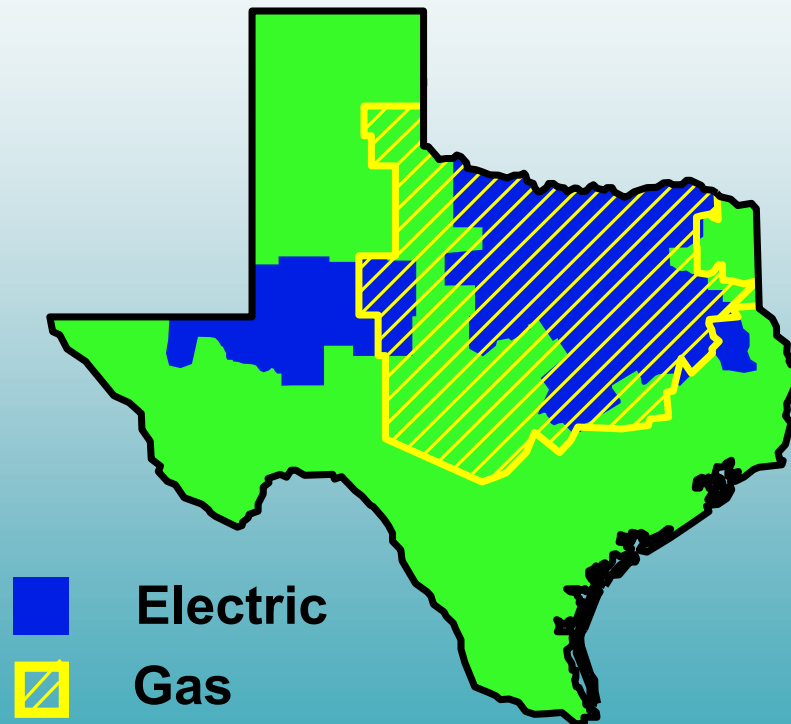


- **On track to deliver against the plan**
- **Successful management of upward cost pressures**
- **Continued improvement in gas profitability**
- **Continue to provide safe and reliable service delivery**

North America Energy Delivery



Underlying growth, coupled with stable, core business earnings and cash flow



Key Strengths

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

Financial Outlook

Financial Highlights



- **Delivering on earnings and cash flows**
- **Reducing debt**
- **Maintaining ample liquidity**
- **Reducing costs**

2003 EPS Guidance*



- **3Q increased to approximately \$1.00 per share vs. previous guidance of \$0.90 per share**
 - **Primarily driven by performance in Energy Delivery and Australia segments**
 - **All segments had better results than Q3 2002**
- **Full year 2003 guidance at around \$2.00**

***Amounts represent fully diluted earnings per share from continuing operations before cumulative effects of changes in accounting principles**

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

As of second quarter of 2003

- **Deliver on the plan**
- **Sustain a cost efficient culture**
- **Continue to strengthen balance sheet and enhance credit**
- **Continue to aggressively defend and build on leadership position in Texas and Australia**

Q&A