

1601 Bryan Street
Dallas, Texas 75201-3411

TXU Reports Second Quarter Results; Raises Full Year 2004 Guidance

DALLAS – July 29, 2004 – TXU Corp. (NYSE: TXU) today reported consolidated results for the second quarter ended June 30, 2004.

- TXU Corp. reported a second quarter 2004 net loss available for common of \$600 million, \$1.87¹ per basic share of common stock, versus net income of \$105 million, \$0.31 per diluted share, for the prior year period.
- The reported earnings for the second quarter of 2004 include a charge to paid-in capital for the premium on repurchase of exchangeable preferred membership interests of \$849 million, \$2.52 per diluted share, income from discontinued operations of \$330 million, \$0.98 per diluted share, extraordinary gain of \$16 million, \$0.05 per diluted share, and net special items charges, primarily associated with the company's restructuring program, of \$263 million, \$0.78 per diluted share. Reported earnings for the second quarter of 2003 include a loss from discontinued operations of \$49 million, \$0.13 per diluted share. All amounts are after tax.
- Second quarter 2004 operational earnings² were \$166 million, \$0.50 per diluted share of common stock, versus \$154 million, \$0.44 per diluted share, for the prior year period, a 13.6% increase on a per share basis.
- The improvement in operational earnings was driven primarily by improved results from the Electric Delivery segment, reduced corporate costs, and reduced average diluted common shares, partially offset by a \$3 million (after tax), \$0.01 per share lower Energy segment contribution.
- The operational earnings outlook was raised to a range of \$2.55 to \$2.65 per diluted share for calendar year 2004, an increase of \$0.10 per share from the previous outlook of \$2.45 to \$2.55 per share.
- Improvements in customer service helped drive improved native North Texas market customer retention³ and total customer count has increased since year end.

“Our ongoing restructuring activities resulted in a number of significant unusual items that resulted in our reported loss. However, our core businesses produced another solid quarter as you can see in our operational earnings,” said C. John Wilder, TXU Corp.’s president and chief executive officer. “We have made good progress restructuring and revitalizing our business. We have significantly improved customer service with average seconds to answer customer calls improving to 12 in the month of June, which we believe contributed to a 33 percent improvement in North Texas customer retention. This year, our solid fuel production fleet has generated over 29 million MWh of electricity or a 4.6% improvement compared to the first half of 2003, even with the refueling of Unit 1 of our nuclear plant this year. We also successfully restored power to the more than 1 million end use customers who were affected by the worst storm in North Texas in over 100 years.”

Summary of Consolidated Results

For the second quarter ended June 30, 2004, TXU reported a net loss available for common of \$600 million, \$1.87 per share of common stock, which includes a loss from discontinued operations (detailed in Table 21), an extraordinary gain related to the adjustment of the securitized regulatory assets, a charge to paid-in capital related to the repurchase of exchangeable preferred membership interests, and preference stock dividends. For the prior year period, TXU reported net income available for common of \$105 million, \$0.31 per diluted share, which includes a loss on discontinued operations and preference stock dividends. Results from continuing operations for the second quarter of 2004 were a loss of \$92 million, \$0.29 per basic share (\$0.26 per diluted share), as compared to income of \$160 million, \$0.45 per diluted share for the prior year period.

Operational earnings, which exclude special items as detailed in Table 3, were \$166 million, \$0.50 per diluted share in the second quarter 2004 as compared to \$154 million, \$0.44 per diluted share in the prior year period, a 13.6 percent increase.

¹ Because the loss per basic share is greater than the loss per diluted share, basic earnings per share are reported.

² Operational earnings is a non-GAAP measure adjusting for special items. See Attachment 1: Financial Definitions for a detailed definition of operational earnings and other GAAP and Non-GAAP financial measures used in this release.

³ Native market customer retention is defined as the change in the number of residential customers from first quarter to second quarter 2004 as compared to the change in the same period in 2003.

For the six month (year-to-date) period ended June 30, 2004, TXU reported a net loss available for common of \$423 million, \$1.32 per basic share of common stock, as compared to net income available for common of \$145 million, \$0.45 per diluted share, in the prior year period. Year-to-date income from continuing operations was \$41 million, \$0.17 per diluted share, as compared to \$194 million, \$0.58 per diluted share, in the prior year period.

Year-to-date 2004 operational earnings were \$318 million, \$0.94 per diluted share, as compared to \$183 million, \$0.55 per diluted share, in the prior year period, a 70.9 percent increase. Major drivers of operational earnings are described below in Table 4.

Table 1: Recent Highlights

Date	Highlight
05-07	Repurchased \$423 million principal amount of equity-linked securities for \$404 million, eliminating the potential issuance of 9.3 million shares of equity in 2004 and 2005 and settling a related lawsuit.
05-13	Received approval from the Public Utility Commission of Texas (PUC) for an increase in the company's electricity price to beat rates, resulting from natural gas price increases.
05-18	<p>Announced the highlights of its business plan and transactions to assist in the achievement of the plan, including:</p> <ul style="list-style-type: none"> • Initiatives to improve customer service, electric delivery and production reliability and operational performance. • Formation of Capgemini Energy LP, an information technology and business services collaboration, which will enable the TXU system of companies to provide better customer service, improve competitiveness, and reduce operating costs. • Memorandum of Understanding with Credit Suisse First Boston for a 50/50 investment to form a national energy trading entity, which is expected to be operational by Fall 2004. The agreement will allow TXU Energy to reduce risk by limiting its aggregate exposure to the marketing and trading business. • Review of strategic operations for the Comanche Peak nuclear power generation plant to create efficiencies, minimize financial exposure, and improve certainty of electricity supply. • Introduction of a new executive management team to lead a reorganized and streamlined organization.
06-01	Began successfully battling the worst storm outages in its 100-year history, ultimately restoring power to more than 1.3 million customers.
06-02	Completed the sale of TXU Fuel Company for \$500 million, using the proceeds to retire short-term debt.
06-07	Issued \$790 million of transition bonds, completing the second of two issuances, totaling \$1.29 billion, related to the recovery of regulatory assets and other qualified costs. The net proceeds were applied toward retiring debt and equity of TXU Electric Delivery Company.
06-17	Announced the signing of a definitive agreement to sell TXU Gas for \$1.925 billion in cash.
06-25	Refinanced \$2.25 billion of bank facilities scheduled to mature in 2005. The new bank facilities, which total \$2.5 billion, will be used for working capital, letters of credit, and other general corporate purposes.
06-30	Repurchased 20 million shares of its outstanding common stock through an accelerated share repurchase agreement with the potential to use the shares to offset the shares that would be issued under equity-linked securities. TXU Corp. also repurchased approximately 4.3 million shares of its outstanding common stock in May and approximately 1.5 million shares at the end of June and early July.
07-01	Began operations of Capgemini Energy LP.
07-21	Announced the receipt of regulatory approval for the sale of TXU Australia to Singapore Power for an enterprise value of approximately \$3.72 billion. The sale is expected to close on July 30 in Australia.
07-28	Received approval from the Public Utility Commission of Texas (PUC) for an increase in the company's electricity price to beat rates, resulting from continued increases in natural gas prices. The TXU Energy companies' price to beat prices remain the lowest in the state and will not change again in 2004.

Teleconference

TXU will host a teleconference with financial analysts to discuss second quarter results at 10:00 AM CDT (11:00 AM EDT) today. The telephone numbers are 800-309-0343 in the United States and Canada and 706-634-7057 internationally, with confirmation code 8657750. **The teleconference will be web cast live on the TXU web site at www.txucorp.com for all interested parties.**

Consolidated Results – Additional Details

Provided below in Table 2 are additional details which support the summary of consolidated results previously disclosed in the opening paragraph and reconcile reported net income (loss) available for common stock per basic share and per diluted share to operational earnings per diluted share for the second quarter and year-to-date periods ended June 30, 2004 and 2003. Table 3 provides additional details regarding the special items that are excluded from operational earnings.

Table 2: Regulation G: Reconciliation of Operational Earnings to Reported Net Income Q2 04 vs. Q2 03, YTD 04 vs. YTD 03; \$ per diluted share⁴ (except as noted) after tax

Factor	Q2 04	Q2 03	YTD 04	YTD 03
Net income (loss) available for common stock, basic	(1.87)	0.33	(1.32)	0.45
Dilution adjustment	0.10	(0.02)	0.19	-
Net income (loss) to common adjusted for dilution	(1.77)	0.31	(1.13)	0.45
Income (loss) from discontinued operations ⁵	0.98	(0.13)	1.06	0.05
Extraordinary income	0.05	-	0.04	-
Cum. effect of changes in accounting principles	-	-	-	(0.15)
Premium on exchangeable preferred repurchase	(2.52)	-	(2.37)	-
Preference stock dividends	(0.02)	(0.01)	(0.03)	(0.03)
Income (loss) from continuing operations	(0.26)	0.45	0.17	0.58
Preference stock dividends	(0.02)	(0.01)	(0.03)	(0.03)
Special items	(0.78)	-	(0.80)	-
Operational earnings, diluted	0.50	0.44	0.94	0.55

In April 2004, TXU Corp. repurchased TXU Energy Company LLC's exchangeable preferred membership interests with a liquidation amount of \$750 million for \$1.855 billion (including transaction costs). The excess of the purchase price over the carrying value of the securities, net of income tax benefits recorded as a deferred tax asset, was recorded as a charge to additional paid-in capital in the amount of \$849 million.

Special items in the second quarter and year-to-date 2004 periods primarily relate to the company's major restructuring and operational improvement program. Because of the nature and significance of these items, presentation of results after adjustment for the items allows for a more meaningful analysis of the underlying performance of the business. The special items include: severance-related charges and software project write-offs related to the business services outsourcing partnership, other severance-related charges arising from organizational realignments, a write-down of spare parts inventories for excess items on hand, impairments of generation-related assets due to closures, debt retirement expenses associated with the company's liability management program, one-time compensation expenses and a litigation accrual for the potential settlement of certain cases. Special items also include the benefit of a reduction in tax reserves associated with the 2002 write-off of the TXU Europe investment. Table 3 shows the impact of special items in the quarter and year-to-date 2004 periods.

⁴ Diluted earnings per share are based upon average shares of common stock outstanding of 337 million shares and 358 million shares, respectively, for the second quarter and year-to-date 2004 as compared to 378 million shares for the prior year periods. For the diluted calculation, \$4 million and \$13 million are added to net income available to common stock for the second quarter 2004 and 2003, respectively, and \$18 million and \$26 million are added to net income available to common stock for the year-to-date 2004 and 2003 periods, respectively. These amounts represent the after tax interest expense on the preferred membership interests, which were repurchased on April 26, 2004. Because the loss per basic share is greater than the loss per diluted share, basic earnings per share for the second quarter and year-to-date 2004 are reported per GAAP.

⁵ See Table 21 for details of discontinued operations.

Table 3: Description of Special Items
Q2 04 and YTD 04; \$millions and \$ per diluted share after tax

Special Item	Earnings Category	Q2 04		YTD 04		YTD 04 Cash	YTD 04 Non-Cash ⁶
Energy segment:							
Software projects write-off	Other deductions	70	0.21	70	0.20	-	70
Severance charges	Other deductions	48	0.14	59	0.16	10	49
Inventory/gas plant write-downs	Other deductions	51	0.15	51	0.14	-	51
Electric Delivery segment:							
Severance/other charges	Other deductions	13	0.04	13	0.04	-	13
Corporate and Other:							
One-time compensation expense	SG&A	37	0.11	51	0.14	51	-
Transaction professional fees	SG&A	12	0.03	12	0.03	12	-
Litigation settlement reserve	Other deductions	65	0.19	65	0.18	-	65
Liability management expense	Other deductions	39	0.12	39	0.11	35	4
Severance charges	Other deductions	3	0.01	3	0.01	-	3
Income tax benefit	Income tax	(75)	(0.22)	(75)	(0.21)	-	(75)
Total		263	0.78	288	0.80	108	180

Operational Earnings Reconciliation

Table 4 provides a consolidated summary of major drivers of operational earnings per diluted share. A more detailed discussion of contributions and drivers by segment is provided in Business Segment Results.

Table 4: Consolidated - Operational Earnings Reconciliation
Q2 04 vs. Q2 03 and YTD 04 vs. YTD 03; \$ per diluted share

Earnings Factor	QTR	YTD
Q2 03 operational earnings	0.44	0.55
Contribution margin:		
Energy segment	0.09	0.43
Electric Delivery segment	0.09	0.13
Operating costs	(0.11)	(0.08)
Depreciation and amortization	(0.03)	(0.04)
SG&A	(0.08)	(0.09)
Franchise and revenue based taxes	0.02	0.05
Other income and deductions	(0.01)	0.04
Net interest	0.06	0.09
Income taxes	-	(0.17)
Effect of reduced shares	0.03	0.03
Q2 04 operational earnings	0.50	0.94

Operational earnings per diluted share were \$0.50, up 13.6 percent from \$0.44 in the second quarter of 2003. The increase was driven by a \$0.02 improvement in operational earnings from the Electric Delivery segment, partially offset by a \$0.01 lower contribution from the Energy segment, and a \$0.02 reduction in Corporate costs. A reduction in average diluted shares outstanding also contributed to the improved operational earnings per share. The decrease in diluted shares was due to repurchase of preferred membership interests in April and approximately 4.3 million shares of common stock in May. The company also repurchased approximately 21.5 million shares in late June and early July through an accelerated 20 million share repurchase agreement and open market purchases. Year-to-date

operational earnings per diluted share increased by \$0.39 over the prior year period as a result of a \$0.20 increase in operational earnings from the Energy segment, a \$0.03 increase from the Electric Delivery segment, a \$0.13 reduction in Corporate costs, and the reduction in average shares. A more detailed review of variances by segment is provided below.

Cash Flows and Other Financial Measures

Cash provided by operating activities for the six months ended June 30, 2004 was \$487 million, a decrease of \$751 million from the prior year period. The decrease primarily reflects the receipt of a \$616 million tax refund in 2003 and the improved working capital in the prior year period reflecting the reduction in billing delays experienced during the transition to competition in 2002. Cash provided by operating activities before changes in operating assets and liabilities increased by \$56 million over the prior year period.

⁶ While these items are reflected in earnings for the current period, the cash impact of those items which are cash will be realized in future quarters. These items are considered non-cash for the current period. Severances, which are cash events, were accrued in Q2. However, the majority of severance payments will be made in Q3. Timing of the cash settlement of the litigation reserve is not known at this time.

Table 5 provides a summary of consolidated common stock and return measures.

Table 5: Consolidated - Return Statistics
Periods ended 6/30/04 and 6/30/03; mixed measures

Statistic	6/30/04	6/30/03	% Change
Common stock data:			
Book value per share-end of period	13.66	15.40	(11.3)
Basic shares outstanding-end of period (millions)	297	322	(7.8)
Return on average common stock equity – based on net income (%)	(0.2)	(89.6)	99.8
Return on average common stock equity – based on operational earnings (%)	13.1	11.3	16.0
Return on average invested capital – based on net income (%)	7.1	(22.2)	-
Return on average invested capital – based on operational earnings (%)	6.2	5.8	6.9

Table 6 represents available liquidity (cash and available credit facility capacity) as of July 23, 2004 and December 31, 2003. TXU plans to maintain minimum available liquidity of \$1.5 billion throughout 2004.

Table 6: Consolidated – Liquidity, Excluding Australia
Available amounts as of 7/23/04 and 12/31/03; \$millions

Liquidity Component	Borrower	Maturity	7/23/04	12/31/03
Cash and cash equivalents			245	829
\$1.4 billion credit facility	TXU Energy Co./TXU Electric Delivery Co.	June 07	935	-
\$600 million credit facility	TXU Energy Co./TXU Electric Delivery Co.	June 05	475	-
\$500 million credit facility	TXU Energy Co./TXU Electric Delivery Co.	June 09	335	-
\$500 million credit facility	TXU Corp.	August 08	39	78
\$700 million term facility ⁷	TXU Corp.	April 05	-	-
\$200 million term facility ⁶	TXU Energy Co.	April 05	-	-
\$300 million term facility ⁶	TXU Gas	April 05	-	-
Terminated facilities			-	2,206
Total liquidity			2,029	3,113

Table 7 shows the company's capitalization and credit ratios. Capitalization is shown as reported on the balance sheet and excluding securitization bonds (\$1.282 billion at June 30, 2004 and \$500 million at December 31, 2003) to reflect the off-credit treatment in credit reviews. The temporary increase in debt to total capital reflects the company's liability management activities, including the repurchase of approximately \$2.3 billion principal amount of debt, preferred and equity-linked securities, related premiums and litigation settlements on those repurchases, and the repurchase of approximately \$1 billion of common stock, all of which were funded substantially by short-term debt, including the bridge facilities used to repurchase the exchangeable preferred membership interests, that are expected to be repaid with proceeds from the sales of TXU Australia and TXU Gas.

⁷ Facilities to be repaid upon close of TXU Australia sale. Amounts for TXU Energy Company facility reflect repayments and reduction of facility capacity of \$800 million in July 2004.

Table7: Consolidated - Financial Flexibility Measures
Periods ended 6/30/04 and 12/31/03; mixed measures

Financial Flexibility Measure	Q2 04	Capitalization Ratio (%)	Q4 03	Capitalization Ratio (%)
Capitalization (\$millions) and capitalization ratios (end of period):				
Notes payable and long-term debt due currently	3,209	17.4	678	3.7
Long-term debt	10,772	58.4	11,154	60.2
Exchangeable preferred membership interest (net of discount)	-	-	646	3.5
Preferred stock of subsidiaries	113	0.6	113	0.6
Total debt	14,094	76.4	12,591	68.0
Preference stock	300	1.6	300	1.6
Common stock equity	4,056	22.0	5,619	30.4
Total capitalization	18,450	100.0	18,510	100.0
Total debt less transition bonds				
Total debt less transition bonds	12,812	74.6	12,091	67.1
Preference stock	300	1.8	300	1.7
Common stock equity	4,056	23.6	5,619	31.2
Total	17,168	100.0	18,010	100.0
Twelve months ended:				
Interest coverage	2.9	-	3.0	-
Debt coverage ratio (%)	16	-	20	-

Business Segment Results

The following is a discussion of operational earnings by business segment. Table 8 shows the components of the change in operational earnings and contributions by segment for the quarter and six months ended June 30, 2004.

Table 8: Consolidated - Reconciliation of Operational Earnings, Contributions by Segment⁸
Q2 03 to Q2 04 and YTD 03 to YTD 04; \$ per diluted share after tax

Earnings Factor	04 Contribution	Change vs. 03	Impact
Operational earnings - Q2 03			0.44
Energy segment	0.40	(0.01)	
Electric Delivery segment	0.16	0.02	
Corporate and Other	(0.09)	0.02	
Effect of change in shares and dilution adjustment		0.03	0.06
Operational earnings Q2 04			0.50
Operational earnings - YTD 03			0.55
Energy segment	0.74	0.24	
Electric Delivery segment	0.33	0.03	
Corporate and Other	(0.16)	0.09	
Effect of change in shares and dilution adjustment		0.03	0.39
Operational earnings YTD 04			0.94

Energy Segment

TXU's Energy segment consists of the electricity generation and retail and wholesale energy sales and portfolio management operations of TXU Energy Company LLC, principally in the competitive Texas market. TXU Corp. expects to split the Energy segment into TXU Power and TXU Energy for reporting purposes in the first quarter of 2005.

In the second quarter of 2004, the Energy segment reported a loss from continuing operations of \$0.05 per share as compared to income from continuing operations of \$0.41 per share in the second quarter of 2003. Excluding special items of \$0.50 per share, operational earnings in the second quarter of 2004 were \$0.45 per share. Excluding the effect of lower average diluted shares, the Energy segment results declined by \$0.01 per share.

Table 9 reconciles the change in operational earnings from the 2003 to 2004 for the quarter ended and year-to-date periods.

⁸ Segment contributions are based upon prior period average outstanding diluted shares of 378 million.

**Table 9: Energy Segment - Operational Earnings Reconciliation
Q2 04 vs. Q2 03 and YTD 04 vs. YTD 03; \$ per diluted share**

Earnings Factor	QTR	YTD
Q2 03 operational earnings	0.41	0.50
Contribution margin	0.09	0.43
Operating costs	(0.10)	(0.07)
Depreciation and amortization	0.02	0.06
SG&A	(0.03)	(0.03)
Other income and deductions	(0.02)	(0.03)
Net interest	-	(0.01)
Income taxes	0.03	(0.11)
Effect of reduced shares	0.05	0.04
Q2 04 operational earnings	0.45	0.78

The increase in contribution margin for the quarter reflects higher retail and wholesale prices, increased coal-fired generation and more effective sourcing of purchased power versus gas-fired generation. These were partially offset by decreased retail sales volumes, lower revenues from hedging and risk management activities, incremental power replacement costs (approximately \$15 million) due to the nuclear refueling, and increased average wires charges. The increase in operating costs of \$37 million was primarily due to the incremental \$22 million of the cost of the refueling of Unit 1 of the company's nuclear generation station, increased utilization rates at the

base load plants and timing of other costs. The reduction in depreciation and amortization expense was primarily due to the extensions at the beginning of the year of estimated average depreciable lives of nuclear and lignite generation facilities assets, somewhat offset by the effect of higher estimated asset retirement obligations. An increase in SG&A expenses of \$14 million was primarily due to \$11 million in increased costs to improve customer service and \$10 million in deferred and incentive compensation expenses associated with the increased TXU Corp. common stock price, partially offset by benefits of cost reduction efforts, and a \$2 million decrease in bad debt expense. Total incremental purchased power and operating costs due to the nuclear refueling were approximately \$37 million or \$0.06 per diluted share.

For year-to-date 2004, the Energy segment operational earnings per share increased by \$0.24 as compared to year-to-date 2003, excluding the lower average diluted shares effect. The major drivers of improvement for the year-to-date period are the same as for the quarter.

Tables 10a and 10b provide details of operating revenues for the Energy segment for the second quarter of 2004 as compared to the second quarter of 2003, and year-to-date 2004 as compared to year-to-date 2003, respectively.

Hedging and risk management revenues decreased \$41 million and \$132 million for the quarter and year-to-date periods ended June 30, 2004 versus comparable 2003 periods. The majority (\$31 million) of the quarter variance and \$48 million of the year-to-date decrease relates to more price movement on the economic hedging positions in 2003 than in 2004. Included in the 2003 year-to-date period is \$41 million primarily due to margins on sales of gas from storage; the 2003 year-to-date period also included an \$18 million favorable settlement with a counterparty and \$8 million more gains related to roll off of large business contracts that are no longer marked to market. Because hedging activities are intended to mitigate the risk of commodity price movements on revenues and cost of energy sold, the changes in such results should not be viewed in isolation, but rather taken together with the effects of pricing and cost changes on margins.

For other revenues (and other cost of energy sold in Tables 11a and 11b), \$41 million of the quarter 2004 versus quarter 2003 increase and \$87 million of the increase for the year-to-date 2004 over 2003 are due to a change in accounting rules, whereby revenues and cost of sales of natural gas to business customers have been reported gross since October 1, 2003 (previously, they were netted).

**Table 10a: Energy Segment – Operating Revenues
Q2 04 and Q2 03; \$millions**

Operating Revenue Component	Q2 04	Q2 03	%Change
Retail electricity revenues: ⁹			
Native market:			
Residential	750	768	(2.3)
Small business	258	339	(23.9)
Total native market	1,008	1,107	(8.9)
Other markets:			
Residential	72	40	80.0
Small business	8	5	60.0
Total other markets	80	45	77.4
Large business	455	488	(6.8)
Total retail electricity revenues	1,543	1,640	(5.9)
Wholesale electricity revenues	476	279	70.6
Hedging and risk management activities:			
Net unrealized mark to market gains/(losses) ¹⁰	(13)	64	-
Realized gains (losses)	24	(12)	-
Total	11	52	(78.8)
Other revenues	85	45	88.9
Total operating revenues	2,115	2,016	4.9

**Table 10b: Energy Segment – Operating Revenues
YTD 04 and YTD 03; \$millions**

Operating Revenue Component	YTD 04	YTD 03	%Change
Retail electricity revenues: ⁹			
Native market:			
Residential	1,400	1,421	(1.5)
Small business	514	633	(18.8)
Total native market	1,914	2,054	(6.9)
Other markets:			
Residential	115	71	62.0
Small business	14	11	27.3
Total other markets	129	82	57.3
Large business	908	936	(3.1)
Total retail electricity revenues	2,951	3,072	(3.9)
Wholesale electricity revenues	942	515	82.9
Hedging and risk management activities:			
Net unrealized mark to market gains/(losses) ¹⁰	(31)	47	-
Realized gains (losses)	34	88	(61.4)
Total	3	135	(97.8)
Other revenues	176	84	-
Total operating revenues	4,072	3,806	7.0

Tables 11a and 11b provide details of the Energy segment cost of energy sold and delivery fees for the second quarter of 2004 as compared to the second quarter of 2003, and year-to-date 2004 as compared to year-to-date 2003, respectively.

⁹ Breakout of native and other markets are estimates and only provided for reference. The company is currently refining its systems to more precisely report this data.

¹⁰ Q2 04 and YTD 04 include \$5 million and \$17 million, respectively, of ineffectiveness losses related to cash flow hedges. There were no ineffectiveness gains or losses related to cash flow hedges for the 2003 comparable periods.

**Table 11a: Energy Segment – Cost of Energy Sold and Delivery Fees
Q2 04 and Q2 03; \$ millions**

Cost Component	Q2 04	Q2 03	%Change
Nuclear (base load)	17	19	(10.5)
Lignite/coal (base load)	116	122	(4.9)
Gas/oil and purchased power	785	756	3.8
Other cost of energy sold	60	11	-
Cost of energy sold	978	908	7.7
Delivery fees	370	374	(1.1)
Cost of energy sold and delivery fees	1,348	1,282	5.1

**Table 11b: Energy Segment – Cost of Energy Sold and Delivery Fees
YTD 04 and YTD 03; \$ millions**

Cost Component	YTD 04	YTD 03	%Change
Nuclear (base load)	38	40	(5.0)
Lignite/coal (base load)	242	232	4.3
Gas/oil and purchased power	1,450	1,437	0.9
Other cost of energy sold	119	31	-
Cost of energy sold	1,849	1,740	6.3
Delivery fees	754	758	(0.5)
Cost of energy sold and delivery fees	2,603	2,498	4.2

Tables 12a and 12b provide quarterly and year-to-date comparison of the Energy segment generation and supply operating statistics that depict the benefit of increased coal-fired generation, more effective sourcing of purchased power versus gas-fired generation and decreased fuel and purchased power costs resulting from increased operating performance. The decline in nuclear-fired generation was primarily the result of a planned 38 day refueling outage of Comanche Peak Unit 1 in the second quarter of 2004 as compared to an unplanned outage of approximately 17 days in the second quarter of 2003.

**Table 12a: Energy Segment – Generation and Supply Statistics
Q2 04 and Q2 03; mixed measures**

Generation and Supply Statistic	Q2 04	Q2 03	%Change
Production and purchased power (GWh):			
Nuclear (base load)	3,992	4,413	(9.5)
Lignite/coal (base load)	10,223	10,144	0.8
Gas/oil	1,401	4,160	(66.3)
Purchased power	15,237	11,367	34.0
Total energy supply	30,853	30,084	2.6
Less line loss and other	1,182	1,943	(39.2)
Net energy supply	29,671	28,141	5.4
Base load capacity factors (%):			
Nuclear	79.5	88.1	(9.8)
Lignite/coal	83.9	83.0	1.1
Fuel and Purchased Power Costs (\$/MWh):			
Nuclear generation	4.25	4.35	(2.3)
Lignite/coal generation	12.35	12.84	(3.8)
Gas/Oil generation and purchased power	47.17	48.68	(3.1)
Average total electricity supply	30.08	30.09	-
ERCOT MCPE – median North zone on peak (\$/MWh) ¹¹	46.78	45.27	3.3
Henry Hub – average monthly settlement gas prices (\$/MMBtu)	5.90	5.22	13.0
NYMEX – 12 month strip average gas prices (\$/MMBtu)	6.30	5.45	15.6

¹¹ MCPE is Market Clearing Price of Energy in ERCOT. Prices are quoted by zone and most of TXU Energy's generation capacity and customers are in the North zone.

Table 12b: Energy Segment – Generation and Supply Statistics
YTD 04 and YTD 03; mixed measures

Generation and Supply Statistic	YTD 04	YTD 03	%Change
Production and purchased power (GWh):			
Nuclear (base load)	8,845	9,153	(3.4)
Lignite/coal (base load)	20,426	18,831	8.5
Gas/oil	2,311	7,822	(70.5)
Purchased power	29,469	21,863	34.8
Total energy supply	61,051	57,669	5.9
Less line loss and other	1,887	2,724	(30.7)
Net energy supply	59,164	54,945	7.7
Base load capacity factors (%):			
Nuclear	88.3	91.7	(3.7)
Lignite/coal	83.8	78.1	7.3
Fuel and Purchased Power Costs (\$/MWh):			
Nuclear generation	4.34	4.33	0.2
Lignite/coal generation	12.81	12.94	(1.0)
Gas/Oil generation and purchased power	45.60	48.41	(5.8)
Average total electricity supply	28.66	29.83	(3.9)
ERCOT MCPE – median North zone on peak (\$/MWh) ¹¹	42.19	45.04	(6.3)
Henry Hub – average monthly settlement gas prices (\$/MMBtu)	5.82	5.99	(2.8)
NYMEX – 12 month strip average gas prices (\$/MMBtu)	5.91	5.59	5.7

Tables 13a and 13b summarize the Energy segment retail and wholesale sales volumes. Tables 14a and 14b provide the Energy segment retail operating statistics.

The decrease in retail sales volumes is predominantly due to a decrease in customers and related business load in the competitive market, primarily in the second half of 2003, and milder weather and storm-related outages in the second quarter of 2004. The decrease in average customer volumes in the residential segment is due primarily to milder weather and storm-related outages while the decrease in the small business segment is affected by milder weather and loss of larger small business customers, predominantly in the second half of 2003. Total electricity sales increased by 5.4 percent as a result of increased wholesale sales, partially due to new congestion zones, which resulted in the sale of additional power to third parties in the Northeast zone and purchase of additional power from third parties in the North zone. As a result of improved customer and differentiated service, lower retail margins, focusing on winning back customers previously lost, and other product offerings such as summary billing, the Energy segment has reversed the trends of late 2003 and increased its total customer count by 24 thousand, 0.9%, since the end of 2003, as shown in Table 15 below.

Table 13a: Energy Segment – Retail and Wholesale Sales Volumes
Q2 04 and Q2 03; GWh

Volume Component	Q2 04	Q2 03	%Change
Retail electricity sales ⁹ :			
Native market:			
Residential	7,367	8,080	(8.8)
Small business	2,542	3,321	(23.5)
Total native market	9,909	11,401	(13.1)
Other markets:			
Residential	731	437	67.3
Small business	89	77	15.6
Total other markets	820	514	59.5
Large business	6,771	7,889	(14.2)
Total retail electricity sales	17,500	19,804	(11.6)
Wholesale electricity sales	12,171	8,337	46.0
Total electricity sales	29,671	28,141	5.4

**Table 13b: Energy Segment – Retail and Wholesale Sales Volumes
YTD 04 and YTD 03; GWh**

Volume Component	YTD 04	YTD 03	%Change
Retail electricity sales ⁹ :			
Native market:			
Residential	14,486	16,250	(10.9)
Small business	5,075	6,565	(22.7)
Total native market	19,561	22,815	(14.3)
Other markets:			
Residential	1,249	799	56.3
Small business	150	148	1.4
Total other markets	1,399	947	47.7
Large business	13,480	15,440	(12.7)
Total retail electricity sales	34,440	39,202	(12.1)
Wholesale electricity sales	24,724	15,743	57.0
Total electricity sales	59,164	54,945	7.7

**Table 14a: Energy Segment – Retail Operating Statistics
Q2 04 and Q2 03; mixed measures**

Retail Operating Statistic	Q2 04	Q2 03	%Change
Retail electricity customers ⁹ (end of period; thousands; # of meters):			
Native market:			
Residential	2,037	2,139	(4.8)
Small business	318	324	(1.9)
Total native market	2,355	2,463	(4.4)
Other markets:			
Residential	183	109	67.9
Small business	6	4	50.0
Total other markets	189	113	67.3
Total:			
Residential	2,220	2,248	(1.3)
Small business	324	328	(1.2)
Large business	77	73	5.5
Total retail electricity customers	2,621	2,649	(1.1)
Average volume(KWh)/customer (using average customers):			
Residential	3,649	3,748	(2.6)
Small business	8,161	10,342	(21.1)
Large business	87,380	106,038	(17.6)
Average revenue (\$/MWh):			
Residential	101.53	94.77	7.1
Small business	101.28	101.37	(0.1)
Large business	67.14	61.84	8.6
Average wires charge (\$/MWh)	20.86	17.90	16.5
Estimated share of market (%) ¹² :			
Native market:			
Residential	85	91	(6.6)
Small business	79	85	(7.1)
Total ERCOT:			
Residential	45	47	(4.3)
Small business	32	34	(5.9)
Large business	35	39	(10.3)

¹² Estimated market share for residential and small and medium business is based on the number of customers in the native market and the number of customers in ERCOT that have choice. Estimated market share for large business is based on the annualized consumption for this overall market within ERCOT.

Table 14b: Energy Segment – Retail Operating Statistics
YTD 04 and YTD 03; mixed measures

Retail Operating Statistic	YTD 04	YTD 03	%Change
Average volume (KWh)/customer (using average customers):			
Residential	7,108	7,456	(4.7)
Small business	16,222	20,272	(20.0)
Large business	184,108	204,454	(10.0)
Average revenue (\$/MWh):			
Residential	96.27	87.45	10.1
Small business	101.06	95.97	5.3
Large business	67.33	60.64	11.0
Average wires charge (\$/MWh)	21.59	18.83	14.7

Table 15 provides Energy segment retail customer counts as of June 30, 2004 as compared to December 31, 2003.

Table 15: Energy Segment – Retail Customer Counts
Q2 04 and Q4 03; end of period, thousands, # of meters

Statistic	Q2 04	Q4 03	%Change
Retail electricity customers ⁹ :			
Native market:			
Residential	2,037	2,059	(1.1)
Small business	318	317	0.3
Total native market	2,355	2,376	(0.9)
Other markets:			
Residential	183	148	23.6
Small business	6	4	50.0
Total other markets	189	152	24.3
Total:			
Residential	2,220	2,207	0.6
Small business	324	321	0.9
Large business	77	69	11.6
Total retail customers	2,621	2,597	0.9

Table 16 presents the unrealized mark-to-market balance at June 30, 2004, scheduled by contractual settlement dates of the underlying positions. The unrealized net mark-to-market balances will be realized within three years. This is reflective of the terms of the positions and the methods employed in valuing positions for periods where there is less market liquidity and visibility.

Table 16: Energy Segment – Maturity Dates of Unrealized Net Mark-to-Market Balances
06/30/04; \$millions unless noted

Source of Fair Value	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years	Total
Prices actively quoted	90	-	-	-	90
Prices provided by other external sources	(36)	44	-	(2)	6
Prices based on models	11	-	-	-	11
Total	65	44	-	(2)	107
Percentage (%) of total fair value	61	41	-	(2)	100

Table 17 summarizes the changes in commodity contract assets and liabilities for the six months ended June 30, 2004. The net change in these assets and liabilities, excluding “other activity” as described below, represents the net effect of recording unrealized gains/(losses) under mark-to-market accounting for positions in the commodity contract portfolio. These positions consist largely of economic hedge transactions, with speculative trading representing a small fraction of the activity.

Table 17: Energy Segment - Changes in Commodity Contract Assets and Liabilities
YTD 04; \$millions

Change Component	Impact
Balance of net commodity contract assets -- beginning of period	108
Settlements of positions included in the opening balance ¹³	(39)
Unrealized mark-to-market valuations of positions held at end of period	25
Other activity ¹⁴	(7)
Balance of net commodity contract assets -- end of period	87

Electric Delivery Segment

TXU's Electric Delivery segment reported income from continuing operations of \$0.14 per diluted share in the second quarter of 2004, compared to \$0.14 per diluted share in the second quarter of 2003. Excluding special items of \$0.04, the Electric Delivery segment reported operational earnings of \$0.18 per diluted share.

Table 18 reconciles the change in operational earnings from the 2003 to 2004 periods.

Table 18: Electric Delivery Segment - Operational Earnings Reconciliation
Q2 04 vs. Q2 03 and YTD 04 vs. YTD 03; \$ per diluted share

Earnings Factor	QTR	YTD
Q2 03 operational earnings	0.14	0.30
Contribution margin	0.09	0.13
Operating costs	(0.01)	(0.01)
Depreciation and amortization	(0.04)	(0.09)
SG&A	(0.01)	(0.01)
Franchise and revenue based taxes	-	0.01
Net interest	0.01	0.02
Income taxes	(0.02)	(0.02)
Effect of reduced shares	0.02	0.02
Q2 04 operational earnings	0.18	0.35

The \$0.02 per share additional contribution from the Electric Delivery segment, excluding the \$0.02 per share benefit of reduced average diluted shares, was primarily due to increased revenues due to higher transmission tariffs as a result of increased transmission investment. The increase in contribution margin (revenues) for the quarter also reflects transition charges under tariffs to service securitization bonds and increased 3rd party transmission cost recovery tariff revenues, both of which have associated costs. The increase in operating costs primarily reflects costs for which there are associated revenues. The increase in

depreciation and amortization expense was primarily due to \$14 million of amortization of securitization bonds issued in August 2003 for which there are associated revenues, and increased investment. The increase in SG&A expenses was primarily due to increased deferred and incentive compensation expenses associated with the increased TXU Corp. common stock price. Net interest expense declined primarily due to lower interest rates on long term debt.

Year-to-date Electric Delivery segment operational earnings per share increased by \$0.03 over the 2003 period, excluding the effect of lower share count. The drivers of the year-to-date improvement were the same as for the quarter.

In June 2004, TXU Electric Delivery safely and successfully restored power to over 1 million end use customers who lost service due to the worst storm in 100 years. The cost of the storm damage repairs was approximately \$25 million, which was charged to a regulatory reserve.

TXU Corp. announced on June 17, 2004, the sale of TXU Gas's business to Dallas-based Atmos Energy for \$1.925 billion. Beginning in the second quarter, TXU Gas Company's financial results, including the first and second quarters on a retroactive basis, are reported as discontinued operations.

Electric Delivery segment revenues increased \$32 million compared to the second quarter of 2003 primarily due to \$14 million increase from new transition charges associated with transition (securitization) bonds issued in August 2003 to recover regulatory assets, for which there is a corresponding increase in depreciation and amortization expense for amortization of the regulatory assets. The remaining \$18 million increase in revenues was primarily due to increased transmission cost of service and cost recovery tariffs (\$12 million) and increased miscellaneous revenues and growth. The transmission cost recovery and miscellaneous revenues have associated operating costs. Tables 19a and 19b summarize the details of the operating revenues for the Energy Delivery segment for the second quarter of 2004 as compared to the second quarter of 2003, and for the 2004 and 2003 year-to-date periods.

¹³ Represents unrealized mark-to-market valuations of these positions recognized in earnings as of the beginning of the period.

¹⁴ Includes initial values of positions involving the receipt or payment of cash or other consideration, such as option premiums and the amortization of such values. These activities have no effect on unrealized mark-to-market valuations.

**Table 19a: Electric Delivery Segment – Operating Revenues
Q2 04 and Q2 03; \$millions**

Revenue Component	Q2 04	Q2 03	%Change
Electricity transmission and distribution:			
Affiliated (TXU Energy)	332	349	(4.9)
Non-affiliated	186	137	35.8
Total	518	486	6.6

**Table 19b: Electric Delivery Segment – Operating Revenues
YTD 04 and YTD 03; \$millions**

Revenue Component	YTD 04	YTD 03	%Change
Electricity transmission and distribution:			
Affiliated (TXU Energy)	681	726	(6.2)
Non-affiliated	360	266	35.3
Total	1,041	992	4.9

Tables 20a and 20b summarize operating statistics for the Electric Delivery segment for the second quarter ended June 30, 2004 as compared to the second quarter of 2003, and for the 2004 and 2003 year-to-date periods, respectively.

**Table 20a: Electric Delivery Segment – Operating Statistics
Q2 04 and Q2 03; mixed measures**

Operating Statistic	Q2 04	Q2 03	%Change
Volume - Electricity distribution (GWh)	24,900	24,378	2.1
Electricity points of delivery - number of meters (end of period, in thousands) ¹⁵	2,954	2,909	1.5
System Average Interruption Duration Index (SAIDI) (non-storm) ¹⁶	81.58	75.47	-
System Average Interruption Frequency Index (SAIFI) (non-storm) ¹⁷	1.16	1.24	-
Customer Average Interruption Duration Index (CAIDI) (non-storm) ¹⁷	70.35	60.96	-
Weather – percent of normal (average for service territory) ¹⁷ :			
Cooling degree days	102.7	107.1	(4.1)

**Table 20b: Electric Delivery Segment – Operating Statistics
YTD 04 and YTD 03; mixed measures**

Operating Statistic	Q2 04	Q2 03	%Change
Volume - Electricity distribution (GWh)	48,531	48,286	0.5
Weather – percent of normal (average for service territory) ¹⁸ :			
Cooling degree days	105.2	104.7	0.5
Heating degree days	87.6	102.3	(14.4)

¹⁵ Includes lighting sites, principally guard lights, for which TXU Energy is the REP, which are not included in TXU Energy's customer count. Such sites totaled 98,292 and 103,554 at June 30, 2004 and 2003, respectively. Adjusting for the guard lights, which have minimal value, points of delivery increased 1.8%.

¹⁶ SAIDI is the number of minutes in a year the average customer is out of electric service. SAIFI is the number of times in a year the average customer experiences an interruption to electric service. CAIDI is the duration of the average interruption to electric service.

¹⁷ Weather data is obtained from Meteorlogix, an independent company that collects weather data from reporting stations of the National Oceanic and Atmospheric Administration (a federal agency under the US Department of Commerce).

Corporate and Other

Corporate and Other consists of TXU Corp.'s remaining non-segment operations consisting primarily of general corporate expenses, equity earnings or losses of unconsolidated affiliates, and interest on the debt at the corporate level. Excluding the special items in Table 3, the current period expenses from continuing operations declined by \$0.02 per share from the prior year period, excluding the effect of reduced average share count. The improvement is primarily related to lower net interest expense and reduced other deductions, partially offset by increased SG&A expenses. The increase in SG&A expenses was primarily due to a \$13 million increase in deferred and incentive compensation expense as a result of the increase in the TXU Corp. common stock price.

For year-to-date 2004, Corporate and Other expenses from continuing operations, excluding special items and the effect of reduced average share count, decreased by \$0.09 per share from year-to-date 2003 levels. The primary drivers of the year-to-date improvement are the same as for the quarter. In addition, the 2003 year-to-date period includes \$17 million of equity interest in losses of a telecommunications partnership that has been sold.

Discontinued Operations

Table 21 provides details of the components of discontinued operations for the second quarter and year-to-date periods ended June 30, 2004 and 2003. Definitive agreements were signed for the sales of TXU Gas and TXU Australia in the second quarter and these are now reported as discontinued operations for 2004 (and the 2003 comparative periods have been restated accordingly). TXU Gas second quarter results include charges associated with a write off due to a final order received in May by the Railroad Commission of Texas in the company's system-wide rate case, which the company plans to appeal, and an increase in tax reserves associated with an ongoing dispute with the Internal Revenue Service related to the 1993 tax return of ENSERCH Corp. (predecessor to TXU Gas). Included in discontinued operations for TXU Australia is a charge to recognize deferred income taxes associated with the excess of book basis over tax basis of TXU's investment in TXU Australia. Discontinued operations also include a benefit from the release of a portion of the tax reserve associated with the 2002 write off of TXU Corp.'s investment in TXU Europe. As a result of TXU Energy Company LLC's decision to sell its cogeneration and wholesale energy sales business in New Jersey, the results of that business are now reflected in discontinued operations. Discontinued operations for the Energy segment for the second quarter and year-to-date 2004 periods include an impairment charge of approximately \$17 million, after tax, associated with the New Jersey business and a charge of approximately \$6 million, after tax, for settlement of a contract in the company's energy outsourcing business that is being exited.

Table 21: Details of Discontinued Operations
Q2 04, Q2 03, YTD 04 and YTD 03; \$ per diluted share after tax

Discontinued Operation	Q2 04	Q2 03	YTD 04	YTD 03
TXU Gas:				
Write off due to rate case (Docket 9400) ¹⁸	(0.29)	-	(0.28)	-
Income tax expense reserve - 1993 tax return	(0.16)	-	(0.14)	-
Other	(0.02)	(0.03)	0.09	0.10
TXU Australia:				
Income tax expense - tax basis differential	(0.35)	-	(0.33)	-
Other	(0.01)	0.08	0.09	0.16
Income tax expense - reserve release (TXU Europe)	1.89	-	1.78	-
Energy segment:				
Other deductions - impairment/business exit	(0.07)	-	(0.07)	-
Other	(0.01)	-	(0.02)	-
TXU Communications	(0.01)	(0.18)	(0.05)	(0.20)
Other	0.01	-	(0.01)	(0.01)
Total	0.98	(0.13)	1.06	0.05

2004 Outlook

Cash from operations for 2004 is estimated in a range of \$1.3 billion - \$1.4 billion, and free cash flow, including net proceeds from announced sales of businesses, are projected to be more than \$5.0 billion. TXU is targeting a debt to capitalization ratio of approximately 60 percent by the end of the year, using cash flows from operations, transition bond proceeds, and proceeds from announced asset sales to reduce debt by approximately \$6.1 billion.

¹⁸ Write off was recorded in depreciation and amortization, SG&A expense and other deductions.

TXU currently expects 2004 operational earnings per share to be in a range of \$2.55 to \$2.65, reflecting the impact of higher contribution margin and lower average diluted shares outstanding relative to earlier guidance. Special and unusual items are estimated at approximately \$360 million, \$1.10 per diluted share of common stock. The review is ongoing and the estimate is subject to change.

Tables 22, 23, and 24 provide a reconciliation of management's previous and current outlook, a projection of average shares of common stock, and a description of special items expected in 2004.

**Table 22: Financial Outlook
04; mixed measures**

Earnings Driver	Operational EPS, Diluted (\$/Share)	Total Debt (\$Billions)	Total Debt/Total Capital (%)	Interest Coverage
May 18, 2004 outlook	2.45 – 2.55	7.4	57	3.3
Higher than anticipated contribution margin	0.04			
Change in average shares	0.08			
Contingency	(0.02)			
Current 2004 outlook	2.55 – 2.65	7.8	60	2.9

**Table 23: Average Shares Outstanding¹⁹
04; millions**

Share Type	Q1	Change	Q2	Change	Q3E	Change	Q4E	Year 04E	Year 05E
Basic	323	(3)	320	(26)	294	3	297	309	301
Diluted	380	(43)	337	(43)	294	3	297	327	301

**Table 24: Description of Projected Special Items – Full Year
04; \$millions after tax**

Special Item	Category	Cash	Non-Cash	Income Statement Impact
Software projects write-off	Other deductions	-	70	70
Mine closing costs	Other deductions	-	45	45
Severance and other charges	Other deductions	111	-	111
Inventory/gas plant write-downs	Other deductions	7	47	54
One time compensation expense	SG&A expense	51	-	51
Litigation settlement reserve	Other deductions	65	-	65
Liability management expense ²⁰	Other deductions	35	4	39
Income tax benefit	Income tax expense	-	(75)	(75)
Total		269	91	360

Additional Information

Additional information, including earnings per diluted share reconciliation, consolidating income statements, consolidating balance sheets, consolidated cash flow, and legal and regulatory summaries can be obtained under the 2004 heading in the Second Quarter Financial Results file at www.txucorp.com/investres/default.asp.

¹⁹ Projected share count is based upon current shares outstanding and scheduled issuances from equity-linked securities. Certain liability management options (among other factors) may cause this projection to vary from actual average diluted shares outstanding.

²⁰ Because the determination of which liability management transactions to execute will depend upon market conditions, TXU is not currently able to accurately predict what amount of premiums and other liability management costs may be incurred. Amount shown is year-to-date 2004.

TXU Corp., a Dallas-based energy company, manages a portfolio of competitive and regulated energy businesses in North America, primarily in Texas. In TXU Corp.'s unregulated business, TXU Energy Retail provides electricity and related services to more than 2.6 million competitive electricity customers in Texas, more customers than any other retail electric provider in the state. TXU Power owns and operates 18,500 megawatts of generation in Texas, including 2,300 MW of nuclear-fired and 5,837 MW of lignite/coal-fired generation capacity. The company is also the largest purchaser of wind-generated electricity in Texas and among the top five purchasers in North America. TXU Corp.'s regulated electric distribution and transmission business, TXU Electric Delivery Company, complements the competitive operations, using asset management skills developed over more than one hundred years, to provide reliable electricity delivery to consumers. TXU Electric Delivery operates the largest distribution and transmission system in Texas, providing power to 2.9 million electric delivery points over more than 98,000 miles of distribution and 14,000 miles of transmission lines. TXU Corp. has agreed to sell TXU Australia, its energy business in Australia, and TXU Gas, its largely regulated natural gas transmission and distribution business in Texas. Visit www.txucorp.com for more information about TXU Corp.

This release 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 the purchaser to obtain all necessary governmental and other approvals and consents for the acquisition of TXU Gas and 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 transaction or initiatives.

-END-

Investor Relations:

Tim Hogan Bill Huber
214-875-9275 214-875-8301

Media:

Chris Schein Carol Peters
214-812-5338 214-812-5924

Attachment 1: Financial Definitions

Cash Interest Expense (a non-GAAP measure): Interest Expense and Related Charges per Income Statement, less amortization of debt issue costs discount and premium, less securitization bond interest, less interest income on restricted cash related to debt, plus capitalized interest. Cash interest expense is a measure used by TXU to assess credit quality.

Cash Operating Income (a non-GAAP measure): Income from Continuing Operations before Interest Income, Interest Expense and Related Charges, and Income Tax plus Depreciation and Amortization. Cash operating income is a measure used by TXU to assess credit quality.

Contribution Margin (a non-GAAP measure): Operating revenues less cost of energy sold and delivery fees.

Debt Coverage Ratio (a non-GAAP measure): Cash Operating Income divided by Total Debt less transition bonds and debt-related restricted cash. Transition, or securitization, bonds are serviced by a regulatory transition charge on wires rates and are therefore excluded from debt in credit reviews. Debt-related restricted cash is treated as net debt in credit reviews. Debt coverage ratio is a measure used by management to assess credit quality.

Free Cash Flow (a non-GAAP measure): Cash Provided by Operating Activities plus Net Proceeds from Business/Asset Sales, less Regulatory Revenues Received for Securitization Bond Principal Payments, less Capital Spending, less Preferred Dividends, less Common Dividends. A measure used by TXU to assess funds available to repay debt and other obligations.

Income from Continuing Operations Per Share (a GAAP measure): Per share (diluted) income from continuing operations before extraordinary items and cumulative effect of changes in accounting principles, before preference share dividends.

Interest Coverage (a non-GAAP measure): Cash Operating Income divided by Cash Interest Expense. Interest coverage is a measure used by TXU to assess credit quality.

Operational Earnings Per Share (a non-GAAP measure): Per share (diluted) income from continuing operations, excluding special items and net of preference share dividends. TXU believes that operational earnings is a useful measure of underlying results because of the magnitude and scope of the 4+4 performance improvement program and the significant effect of the special items on reported results. TXU relies on operational earnings for evaluation of performance and believes that analysis of the business by external users is enhanced by visibility to both reported GAAP earnings and operational earnings. Operational earnings per share are presented on a diluted basis because GAAP earnings would have been reported on a diluted basis had GAAP earnings equated to operational earnings.

Reported Earnings Per Share (a GAAP measure): Per share (diluted) net income available to common shareholders. When calculating diluted earnings per share, net income is adjusted for the after-tax interest on the securities creating the dilution (exchangeable preferred membership interests).

Return on Average Common Stock Equity Based on Net Income: Twelve months ended Net Income Available for Common Stock (a GAAP measure) divided by the average of the beginning and ending Common Stock Equity (a GAAP measure) for the period calculated.

Return on Average Common Stock Equity Based on Operational Earnings: Twelve months ended Operational Earnings (a non-GAAP measure) divided by the average of the beginning and ending Common Stock Equity (a GAAP measure) for the period calculated.

Return on Invested Capital Based on Net Income: Twelve months ended Net Income (a GAAP measure) plus after-tax Interest Expense and Related Charges net of interest income on restricted cash related to debt, divided by the average of the beginning and ending Total Capitalization less debt-related restricted cash for the period calculated.

Return on Invested Capital Based on Operational Earnings: Twelve months ended Operational Earnings (a non-GAAP measure) plus Preference Share Dividends plus after-tax Interest Expense and Related Charges net of interest income on restricted cash related to debt, divided by the average of the beginning and ending Total Capitalization less debt-related restricted cash for the period calculated.

Special Items: Unusual charges related to the implementation of the performance improvement program and other charges, credits or gains that are unusual or nonrecurring. The performance improvement program is being implemented in phases, and the charges are expected to occur largely within a one-year period. Special items are included in reported GAAP earnings, but are excluded from operational earnings. Special items associated with the performance improvement program will include costs related to severance programs, asset impairments and facility closures.

Total Capitalization: Total Debt plus Shareholders Equity.

Total Debt (a non-GAAP measure): Long-term Debt (including current portion), plus Bank Loans and Commercial Paper, plus Long Term Debt Held by Subsidiary Trusts, plus Preferred Securities of Subsidiaries (including Exchangeable Preferred Membership Interests).

Total Debt less transition bonds and restricted cash (a non-GAAP measure): TXU also uses a total debt measure that excludes transition bonds and restricted cash. Transition, or securitization, bonds are serviced by a regulatory transition charge on wires rates and are therefore excluded from debt in credit reviews. Debt-related restricted cash is treated as net debt in credit reviews.

Attachment 2: Regulation G – Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures

Table 1: Return on Average Common Stock Equity Calculation
Twelve months ended Q2 04 vs. Q2 03; \$millions unless otherwise noted

Component	Q2 04	Q2 03	Ref
Net income (loss) available for common stock	(8)	(4,532)	A
Income from continuing operations before income taxes	412	124	
Special items	288	469	
Preference stock dividends	(22)	(22)	
Operational earnings	678	571	B
Average common equity	5,178	5,059	C
Return on average common equity based on net income (A/C) (%)	(0.2)	(89.6)	
Return on average common equity based on operational earnings (B/C) (%)	13.1	11.3	

Table 2: Return on Average Invested Capital Calculation
Twelve months ended Q2 04 vs. Q2 03; \$millions unless otherwise noted

Component	Q2 04	Q2 03	Ref
Net income (loss)	863	(4,510)	
After-tax interest expense and related charges net of interest income	463	472	
Total return (based on net income)	1,326	(4,038)	A
Operational earnings	678	571	
Preference stock dividends	22	22	
After-tax interest expense and related charges net of interest income	463	472	
Total return (based on operational earnings)	1,163	1,065	B
Average total capitalization	18,799	18,207	C
Return on average invested capital based on net income (A/C) (%)	7.1	(22.2)	
Return on average invested capital based on operational earnings (B/C) (%)	6.2	5.8	

Table 3: Interest and Debt Coverage Ratios
Twelve months ended Q2 04 vs. Q4 03; \$millions unless otherwise noted

Component	Q2 04	Q4 03	Ref
Income from continuing operations before income taxes	496	818	
Interest expense and related charges	739	784	
Interest income	(26)	(36)	
Depreciation and amortization	774	724	
Cash operating income	1,983	2,290	A
Total debt	14,094	12,591	
Transition bonds	(1,282)	(500)	
Debt-related restricted cash	(562)	(549)	
Total	12,250	11,542	B
Interest expense and related charges	739	784	
Amortization of discount and reacquired debt expenses	(28)	(31)	
Transition bond interest	(21)	(8)	
Interest income on restricted cash	(12)	(4)	
Capitalized interest	11	12	
Cash interest expense	689	753	C
Interest coverage (A/C)	2.9	3.0	
Debt coverage ratio (A/B) (%)	16	20	

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT

Quarter to Date Ended: June 30, 2004

	Energy	TXU Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	2,115	518	11	(348)	2,296
Direct costs and expenses					
Cost of energy sold and delivery fees	1,348	-	(2)	(333)	1,013
Operating costs	200	180	3	(4)	379
Depreciation and other amortization	82	84	1	-	167
Total direct costs and expenses	1,630	264	2	(337)	1,559
Gross margin	485	254	9	(11)	737
Other costs and expenses					
Selling, general and administrative expenses	163	53	90	(11)	295
Non-operating depreciation and other amortization	6	(1)	6	-	11
Franchise and revenue-based taxes	27	59	1	(1)	86
Other income	(12)	(2)	(3)	1	(16)
Other deductions	261	19	159	(1)	438
Interest income	(7)	(14)	(20)	39	(2)
Interest expense and other charges	93	71	48	(38)	174
Total other costs and expenses	531	185	281	(11)	986
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(46)	69	(272)	-	(249)
Income tax expense (benefit)	(27)	22	(152)	-	(157)
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	(19)	47	(120)	-	(92)
Income (loss) from discontinued operations, net of tax effect	(27)	-	357	-	330
Extraordinary gain, net of tax benefit	-	16	-	-	16
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss)	(46)	63	237	-	254
Exchangeable preferred membership interest buyback premiurr	-	-	849	-	849
Preference stock dividends	-	-	5	-	5
Net income (loss) available to common shareholders	(46)	63	(617)	-	(600)
Average shares of common stock outstanding, basic (millions)					320
Average shares of common stock outstanding, diluted (millions)					320
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(0.06)	0.15	(0.38)	-	(0.29)
Income (loss) from discontinued operations, net of tax effect	(0.08)	-	1.11	-	1.03
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles net of tax benefit	-	-	-	-	-
Exchangeable preferred membership interest buyback premiurr	-	-	(2.65)	-	(2.65)
Preference stock dividends	-	-	(0.01)	-	(0.01)
Net income (loss) available to common shareholders	(0.14)	0.20	(1.93)	-	(1.87)
Diluted earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(0.06)	0.15	(0.38)	-	(0.29)
Income (loss) on discontinued operations, net of tax effect	(0.08)	-	1.11	-	1.03
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles net of tax benefit	-	-	-	-	-
Exchangeable preferred membership interest buyback premiurr	-	-	(2.65)	-	(2.65)
Preference stock dividends	-	-	(0.01)	-	(0.01)
Net income (loss) available to common shareholders	(0.14)	0.20	(1.93)	-	(1.87)
Dividends declared					0.125

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT

Quarter to Date Ended: June 30, 2003

	Energy	TXU Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	2,016	486	3	(356)	2,149
Direct costs and expenses					
Cost of energy sold and delivery fees	1,282	-	-	(346)	936
Operating costs	162	176	1	(3)	336
Depreciation and other amortization	86	66	(1)	-	151
Total direct costs and expenses	1,530	242	-	(349)	1,423
Gross margin	486	244	3	(7)	726
Other costs and expenses					
Selling, general and administrative expenses	149	47	18	(7)	207
Non-operating depreciation and other amortization	8	3	5	-	16
Franchise and revenue-based taxes	28	61	4	(1)	92
Other income	(16)	(2)	(1)	1	(18)
Other deductions	2	-	4	(1)	5
Interest income	(1)	(14)	(8)	16	(7)
Interest expense and other charges	87	74	56	(16)	201
Total other costs and expenses	257	169	78	(8)	496
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	229	75	(75)	1	230
Income tax expense (benefit)	75	23	(29)	1	70
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	154	52	(46)	-	160
Income (loss) from discontinued operations, net of tax effect	-	-	(49)	-	(49)
Extraordinary gain, net of tax benefit	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss)	154	52	(95)	-	111
Exchangeable preferred membership interest buyback premiurr	-	-	-	-	-
Preference stock dividends	-	-	6	-	6
Net income (loss) available to common shareholders	154	52	(101)	-	105
Average shares of common stock outstanding, basic (millions)					321
Average shares of common stock outstanding, diluted (millions)					378
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	0.48	0.16	(0.14)	0.00	0.50
Income (loss) from discontinued operations, net of tax effect	-	-	(0.15)	-	(0.15)
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles net of tax benefit	-	-	-	-	-
Exchangeable preferred membership interest buyback premiurr	-	-	-	-	-
Preference stock dividends	-	-	(0.02)	-	(0.02)
Net income (loss) available to common shareholders	0.48	0.16	(0.31)	0.00	0.33
Diluted earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	0.41	0.14	(0.12)	0.02 *	0.45
Income (loss) on discontinued operations, net of tax effect	-	-	(0.13)	-	(0.13)
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles net of tax benefit	-	-	-	-	-
Exchangeable preferred membership interest buyback premiurr	-	-	-	-	-
Preference stock dividends	-	-	(0.01)	-	(0.01)
Net income (loss) available to common shareholders	0.41	0.14	(0.26)	0.02	0.31
Dividends declared					0.125

* Reflects the dilution adjustment (\$13 million dilution adjustment / 57 million shares)

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT - VARIANCE

Quarter to Date Ended June 30, 2004 vs June 30, 2003

	Energy	TXU Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	99	32	8	8	147
Direct costs and expenses					
Cost of energy sold and delivery fees	66	-	(2)	13	77
Operating costs	38	4	2	(1)	43
Depreciation and other amortization	(4)	18	2	-	16
Total direct costs and expenses	100	22	2	12	136
Gross margin	(1)	10	6	(4)	11
Other costs and expenses					
Selling, general and administrative expenses	14	6	72	(4)	88
Non-operating depreciation and other amortization	(2)	(4)	1	-	(5)
Franchise and revenue-based taxes	(1)	(2)	(3)	-	(6)
Other income	4	-	(2)	-	2
Other deductions	259	19	155	-	433
Interest income	(6)	-	(12)	23	5
Interest expense and other charges	6	(3)	(8)	(22)	(27)
Total other costs and expenses	274	16	203	(3)	490
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(275)	(6)	(197)	(1)	(479)
Income tax expense (benefit)	(102)	(1)	(123)	(1)	(227)
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	(173)	(5)	(74)	-	(252)
Income (loss) from discontinued operations, net of tax effect	(27)	-	406	-	379
Extraordinary gain, net of tax benefit	-	16	-	-	16
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss)	(200)	11	332	-	143
Exchangeable preferred membership interest buyback premiurr	-	-	849	-	849
Preference stock dividends	-	-	(1)	-	(1)
Net income (loss) available to common shareholders	(200)	11	(516)	-	(705)
Average shares of common stock outstanding, basic (millions)					(1)
Average shares of common stock outstanding, diluted (millions)					(58)
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(0.54)	(0.01)	(0.24)	(0.00)	(0.79)
Income (loss) from discontinued operations, net of tax effect	(0.08)	-	1.26	-	1.18
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles net of tax benefit	-	-	-	-	-
Exchangeable preferred membership interest buyback premiurr	-	-	(2.65)	-	(2.65)
Preference stock dividends	-	-	0.01	-	0.01
Net income (loss) available to common shareholders	(0.62)	0.04	(1.62)	(0.00)	(2.20)
Diluted earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(0.47)	0.01	(0.26)	(0.02) *	(0.74)
Income (loss) on discontinued operations, net of tax effect	(0.08)	-	1.24	-	1.16
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles net of tax benefit	-	-	-	-	-
Exchangeable preferred membership interest buyback premiurr	-	-	(2.65)	-	-
Preference stock dividends	-	-	-	-	-
Net income (loss) available to common shareholders	(0.55)	0.06	(1.67)	(0.02)	(2.18)
Dividends declared					-

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT

Year to Date Ended: June 30, 2004

	Energy	TXU Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	4,072	1,041	17	(709)	4,421
Direct costs and expenses					
Cost of energy sold and delivery fees	2,603	-	(2)	(681)	1,920
Operating costs	366	356	3	(6)	719
Depreciation and other amortization	164	167	1	1	333
Total direct costs and expenses	3,133	523	2	(686)	2,972
Gross margin	939	518	15	(23)	1,449
Other costs and expenses					
Selling, general and administrative expenses	307	102	127	(25)	511
Non-operating depreciation and other amortization	21	3	12	-	36
Franchise and revenue-based taxes	53	117	1	-	171
Other income	(13)	(4)	(10)	2	(25)
Other deductions	281	19	158	(1)	457
Interest income	(8)	(25)	(24)	51	(6)
Interest expense and other charges	172	141	96	(51)	358
Total other costs and expenses	813	353	360	(24)	1,502
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	126	165	(345)	1	(53)
Income tax expense (benefit)	27	52	(173)	-	(94)
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	99	113	(172)	1	41
Income (loss) from discontinued operations, net of tax benefit	(30)	-	410	-	380
Extraordinary gain, net of tax	-	16	-	-	16
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss)	69	129	238	1	437
Exchangeable preferred membership interest buyback premium	-	-	849	-	849
Preference stock dividends	-	-	11	-	11
Net income (loss) available to common shareholders	69	129	(622)	1	(423)
Average shares of common stock outstanding, basic (millions)					322
Average shares of common stock outstanding, diluted (millions)					322
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	0.31	0.35	(0.53)	-	0.13
Income (loss) from discontinued operations, net of tax effect	(0.09)	-	1.27	-	1.18
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles net of tax benefit	-	-	-	-	-
Exchangeable preferred membership interest buyback premium	-	-	(2.64)	-	(2.64)
Preference stock dividends	-	-	(0.04)	-	(0.04)
Net income (loss) available to common shareholders	0.22	0.40	(1.94)	-	(1.32)
Diluted earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	0.31	0.35	(0.53)	-	0.13
Income (loss) on discontinued operations, net of tax effect	(0.09)	-	1.27	-	1.18
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles net of tax benefit	-	-	-	-	-
Exchangeable preferred membership interest buyback premium	-	-	(2.64)	-	(2.64)
Preference stock dividends	-	-	(0.04)	-	(0.04)
Net income (loss) available to common shareholders	0.22	0.40	(1.94)	-	(1.32)
Dividends declared					0.250

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT

Year to Date Ended: June 30, 2003

	Energy	TXU Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	3,806	992	6	(740)	4,064
Direct costs and expenses					
Cost of energy sold and delivery fees	2,498	-	-	(721)	1,777
Operating costs	341	350	-	(3)	688
Depreciation and other amortization	188	131	-	-	319
Total direct costs and expenses	3,027	481	-	(724)	2,784
Gross margin	779	511	6	(16)	1,280
Other costs and expenses					
Selling, general and administrative expenses	292	97	34	(16)	407
Non-operating depreciation and other amortization	18	6	9	-	33
Franchise and revenue-based taxes	55	120	13	-	188
Other income	(24)	(4)	(1)	2	(27)
Other deductions	5	-	20	(2)	23
Interest income	(3)	(30)	(23)	40	(16)
Interest expense and other charges	163	155	124	(39)	403
Total other costs and expenses	506	344	176	(15)	1,011
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	273	167	(170)	(1)	269
Income tax expense (benefit)	83	54	(61)	(1)	75
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	190	113	(109)	-	194
Income (loss) from discontinued operations, net of tax benefit	(1)	-	21	-	20
Extraordinary gain, net of tax	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	(58)	-	-	-	(58)
Net income (loss)	131	113	(88)	-	156
Exchangeable preferred membership interest buyback premiurr	-	-	-	-	-
Preference stock dividends	-	-	11	-	11
Net income (loss) available to common shareholders	131	113	(99)	-	145
Average shares of common stock outstanding, basic (millions)					321
Average shares of common stock outstanding, diluted (millions)					378
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	0.59	0.35	(0.34)	0.00	0.60
Income (loss) from discontinued operations, net of tax effect	-	-	0.06	-	0.06
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles net of tax benefit	(0.18)	-	-	-	(0.18)
Exchangeable preferred membership interest buyback premiurr	-	-	-	-	-
Preference stock dividends	-	-	(0.03)	-	(0.03)
Net income (loss) available to common shareholders	0.41	0.35	(0.31)	0.00	0.45
Diluted earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	0.50	0.30	(0.29)	0.07 *	0.58
Income (loss) on discontinued operations, net of tax effect	-	-	0.05	-	0.05
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles net of tax benefit	(0.15)	-	-	-	(0.15)
Exchangeable preferred membership interest buyback premiurr	-	-	-	-	-
Preference stock dividends	-	-	(0.03)	-	(0.03)
Net income (loss) available to common shareholders	0.35	0.30	(0.27)	0.07	0.45
Dividends declared					0.250

* Reflects the dilution adjustment (\$26 million dilution adjustment / 57 million shares)

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT - VARIANCE

Year to Date Ended June 30, 2004 vs June 30, 2003

	Energy	TXU Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	266	49	11	31	357
Direct costs and expenses					
Cost of energy sold and delivery fees	105	-	(2)	40	143
Operating costs	25	6	3	(3)	31
Depreciation and other amortization	(24)	36	1	1	14
Total direct costs and expenses	106	42	2	38	188
Gross margin	160	7	9	(7)	169
Other costs and expenses					
Selling, general and administrative expenses	15	5	93	(9)	104
Non-operating depreciation and other amortization	3	(3)	3	-	3
Franchise and revenue-based taxes	(2)	(3)	(12)	-	(17)
Other income	11	-	(9)	-	2
Other deductions	276	19	138	1	434
Interest income	(5)	5	(1)	11	10
Interest expense and other charges	9	(14)	(28)	(12)	(45)
Total other costs and expenses	307	9	184	(9)	491
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(147)	(2)	(175)	2	(322)
Income tax expense (benefit)	(56)	(2)	(112)	1	(169)
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	(91)	-	(63)	1	(153)
Income (loss) from discontinued operations, net of tax benefit	(29)	-	389	-	360
Extraordinary gain, net of tax	-	16	-	-	16
Cumulative effect of changes in accounting principles, net of tax benefit	58	-	-	-	58
Net income (loss)	(62)	16	326	1	281
Exchangeable preferred membership interest buyback premiurr	-	-	849	-	849
Preference stock dividends	-	-	-	-	-
Net income (loss) available to common shareholders	(62)	16	(523)	1	(568)
Average shares of common stock outstanding, basic (millions)					1
Average shares of common stock outstanding, diluted (millions)					(57)
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(0.28)	-	(0.19)	(0.00)	(0.47)
Income (loss) from discontinued operations, net of tax effect	(0.09)	-	1.21	-	1.12
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles net of tax benefit	0.18	-	-	-	0.18
Exchangeable preferred membership interest buyback premiurr	-	-	(2.64)	-	(2.64)
Preference stock dividends	-	-	(0.01)	-	(0.01)
Net income (loss) available to common shareholders	(0.19)	0.05	(1.63)	(0.00)	(1.77)
Diluted earnings:					
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(0.19)	0.05	(0.24)	(0.07) *	(0.45)
Income (loss) on discontinued operations, net of tax effect	(0.09)	-	1.22	-	1.13
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles net of tax benefit	0.15	-	-	-	0.15
Exchangeable preferred membership interest buyback premiurr	-	-	(2.64)	-	(2.64)
Preference stock dividends	-	-	(0.01)	-	(0.01)
Net income (loss) available to common shareholders	(0.13)	0.10	(1.67)	(0.07)	(1.77)
Dividends declared					-

TXU CORP. AND SUBSIDIARIES

Condensed Statements of Consolidated Cash Flows

(Unaudited)

	Six Months Ended	
	June 30,	
	2004	2003
	<i>(millions of dollars)</i>	
Cash flows - operating activities:		
Income from continuing operations before cumulative effect of changes in accounting principles and extraordinary loss	\$ 41	\$ 194
Adjustments to reconcile income from continuing operations before cumulative effect of changes in accounting principles and extraordinary loss to cash provided by operating activities:		
Depreciation and amortization	400	389
Deferred income taxes and investment tax credits -- net	(143)	55
Loss on early extinguishment of debt	34	-
Asset impairment charge	189	-
Net gain from sale of assets	15	(21)
Net effect of unrealized mark-to-market valuations of commodity contracts	31	(47)
Net equity loss from unconsolidated affiliates and joint ventures	(1)	17
Reduction in regulatory liability	(1)	(78)
Changes in operating assets and liabilities	(78)	729
Cash provided by operating activities	<u>487</u>	<u>1,238</u>
Cash flows - financing activities:		
Issuances of securities:		
Long-term debt	790	1,293
Common stock	18	8
Retirements/repurchases of securities:		
Long-term debt held by subsidiary trust	(237)	-
Equity-linked debt securities	(428)	-
Long-term debt	(1,069)	(664)
Exchangeable preferred membership interests	(750)	-
Preferred stock of subsidiary, subject to mandatory redemption	-	(4)
Common stock	(978)	-
Change in notes payable:		
Banks	2,675	(2,303)
Cash dividends paid:		
Common stock	(80)	(80)
Preference stock	(11)	(11)
Premium paid for redemption of exchangeable preferred membership interests	(1,093)	-
Redemption deposits applied to debt retirements	-	210
Debt premium, discount financing and reacquisition expenses	4	(52)
Cash used in financing activities	<u>(1,159)</u>	<u>(1,603)</u>
Cash flow - investing activities:		
Capital expenditures	(355)	(358)
Disposition of businesses	991	15
Acquisition of business	-	(150)
Nuclear fuel	(47)	(35)
Other	19	5
Cash provided by (used in) investing activities	<u>608</u>	<u>(523)</u>
Cash contributions (to) from discontinued operations	(74)	65
Net change in cash and cash equivalents	(138)	(823)
Cash and cash equivalents -- beginning balance	829	1,514
Cash and cash equivalents -- ending balance	<u>\$ 691</u>	<u>\$ 691</u>

TXU CORP. AND SUBSIDIARIES

Consolidating Balance Sheet

June 30, 2004

(Dollars in millions)

(Unaudited)

ASSETS	Energy	Electric Delivery	Other	Eliminations/ Rounding	Total
Current assets					
Cash and cash equivalents	2	382	308	(1)	691
Restricted cash	-	23	-	-	23
Advances to affiliates	1,970	-	(36)	(1,934)	-
Accounts receivable - trade	1,103	72	491	(434)	1,232
Income taxes receivable	-	-	37	(37)	-
Accounts receivable - affiliates	18	245	111	(374)	-
Notes or other receivables due from affiliates	-	19	-	(19)	-
Inventories	310	30	3	-	343
Commodity contract assets	596	-	-	-	596
Assets of telecommunications holding company	-	-	-	-	-
Other current assets	303	55	131	(39)	450
Total current assets	<u>4,302</u>	<u>826</u>	<u>1,045</u>	<u>(2,838)</u>	<u>3,335</u>
Investments					
Restricted cash	-	14	570	-	584
Other investments	579	73	5,520	(5,542)	630
Property, plant and equipment - net	9,894	6,389	306	-	16,589
Notes or other receivables due from affiliates	-	418	-	(418)	-
Goodwill	517	25	-	-	542
Regulatory assets - net	-	1,907	-	-	1,907
Commodity contract assets	142	-	-	-	142
Cash flow hedges and other derivative assets	34	-	-	-	34
Other noncurrent assets	138	75	1,148	(1,117)	244
Assets held for sale	23	-	6,072	-	6,095
Total assets	<u>15,629</u>	<u>9,727</u>	<u>14,661</u>	<u>(9,915)</u>	<u>30,102</u>
LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES & SHAREHOLDERS' EQUITY					
Current liabilities					
Notes payable					
Commercial paper	-	-	-	-	-
Banks	1,675	-	1,000	-	2,675
Advances from affiliates	-	13	1,921	(1,934)	-
Long-term debt due currently	1	190	343	-	534
Accounts payable - trade	944	62	478	(433)	1,051
Accounts payable - affiliates	311	47	16	(374)	-
Notes or other liabilities due to affiliates	19	-	-	(19)	-
Commodity contract liabilities	550	-	-	-	550
Liabilities of telecommunications holding company	-	-	-	-	-
Other current liabilities	857	315	388	(78)	1,482
Total current liabilities	<u>4,357</u>	<u>627</u>	<u>4,146</u>	<u>(2,838)</u>	<u>6,292</u>
Accumulated deferred income taxes	1,913	1,463	-	(1,086)	2,290
Investment tax credits	349	66	2	-	417
Commodity contract liabilities	101	-	-	-	101
Cash flow hedges and other derivative liabilities	242	-	107	-	349
Notes or other liabilities due to affiliates	418	-	-	(418)	-
Long-term debt held by subsidiary trust	-	-	309	-	309
All other long-term debt, less amounts due currently	2,943	4,722	2,799	(1)	10,463
Other noncurrent liabilities and deferred credits	1,213	313	1,162	(13)	2,675
Liabilities held for sale	8	-	2,729	-	2,737
Total liabilities	<u>11,544</u>	<u>7,191</u>	<u>11,254</u>	<u>(4,356)</u>	<u>25,633</u>
Preferred securities of subsidiaries	504	-	(391)	-	113
Shareholders' equity					
Preference stock	-	-	300	-	300
Common stock	-	-	(1,030)	1,090	60
Treasury stock	-	-	(978)	-	(978)
Additional paid in capital	3,103	2,051	7,549	(5,382)	7,321
Retained earnings (deficit)	651	509	(1,690)	(1,621)	(2,151)
Accumulated other comprehensive income (loss)	(173)	(24)	(353)	354	(196)
Total shareholders' equity	<u>3,581</u>	<u>2,536</u>	<u>3,798</u>	<u>(5,559)</u>	<u>4,356</u>
Total liabilities, preferred securities of subsidiaries & shareholders' equity	<u>15,629</u>	<u>9,727</u>	<u>14,661</u>	<u>(9,915)</u>	<u>30,102</u>

TXU CORP. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2003

(Dollars in millions)

(Unaudited)

	Energy	Electric Delivery	Other	Eliminations/ Rounding	Total
ASSETS					
Current assets					
Cash and cash equivalents	18	245	566	-	829
Restricted cash	-	12	-	-	12
Advances to affiliates	289	-	25	(314)	-
Accounts receivable - trade	943	58	618	(511)	1,108
Income taxes receivable	-	-	182	(182)	-
Accounts receivable - affiliates	17	205	41	(263)	-
Notes or other receivables due from affiliates	-	13	-	(13)	-
Inventories	386	29	4	-	419
Commodity contract assets	548	-	-	-	548
Assets of telecommunications holding company	-	-	110	-	110
Other current assets	225	33	64	(24)	298
Total current assets	2,426	595	1,610	(1,307)	3,324
Investments					
Restricted cash	-	13	570	(1)	582
Other investments	479	32	7,735	(7,614)	632
Property, plant and equipment - net	10,345	6,333	125	-	16,803
Notes or other receivables due from affiliates	-	423	-	(423)	-
Goodwill	533	25	-	-	558
Regulatory assets - net	-	1,872	-	-	1,872
Commodity contract assets	109	-	-	-	109
Cash flow hedges and other derivative assets	88	-	-	-	88
Other noncurrent assets	126	39	86	(33)	218
Assets held for sale	59	-	7,052	-	7,111
Total assets	14,165	9,332	17,178	(9,378)	31,297
LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES & SHAREHOLDERS' EQUITY					
Current liabilities					
Notes payable					
Commercial paper	-	-	-	-	-
Banks	-	-	-	-	-
Advances from affiliates	-	25	289	(314)	-
Long-term debt due currently	1	243	433	1	678
Accounts payable - trade	712	43	540	(511)	784
Accounts payable - affiliates	228	16	19	(263)	-
Notes or other liabilities due to affiliates	13	-	-	(13)	-
Commodity contract liabilities	502	-	-	-	502
Liabilities of telecommunications holding company	-	-	603	-	603
Other current liabilities	840	381	178	(208)	1,191
Total current liabilities	2,296	708	2,062	(1,308)	3,758
Accumulated deferred income taxes	1,965	1,438	228	(11)	3,620
Investment tax credits	360	68	2	-	430
Commodity contract liabilities	47	-	-	-	47
Cash flow hedges and other derivative liabilities	140	-	100	-	240
Notes or other liabilities due to affiliates	423	-	-	(423)	-
Long-term debt held by subsidiary trust	-	-	546	-	546
All other long-term debt, less amounts due currently	3,084	3,982	3,542	-	10,608
Other noncurrent liabilities and deferred credits	1,343	280	786	(6)	2,403
Liabilities held for sale	11	-	2,956	-	2,967
Total liabilities	9,669	6,476	10,222	(1,748)	24,619
Preferred securities of subsidiaries	497	-	262	-	759
Shareholders' equity					
Preference stock	-	-	300	-	300
Common stock	-	-	48	-	48
Treasury stock	-	-	-	-	-
Additional paid in capital	3,688	2,501	8,901	(6,993)	8,097
Retained earnings (deficit)	422	380	(2,550)	(750)	(2,498)
Accumulated other comprehensive income (loss)	(111)	(25)	(5)	113	(28)
Total shareholders' equity	3,999	2,856	6,694	(7,630)	5,919
Total liabilities, preferred securities of subsidiaries & shareholders' equity	14,165	9,332	17,178	(9,378)	31,297

TXU CORP. AND SUBSIDIARIES

Consolidating Balance Sheet - Variance

June 30, 2004 vs December 31, 2003

(Dollars in millions)

(Unaudited)

	Energy	Electric Delivery	Other	Eliminations/ Rounding	Total
ASSETS					
Current assets					
Cash and cash equivalents	(16)	137	(258)	(1)	(138)
Restricted cash	-	11	-	-	11
Advances to affiliates	1,681	-	(61)	(1,620)	-
Accounts receivable - trade	160	14	(127)	77	124
Income taxes receivable	-	-	(145)	145	-
Accounts receivable - affiliates	1	40	70	(111)	-
Notes or other receivables due from affiliates	-	6	-	(6)	-
Inventories	(76)	1	(1)	-	(76)
Commodity contract assets	48	-	-	-	48
Assets of telecommunications holding company	-	-	(110)	-	(110)
Other current assets	78	22	67	(15)	152
Total current assets	1,876	231	(565)	(1,531)	11
Investments					
Restricted cash	-	1	-	1	2
Other investments	100	41	(2,215)	2,072	(2)
Property, plant and equipment - net	(451)	56	181	-	(214)
Notes or other receivables due from affiliates	-	(5)	-	5	-
Goodwill	(16)	-	-	-	(16)
Regulatory assets - net	-	35	-	-	35
Commodity contract assets	33	-	-	-	33
Cash flow hedges and other derivative assets	(54)	-	-	-	(54)
Other noncurrent assets	12	36	1,062	(1,084)	26
Assets held for sale	(36)	-	(980)	-	(1,016)
Total assets	1,464	395	(2,517)	(537)	(1,195)
LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES & SHAREHOLDERS' EQUITY					
Current liabilities					
Notes payable	-	-	-	-	-
Commercial paper	-	-	-	-	-
Banks	1,675	-	1,000	-	2,675
Advances from affiliates	-	(12)	1,632	(1,620)	-
Long-term debt due currently	-	(53)	(90)	(1)	(144)
Accounts payable - trade	232	19	(62)	78	267
Accounts payable - affiliates	83	31	(3)	(111)	-
Notes or other liabilities due to affiliates	6	-	-	(6)	-
Commodity contract liabilities	48	-	-	-	48
Liabilities of telecommunications holding company	-	-	(603)	-	(603)
Other current liabilities	17	(66)	210	130	291
Total current liabilities	2,061	(81)	2,084	(1,530)	2,534
Accumulated deferred income taxes	(52)	25	(228)	(1,075)	(1,330)
Investment tax credits	(11)	(2)	-	-	(13)
Commodity contract liabilities	54	-	-	-	54
Cash flow hedges and other derivative liabilities	102	-	7	-	109
Notes or other liabilities due to affiliates	(5)	-	-	5	-
Long-term debt held by subsidiary trust	-	-	(237)	-	(237)
All other long-term debt, less amounts due currently	(141)	740	(743)	(1)	(145)
Other noncurrent liabilities and deferred credits	(130)	33	376	(7)	272
Liabilities held for sale	(3)	-	(227)	-	(230)
Total liabilities	1,875	715	1,032	(2,608)	1,014
Preferred securities of subsidiaries	7	-	(653)	-	(646)
Shareholders' equity					
Preference stock	-	-	-	-	-
Common stock	-	-	(1,078)	1,090	12
Treasury stock	-	-	(978)	-	(978)
Additional paid in capital	(585)	(450)	(1,352)	1,611	(776)
Retained earnings (deficit)	229	129	860	(871)	347
Accumulated other comprehensive income (loss)	(62)	1	(348)	241	(168)
Total shareholders' equity	(418)	(320)	(2,896)	2,071	(1,563)
Total liabilities, preferred securities of subsidiaries & shareholders' equity	1,464	395	(2,517)	(537)	(1,195)

TXU CORP. REGULATORY SUMMARY

Company	Summary/Events
TXU Energy	<p>Price to Beat (PTB) applies to former franchise area residential and small/medium business (< 1MW of load) customers. It is a TXU Energy's only rate for residential customers until 1/1/05. TXU Energy may offer rates other than the PTB to small/medium commercial customers since it met the requirements of the 40% threshold target calculation in December 2003. The PTB can be changed twice per year if gas prices (20-day average of NYMEX 12-month strip) move greater than 5% (10% after 11/15 of any year) from the current price upon which PTB is based. Changes in the PTB are initiated by TXU Energy upon filing with the PUC.</p> <p>PUC No. 29516 – Application of TXU Energy Retail Company to Increase Price to Beat Fuel Factor filed March 25, 2004</p> <ul style="list-style-type: none">+ Requesting 7.9% increase in PTB fuel factor+ Resulted in a \$3.39/month or 3.4% increase to residential customers using 1,000 kWh per month+ Approved by the PUC on May 19,2004 and implemented on May 20, 2004. <p>PUC No. 29837 – Application of TXU Energy Retail Company to Increase Price to Beat Fuel Factor filed June 10, 2004.</p> <ul style="list-style-type: none">+ Requesting 12.7% increase in PTB fuel factor+ Will result in a \$5.87/month or 5.7% increase to residential customers using 1000 kWh per month.+ PUC approval expected July 28, 2004.
TXU Gas	<p>RRC No. 9400 – TXU Gas Company's Statement of Intent to Change Rates in the Company's Systemwide Gas Utility System filed May 23, 2003</p> <ul style="list-style-type: none">+ Requesting an increase of \$69.5 million or 7.24% and implementation of systemwide rates.+ On April 23, 2004, examiners at the RRC issued a Proposal For Decision recommending a total annual decrease in rates of approximately \$42 million.+ On May 25, 2004, the RRC issued a final order granting an \$11.7 million or 1.22% increase. In addition, the RRC's order establishes uniform system-wide rates, simplified the billing and rate structure for customers, and made changes to cost allocations as requested by TXU Gas. TXU Gas believes that the final order does not follow applicable law or precedent in many respects and has filed a motion for rehearing requesting the Commission reconsider and reverse significant errors.
TXU Electric Delivery	<p>TXU Electric Delivery (formerly Oncor) general rate case: Authorized ROE of 11.25%, Capital structure of 60% Debt, 40% Equity. There is no scheduled rate case. Reports are filed annually for review with the PUC.</p> <p>PUC No. 29253 – Petition of TXU Electric Delivery Company for Approval of Transmission Cost Recovery Factor (TCRF) Update</p> <ul style="list-style-type: none">+ The PUC approved TXU Electric Delivery's proposed TCRF on March 1, 2004+ The increase will recover an additional \$9.2 million in annual revenue <p>PUC No. 29425 – Application of TXU Electric Delivery Company for Interim Update of Wholesale Transmission Rates filed March 3, 2004</p> <ul style="list-style-type: none">+ Approved and effective April 15, 2004.+ Total annualized revenue increase of \$14 million <p>2nd 2004 TCRF Update (No Docket number assigned yet) –</p> <ul style="list-style-type: none">+ TXU Electric Delivery filed its 2nd 2004 TCRF request July 26, 2004.+ Proposed total annualized revenue increase of \$29.5 million (\$9.8 for the remainder of 2004)+ Proposed effective date of September 1, 2004.

TXU Corp.**Schedule of Significant Legal Proceedings**

Date Filed	Case Information	Summary and Status (1)
July 7, 2003	<i>Texas Commercial Energy v. TXU Energy, Inc., et al.</i> ; Civil Action No. C-03-249; United States District Court for the Southern District of Texas	Filing made by an ERCOT market participant (Texas Commercial Energy) against TXU Energy and other wholesale market participants in ERCOT asserting antitrust and other claims. TXU Energy maintains the claims are without merit and filed a motion to dismiss which the Court granted. The dismissal has been appealed to the Fifth Circuit by the Plaintiff.
April 28, 2003	<i>William J. Murray v. TXU Corp., TXU Energy Company, LLC and TXU Portfolio Management Company, LP f/k/a TXU Energy Trading Company LP</i> ; Cause No. 3-03-CV-0888-P; United States District Court for the Northern District of Texas, Dallas Division	Filing made by a former employee claiming breach of contract and employment termination under Section 806 of the Sarbanes-Oxley Act of 2002. The TXU Defendants believe the claims are without merit but cannot predict the outcome of this action. Discovery in this case is ongoing and the Court has set the case for trial in April 2005.
February 3, 2004	<i>Patrick Goodenough, James Brant Hargrave, Kari Lyn Smith and Carl Pfeil, on behalf of the TXU Thrift Plan, and all other persons similarly situated, vs. TXU Corp. et al.</i> ; Case No. 3:02-CV-2573-K; United States District Court for the Northern District of Texas, Dallas Division	Three ERISA lawsuits consolidated and a putative class action filing made on February 3, 2004. Plaintiffs seek to represent a class of participants in employee benefit plans during the period between April 26, 2001 and July 11, 2002. The TXU Defendants believe the claims are without merit but cannot predict the outcome of this action. Class action certification related discovery has been completed and the Plaintiffs' class certification motion is pending before the Court for decision.
March 10, 2003	<i>Kimberly Paige Killebrew, on Behalf of Herself and All Similarly-Situated Individuals v. TXU Corp. and TXU Portfolio Management Company LP.</i> ; Cause No. 3:04cv806; United States District Court for the Northern District of Texas, Dallas Division	Filing made by an alleged retail consumer of electricity asserting defendants engaged in manipulation of the wholesale electric market and violation of antitrust and other laws. The TXU Defendants believe the claims are without merit but cannot predict the outcome of this action. The case has been stayed pending the final ruling in the appeal of the TCE litigation described above.
October 23, 2002	<i>Bruce Giraudskas, Derivatively on Behalf of TXU Corp. vs. TXU Corp. et al.</i> ; Cause No. 02-10191; 116th Judicial District Court of Dallas County, Texas	Derivative filing made by a purported shareholder alleging breach of fiduciary duty. TXU Corp. believes the claims are without merit but cannot predict the outcome of this action. Plaintiff failed to make a pre-suit demand upon the directors as required by law, and the case is currently stayed.
January 2003, October 2002, November 2002, December 2002	<i>Richard Schwartz, et al., v. TXU Corp et al.</i> ; Civil Action No.: 3:02-CV-2243-K; United States District Court for the Northern District of Texas, Dallas Division	A number of lawsuits were filed and consolidated, and an amended consolidated complaint was filed on July 21, 2003. The complaint alleges violations of the Securities Act of 1933 and the Securities Exchange Act of 1934, all relating to alleged materially false and misleading statements. TXU Corp. believes the claims are without merit but cannot predict the outcome of this action. On September 24, 2003 a motion to dismiss was filed. The court has not yet ruled on the motion to dismiss.
Other Items		
October, 2003		TXU Corp. received notice from certain creditors and administrators of TXU Europe regarding potential claims against the directors and officers for allegedly failing to minimize the potential losses to the creditors of TXU Europe. TXU Corp. believes the claims are without merit and will defend such claims if they are ultimately pursued.

(1) Detailed descriptions of these proceedings are available in the company's 10-K and 10-Q filings with the SEC.