

Fourth Quarter and Full Year 2004 Earnings Discussion



February 2, 2005

Safe Harbor Statement & Regulation G

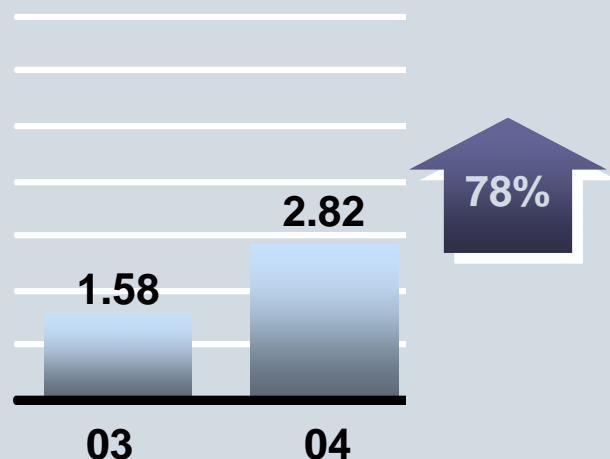
This presentation contains forward-looking statements, which are subject to various risks and uncertainties. Discussion of risks and uncertainties that could cause actual results to differ materially from management's current projections, forecasts, estimates and expectations is contained in the company's 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

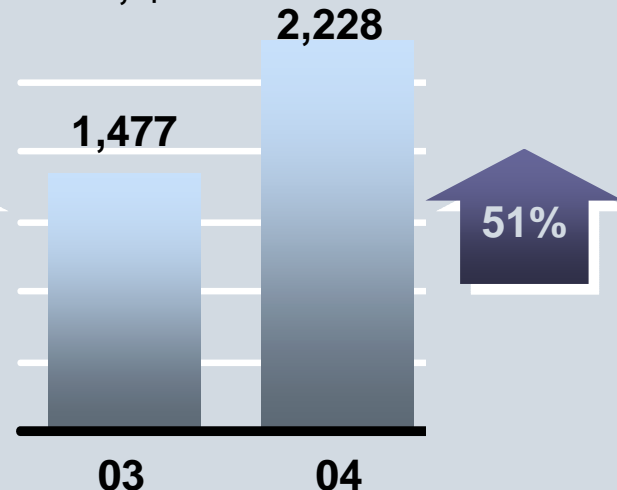
This presentation includes certain non-GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measure is included in the appendix of the printed version of the slides and the version included on the company's website at www.txucorp.com under Investor Resources/Presentations.

Slide 1: TXU's Financial Profile Is Significantly Improved

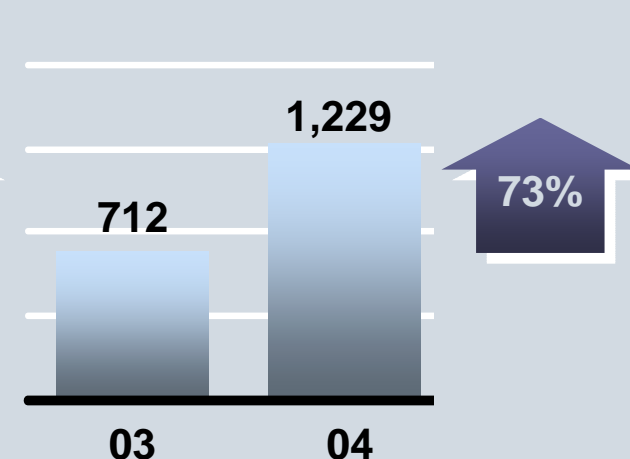
Operational EPS
03-04; \$ per share



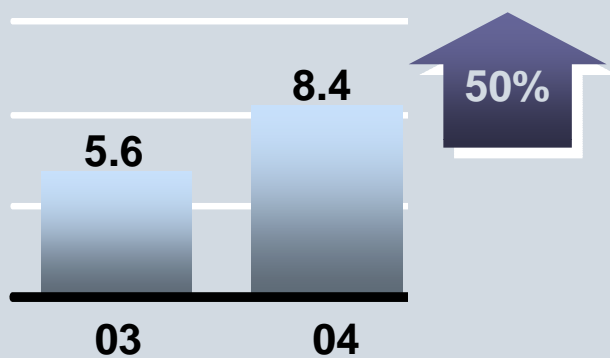
Normalized OCF^{1,2}
03-04; \$millions



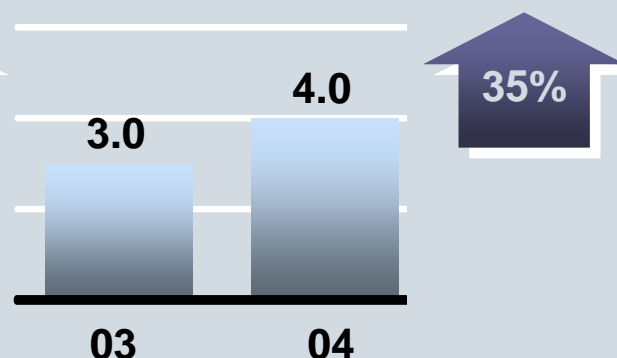
Normalized FCF^{1,2,3}
03-04; \$millions



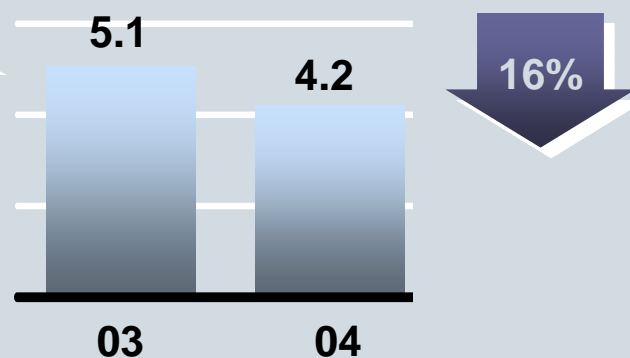
ROIC¹
03-04; percent



EBITDA/Interest¹
03-04; ratio



Total Debt/EBITDA¹
03-05E; percent



Note : ¹ Results are from continuing operations excluding special items

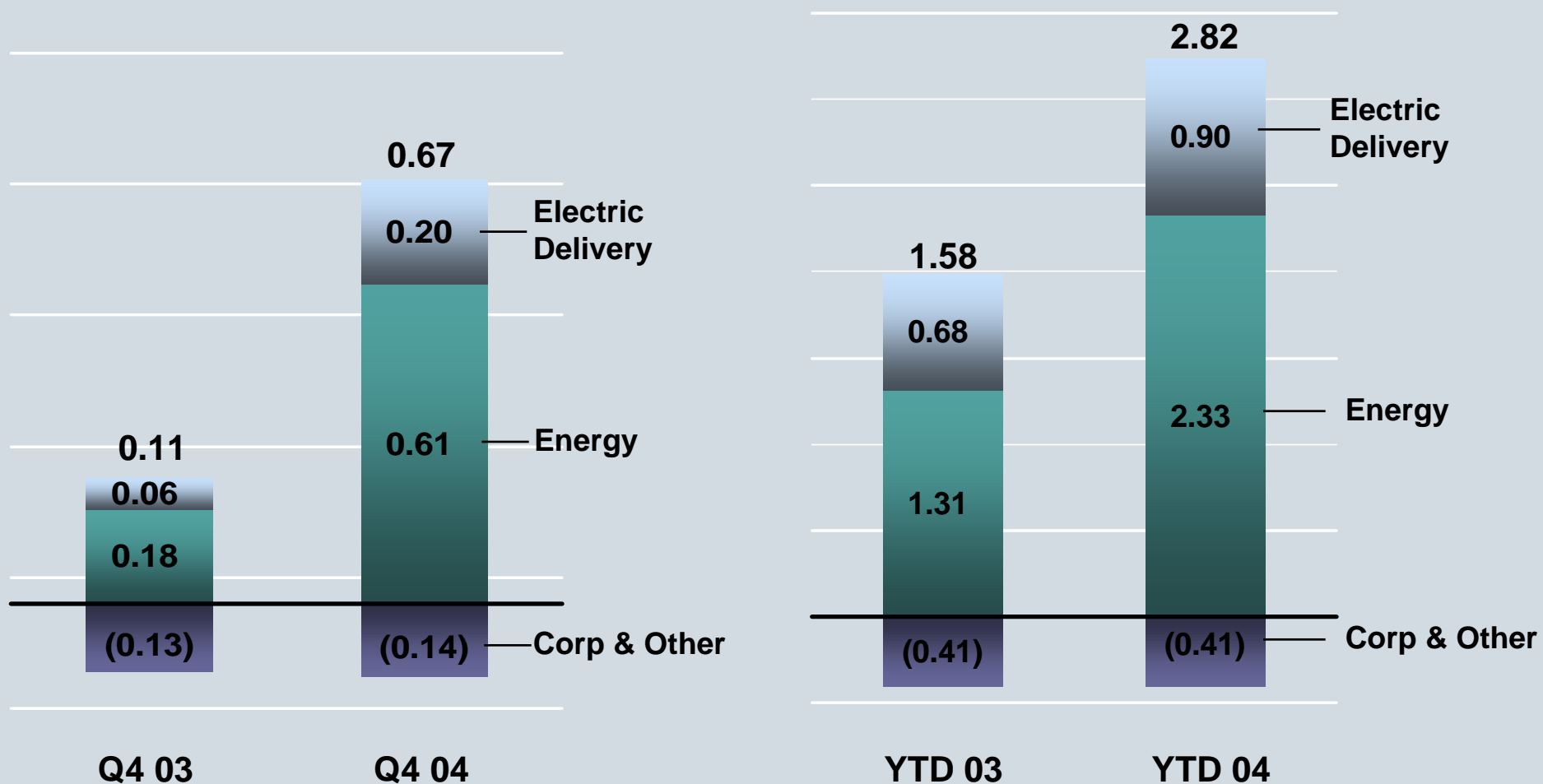
² 2003 Operating Cash Flow (\$2.4B) excluding cash tax refund (\$0.6B) and 2002 collections, sale of A/R and counterparty settlements (\$0.3B);
2004 Operating Cash Flow (\$1.8B) excluding special items (-\$0.3B) and sale of receivables and storm reserves charges (-\$0.2B)

³ Normalized Free Cash Flow is defined as Normalized Operating Cash Flow less capital expenditure and nuclear fuel

Slide 2: Strong Performance By All Core Businesses

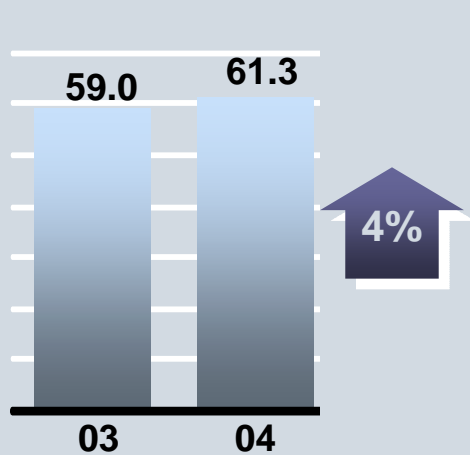
Operational Earnings Contribution by Segment

Q4 04 vs. Q4 03 and YTD 04 vs. YTD 03; \$ per diluted share

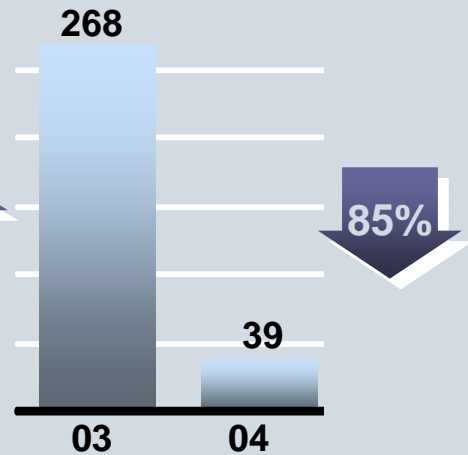


Slide 3: TXU's Operational Results

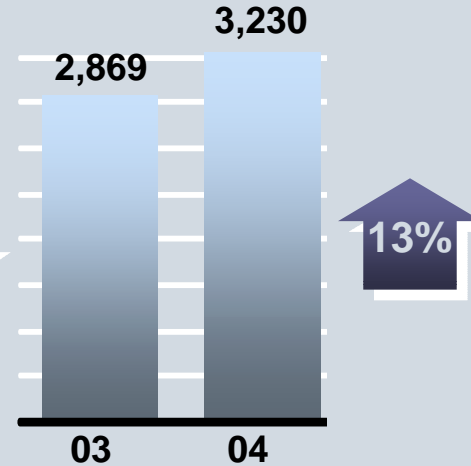
Baseload Generation Output
03-04; TWh



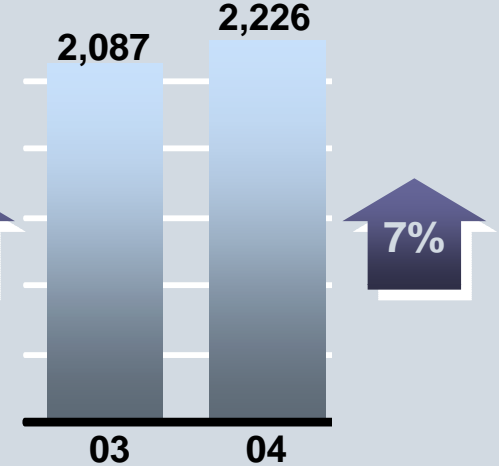
Call Answer Times
03-04; seconds



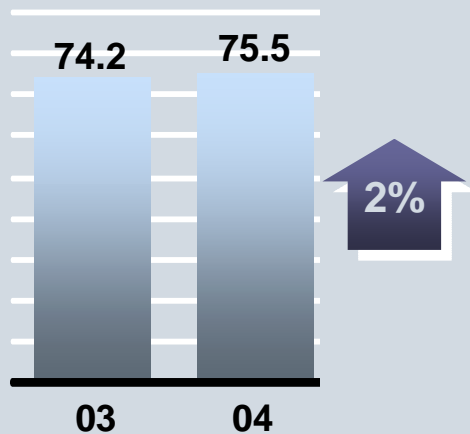
Energy Contribution Margin
03-04; \$millions



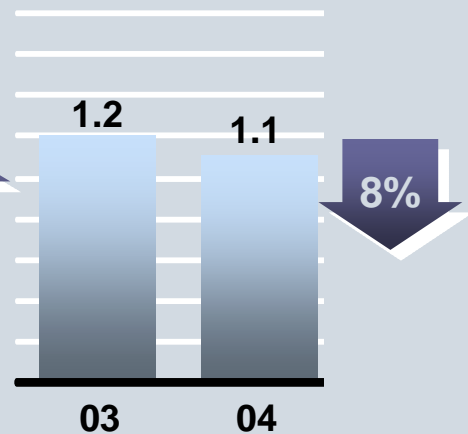
Delivery Contribution Margin
03-04; \$millions



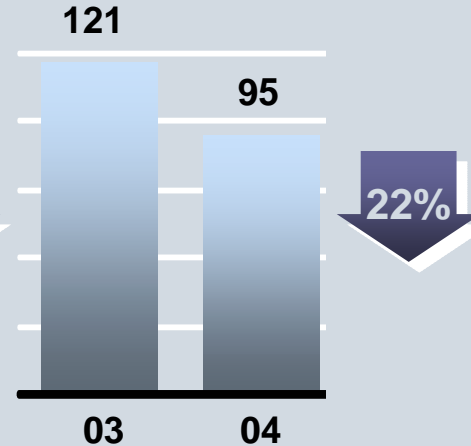
SAIDI Reliability
03-04; minutes



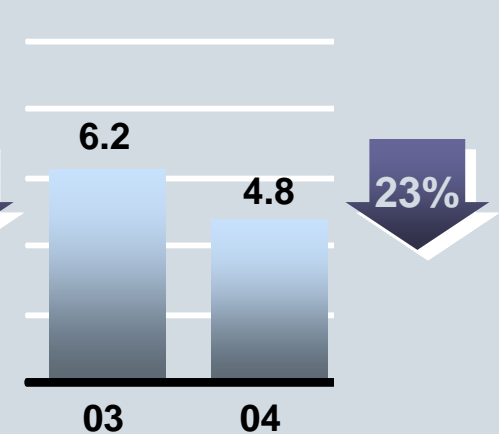
SAIFI Reliability
03-04; minutes



Retail Bad Debt
03-04; \$millions

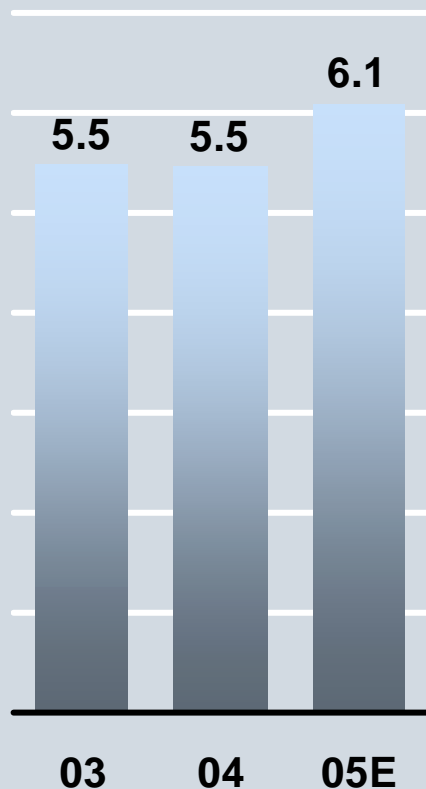


Mass Market Churn Rate
03-04; percent

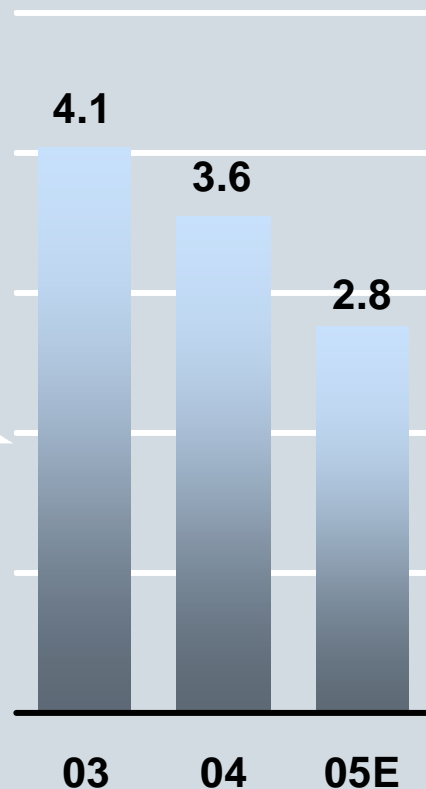


Slide 4: Fixed Charges Have Been Reduced As Contribution Margin Has Been Improved

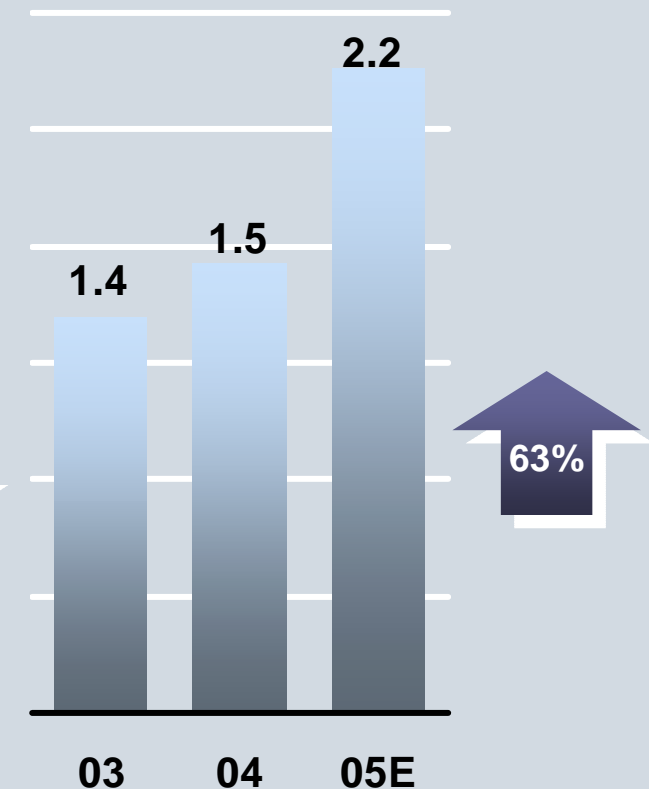
Contribution Margin
03-05E; \$billions



Fixed Charges¹
03-05E; \$billions



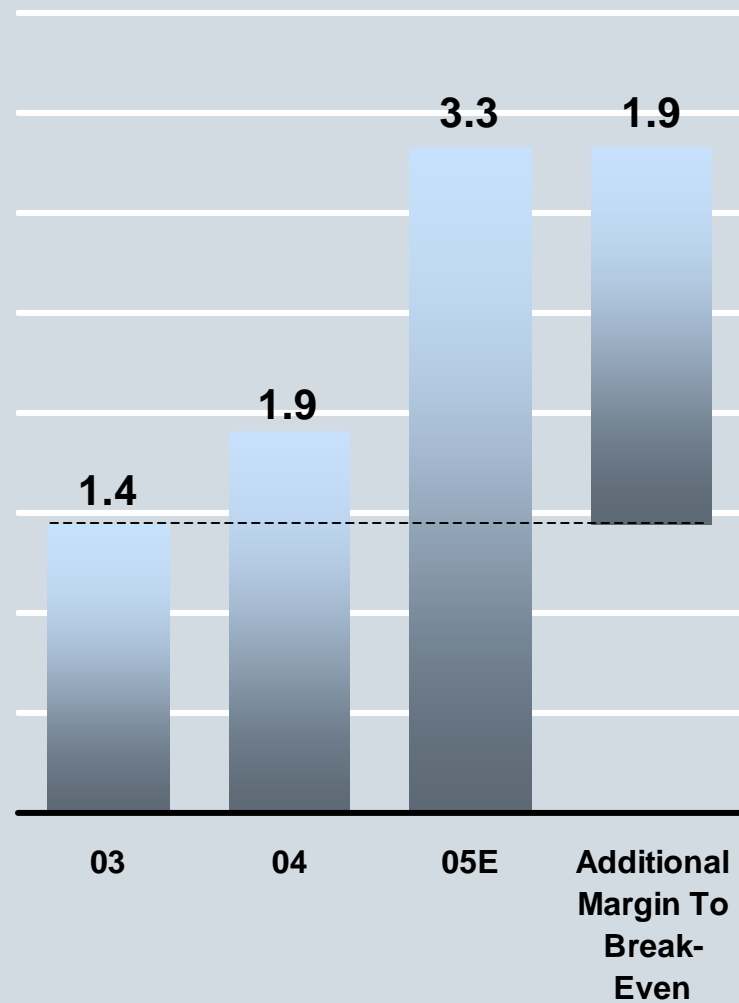
Contribution Margin/Fixed
Charges
03-05E; ratio



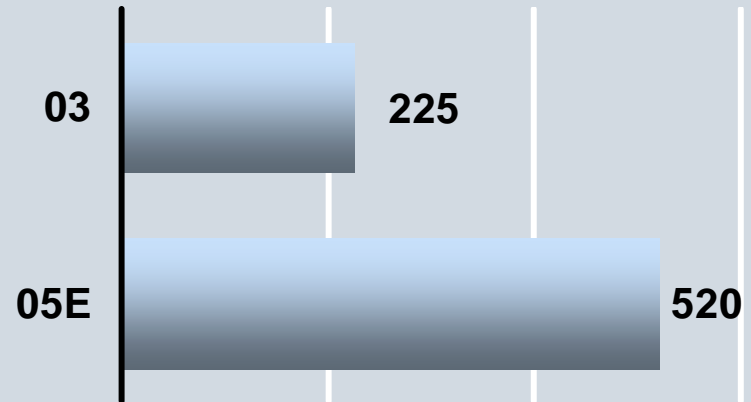
Note: ¹Fixed charges include SG&A, Bad Debt, Capex, Operating Costs, Interest Expense, and other cash costs; includes TXU Gas and TXU Fuel Company in 03 baseline; excludes TXU Australia as international policies restricted economic access to cash

Slide 5: Improving The Risk Profile Of The Company

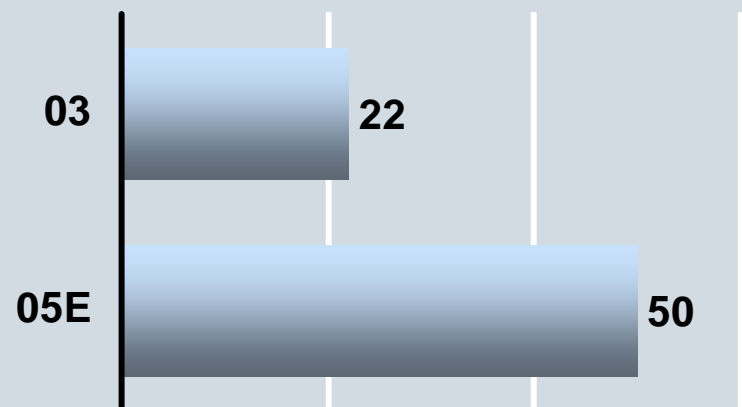
**Margin To Break-Even Contribution¹
03-05E; \$billions**



**Baseload Plant Outage Days to Break-Even
03-05E; days (indicative)**

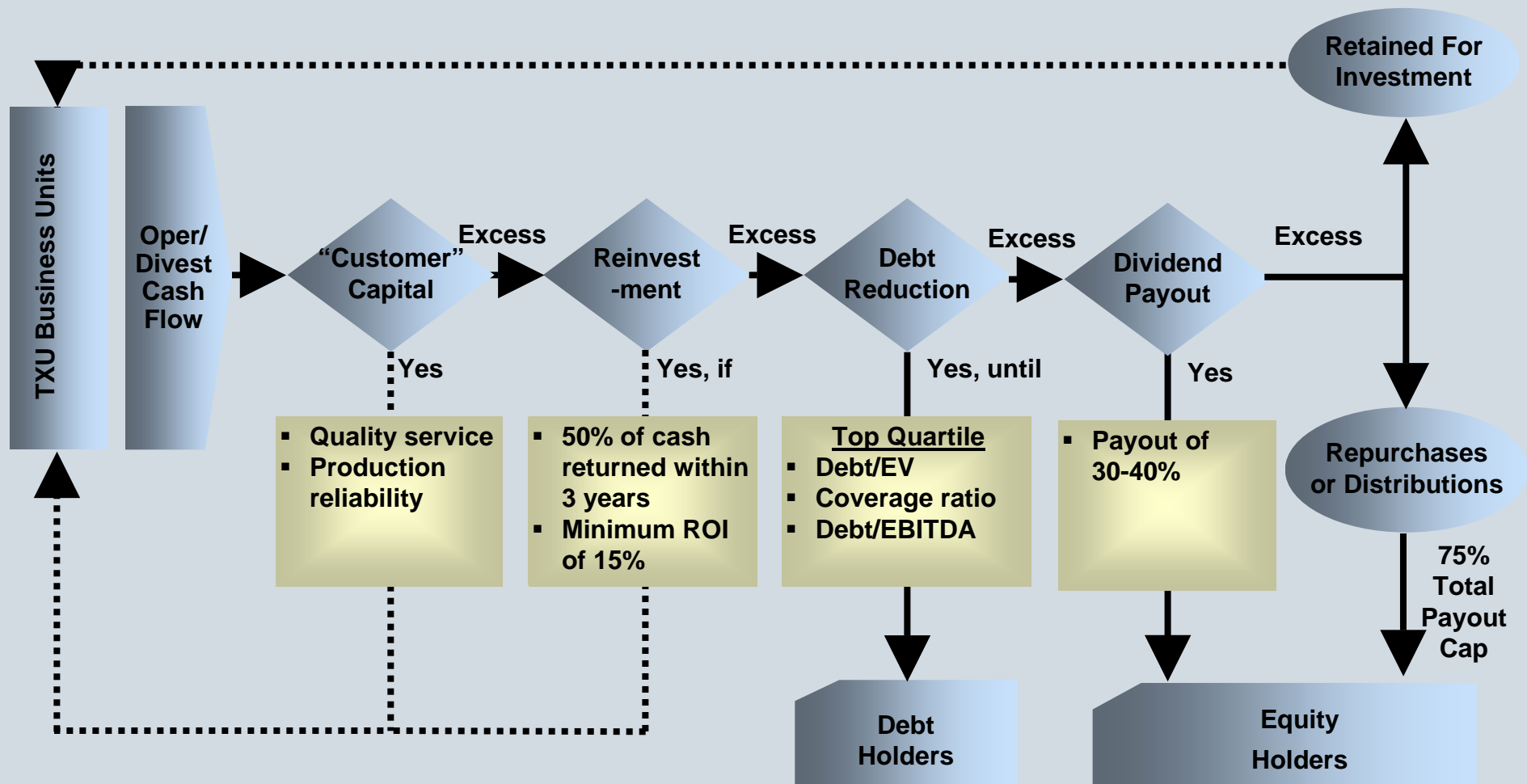


**Incremental Debt to Break-Even
03-05E; \$billions**



Note: ¹Margin to Break-Even Contribution equal to Contribution Margin less Fixed Charges

Slide 6: Rigorous And Disciplined Capital Allocation Process



Slide 7: TXU's Strategic Priorities

1 Driving Performance in the Core

2 Unlocking Value

3 Profitable Growth

4 Performance Management

Financial Flexibility

- EBITDA/Interest
- Total debt/ Enterprise value
- Total debt/EBITDA

Earnings Power

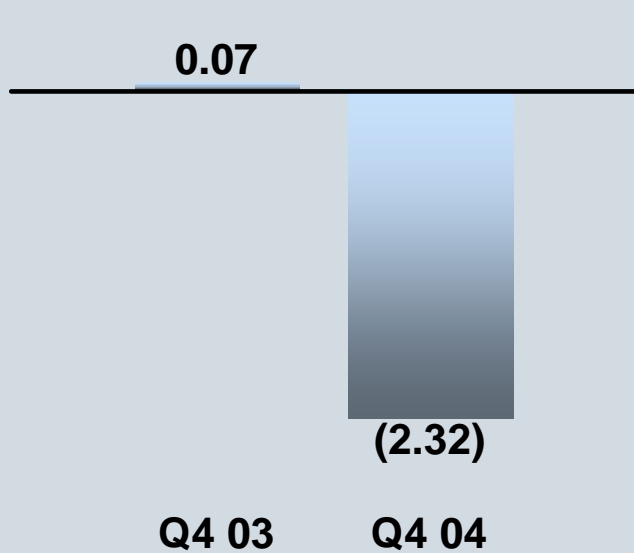
- EPS
- Cash flow

Returns

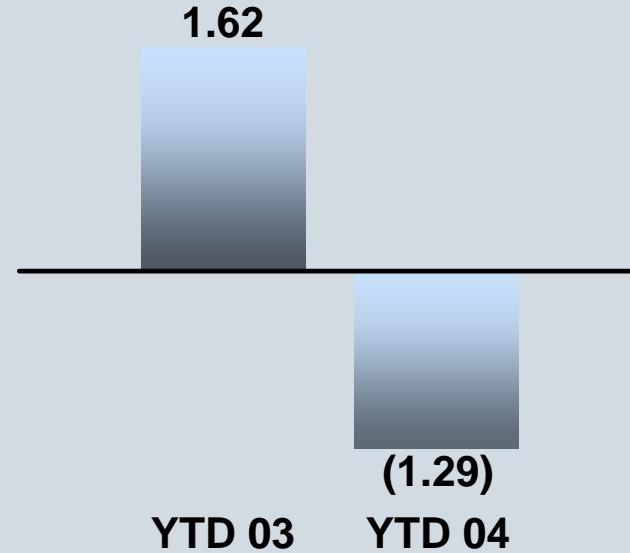
- ROIC
- Total return to shareholders

Slide 8: TXU's Operational Earnings Improved Substantially

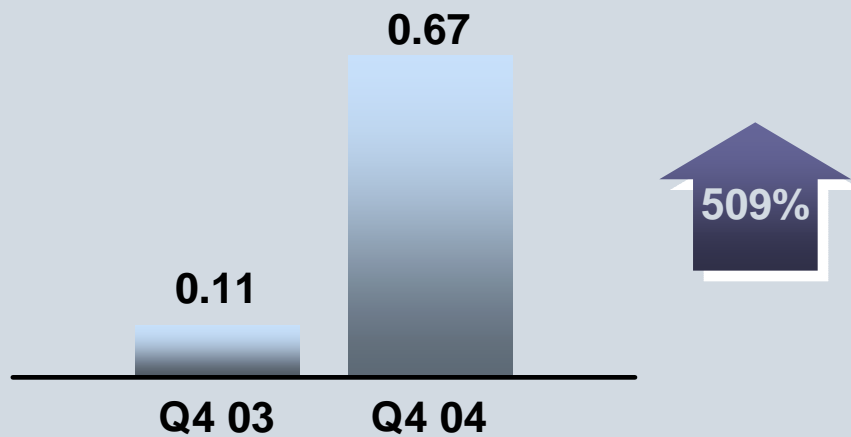
Reported Earnings Per Share
Q4 04 vs. Q4 03; \$ per diluted share



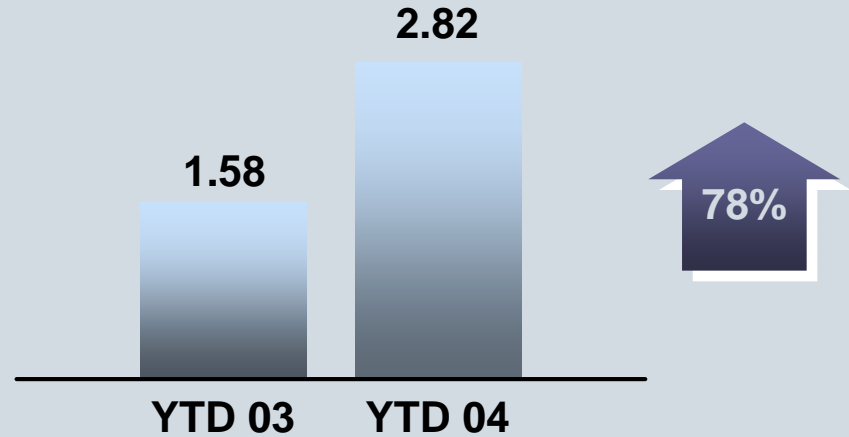
Reported Earnings Per Share
YTD 04 vs. YTD 03; \$ per diluted share



Operational Earnings Per Share
Q4 04 vs. Q4 03; \$ per diluted share

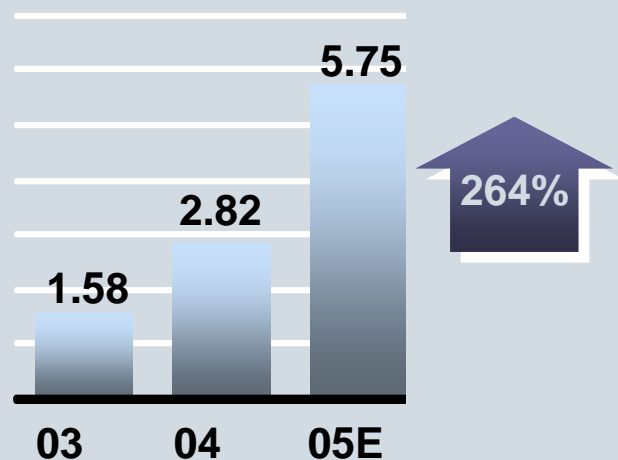


Operational Earnings Per Share
YTD 04 vs. YTD 03; \$ per diluted share

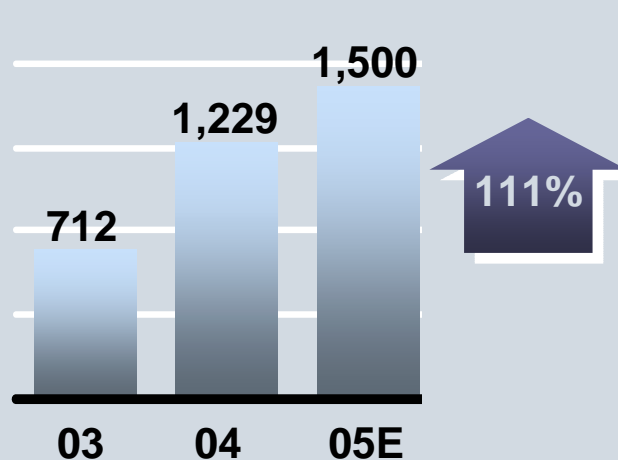


Slide 9: TXU's Financial Profile Is Significantly Improved

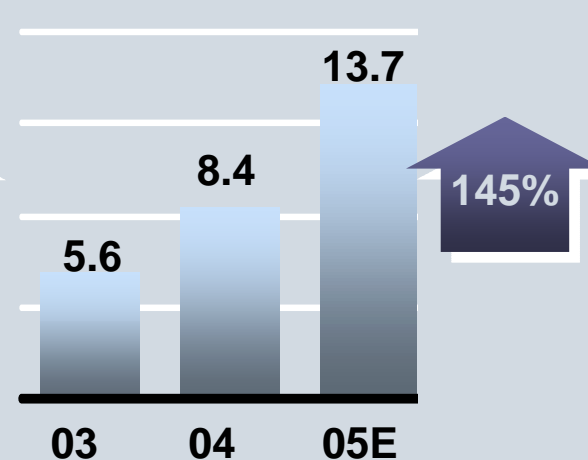
Operational EPS
03-05E; \$ per share



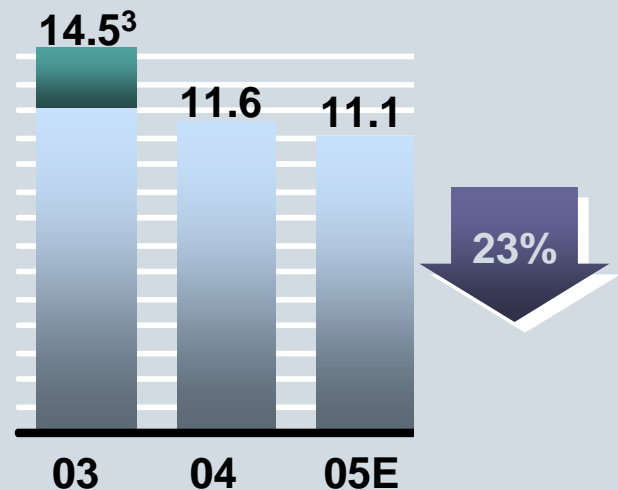
Normalized FCF^{1,2}
03-05E; \$millions



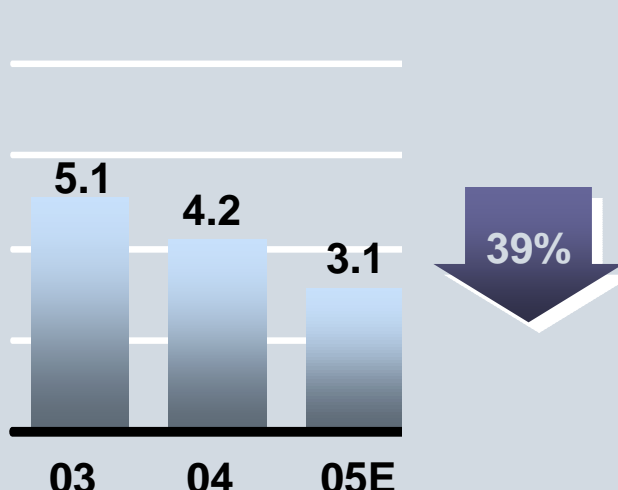
ROIC¹
03-05E; percent



Total debt
03-05E; \$billions



Total debt/EBITDA¹
03-05E; percent



EBITDA/Interest¹
03-05E; ratio



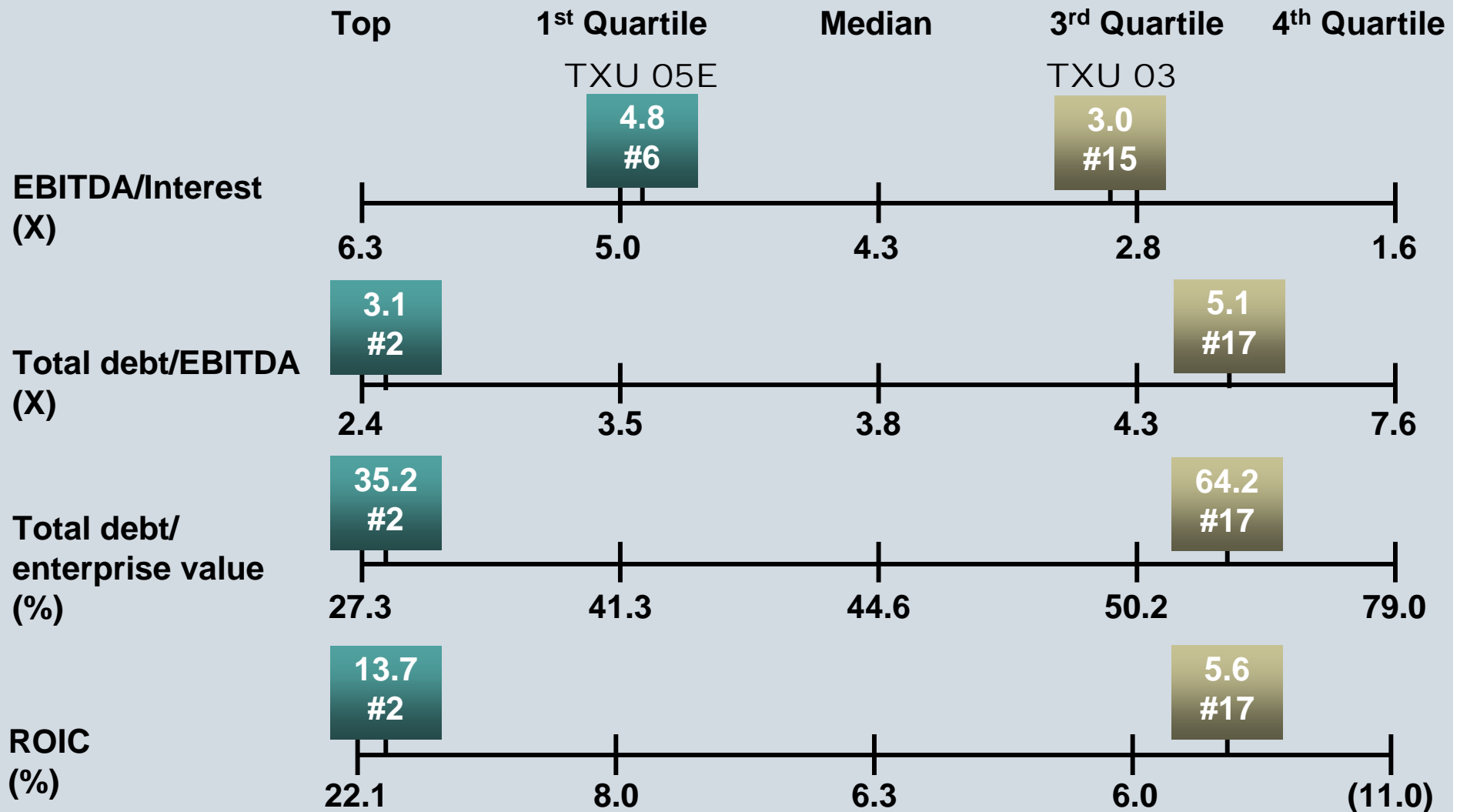
Note : ¹ Results are from continuing operations excluding special items

² Normalized Free Cash flow is defined as Normalized Operating Cash Flow less capital expenditure and nuclear fuel

³ 2003 Total Debt of \$14.5B includes \$2.4B related to Telecom Debt and Discontinued Operations

Slide 10: Financial Metrics Are Top Quartile By 2005

Financial Metrics for SPELEC¹ (n=20)
03-05²; various measures



Note: ¹S&P Electric Utility Index

²Quartile based on LTM as of Sept 04 performance; TXU 05E performance based on current outlook; TXU 03 includes discontinued operations

Q & A

Discussion

***Appendix –
Regulation G Reconciliations***



TXU

Table 1: TXU Corp. Operational Earnings Reconciliation
Twelve Months Ended December 31, 2004 and 2003
\$ per share after tax

	04	03
Net income (loss) to common	(1.29)	1.62
Discontinued operations	(1.26)	(0.20)
Extraordinary gain	(0.05)	-
Cum. effect of changes in accounting principles	(0.03)	0.15
Premium on EPMIs	2.83	-
Preference stock dividends	0.07	0.06
Income (loss) from continuing operations	0.27	1.63
Preference stock dividends	(0.07)	(0.06)
Effect of diluted shares calculation	0.04	0.01
Special items	2.58	-
Operational earnings	2.82	1.58

**Table 2: TXU Corp. Return On Average Invested Capital Calculation
Twelve Months Ended December 31, 2004 and 2003
\$millions unless otherwise noted**

	04	03	Ref
Net income (loss)	485	582	
After-tax interest expense and related charges net of interest income	434	486	
Total return (based on net income)	919	1,068	A
Operational earnings	887	544	
Preference stock dividends	22	22	
After-tax interest expense and related charges net of interest income ⁽¹⁾	434	486	
Total return (based on operational earnings)	1,343	1,052	B
Average total capitalization	15,994	18,831	C
Return on average invested capital – based on net income (A/C) (%)	5.7	5.7	
Return on average invested capital – based on operational earnings (B/C) (%)	8.4	5.6	
<hr/>			
⁽¹⁾ After-tax interest expense and related charges net of interest income			
Interest expense	695	784	
Interest income	(28)	(36)	
Net	667	748	
Tax at 35%	233	262	
Net of tax	434	486	

**Table 3: TXU Corp. Interest and Debt Coverage Ratios
 Twelve Months Ended December 31, 2004 and 2003
 \$millions unless otherwise noted**

	04	03	Ref
Income from continuing operations before taxes and extraordinary items	123	818	
Interest expense and related charges	695	784	
Interest income	(28)	(36)	
Depreciation and amortization	760	723	
Special Items	1,190	-	
EBITDA	2,740	2,289	A
Interest expense and related charges	695	784	
Amortization of discount and reacquired debt expense	(27)	(31)	
Capitalized interest	12	12	
Cash interest expense	680	765	B
Total debt	12,874	12,590	
Transition bonds	(1,258)	(500)	
Debt-related restricted cash	-	(525)	
Total	11,616	11,565	C
EBITDA/Interest (A/B)	4.0	3.0	
Debt/EBITDA	4.2	5.1	

**Table 4: TXU Corp. Normalized Operating Cash Flow
Twelve Months Ended December 31, 2004 and 2003
\$millions**

	04	03
Reported Operating Cash Flow	1,759	2,413
Special Items	284	-
2003 tax refund	-	(601)
2002 collections in 2003	-	(337)
Counterparty settlement	-	102
Storm reserves	51	-
Sale of receivables	134	(100)
Normalized Operating Cash Flow	2,228	1,477

**Table 5: TXU Corp. Normalized Free Cash Flow
 Twelve Months Ended December 31, 2004 and 2003
 \$millions**

	04	03
Normalized Operating Cash Flow	2,228	1,477
Capital Expenditure	912	721
Nuclear Fuel	87	44
Normalized Free Cash Flow	1,229	712