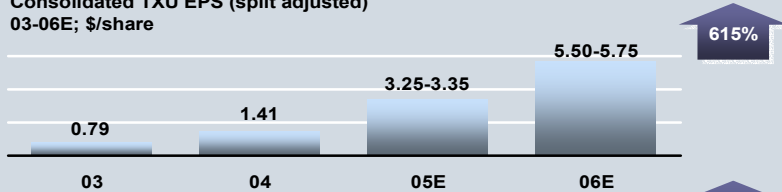


# Earnings Growth

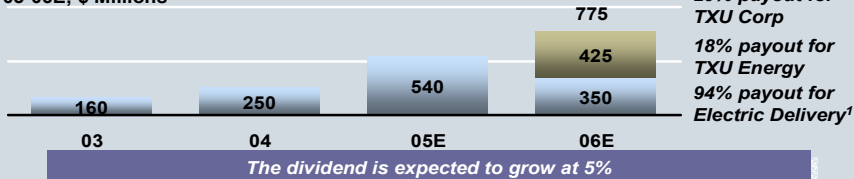


## After Successfully Completing The Turnaround, TXU Has Rebased Its 06 Earnings And Dividend

Performance improvements have allowed for rebased 06 earnings... Consolidated TXU EPS (split adjusted) 03-06E; \$/share



...And a rebased 06 dividend Consolidated TXU dividend 03-06E; \$ Millions



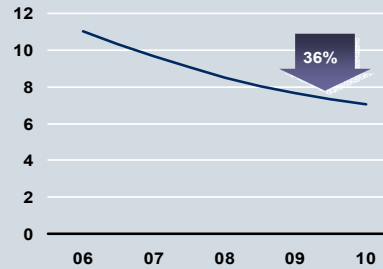
<sup>1</sup> Net income adjusted to exclude \$32 million of transition bond amortization after tax expense

1

## Despite A Backwardated Commodity Environment That Reduces Profitability Of The Core Portfolio...

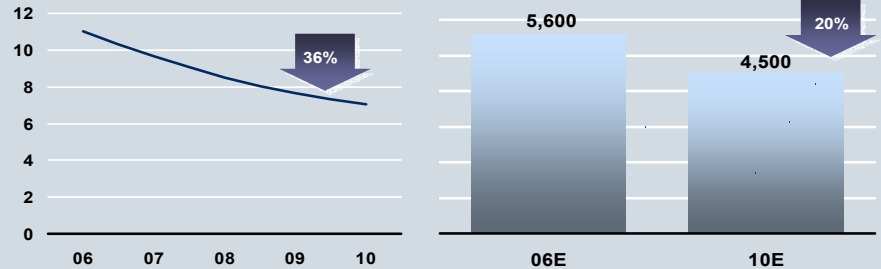
A backwardated natural gas price<sup>1</sup> environment...

Natural gas prices 06E-10E; \$/MMBtu



...Reduces the core portfolio's earnings power<sup>2</sup>

EBITDA 06E-10E; \$ millions



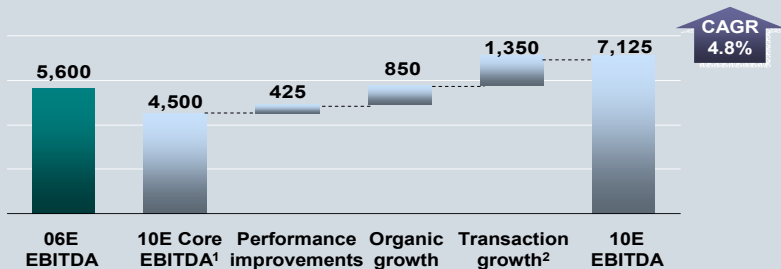
- The backwardation causes a reduction in the core portfolio EBITDA due to our natural long position and churn of the retail customer base
- The backwardation is mitigated by expanding heat rates

<sup>1</sup> As of 10/31/05  
<sup>2</sup> Includes impact of commodity changes and churn

2

## ...TXU Is Able To Fill The "Gap" With Performance Improvements, Organic Growth, And Transaction Growth...

TXU EBITDA 06E-10E; \$ millions



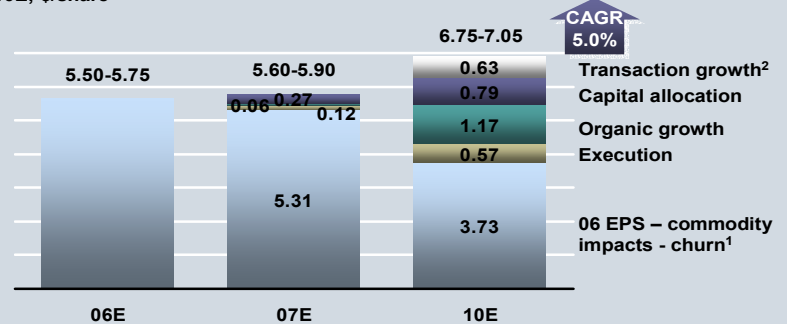
Over 90% of the gap is filled with organic initiatives

<sup>1</sup> Includes impacts of commodity prices and churn  
<sup>2</sup> Based on investing \$6.5 billion in FCF in underperforming coal plants with a PVI=1.3

3

## ...Enabling Strong 5-Year Earnings Growth

Breakout investments: TXU EPS (split adjusted) 06E-10E; \$/share



The combination of strong free cash flow, performance improvements and value creating intrinsic growth overcomes a backwardated commodity curve to provide solid earnings growth

<sup>1</sup> Includes impact of gas price declines, heat rate recovery, and churn  
<sup>2</sup> Based on investing \$6.5 billion over 5 years in underperforming coal plants with a PVI=1.3 (\$1,350 of new EBITDA)

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