

***Merrill Lynch
Global Power & Gas
Leaders Conference***



TXU

**C. John Wilder
Chief Executive Officer**

September 28, 2004

Safe Harbor Statement & Regulation 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. In addition to the risks and uncertainties set forth in the company's SEC filings, the forward-looking statements in this presentation could be affected by the ability of the company to implement the initiatives that are part of its restructuring, operational improvement and cost reduction program, and the terms under which the company executes those initiatives.

Regulation G

This presentation includes certain non-GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measure is included 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.

TXU's Three-Phase Restructuring Program...

**Phase 1:
Rationalize,
Restructure & Restore
Financial Strength**

**Phase 2:
Strengthen the Core &
Drive Performance
Improvement**

**Phase 3:
Allocate Capital
and Grow**

| What We Needed To Do | How We Did It/ How We Are Doing It |
|--|---|
| <ul style="list-style-type: none">▪ Execute no-regrets transactions▪ Improve financial flexibility▪ Capture “quick-hit” profitability improvements▪ Assess key risks and implement mitigation plans | <ul style="list-style-type: none">▪ Sold TXU Australia, TXU Gas, and TXU Fuel▪ Deployed proceeds to repair balance sheet▪ Strengthened contribution margins▪ Implemented customer service improvements |

...Is Focused On Achieving A Clear Set Of Objectives...



TXU Power

- Achieve top decile production performance
- Achieve top decile cost performance
- Develop high-performance culture



TXU Energy

- Provide exceptional customer service
- Retain and grow profitable customer base
- Achieve top decile purchased power performance



TXU Electric Delivery

- Achieve industry-leading safety performance
- Achieve top decile reliability
- Achieve top decile cost performance
- Earn allowable return



Corporate Center

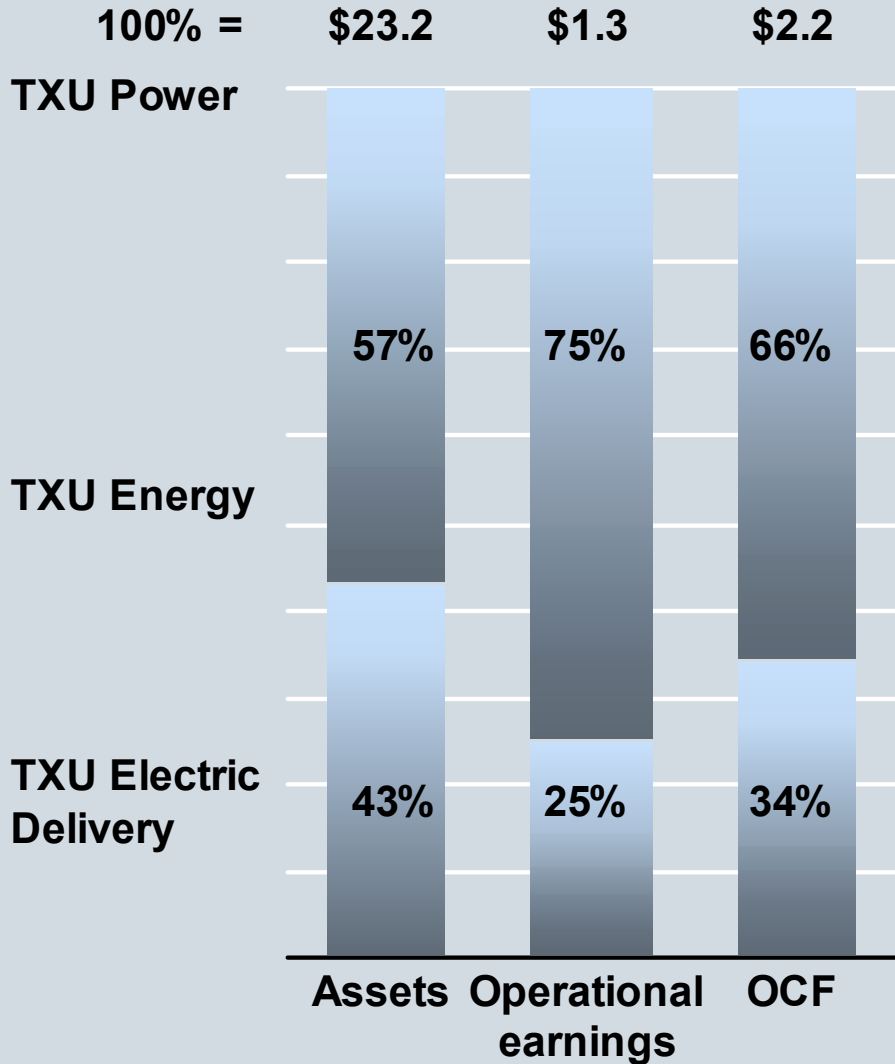
- Profitably allocate capital and risk
- Enforce clear risk guidelines and controls
- Build high-performance management systems and culture

*Capitalize
on benefits
of
integrated
business
model*

...Across Three Businesses With Structural Advantages

Size and shape of TXU's businesses
05E; \$ billions and percent

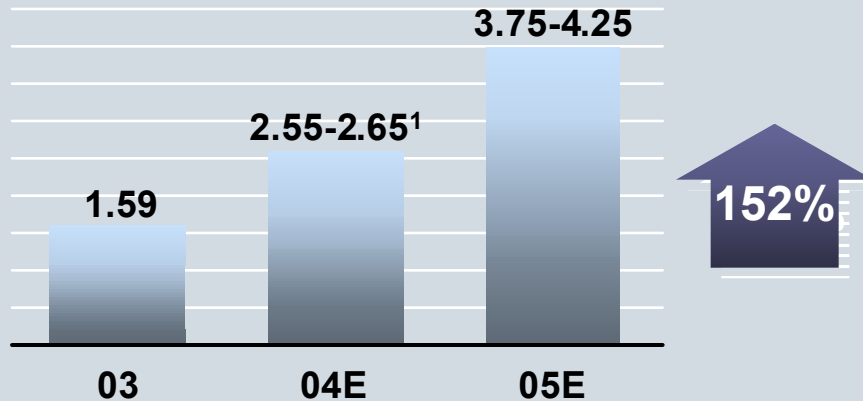
Structural advantages



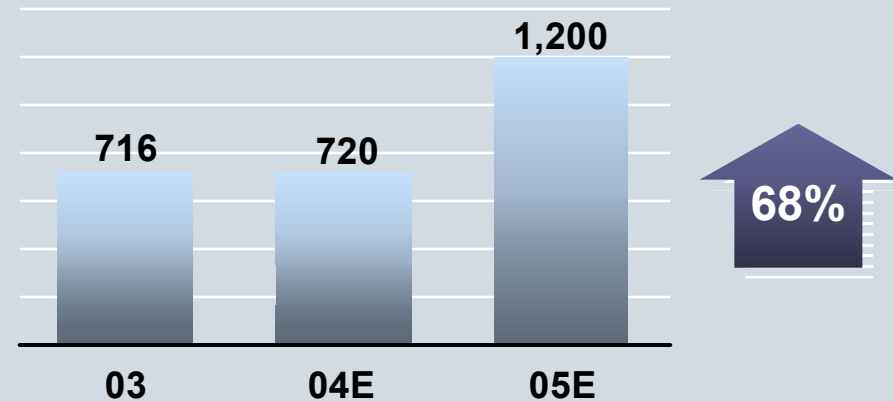
- 2nd largest US deregulated generation output
- Low cost baseload capacity and highly flexible gas fleet
- Robust wholesale market and tightening reserve margins
- Largest competitive US electricity retailer
- High growth market (2.5%)
- Distinctive brand recognition and reputation for reliability
- 6th largest US transmission and distribution company
- High growth market (2.5%)
- Lowest wires cost in Texas

Phase 1: Generated Substantial Financial Improvement...

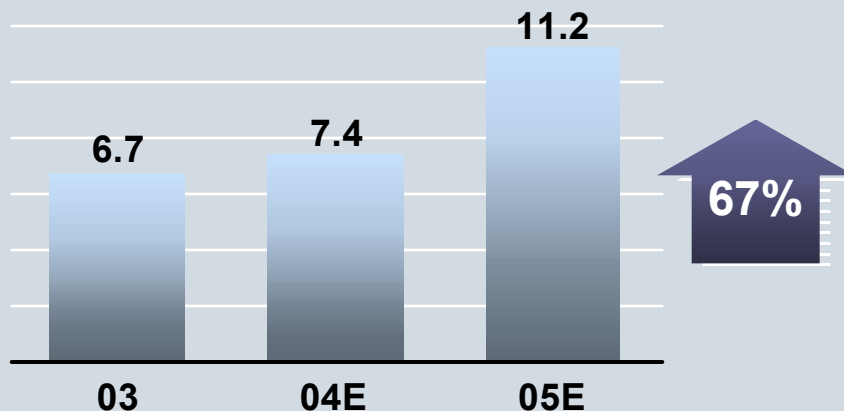
Operational EPS
03-05; \$ per share



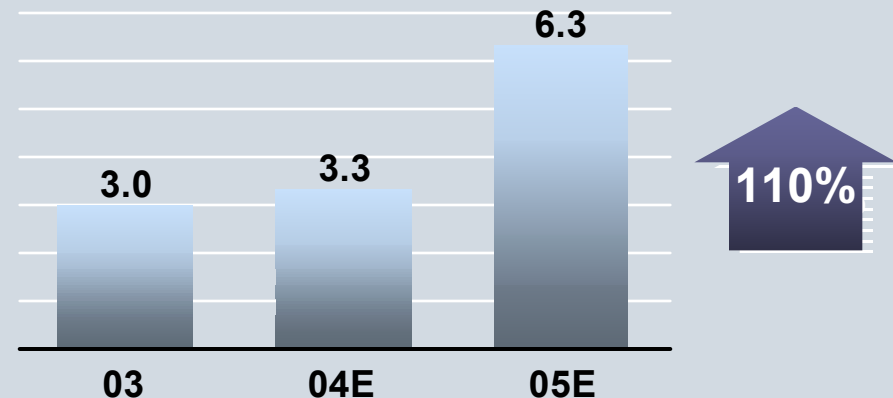
Free cash flow
03-05; \$ millions



ROIC
03-05; Percent



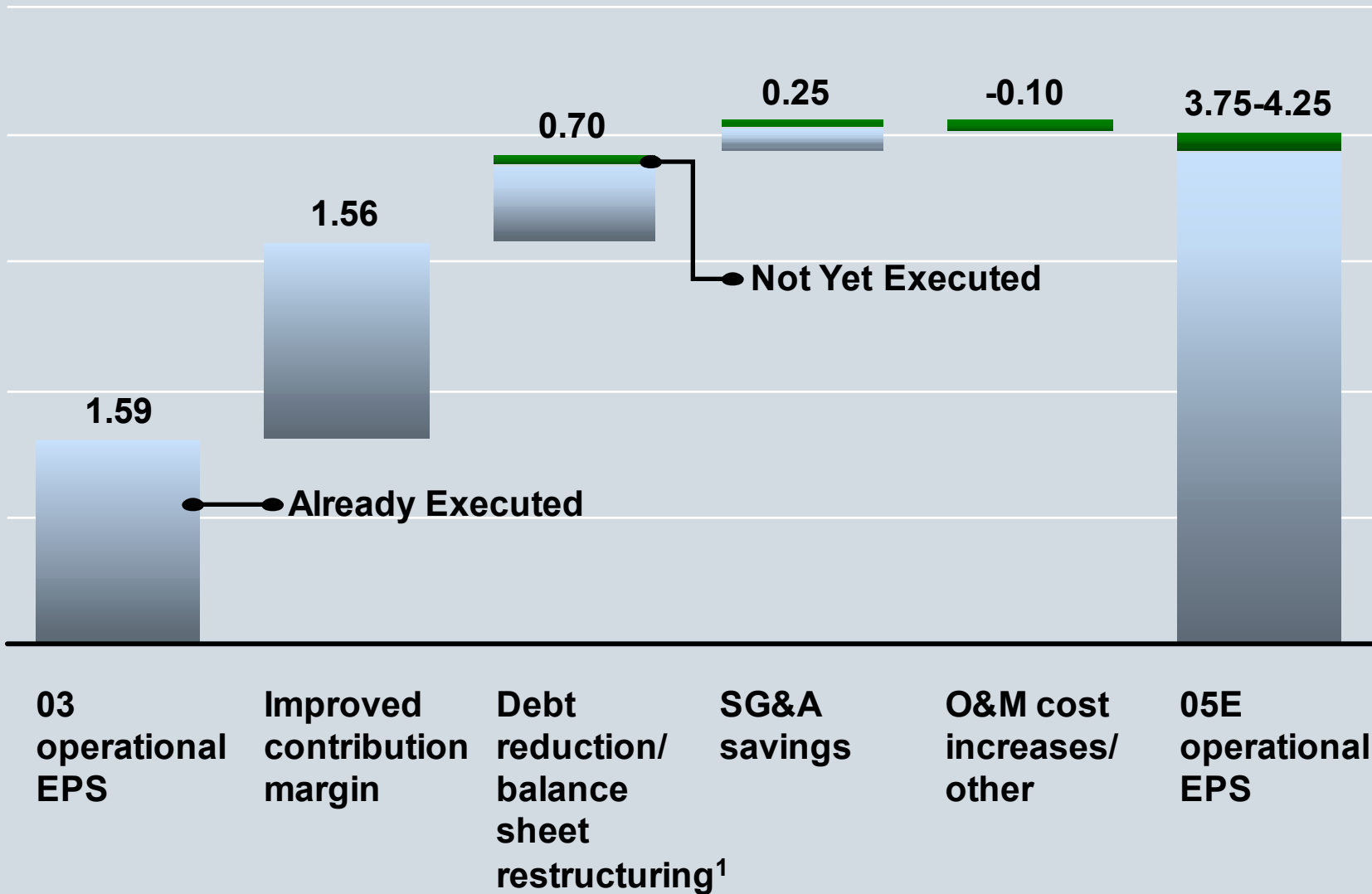
Gross interest coverage
03-05; Ratio



¹ Updated for Q2 earnings release

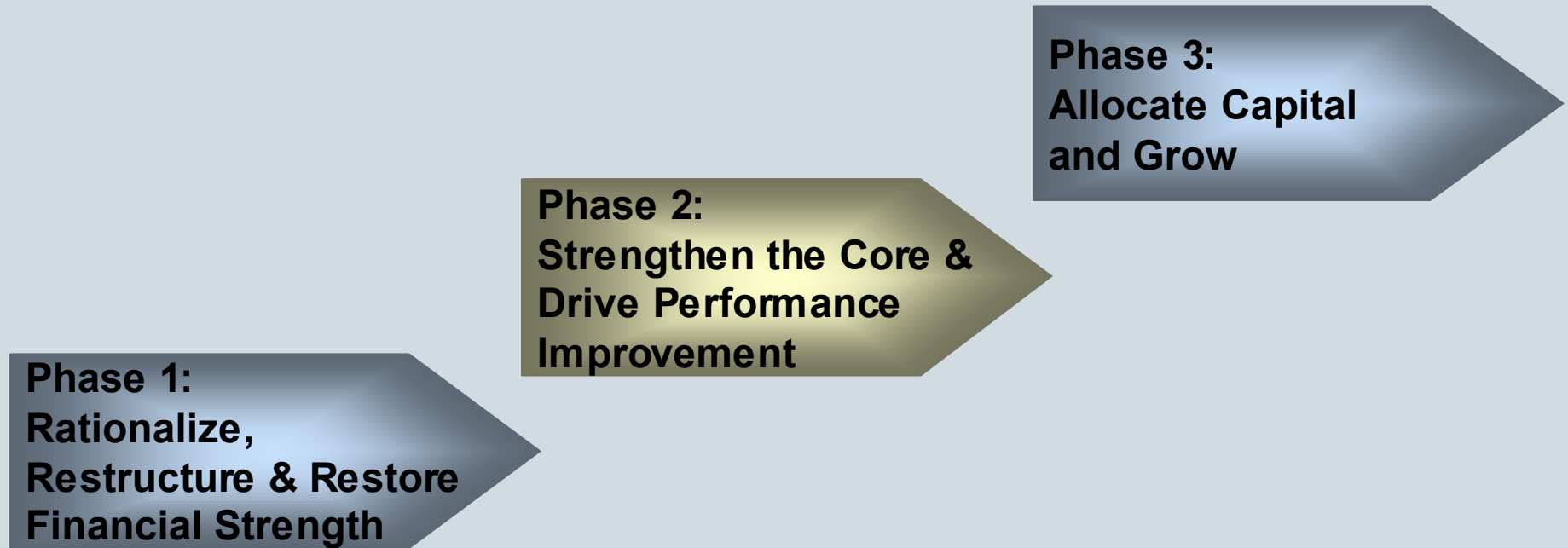
...And Phase 1 Execution Is Largely Complete

Operational EPS
03-05; \$ per share



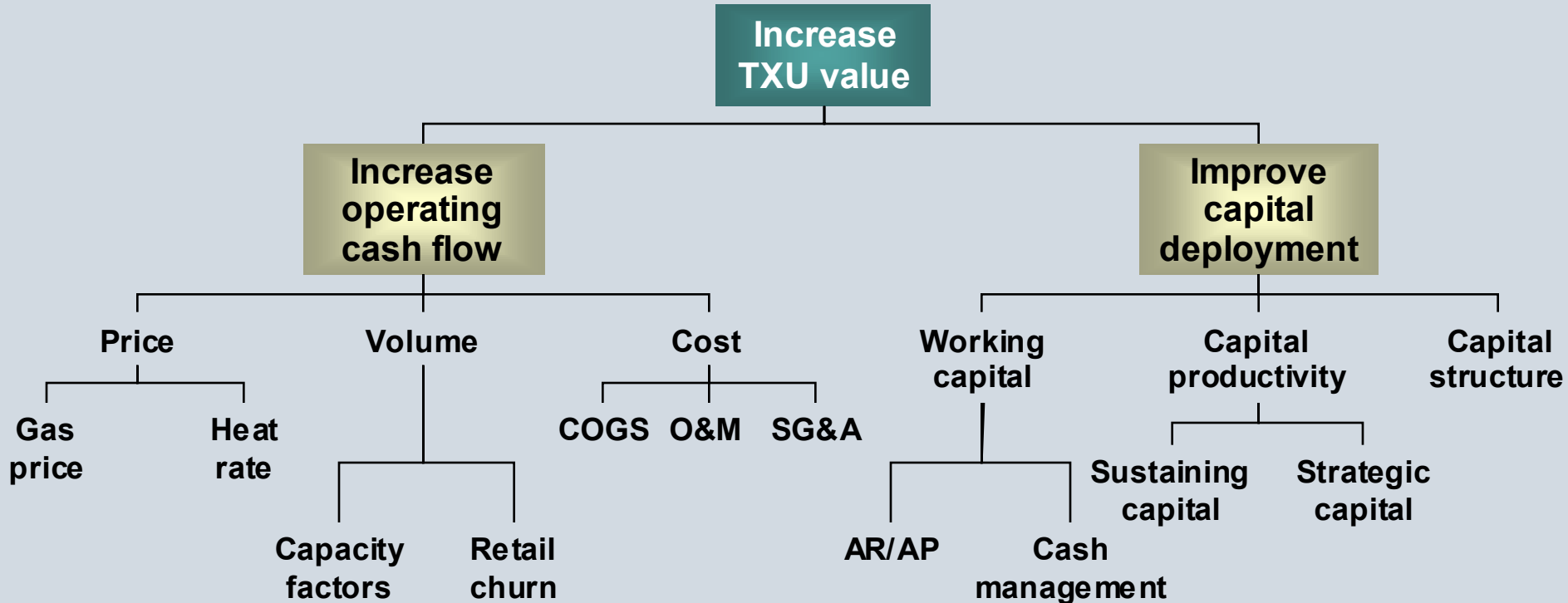
¹ Includes dilution adjustments

The Second Phase Will Establish A Foundation...



| What We Needed To Do | How We Did It/ How We Are Doing It |
|---|--|
| <ul style="list-style-type: none">▪ Undertake comprehensive review of business performance▪ Identify profitability improvements based on detailed assessments▪ Embed profitability improvement targets in business plan | <ul style="list-style-type: none">▪ Launched > 25 teams to develop improvement plans▪ Link initiative targets to the financial plan and incentive compensation |

...For A Vibrant Economic Model



...With several critical questions

- How will TXU achieve \$600 million in EBIT improvements?
- What are sustainable competitive retail margins?
- What is TXU's natural gas position? How does it compare to others in the industry?
- What is the heat rate/reserve margin cycle? How does it affect TXU's earnings?
- How do the key value drivers impact TXU's long-term earnings?

Initial View Of Performance Improvements Will Come From Many Bottom-Up Initiatives...

| | <u>Initiatives</u> | <u>Annual EBIT improvement opportunity</u> |
|-------------------------------|---|--|
| Revenue | <ul style="list-style-type: none">▪ Baseload capacity and utilization▪ Customer retention▪ South Texas contribution margin▪ Large business contribution margin▪ Plant heat rate | ~\$150 m |
| O&M and fuel costs | <ul style="list-style-type: none">▪ Gas fleet utilization and purchased power▪ Baseload plant O&M costs▪ Supply chain costs▪ Overtime reduction | ~\$200 m |
| SG&A costs | <ul style="list-style-type: none">▪ Benefits cost▪ Bad debt expense▪ Real estate and lease costs▪ Other SG&A costs | ~\$250 m |

...Targeting Specific High Value Drivers

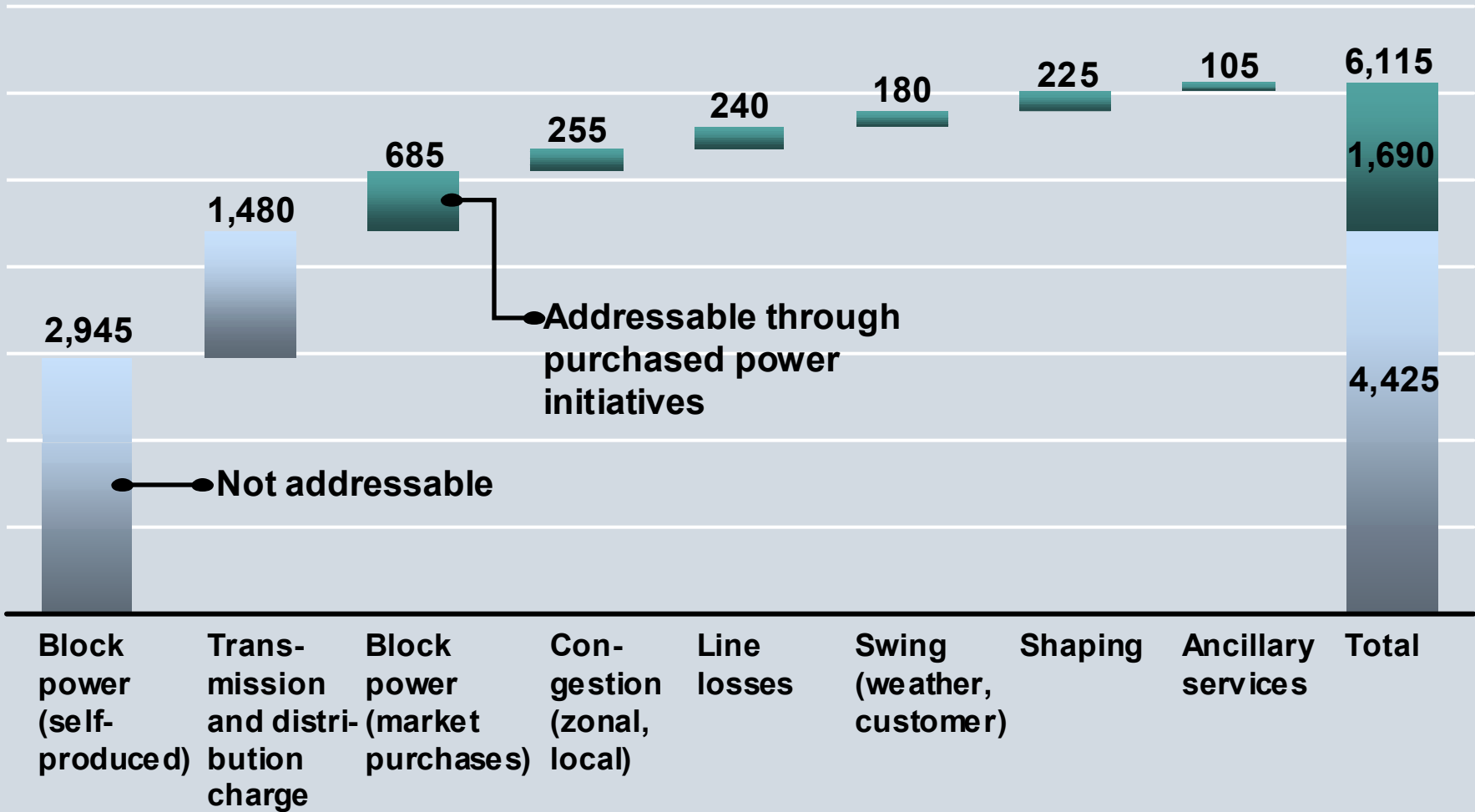
| Value Driver | Example | Unit | Phase 1 plan | 05 Target | Potential EBIT improvement (millions) |
|---------------------------|---------|-------------------------|---------------|----------------------|---------------------------------------|
| TXU Power | | | | | |
| ▪ Lignite O&M costs | | \$/MWh | 4.9 | 4.0 | 40 |
| ▪ Nuclear O&M costs | | \$/MWh | 12.0 | 9.0 | 65 |
| ▪ Lignite capacity factor | | % | 86.5 | 92.5 | 100 |
| ▪ Nuclear capacity factor | | % | 88.5 | 94.5 | 50 |
| TXU Energy | | | | | |
| ▪ Residential load | | Year over year % volume | 4.0% | 2.0% | 15 |
| ▪ Purchased power | 1 | \$/MWh | Forward price | 2-3% < Forward price | 75 |
| ▪ Bad debt | 2 | % revenue | 1.4 | 0.75% | 40 |
| Corporate | | | | | |
| ▪ SG&A costs ¹ | | \$ | 640 | 540 | 100 |
| ▪ Benefits | | \$000/employee | 26 | 18 | 60 |
| ▪ Leases/real estate | | \$ millions | 100 | 60 | 40 |

▪ **Top-down benchmarks highlight a ~\$600 m improvement opportunity**

¹ Excluding bad debt

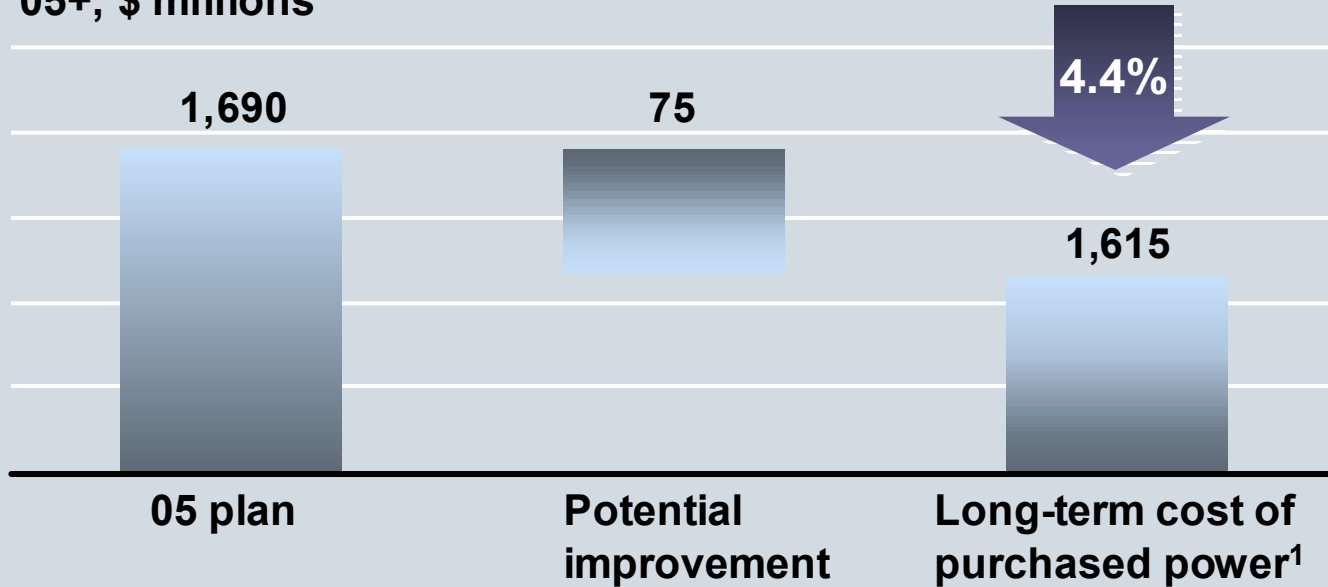
Example 1: Purchased Power Represents A Large Portion Of TXU Energy's Cost Of Energy Sold...

Retail purchased power costs
05E; \$ millions



...And Has Significant Opportunities For Improvement...

Retail purchased power cost
05+; \$ millions

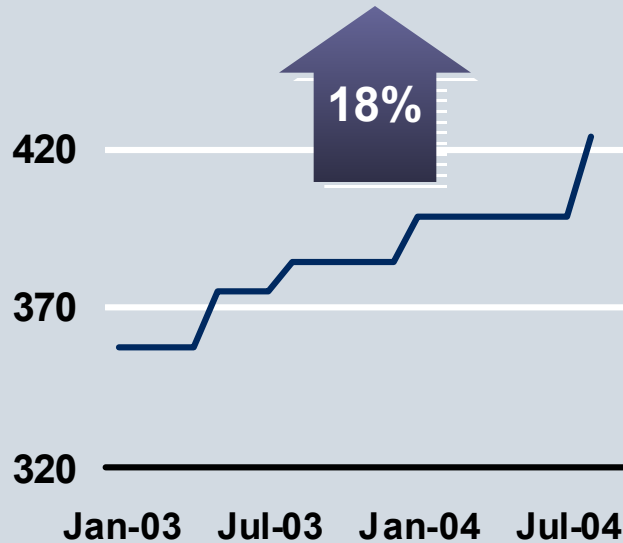


| Initiative | Benefit |
|--|---|
| Increase gas plant flexibility | More capacity with lower cost |
| Improve modeling capabilities <ul style="list-style-type: none"> ▪ Improve model inputs ▪ Improve market signal inputs | More effective make vs buy decision Models optimized around market signals |
| More aggressively leverage market | Lower overall cost of shaping and ancillary services |

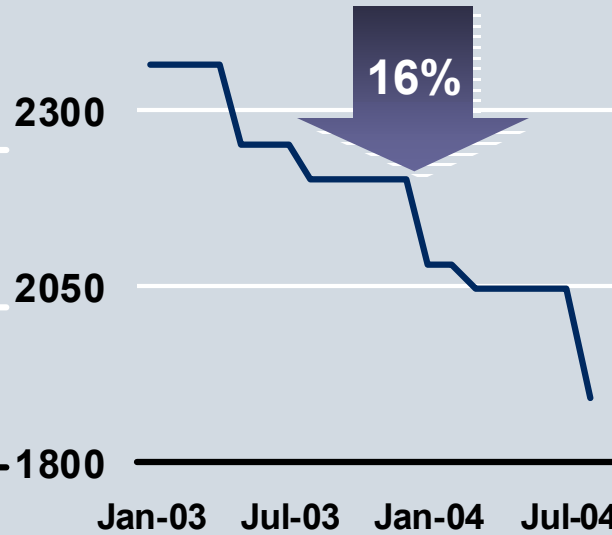
¹ Normalized for 05 wholesale market prices

... Through Increased Gas Plant Flexibility...

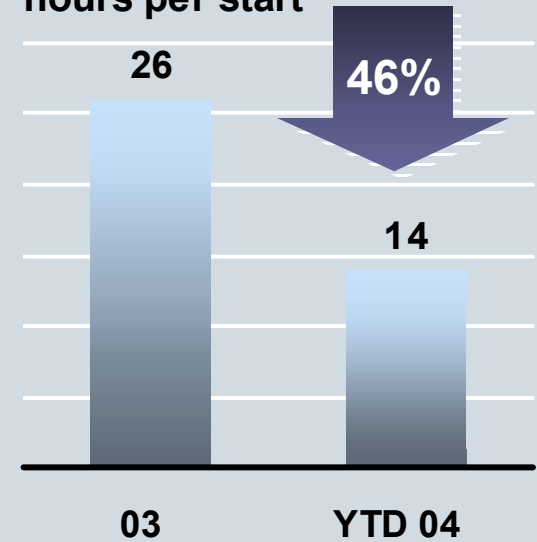
Increased fleet ramp rates...
03-04; MW/Min



Reduced plant minimums...
03-04; MW



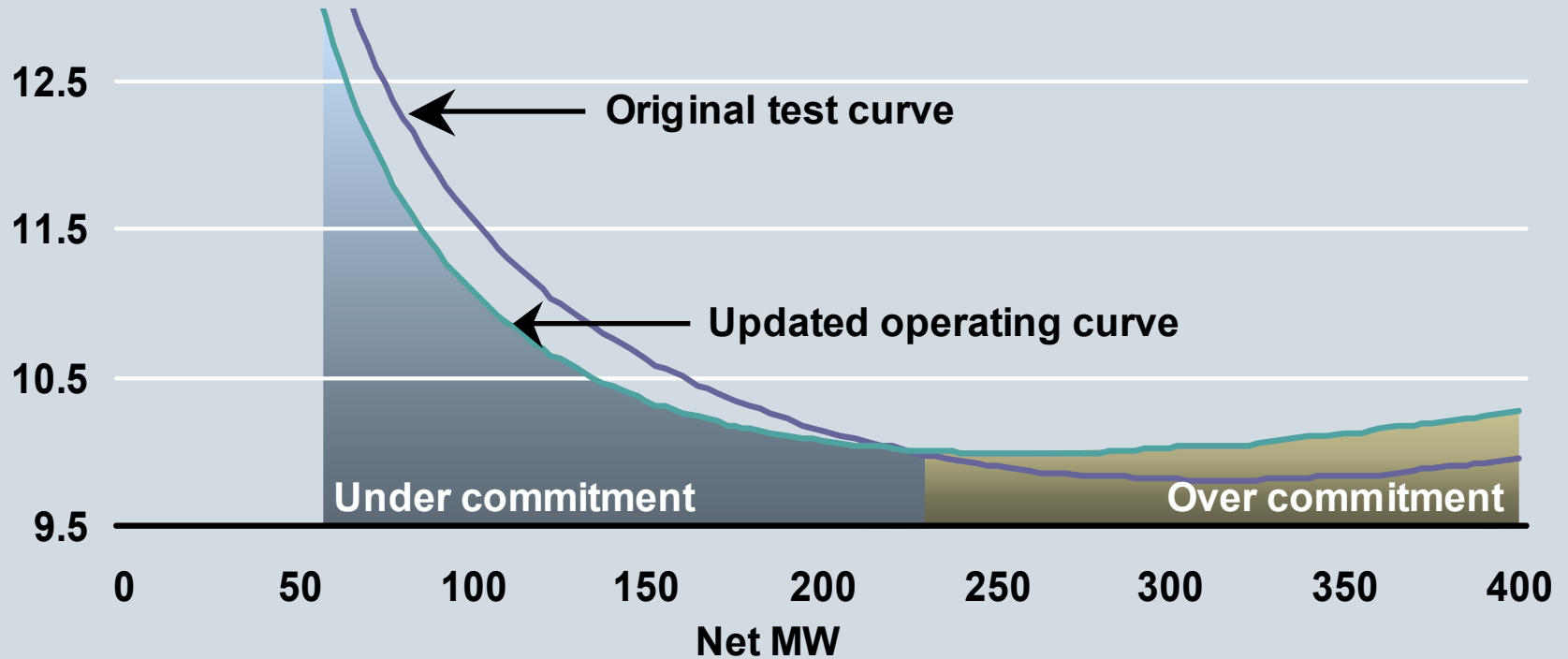
...More effective cycling
03-04; Average run time
hours per start



- *Increased flexibility has allowed TXU to supply its ancillary service and shaping needs with fewer assets*

...Increased Accuracy Of Dispatch Models...

Gas plant heat rate (single plant example)
03-04; MMBtu/MWh

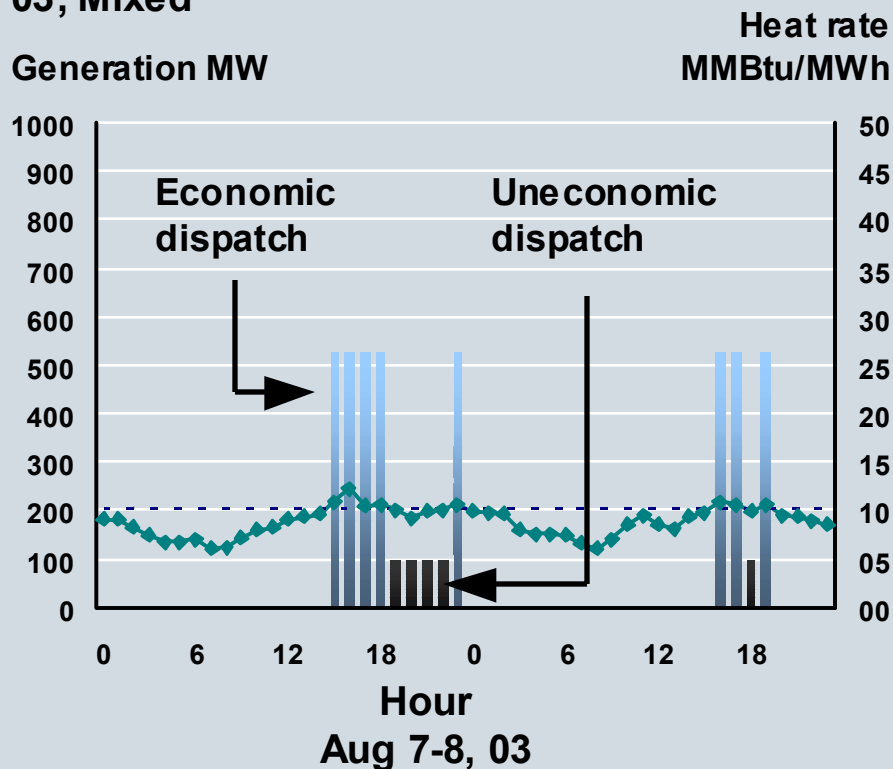


- *Since the gas plants were not being operated at test conditions, observed heat rates did not match test heat rates*
- *Inaccurate heat rates led to both over commitment and under commitment of TXU's gas fleet and higher purchased power costs*
- *TXU has developed a system to update heat rate based on actual operations*

...And Improved Make vs Buy Decisions

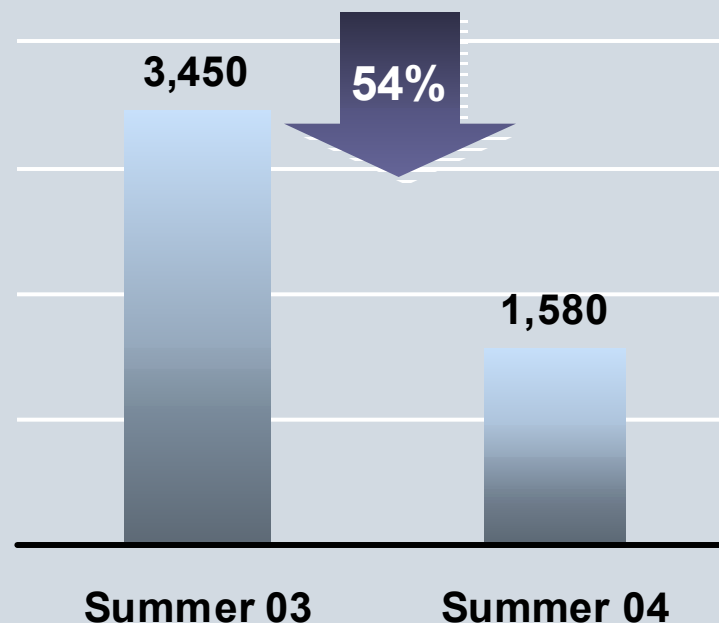
Although the make vs buy decision is complicated by market volatility and limited liquidity...

Gas plant dispatch (single plant example)
03; Mixed



...TXU has significantly reduced its uneconomic generation

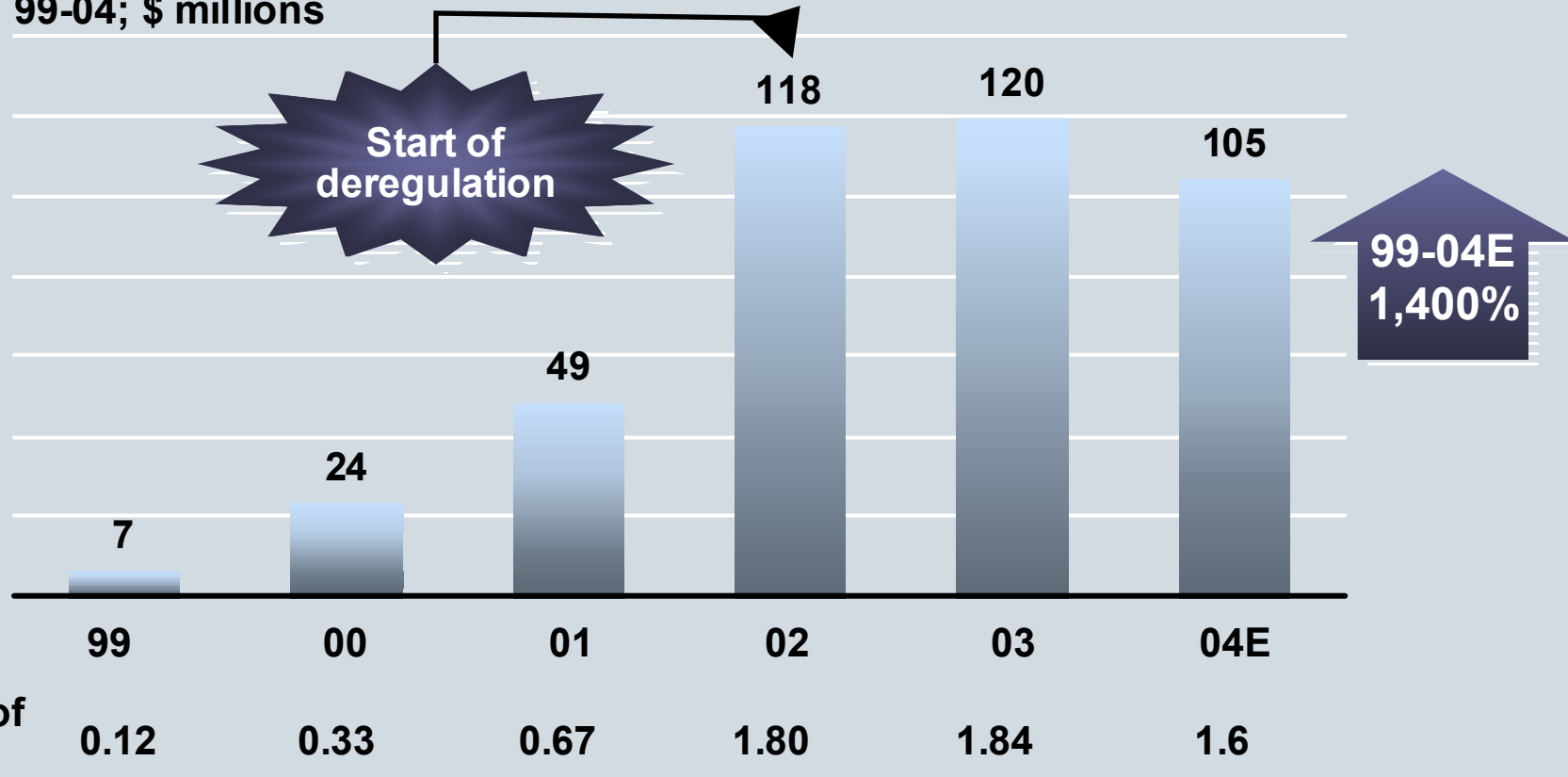
Uneconomic gas plant generation
03-04; GWh



- *Improved make vs buy decisions have led to an estimated \$50 m improvement from 03 to 04*
- *Future improvements could lead to an additional \$20-\$30 m improvement*

Example 2 – TXU Energy Has Seen A Significant Increase In Bad Debt Expense...

TXU retail bad debt expense
99-04; \$ millions

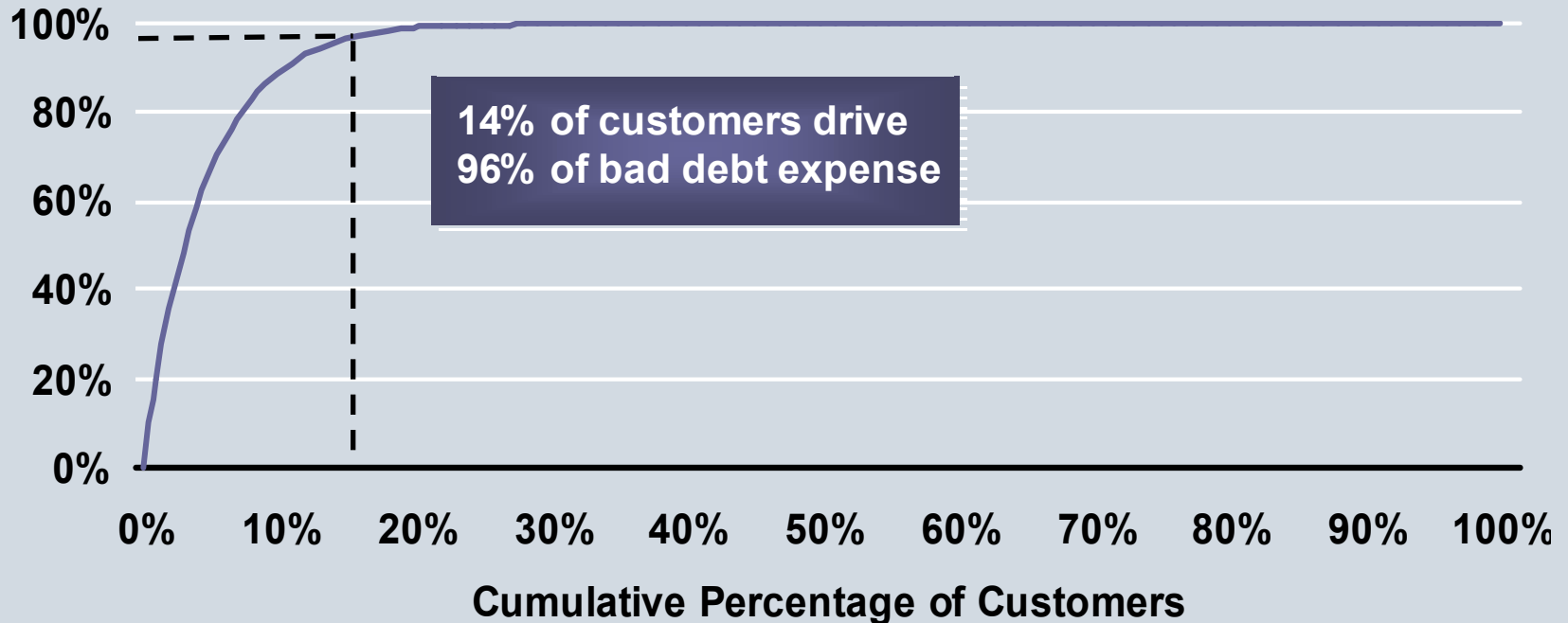


Key drivers of bad debt:

- Disconnect option was unavailable for non-paying customers in native market until September 2002
- Ability of customers to change power providers to avoid loss of service

...Which Is Driven By A Small Percentage Of Customers

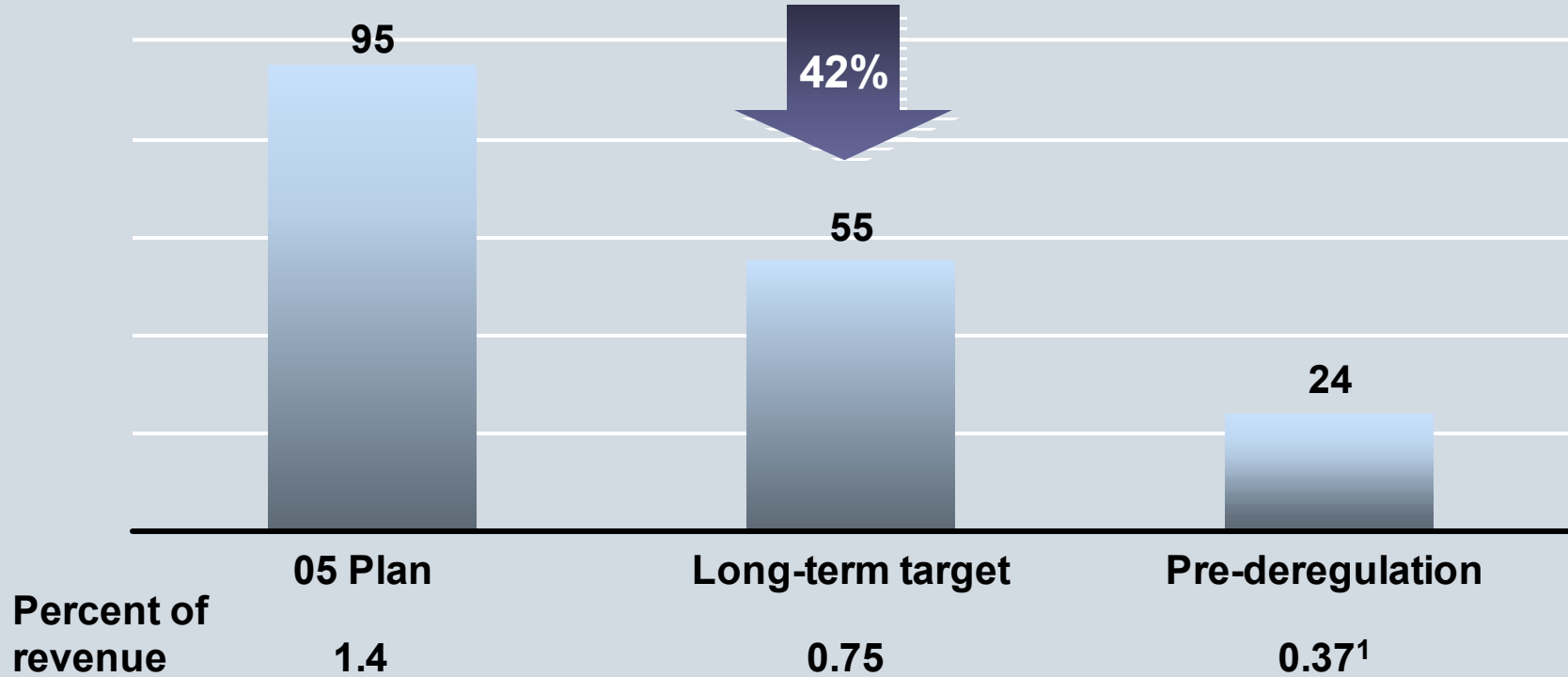
Cumulative bad debt
04; Percent of bad debt expense



- *TXU participates in programs (Lite Up Texas, TXU Energy Aid) to assist low income families*
- *In 04, out-of-territory high credit risk customers are expected to cost TXU \$320/customer in bad debt expense*

TXU Energy Is Developing Initiatives To Reduce The Cost

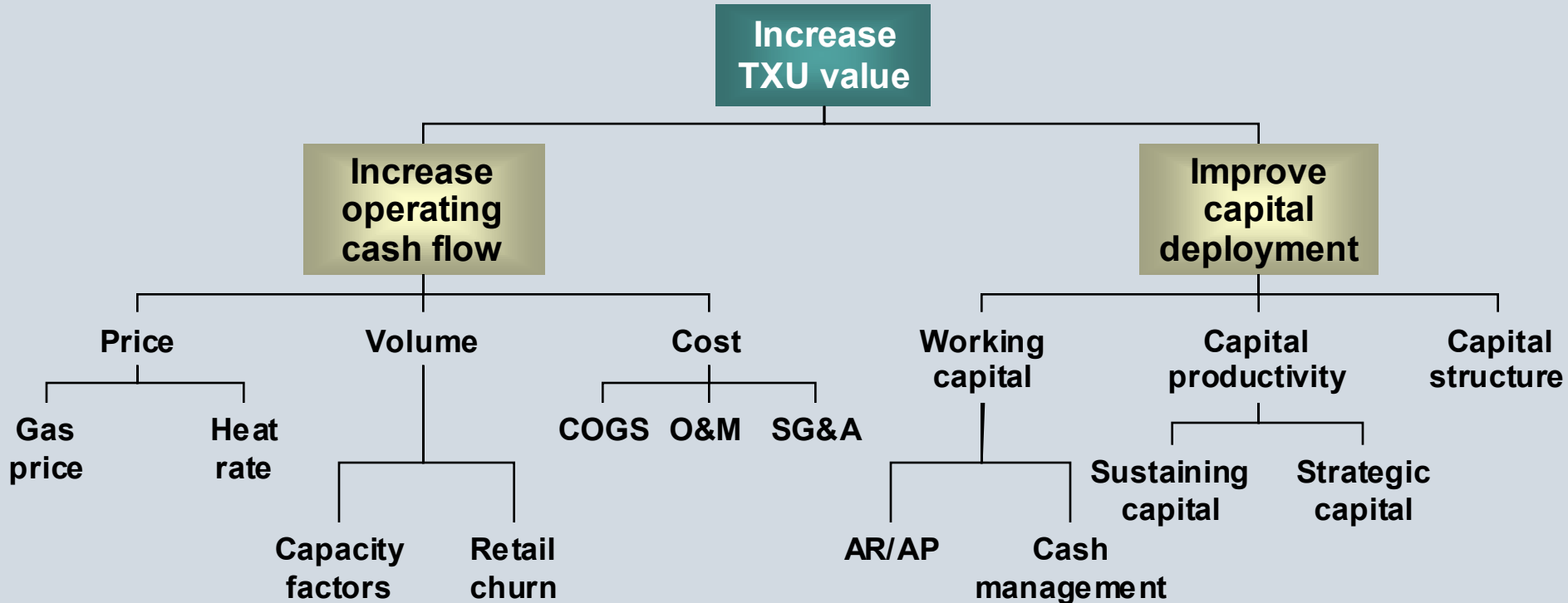
TXU net retail bad debt expense
05+; \$ millions



- *TXU is working with stakeholders to find acceptable tools to manage the system-wide bad debt issue*

¹ Based on average of 99-01

TXU – A Vibrant Economic Model

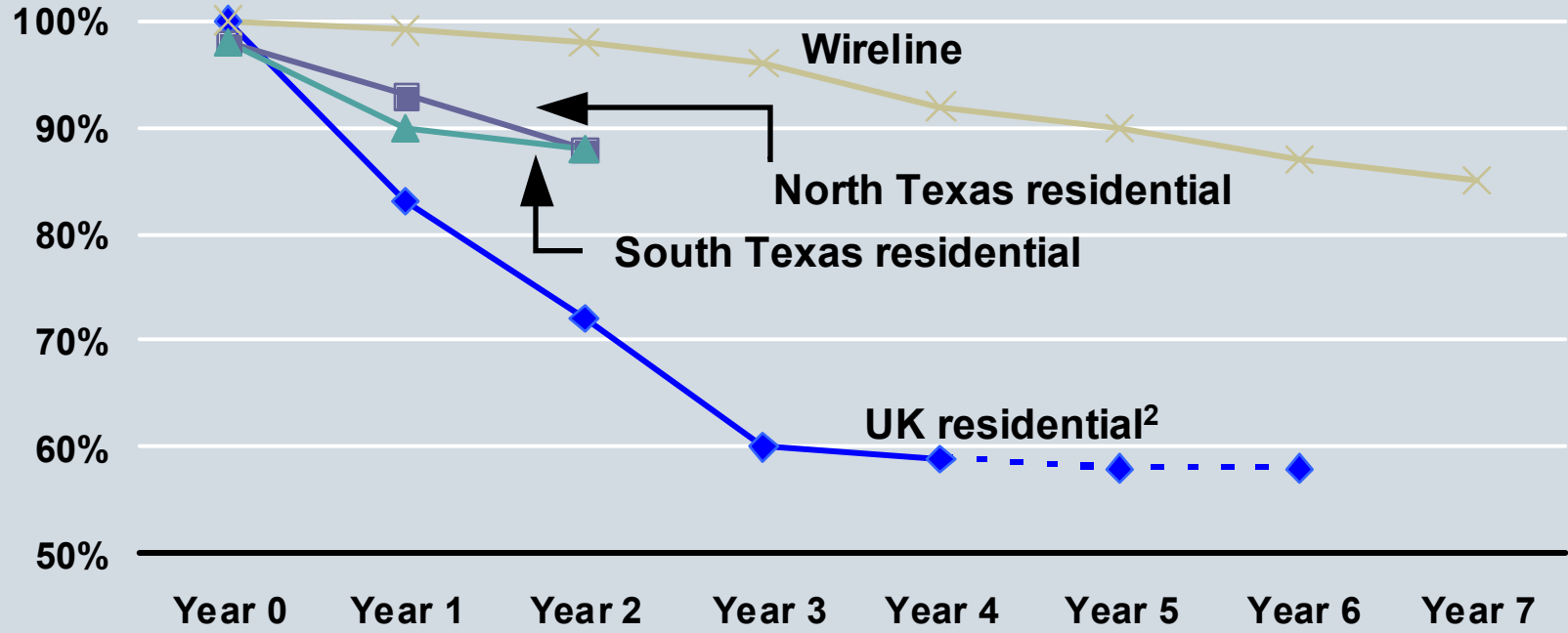


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TXU's Incumbent Market Has Developed Similarly To Other Deregulated Markets

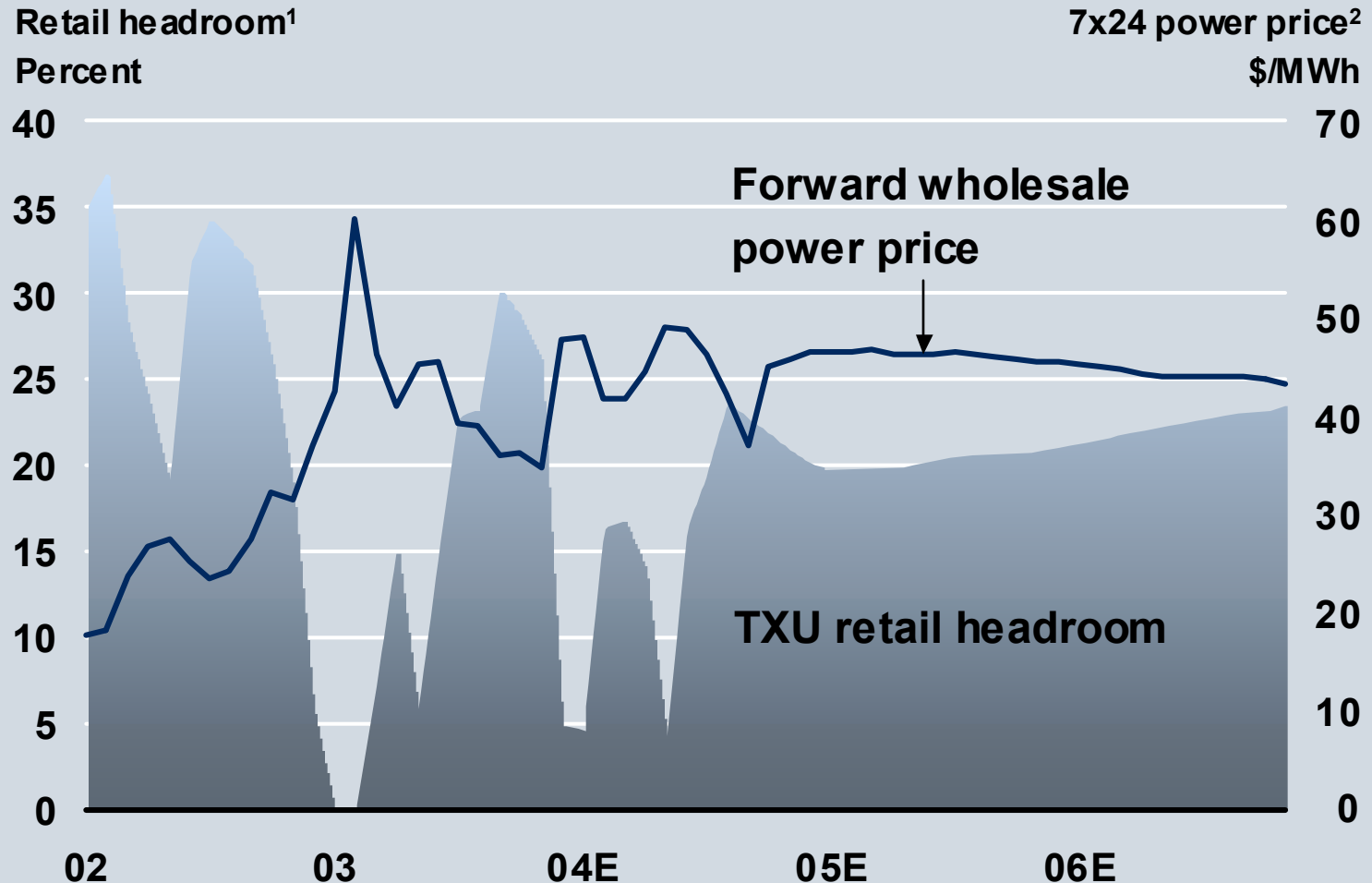
Incumbent market share¹
 Years since deregulation; Percent



¹ Market share estimates based on customer count
² Estimates for 2003 and 2004
 Source: PUC; OFGEM

Although Residential Retail Headroom Is Expected To Rise Over The Next Two Years...

Margin history and outlook
02-06; Mixed measures

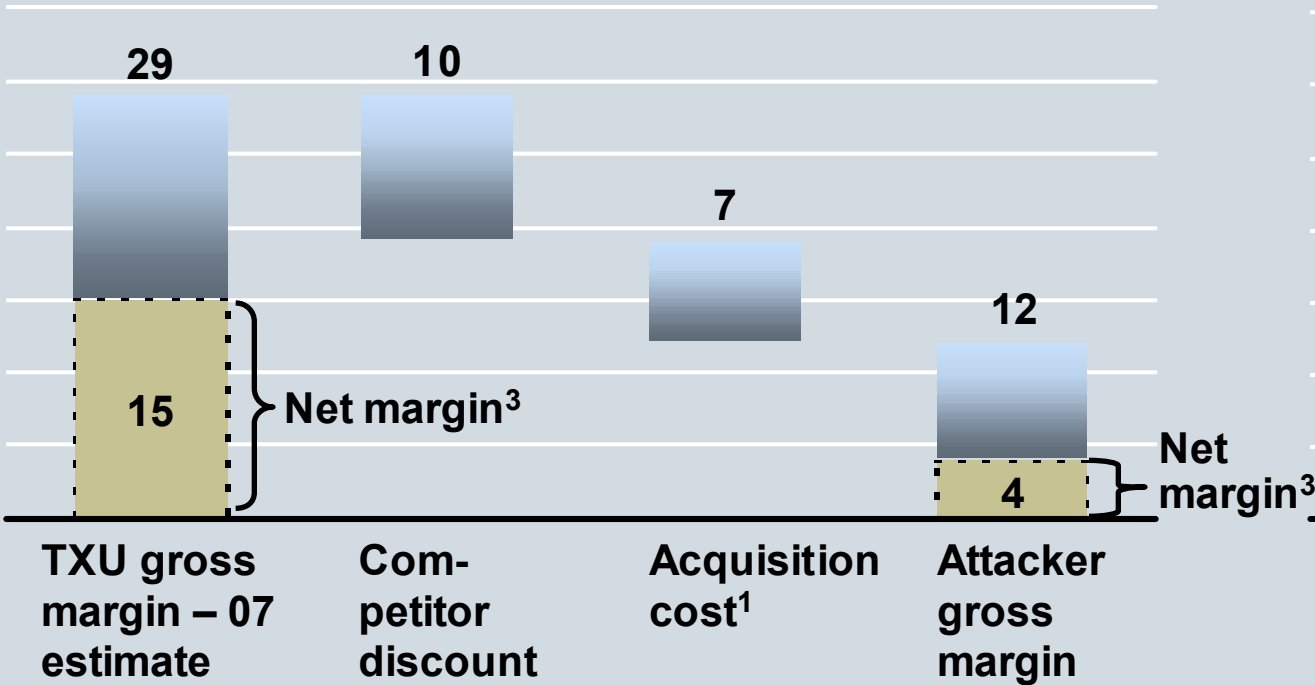


¹ Headroom = (PTB – power cost – wires charges) / PTB; based on average of forward looking 12 months; forward curve as of June 9, 2004

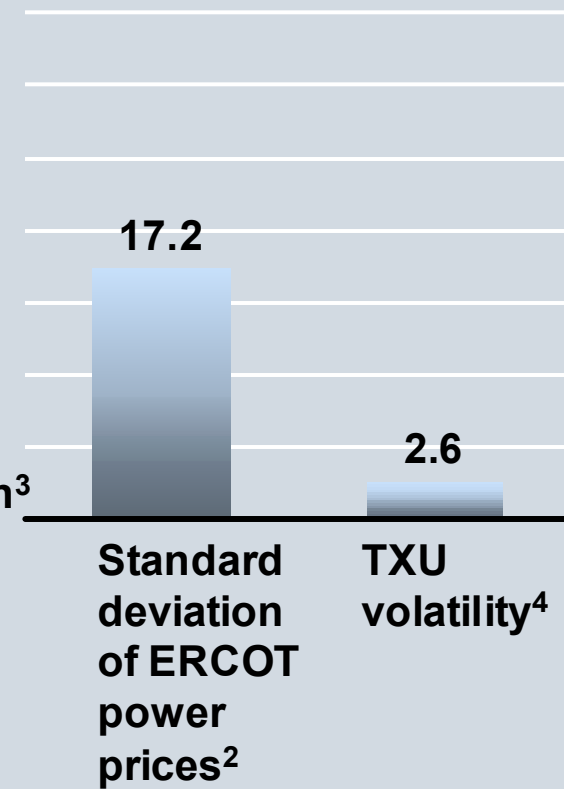
² Rolling average of 12 month forward curve

...Market Volatility Challenges Attacker's Economics...

**Attacker gross margins
07E; \$/MWh**



**ERCOT North zone power
price volatility
02-04; \$/MWh**



¹ Assumes \$175 customer acquisition cost with 18 month customer lifetime

² Assumes no hedging; 20% adders for shaping, ancillary services, and line losses

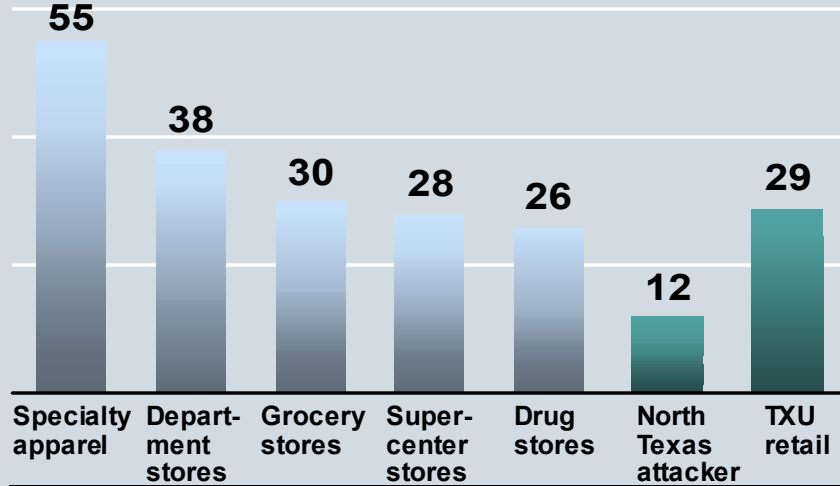
³ After SG&A, customer acquisition costs, bad debt expenses, and taxes

⁴ Assumes TXU retail demand is 85% self supplied; TXU retail only exposed to 15% of volatility

...And Margins Are Below Other Industries When Normalized For Volatility

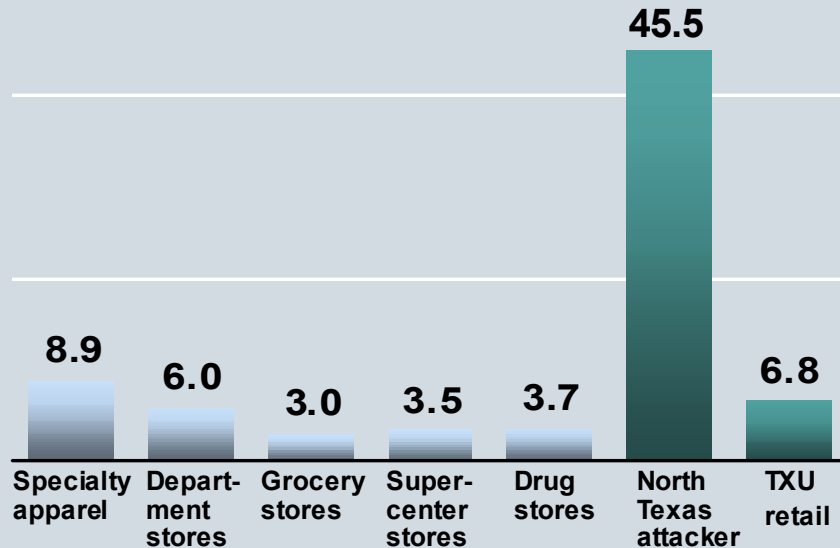
Gross margin

99-04 (except TXU=02-04); Percent



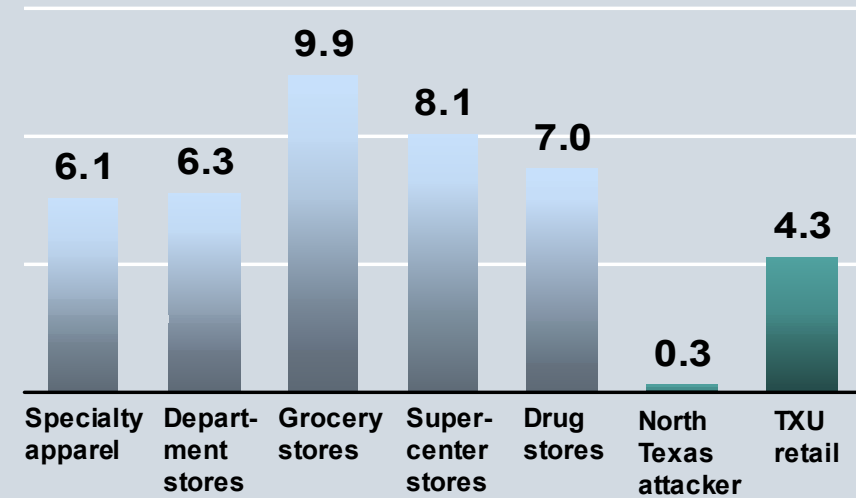
Volatility¹ of gross margin

99-04 (except TXU=02-04); Percent



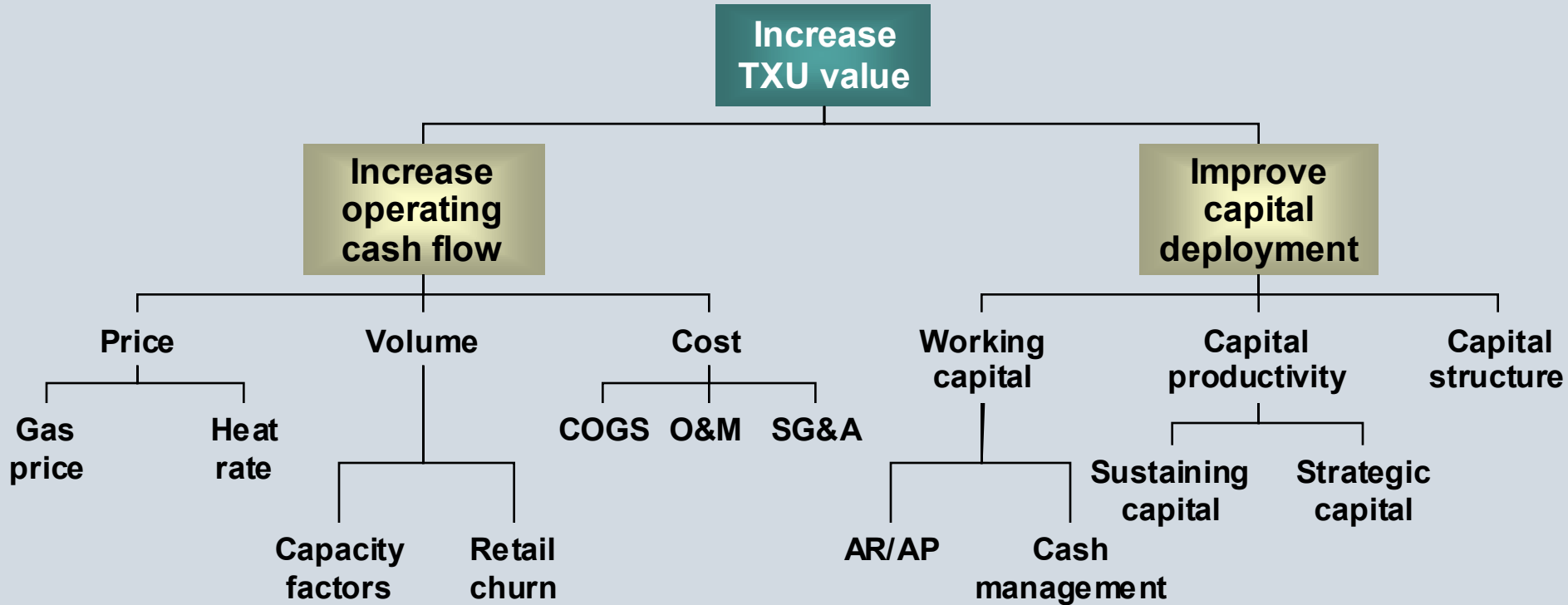
Gross margin per volatility

99-04; No units



¹ Defined as standard deviation of quarterly gross margin normalized by initial gross margin

TXU – A Vibrant Economic Model

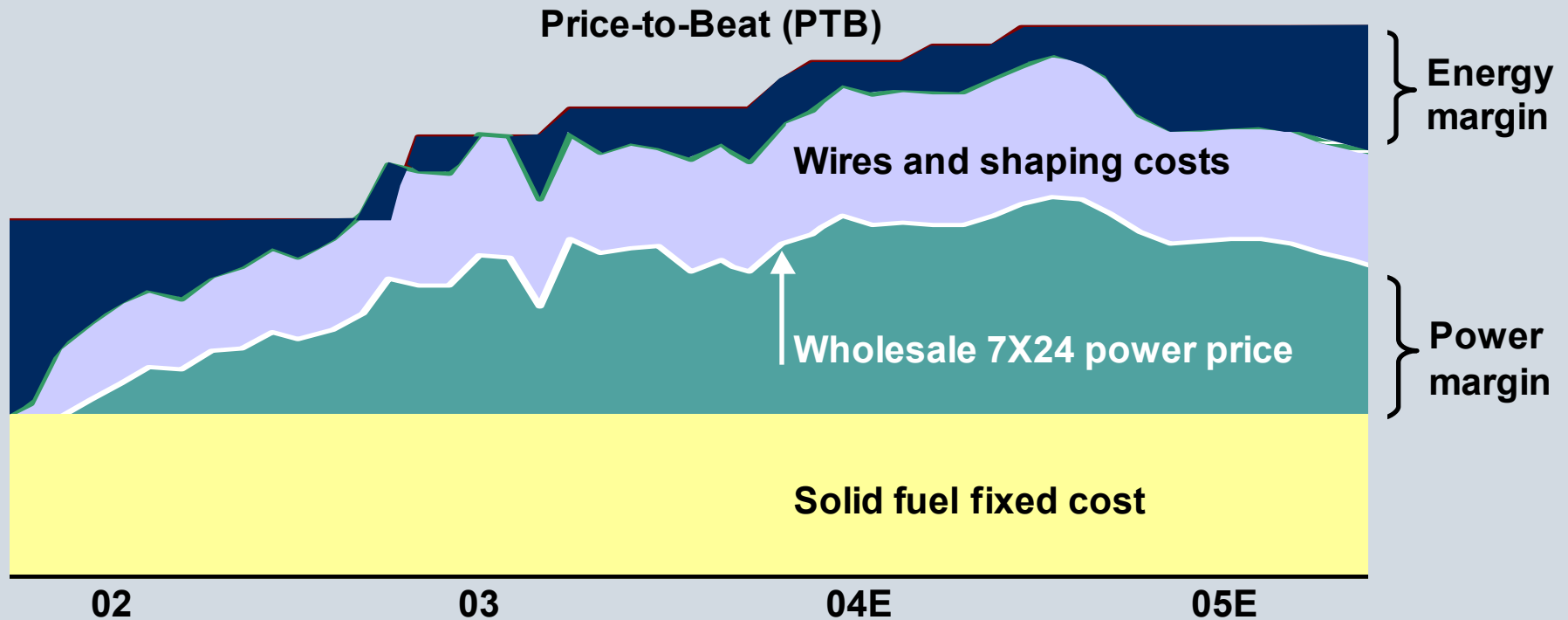


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Integration Of TXU Power And TXU Energy Reduces Volatility And Provides A Natural Gas Price Hedge...

Economics of TXU Energy (retail) and TXU Power (generation)
02-05; \$/MWh (illustrative)



TXU Energy and TXU Power margins are counter-cyclical:

- *As gas prices rise and Power margins expand, Energy margins fall until the retail price (PTB) is raised*
- *As gas prices fall and Power margins contract, Energy margins expand*

...As Illustrated By TXU's Hedge Against Falling Natural Gas Prices...

| | Expected Gas | Low Gas Price | |
|---|----------------------------|----------------------------|------------------------------|
| | Plan change in retail load | Plan change in retail load | Higher churn for retail load |
| Cal 2005 forward gas price \$/MMBtu | 6.34 ¹ | 4.00 | 4.00 |
| Wholesale power price ² \$/MWh | 46.28 | 29.20 | 29.20 |
| Change in retail load ³ Percent | (4%) | (4%) | (10%) |
| EPS variance to 05 guidance \$/share | 0.24 | 0.30 | 0.10 |

- *TXU's 05 integrated business is currently balanced relative to natural gas prices; the combined power and energy business creates a natural hedge*

¹ 2005 NYMEX Average Gas Forward Curve as of September 21, 2004

² 24X7 market heat rate = 7.3 MMBtu/MWh

³ Percent change in price-to-beat customer load volume in North Texas and residential South Texas customers

...And Its Ability To Capture Gas Price Upside

| | Expected Gas | High Gas Price ⁴ | |
|---|----------------------------|-----------------------------|------------------------------|
| | Plan change in retail load | Plan change in retail load | Higher churn for retail load |
| Cal 2005 forward gas price \$/MMBtu | 6.34 ¹ | 8.00 | 8.00 |
| Wholesale power price ² \$/MWh | 46.28 | 58.40 | 58.40 |
| Change in retail load ³ Percent | (4%) | (4%) | (10%) |
| EPS variance to 05 guidance \$/share | 0.24 | 1.29 | 1.22 |

- *The integrated business enables TXU to maintain sustainable retail margins even during natural gas price increases*

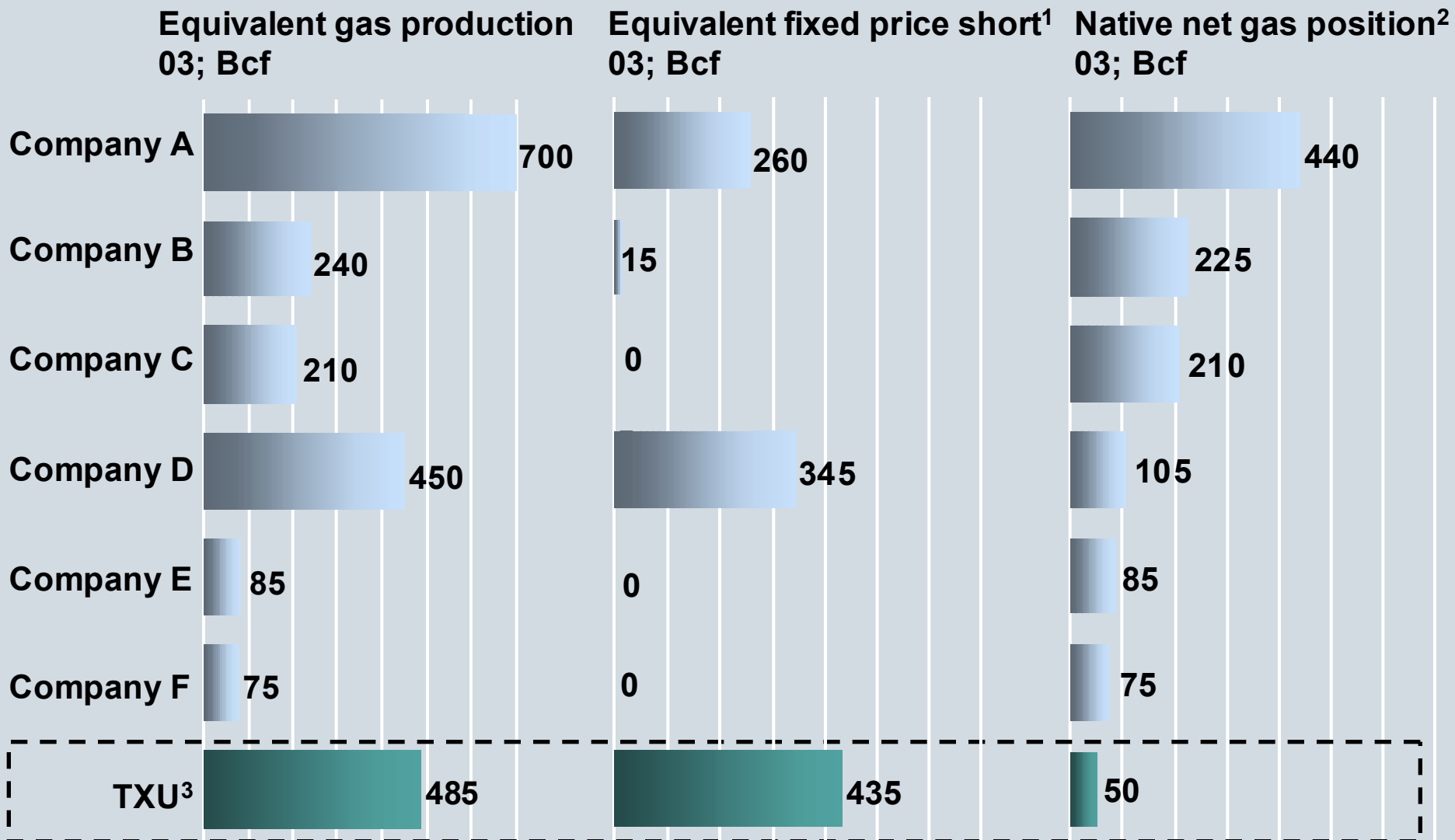
¹ 2005 NYMEX Average Gas Forward Curve as of September 21, 2004

² 24X7 market heat rate = 7.3 MMBtu/MWh

³ Percent change in price-to-beat customer load volume in North Texas and residential South Texas customers

⁴ Assumes Fuel Factor adjustment @ \$8.00 MMBtu

TXU's Integrated Business Model Significantly Reduces Its Overall Position Relative To Others...



¹ Includes 10% adders to account for shaping, swing, and line losses; assumes bundled Retail, LC&I and SMB are short positions

² Native risk position; excludes gas contracts and hedges

³ 05E position for TXU

...In Both Absolute And Relative Terms

Impact of \$1.00/MMBtu change in gas price

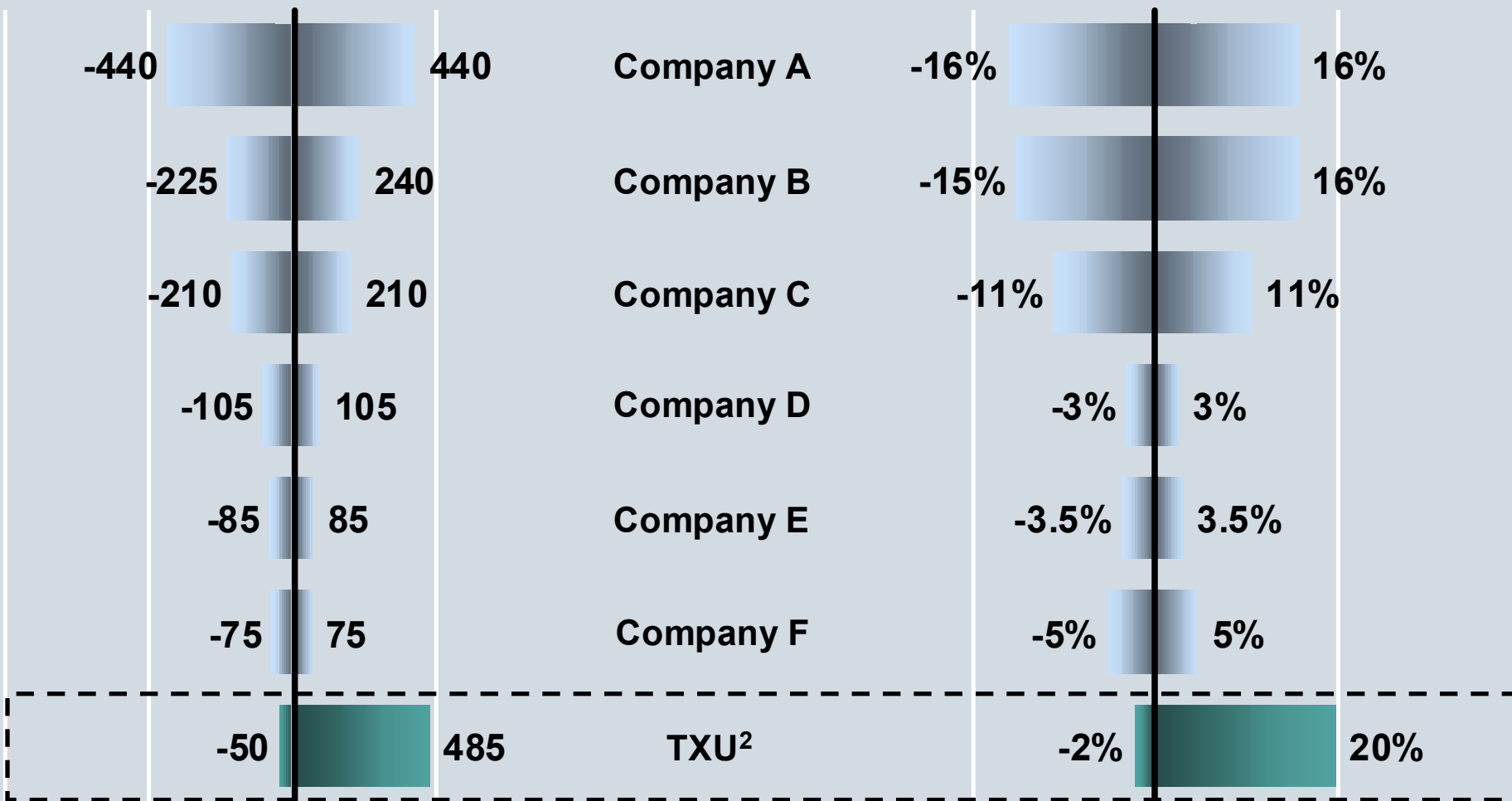
03; Mixed measures

EBIT¹

Percent of total EBIT

\$1 Decline ← → \$1 Rise

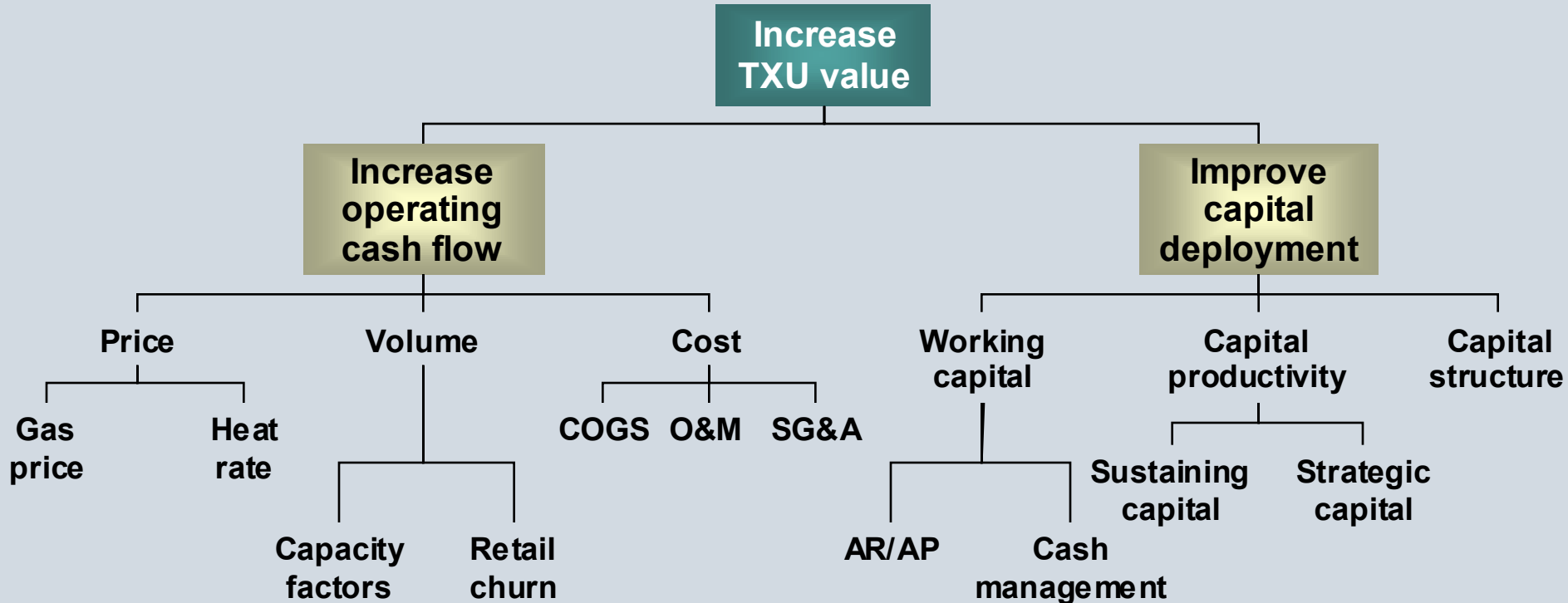
\$1 Decline ← → \$1 Rise



¹ Native risk position; excludes gas contracts and hedges

² 05E position for TXU; potential higher churn would increase TXU downside exposure (e.g., in 07 with a \$1 MMBtu reduction in nat. gas and a 4% annual churn would result in \$85m EBIT reduction or 3.4%; a 10% annual churn would result in a \$130m EBIT reduction or 5.5%)

TXU – A Vibrant Economic Model

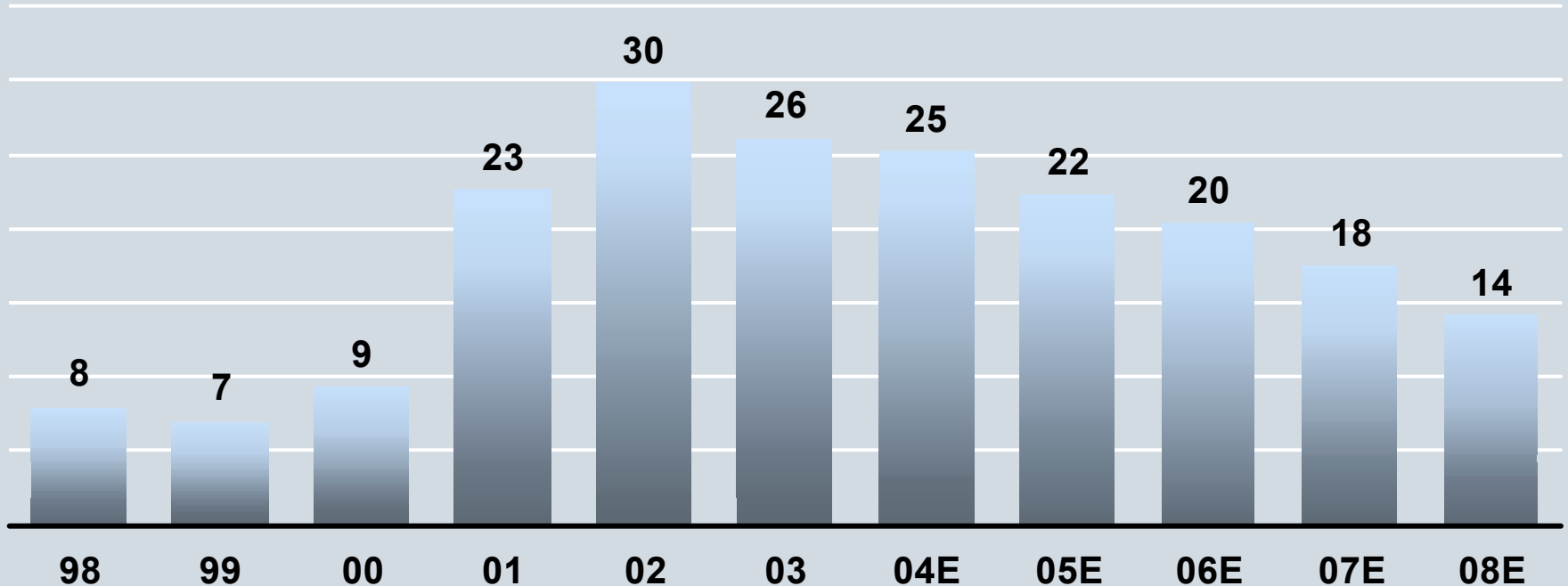


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With Limited New Capacity Additions, Reserve Margins Are Expected To Decline...

ERCOT reserve margins¹
98-08; Percent

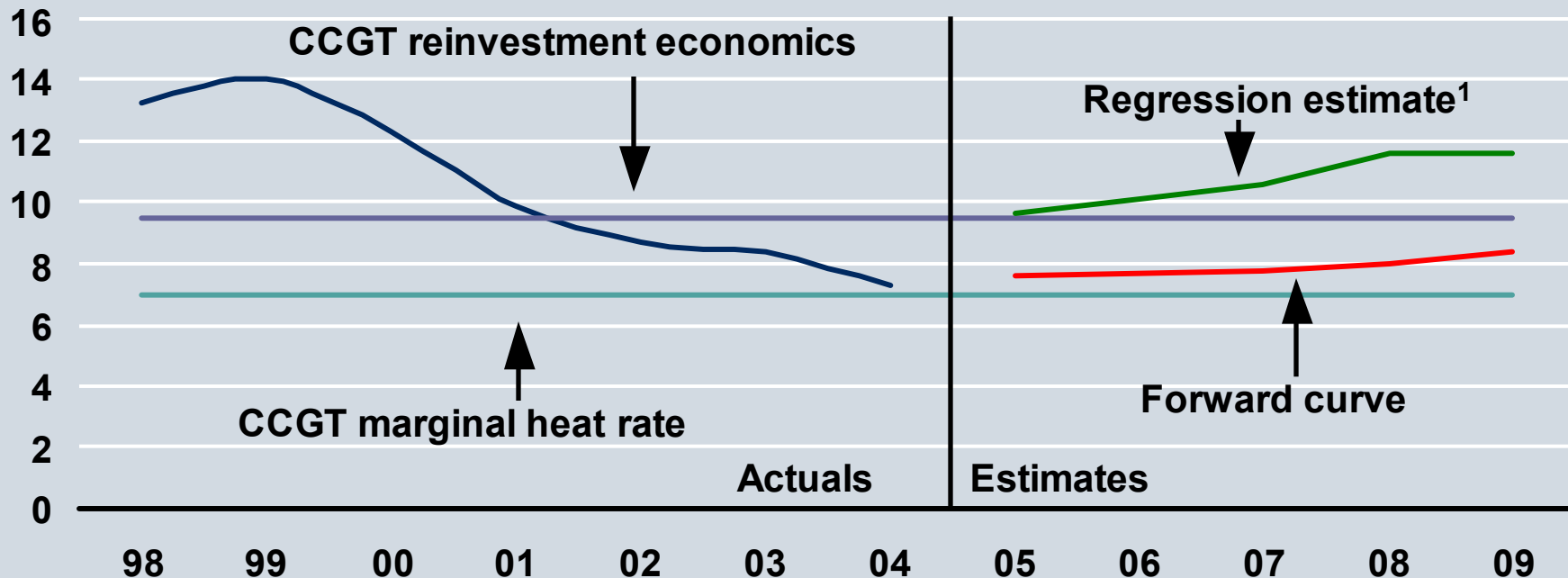


- *As reserve margins decline, heat rates are expected to increase*
- *CCGT reinvestment economics put a cap on market heat rate*
- *CCGT marginal heat rates put a floor on market heat rate*

¹ Based on ERCOT estimates; assumes mothball units do not come back on-line in future years

...And Heat Rates Are Expected To Recover

Estimated ERCOT heat rate cycle¹
98-09; MMBtu/MWh

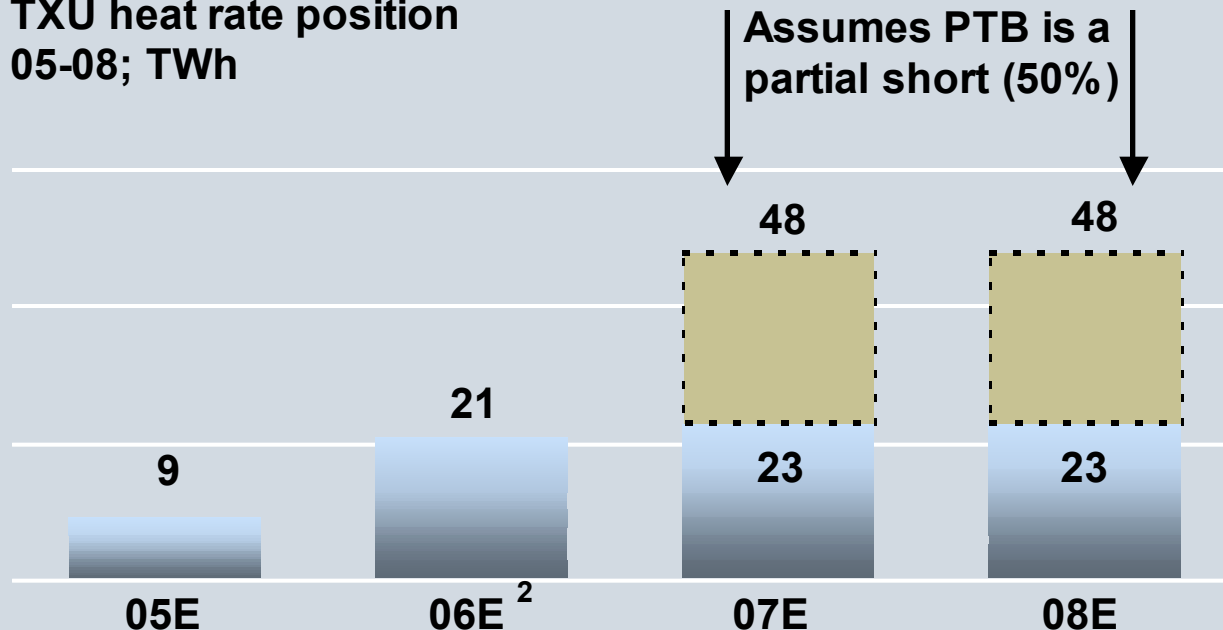


- *Like many capital intensive industries, competitive dynamics lead to a cycle*

¹ 05-08 estimates based on regression of heat rates and reserve margins between 98-04

TXU's Long Heat Rate Position Can Capture This Upside

TXU heat rate position
05-08; TWh



EBIT impact of 1
MMBtu/MWh
increase in heat rate¹
(\$ millions)

05E

06E²

07E

08E

56

125

130-270

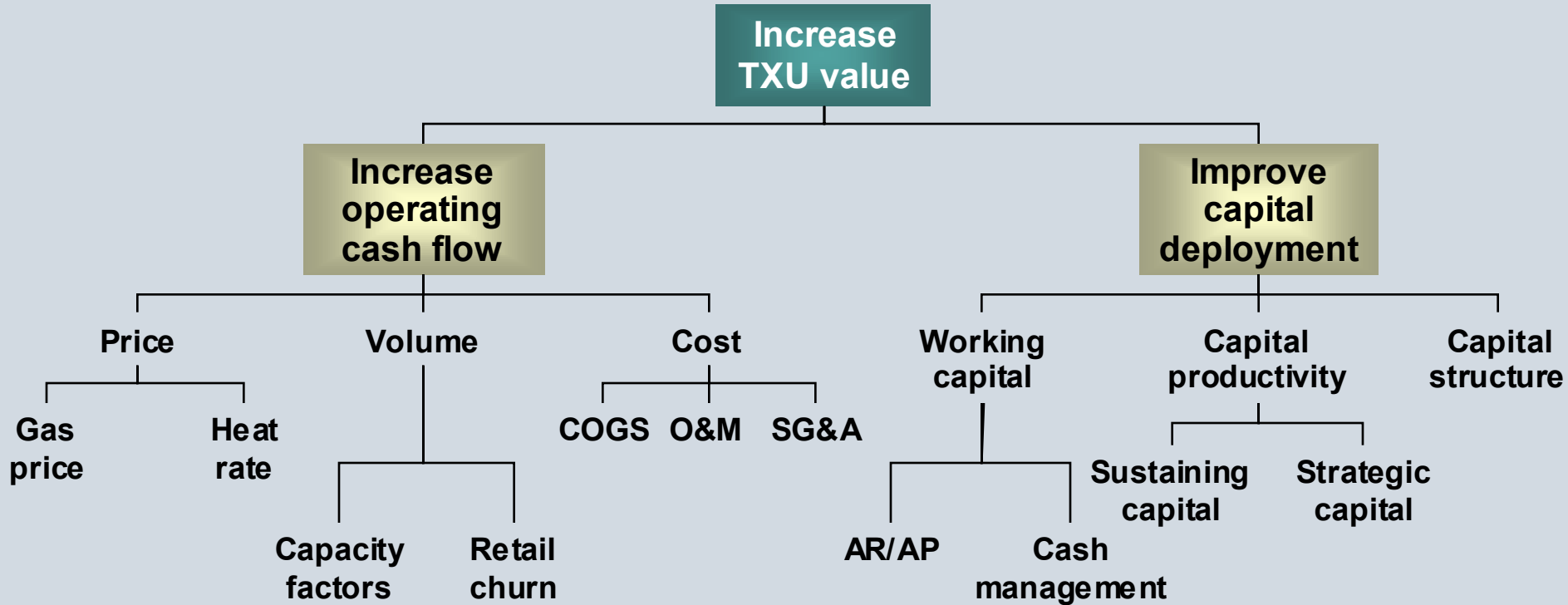
115-240

- The combination of increased production volumes and reduced retail load will increase TXU's net heat rate position*

¹ Assumes 05 natural gas price \$6.24; 06 gas price \$5.90; 07 gas price \$5.56; 08 gas price \$5.30; based on NYMEX forwards as of September 17, 2004

² Change from 05E to 06E is predominantly roll-off of large business retail/wholesale contracts

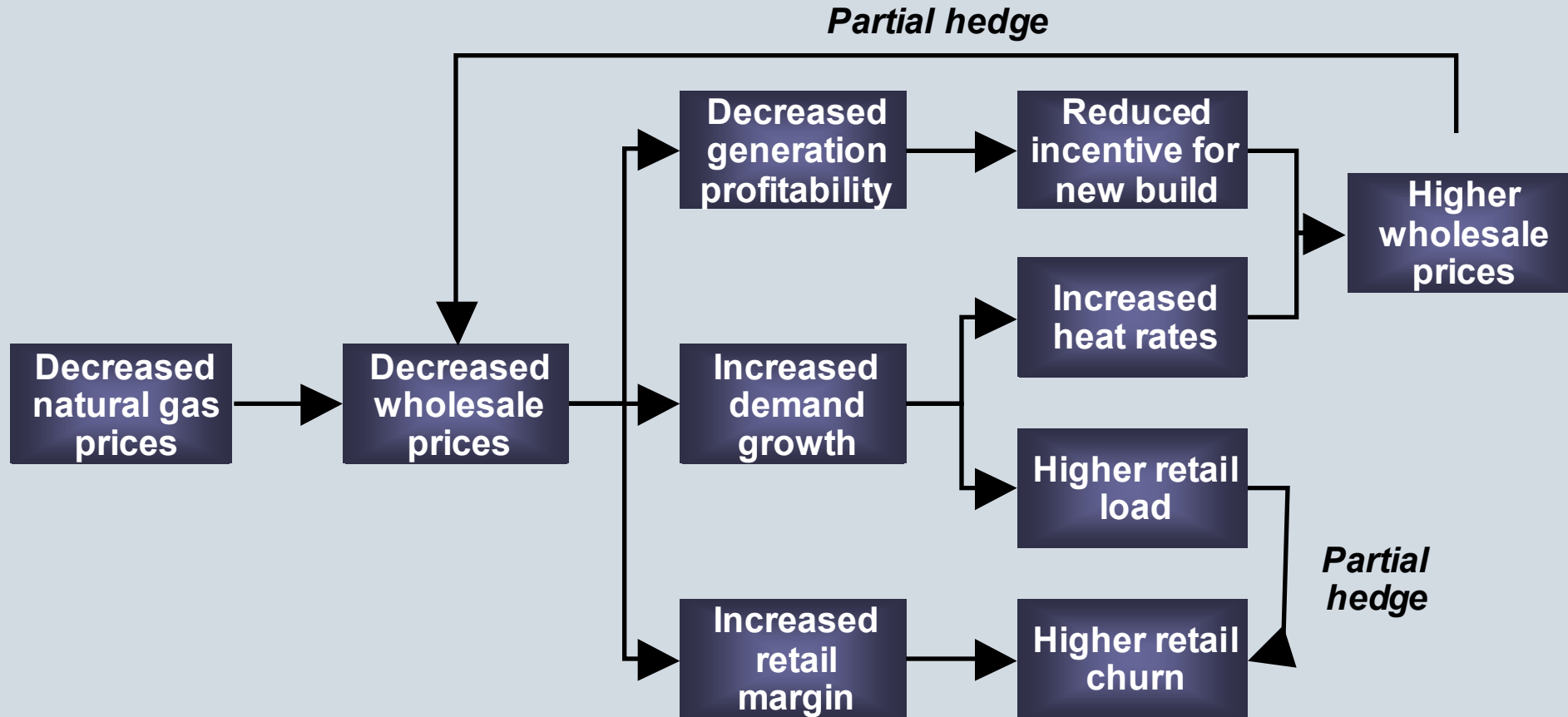
TXU – A Vibrant Economic Model



...With several critical questions

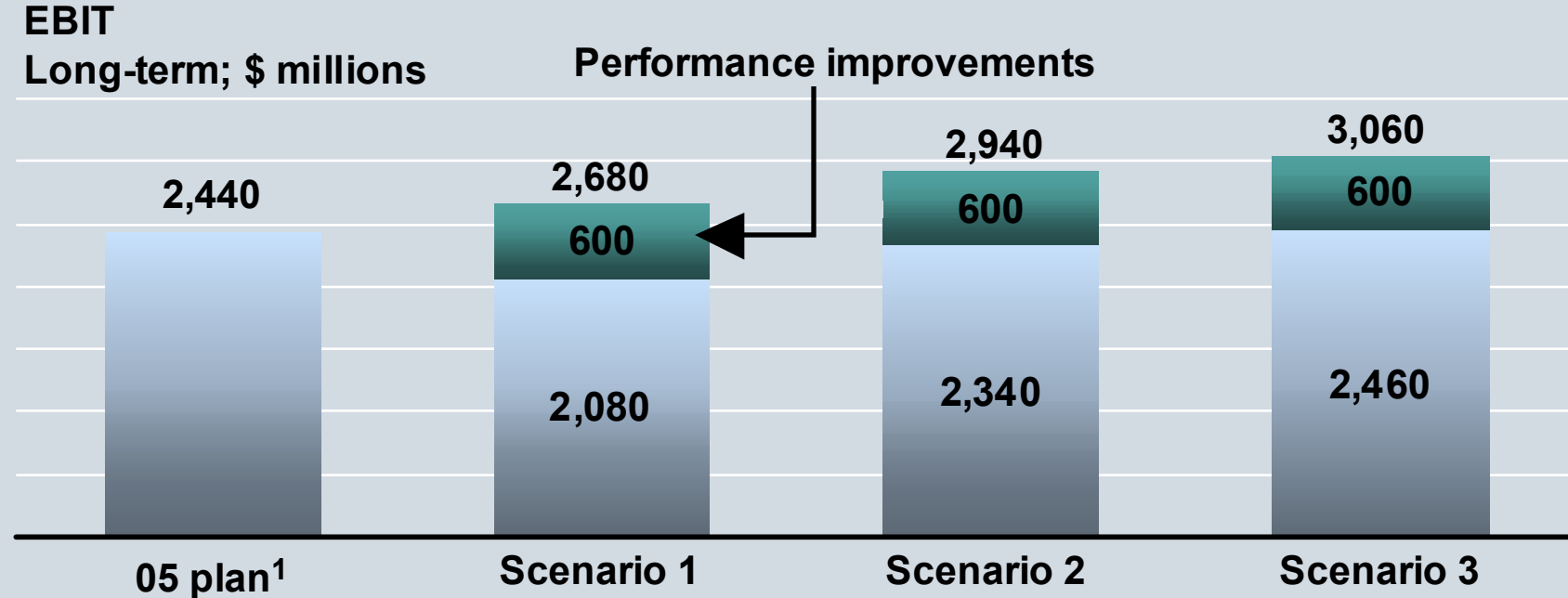
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TXU's Key Drivers Are Integrated And Help Define A Consistent Set Of Long-Term Scenarios...



- *Demand elasticity tends to mitigate the effects of lower wholesale prices and higher churn*

...And Illustrate The Benefits Of TXU's Integrated Model



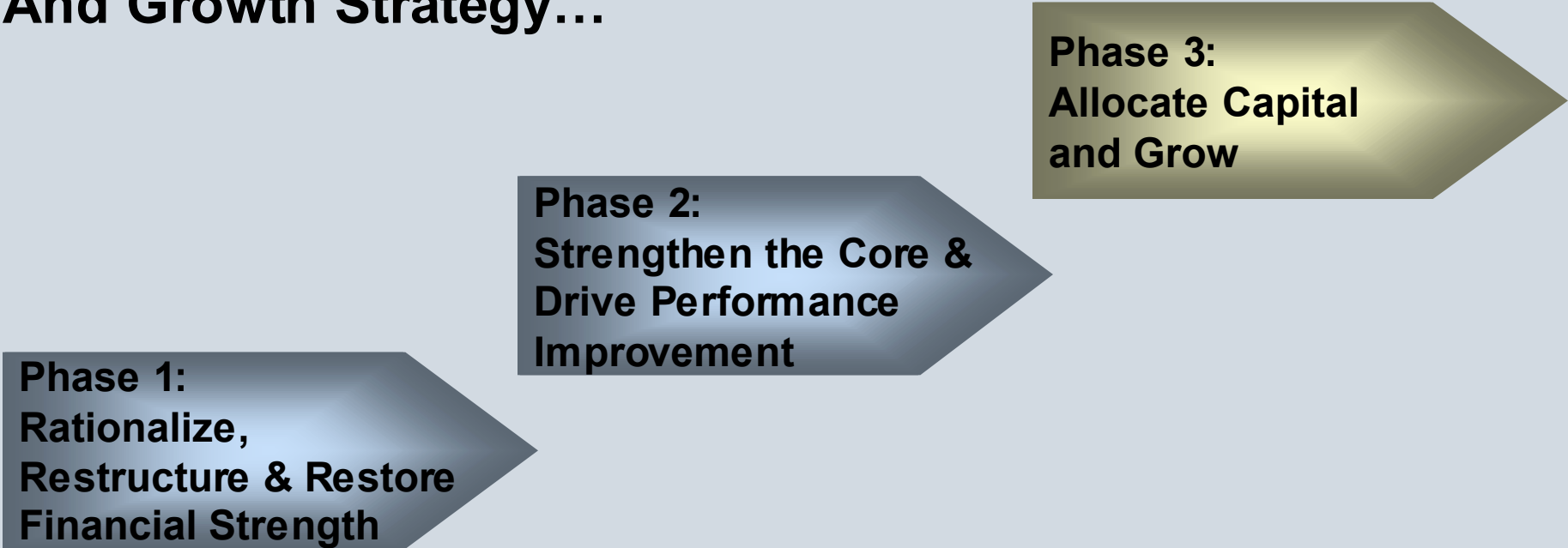
| | | | | |
|-----------------------------|--------|--------|---------------------|--------|
| Gas price | \$6.38 | \$3.50 | \$5.15 ² | \$6.50 |
| Heat rate | 7.9 | 9.0 | 8.0 ² | 7.0 |
| Market growth | | 2.2% | 2.2% | 2.2% |
| <i>Annual volume churn:</i> | | | | |
| Residential | | 6% | 4% | 2% |
| Small Business | | 6.5% | 4.5% | 2.5% |

- *The combination of TXU's integrated business model and possible performance improvements drive earnings growth under all scenarios*

¹ Estimate provided at May 18th 2004 TXU investor conference

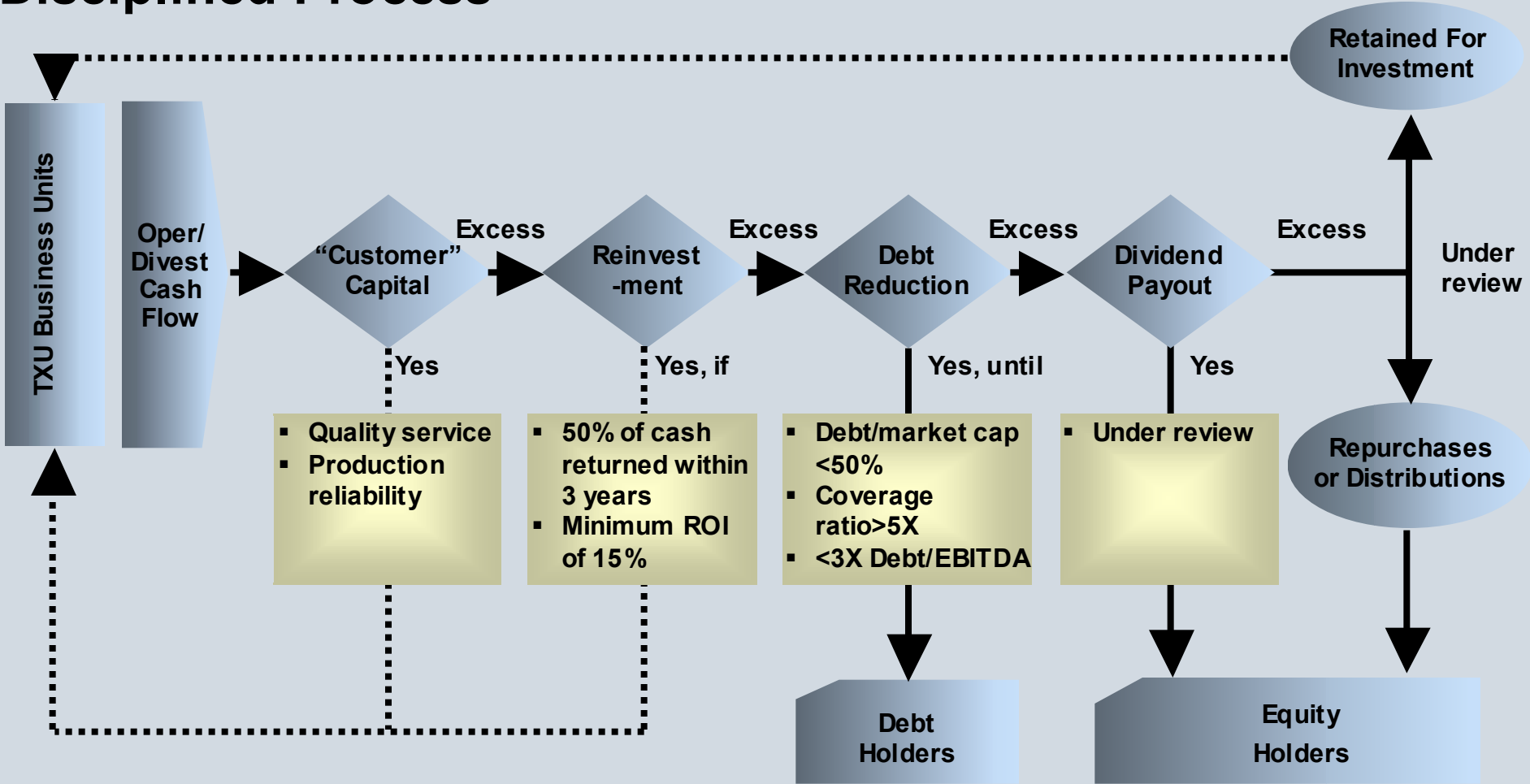
² Based on forward curves as of September 21, 2004

The Third Phase Will Establish TXU's Capital Allocation And Growth Strategy...



| What We Needed To Do | How We Did It/ How We Are Doing It |
|---|--|
| <ul style="list-style-type: none">▪ Develop rigorous cash stewardship and capital allocation philosophy▪ Leverage distinctive capabilities to grow | <ul style="list-style-type: none">▪ Implement capital allocation philosophy▪ Pursue value-creating growth opportunities |

...With Our Capital Allocation Following A Rigorous And Disciplined Process



Given cash flow expectations, we must determine our long-term capital allocation policy:

- *How much cash should we re-invest?*
- *What are the big growth opportunities that can provide excess return over our cost of capital?*
- *How much cash should we return to our shareholders?*

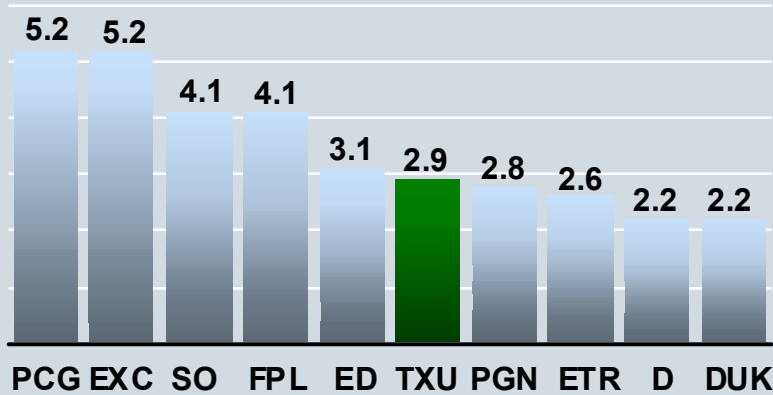
Phase 1 Nearly Complete; Ample Phase 2 Opportunities; Disciplined Capital Allocation/Growth Strategy In Phase 3

- **Focused on structurally advantaged core businesses in high growth markets with rejuvenated financial profile**
 - ✓ **2X earnings power**
 - ✓ **70% increase in cash flow**
 - ✓ **Double digit ROIC**
 - ✓ **Top quartile financial flexibility**
- **Phase 2 opportunities (~\$600 m EBIT) provide significant upside over the next 1 to 5 years**
- **Integrated business model is resilient under multiple scenarios with less gas price risk than other companies**
- **Disciplined capital allocation establishes platform for growth and returns to shareholders**

Appendix

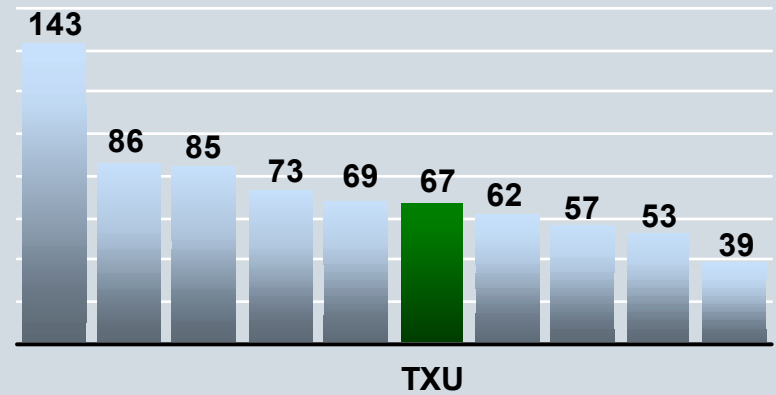
TXU Electric Delivery's Strong Competitive Position...

Large customer base
03; Millions of customers



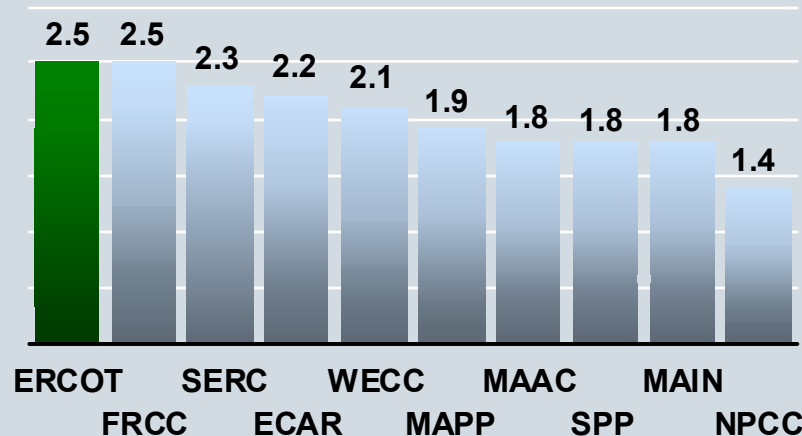
Source: FERC

Large infrastructure
03; Thousands of miles of primary distribution lines



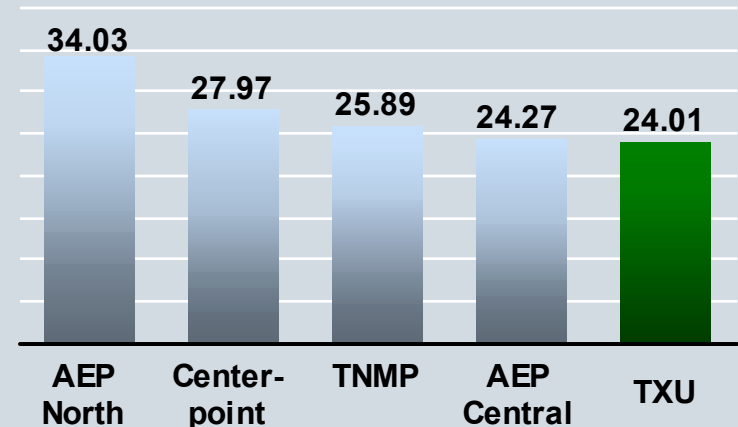
Source: Proprietary benchmarking study

High growth
03-12E; Percent annual demand growth



Source: NERC

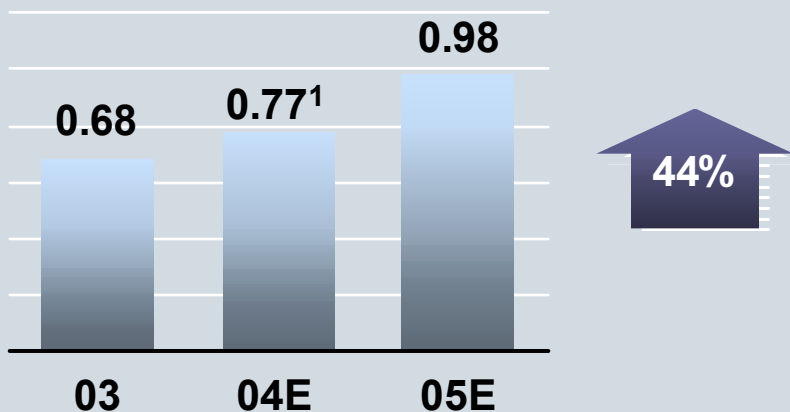
Lowest rates in Texas
04; \$ of monthly wire charges per customer



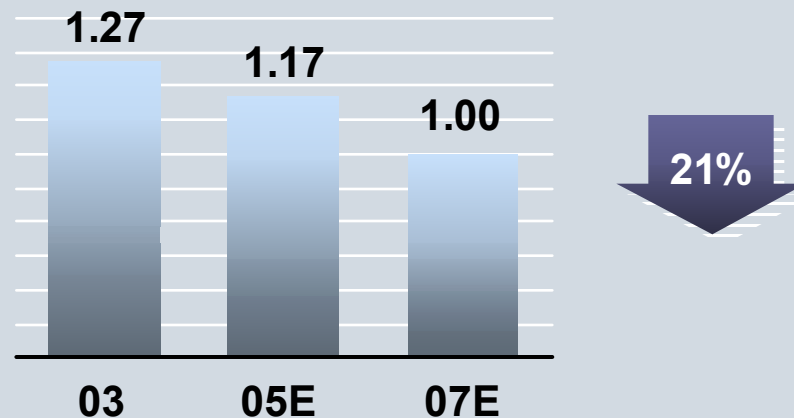
Source: PUC March 04

...Will Help Drive High Performance

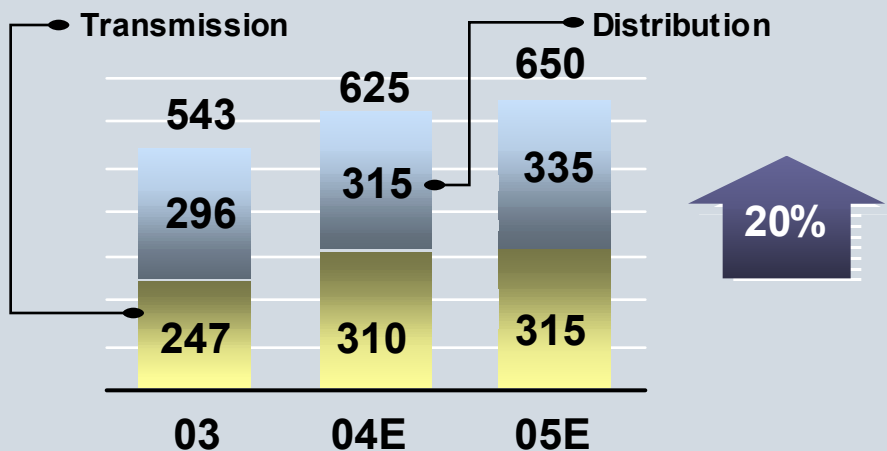
Operational EPS
03-05; \$ per share



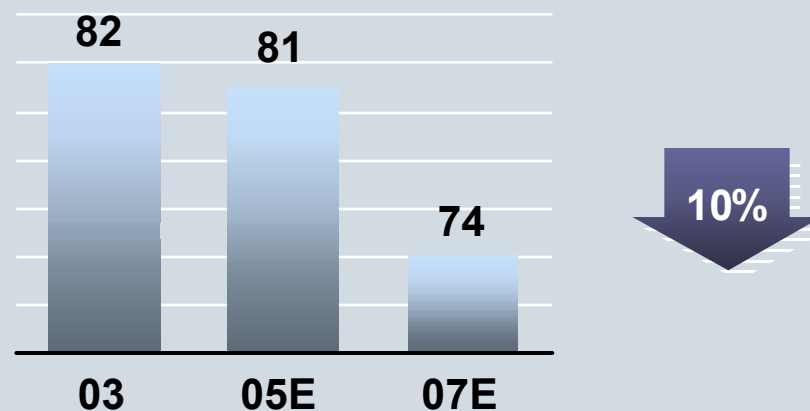
SAIFI (non-storm)
03-07; Incidents per year (5 year average)



Total CAPEX
03-05; \$ millions



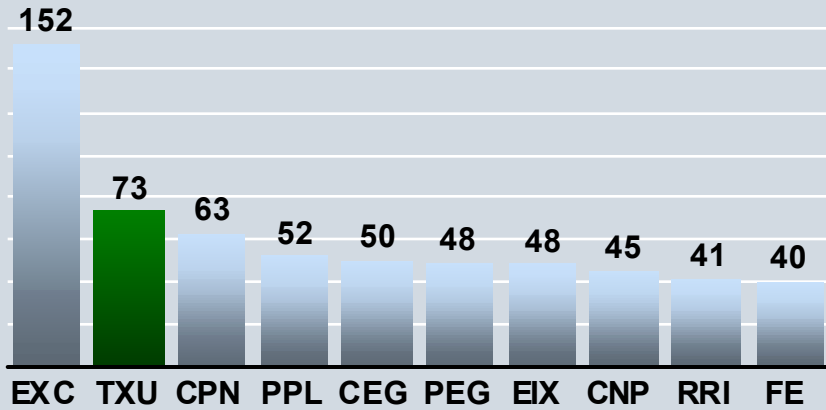
SAIDI (non-storm)
03-07; Minutes per year (5 year average)



¹ Updated for Q2 earnings release

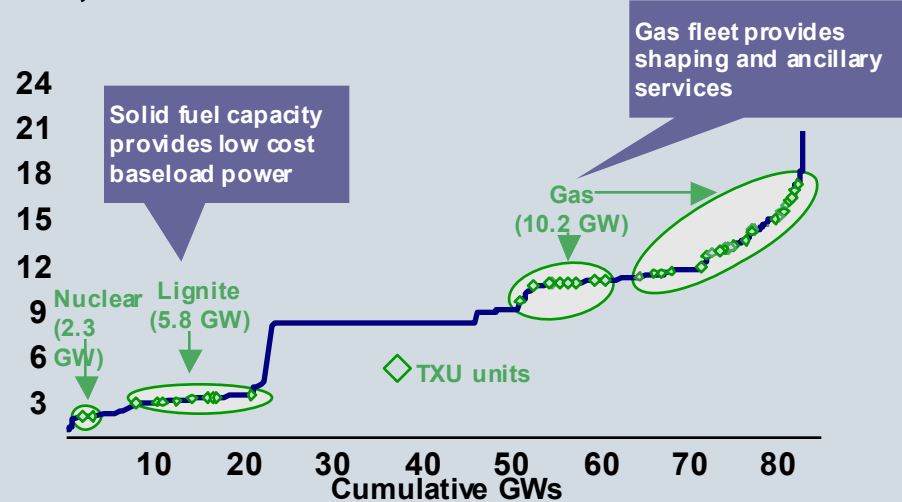
TXU Power: Well Mixed; Scaled Position; Growth Market...

Large portfolio
03; TWh of deregulated generation

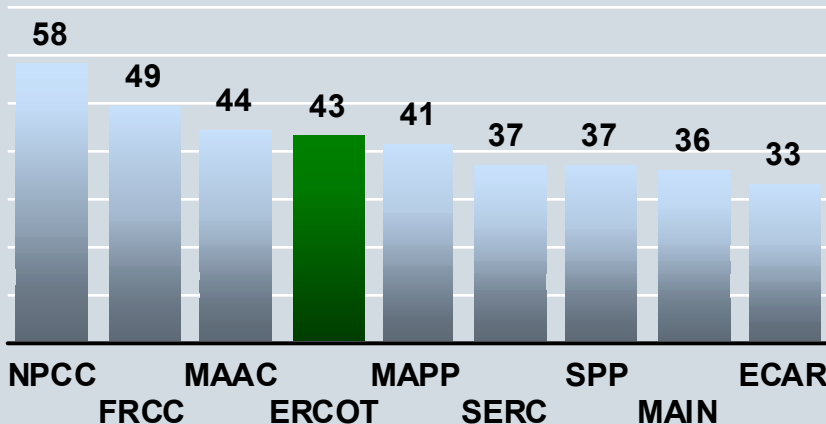


Source: Platts

ERCOT full load average implied heat rate
04; MMBtu/MWh

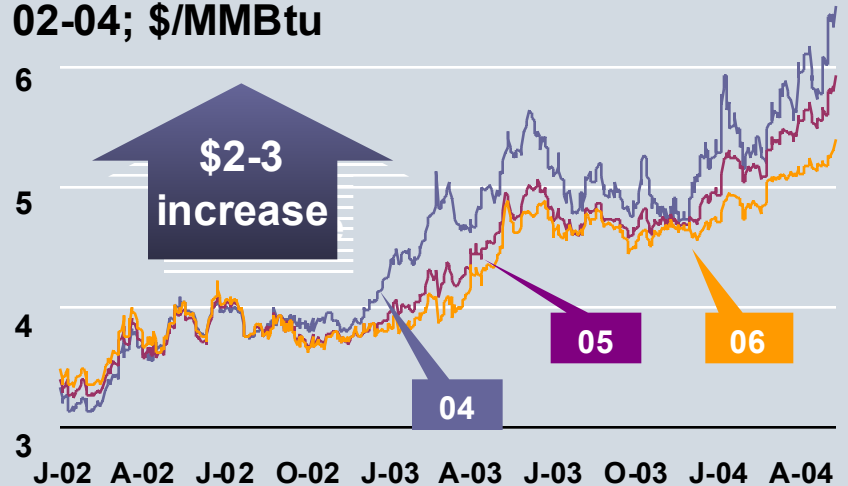


Robust wholesale prices
04; \$ per MWh for 24X7 wholesale prices



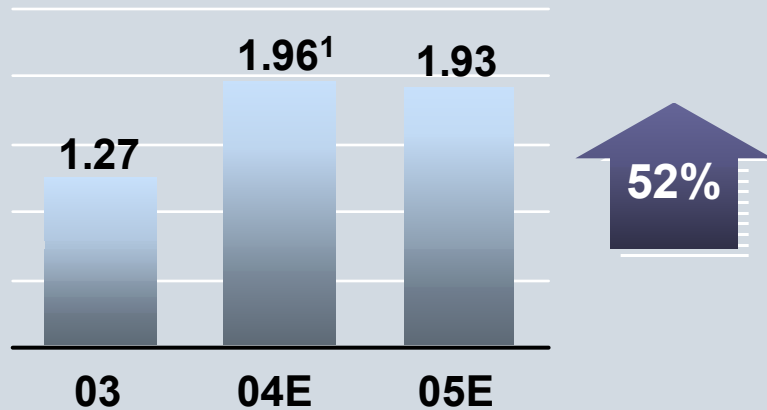
Source: Platts

NYMEX Henry Hub calendar strip gas prices
02-04; \$/MMBtu

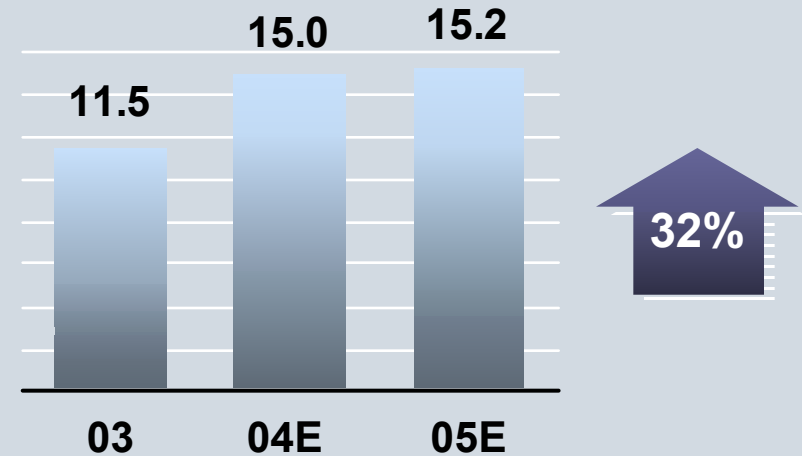


...That Will Help Drive Sustainable Improvements

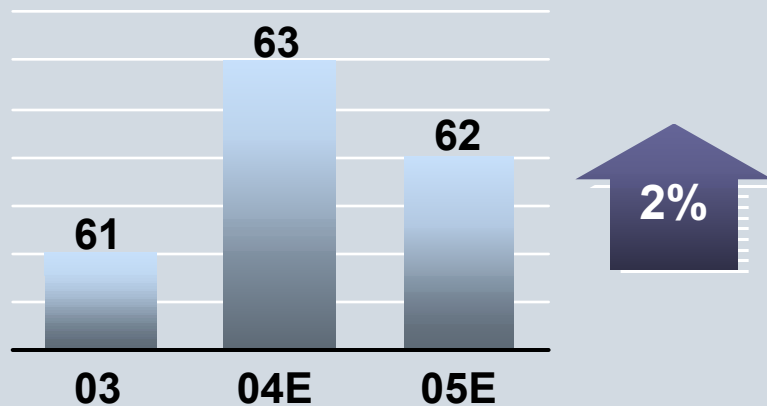
Operational EPS
03-05; \$ per share



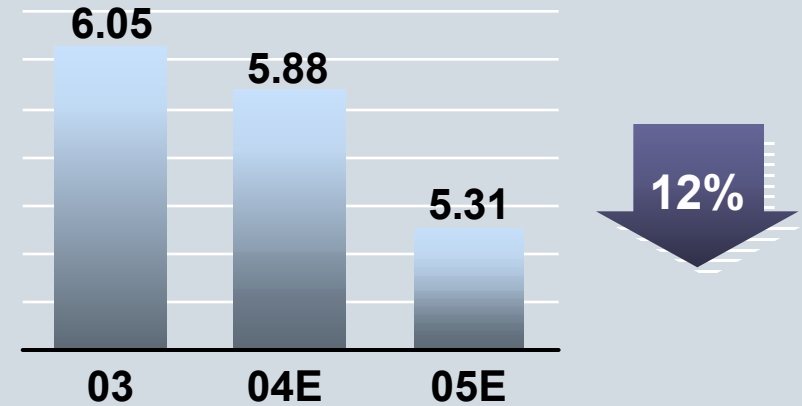
ROIC
03-05; Percent



Baseload production volumes
03-05²; TWh



Baseload operating costs (excluding outages)
03-05; \$ per MWh

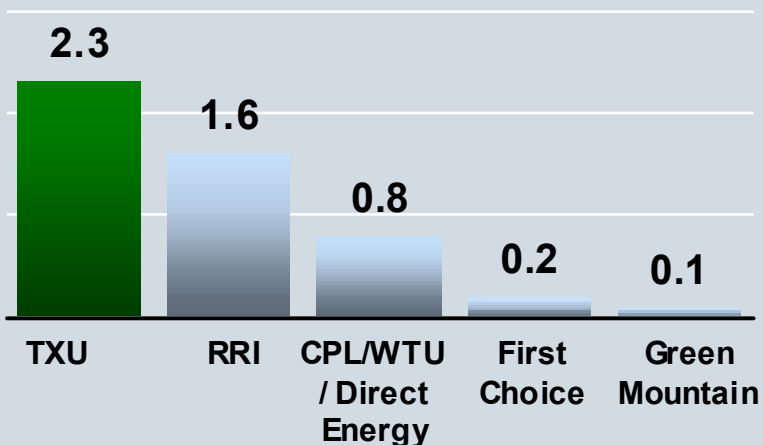


¹ Updated for Q2 earnings release

² Includes dual unit nuclear outage in 05

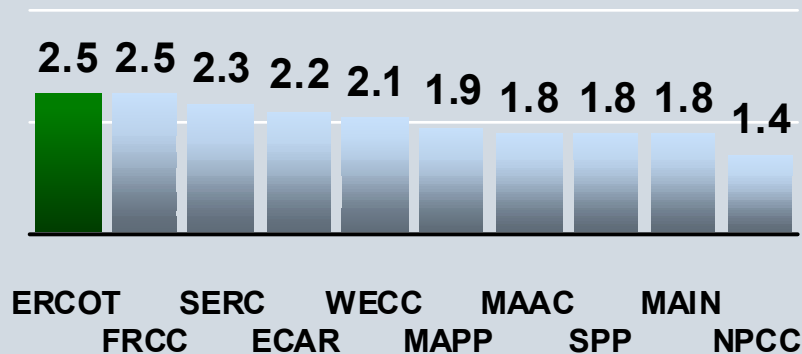
TXU Energy: Largest Competitive Retailer In A Growth Market...

Large competitive customer base 03; Millions of customers



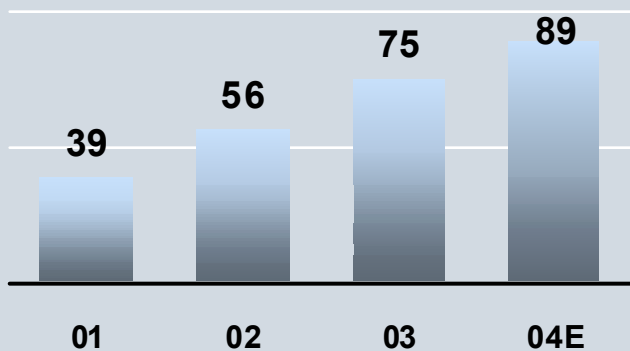
Source: KEMA

High growth 03-12E; Percent annual demand growth



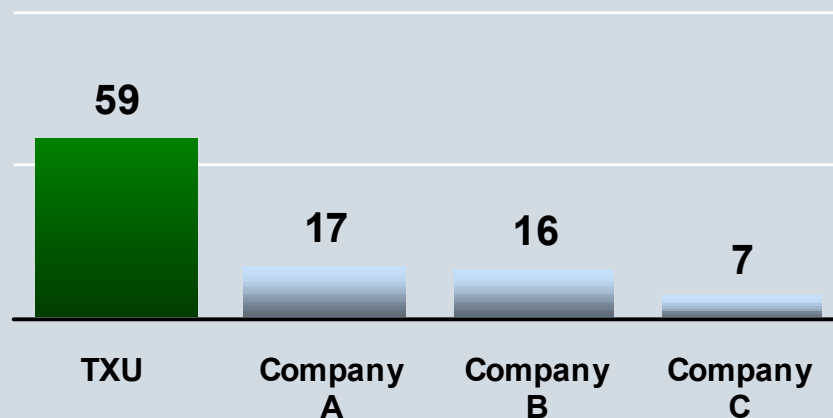
Source: NERC

Highly competitive market 02-04; Number of certified ERCOT retailers



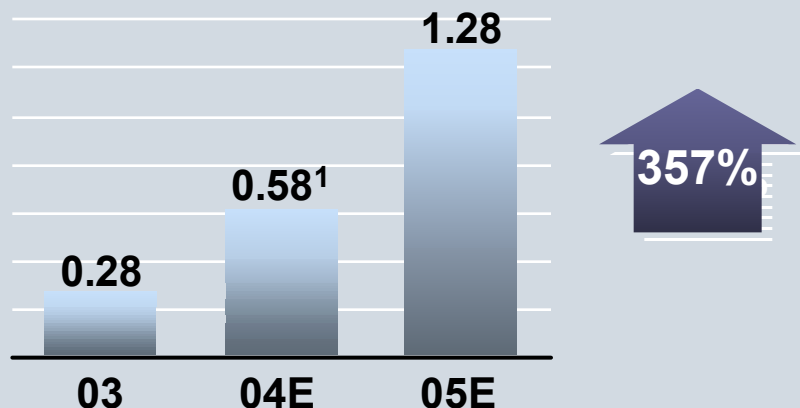
Source: PUC

North Texas reputation for dependability July 04; Percent

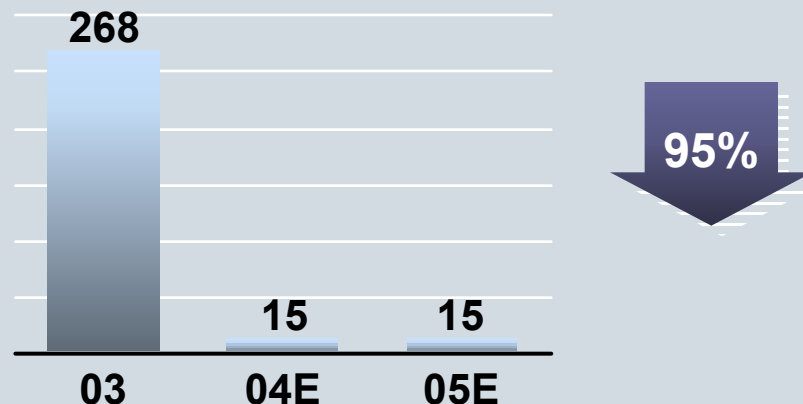


...Resulting In Strong Performance

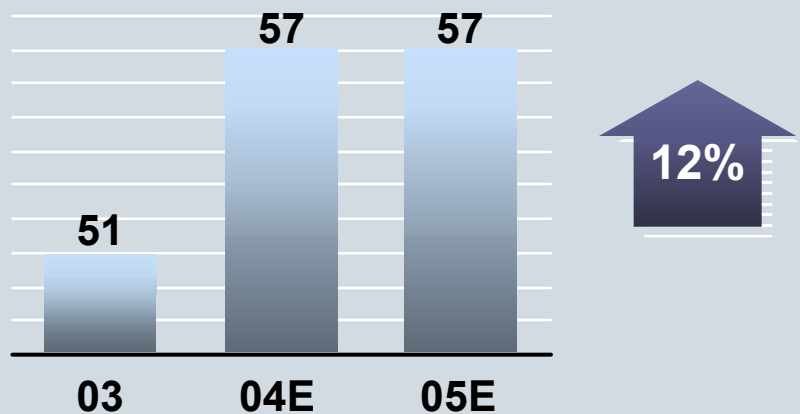
Operational EPS
03-05; \$ per share



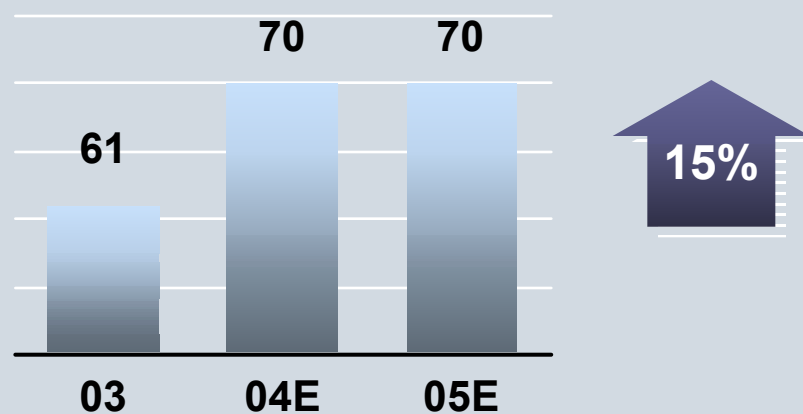
Average speed of answer
03-05; Seconds



Customer first call resolution
03-05; Percent



Customer satisfaction index
03-05; Percent



¹ Updated for Q2 earnings release. Excludes unwound hedge losses of ~\$0.27 and \$0.22 in 04E and 05E, respectively.

Regulation G Reconciliations



TXU management is currently unable to accurately estimate the impact of special items or changes in accounting principles or policies on free cash flow, return on invested capital, total debt to total capitalization or gross interest coverage. TXU is therefore currently unable to provide the most directly comparable GAAP measure to these items.

Financial Measures

| Measure | Definition |
|--|--|
| CAPEX | Capital expenditures and nuclear fuel from the statement of cash flows |
| Contribution margin/Gross margin | Operating revenues – cost of energy sold and delivery fees |
| EBIT | Net income before gross interest and income tax expense |
| EBITDA/Interest | Net income before gross interest, income tax expense and depreciation and amortization / gross interest |
| Free cash flow (non-GAAP) | Cash provided by operating activities – changes in assets and liabilities – capital expenditures (including nuclear fuel) |
| Gross interest | Interest and related charges from the income statement |
| Gross interest coverage | (Income from continuing operations before gross interest and income tax expense + depreciation and amortization) / gross interest |
| Income from continuing operations | Income from continuing operations before extraordinary items and cumulative effect of changes in accounting principles from the income statement |
| Total market capitalization | Value of a corporation as determined by the market price of its issued outstanding common stock + value of its debt |
| O&M | Operation and maintenance expenses are shown as “operating costs” on TXU Corp and segment income statements. |
| OCF/CAPEX + Div | Operating cash flow / CAPEX + common and preference stock |
| Operating cash flow (OCF) | Cash provided by operating activities – changes in assets and liabilities |
| Operational earnings per share (non-GAAP) | Income from continuing operations less preference share dividends and excluding special items / weighted average diluted common shares outstanding |
| Return on invested capital (non-GAAP) | (Operational earnings + preference stock dividends + after-tax gross interest expense) / average total capitalization |
| Shareholders' equity | From balance sheet |
| Special items | Unusual non-recurring charges or gains, primarily related to implementation of the 4+4 performance improvement program. Management excludes these in determining operational earnings for budget and performance management purposes |
| Total capitalization (non-GAAP) | Total debt + shareholders' equity |
| Total debt (non-GAAP) | Long-term debt (including current portion) + bank loans and commercial paper + long term debt held by subsidiary trusts + preferred securities of subsidiaries & exchangeable preferred member interests – securitization bonds |

Reconciliation 1

TXU Corp.

Operational EPS

For the year ended December 31, 2003; \$ and shares in millions

| | |
|---|-------------|
| Income from continuing operations before extraordinary loss and cumulative effect of changes in accounting principles | \$ 737 |
| Less Preference stock dividends | <u>(22)</u> |
| Operational earnings | 715 |
| After-tax interest on preferred membership interests in TXU Energy | <u>53</u> |
| Adjusted operational earnings for diluted EPS calculation | 768 |
| Less TXU Gas net income | 40 |
| Less Australia segment net income | 102 |
| Less TXU Gas and Australia segment intercompany interest to TXU Corp | <u>22</u> |
| Operational earnings - after transactions | \$ 604 |
| Average shares of common stock outstanding - diluted (millions) | 379 |
| Operational earnings per share - diluted | \$ 2.03 |
| Operational earnings - after transactions per share - diluted | \$ 1.59 |

Reconciliation 2

TXU Corp.

Free cash flow

For the year ended December 31, 2003; \$ millions

| | | |
|---|------------|---------------|
| Cash provided by operating activities | | \$ 2,798 |
| Less changes in operating assets and liabilities: | | |
| Accounts receivable - trade | 367 | |
| Inventories | (67) | |
| Accounts payable - trade | (5) | |
| Commodity contract assets and liabilities | 25 | |
| Margin deposits | 25 | |
| Other assets | 382 | |
| Other liabilities | <u>355</u> | |
| Total changes in operating assets and liabilities | | 1,082 |
| Less Capital expenditures: | | |
| Capital expenditures | 956 | |
| Nuclear fuel | <u>44</u> | |
| Total capital expenditures | | <u>1,000</u> |
| Free cash flow | | <u>\$ 716</u> |

Reconciliation 3

TXU Corp.

Return on Invested Capital (ROIC)

For the year ended December 31, 2003; \$ millions

| | | |
|--|------------|------------|
| Operational earnings | | 715 |
| Preference stock dividends | | 22 |
| Interest expense and related charges | 975 | |
| Taxes at 35% | <u>341</u> | |
| After-tax interest expense and related charges | | <u>634</u> |
| Total return | | 1,371 |
| Average invested capital | | 20,322 |
| Return on invested capital | | 6.7% |

Reconciliation 4

TXU Corp.

Gross interest coverage

For the year ended December 31, 2003; \$ millions

| | |
|---|------------------------|
| Income before income taxes, extraordinary loss and cumulative effect of change in accounting principles | \$ 1,051 |
| Interest expense and related charges | 975 |
| Depreciation and amortization, other than goodwill | <u>886</u> |
| Income from continuing operations before interest, tax and D&A | <u><u>\$ 2,912</u></u> |
| Gross interest | 975 |
| Gross interest coverage | 3.0 |

Reconciliation 5

TXU Electric Delivery Company

Operational earnings

For the year ended December 31, 2003; \$ and shares in millions

| | | |
|--|-----------|-------------|
| Net income | \$ | 258 |
| Average shares of TXU Corp. common stock outstanding - diluted (millions) | | 379 |
| Operational earnings per share | \$ | 0.68 |

Reconciliation 6

TXU Energy Company LLC

Operational EPS

For the year ended December 31, 2003; \$ and shares in millions

| | |
|--|------------------|
| Income from continuing operations before extraordinary loss and cumulative effect of changes in accounting principles | 493 |
| Average shares of TXU Corp. common stock outstanding - diluted | 379 |
| Operational EPS | \$ 1.30 |
| Energy Segment Operational EPS | \$ 0.28 |
| Power Segment Operational EPS | \$ 1.27 |
| Hedge Loss (\$90 million, net of tax) | <u>\$ (0.25)</u> |
| Total Operational EPS | \$ 1.30 |