

**First Quarter 2004
Earnings Discussion
May 6, 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 release could be affected by the ability of purchasers to obtain all necessary governmental and other approvals and consents for the acquisition of TXU Australia and TXU Fuel and the ability of the company to exit the business of TXU Gas and to implement the initiatives that are part of the 4+4 program, and the terms under which the company executes those transaction or 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.

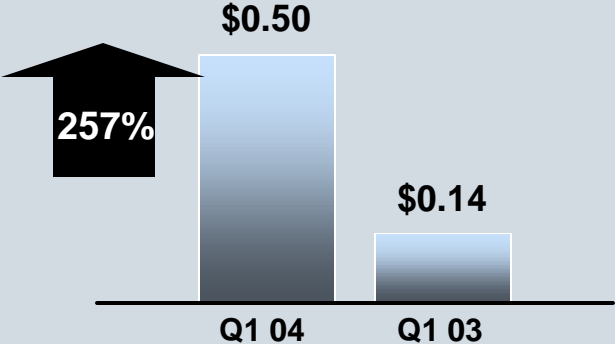
4+4 Program Update

Significant Events Through 05/04

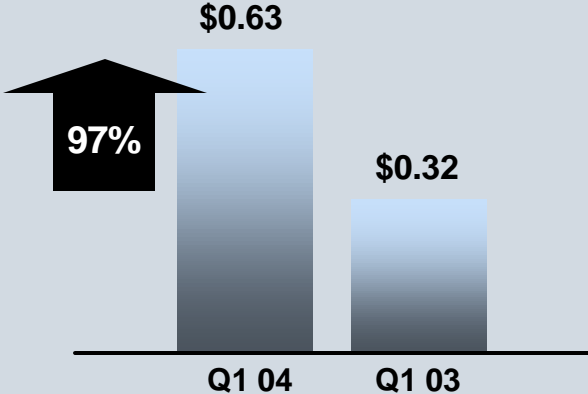
Date	Significant Event
April 26	Phase 1 Transactions Announced
May 06	First Quarter Earnings Release
May 18	Investor Conference – 90 Day Report

TXU's Results Dramatically Improved...

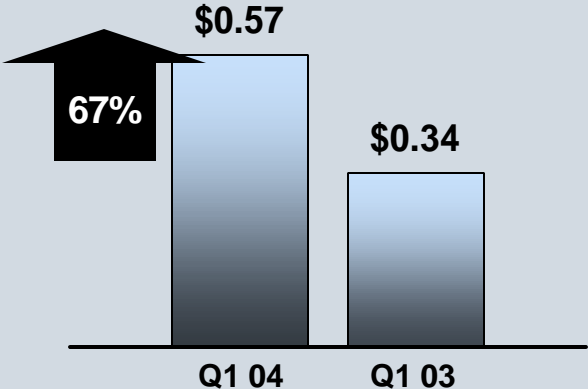
Reported Earnings Per Share
Q1 04 vs. Q1 03; \$ per diluted share



Operational Earnings Per Share
Q1 04 vs. Q1 03; \$ per diluted share

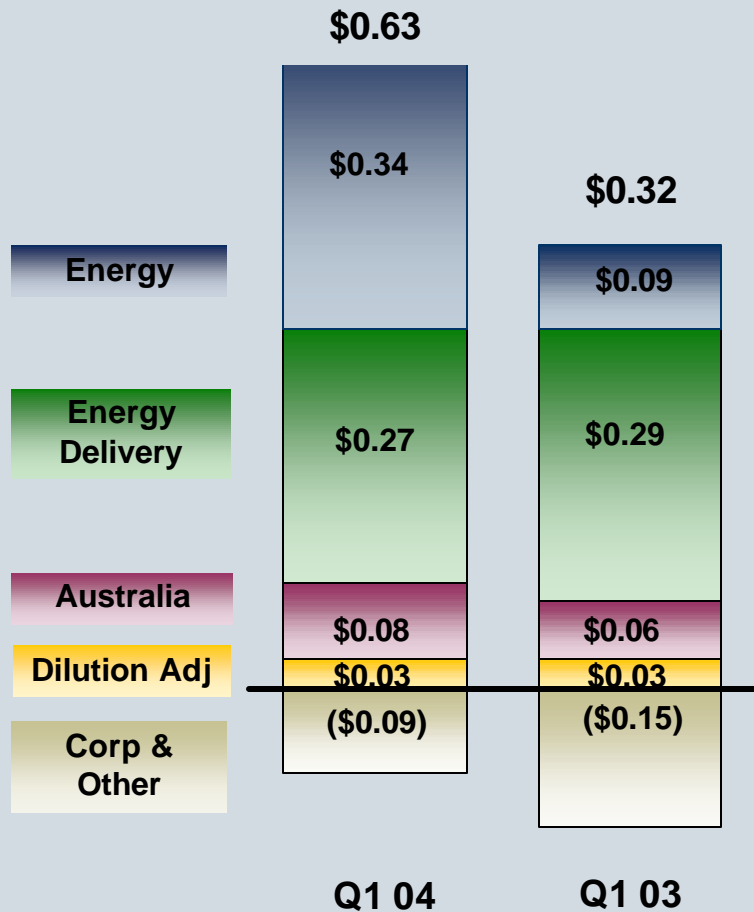


Earnings from Continuing Operations
Q1 04 vs. Q1 03; \$ per diluted share



Driven by TXU Energy's Performance...

Operational Earnings Contribution by Segment Q1 04 vs. Q1 03; \$ per diluted share

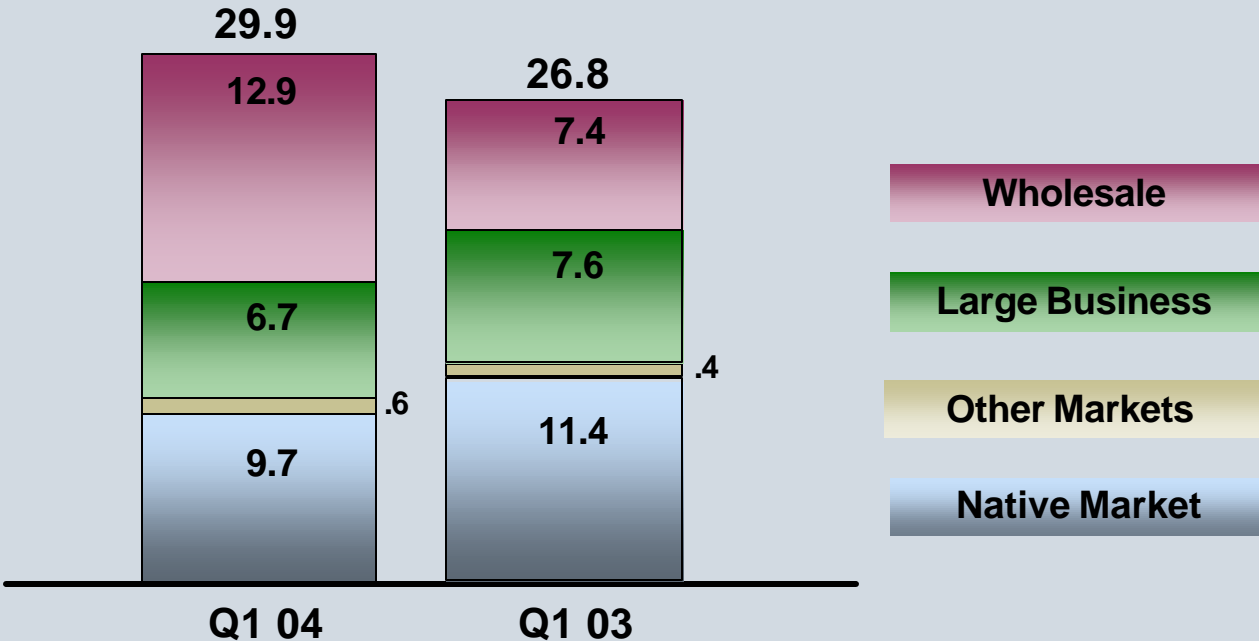


Quarter to quarter drivers:

- Energy: Higher sales prices, increased base load production and more effective supply sourcing partially offset by lower retail volumes
- Energy Delivery: Higher tariffs and lower interest expense at Electric Delivery offset by lower gas delivery margins due to milder weather
- Australia: Stronger Australian dollar;
- Corp & Other: Lower interest expense and telecommunications business classified as discontinued operations

With Sales Volume Growth Driven by Wholesale Sales

Sales Volumes by Line of Business
Q1 04 vs. Q1 03; TWh



Costs Reduced By Increased Solid Fuel Production...

Production and Purchased Power Volumes Q1 04 vs. Q1 03; GWh

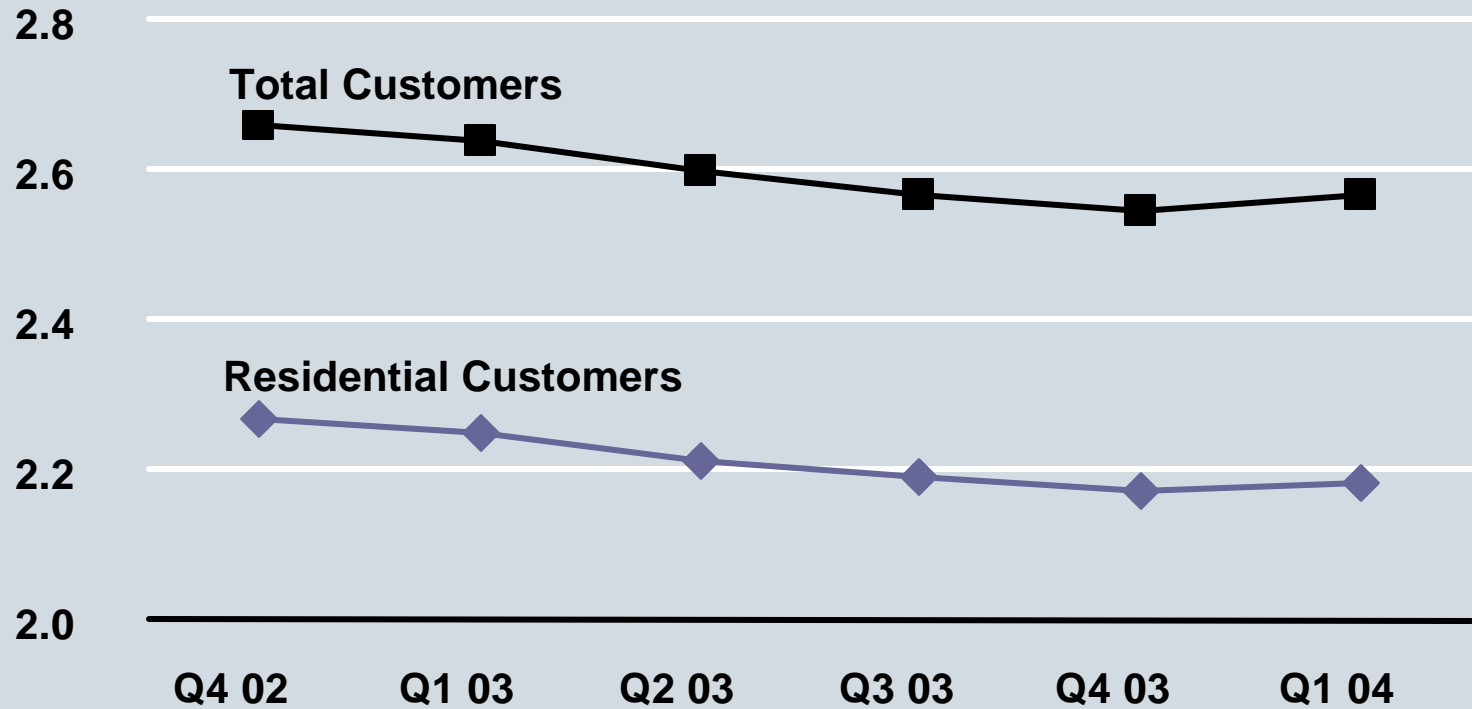
Source	Q1 04	Q1 03	% Change
Nuclear (base load)	4,854	4,740	2.4
Lignite/coal (base load)	10,203	8,687	17.5
Gas/oil	910	3,662	(75.2)
Purchased power	14,346	10,515	36.4
Total energy supply	30,313	27,604	9.8
Less line loss and other	437	755	(42.1)
Net energy supply	29,876	26,849	11.3

Fuel and Purchased Power Costs Q1 04 vs. Q1 03; \$/MWh

Cost Component	Q1 04	Q1 03	% Change
Nuclear generation	4.41	4.32	2.1
Lignite/coal generation	13.28	13.05	1.8
Gas/oil generation and purchased power	43.99	48.17	(8.7)
Average Total Electric Supply	27.32	29.59	(7.7)

And Customer Retention Up...

Customer Count (Based on Number of Meters)
Q4 02 - Q1 04; millions



Total customers down 3% Q1 04 vs Q1 03
Up 1% Q1 04 vs Q4 03

Cash Flows Remain Strong

Cash Provided By Operating Activities Q1 04 vs. Q1 03; \$millions

Source	Q1 04	Q1 03
Cash flows before changes in operating assets and liabilities	542	310
Changes in operating assets and liabilities	(74)	617
Cash provided by operating activities	468	927

Business Improvements Identified

Operational Earnings Outlook 04; \$millions

	Operational EPS
04 EPS after transactions/investments	2.09
Revenue Drivers	
Price-to-beat increase	0.24
Losses from hedging retail price positions	(0.21)
Lower projected retail sales in other markets	<u>(0.11)</u> (0.08)
Other Gross Margin Drivers	
Reduced cost of energy sold - increased base load plant production	0.07
Reduced cost of energy sold - more effective management of power supply costs	0.06
Lower depreciation expense	0.09
Lower operating costs from efficiency and other initiatives, primarily in generation operations	<u>0.09</u> 0.31
SG&A Drivers	
Lower business support costs from technology partnering and other productivity improvements	0.19
Reduced marketing and bad debt expense	0.08
Investment in customer care and support	<u>(0.03)</u> <u>0.24</u>
Net improvement initiatives	0.47
Incremental interest reduction	0.01
Contingency	(0.12) - (0.02)
04 operational earnings after transactions and improvements	2.45 - 2.55
Special items	(0.71)
04 income from continuing operations	1.74 – 1.84

Q&A

Discussion