

**Second Quarter 2004
Earnings Discussion
July 29, 2004**



Safe Harbor Statement & Regulation G

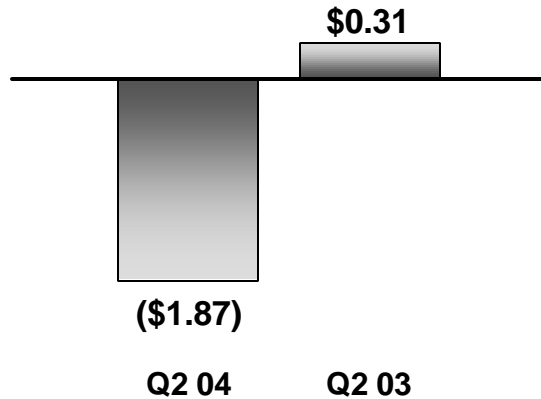
This presentation contains forward-looking statements, which are subject to various risks and uncertainties. Discussion of risks and uncertainties that could cause actual results to differ materially from management's current projections, forecasts, estimates and expectations is contained in the company's SEC filings. In addition to the risks and uncertainties set forth in the company's SEC filings, the forward-looking statements in this presentation could be affected by the ability of the 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 transactions or initiatives.

Regulation G

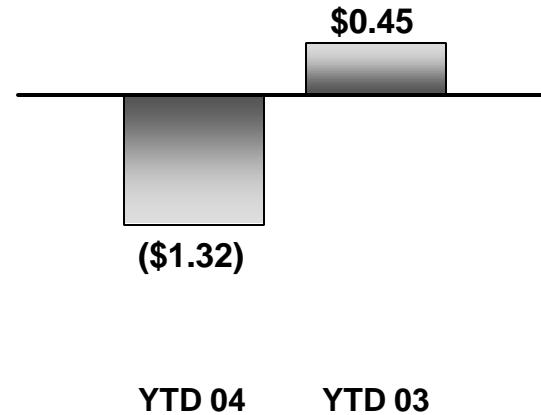
This presentation includes certain non-GAAP financial measures. A reconciliation of these measures to the most directly comparable GAAP measure is included in the appendix of the printed version of the slides and the version included on the company's website at www.txucorp.com under Investor Resources/Presentations.

TXU's Results Recap: Reported Earnings Declined, Operational Earnings Improved

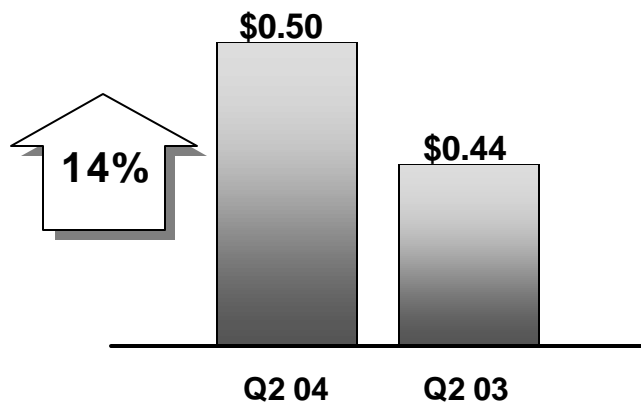
Q2 04 Reported Earnings Per Basic Share vs. Q2 03 Per Diluted Share; \$ per share



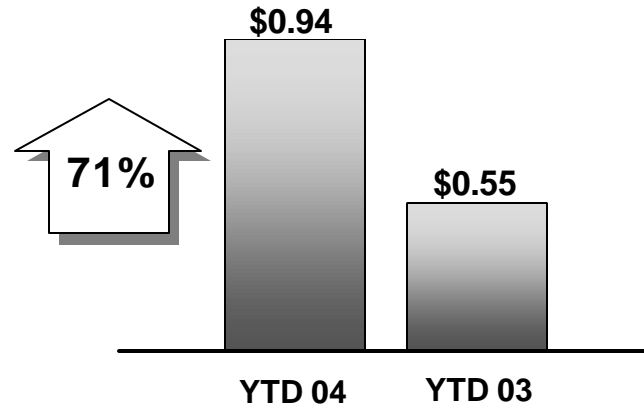
YTD 04 Reported Earnings Per Basic Share vs. YTD 03 Per Diluted Share; \$ per share



Operational Earnings Per Share Q2 04 vs. Q2 03; \$ per diluted share

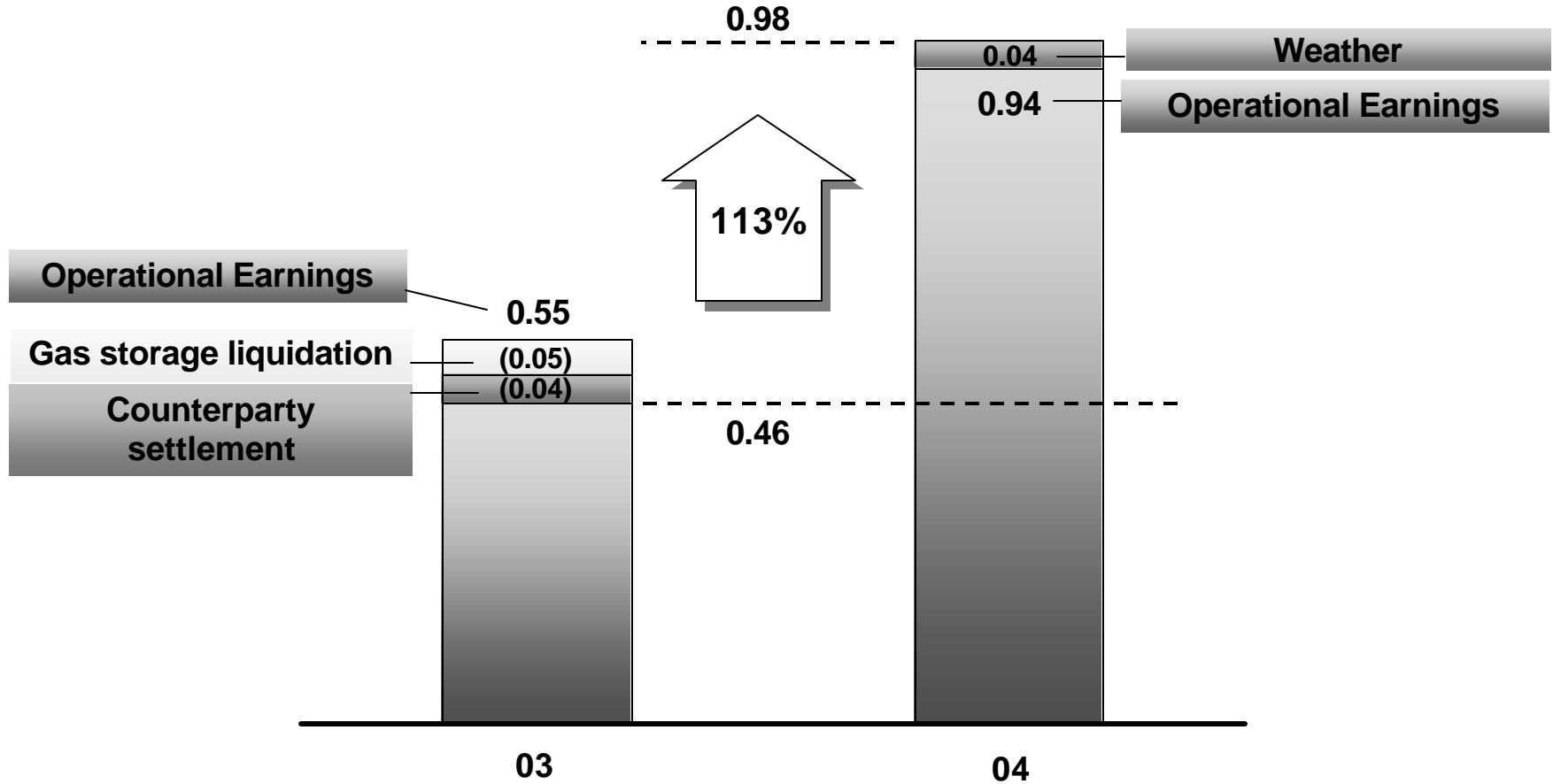


Operational Earnings Per Share YTD 04 vs. YTD 03; \$ per diluted share



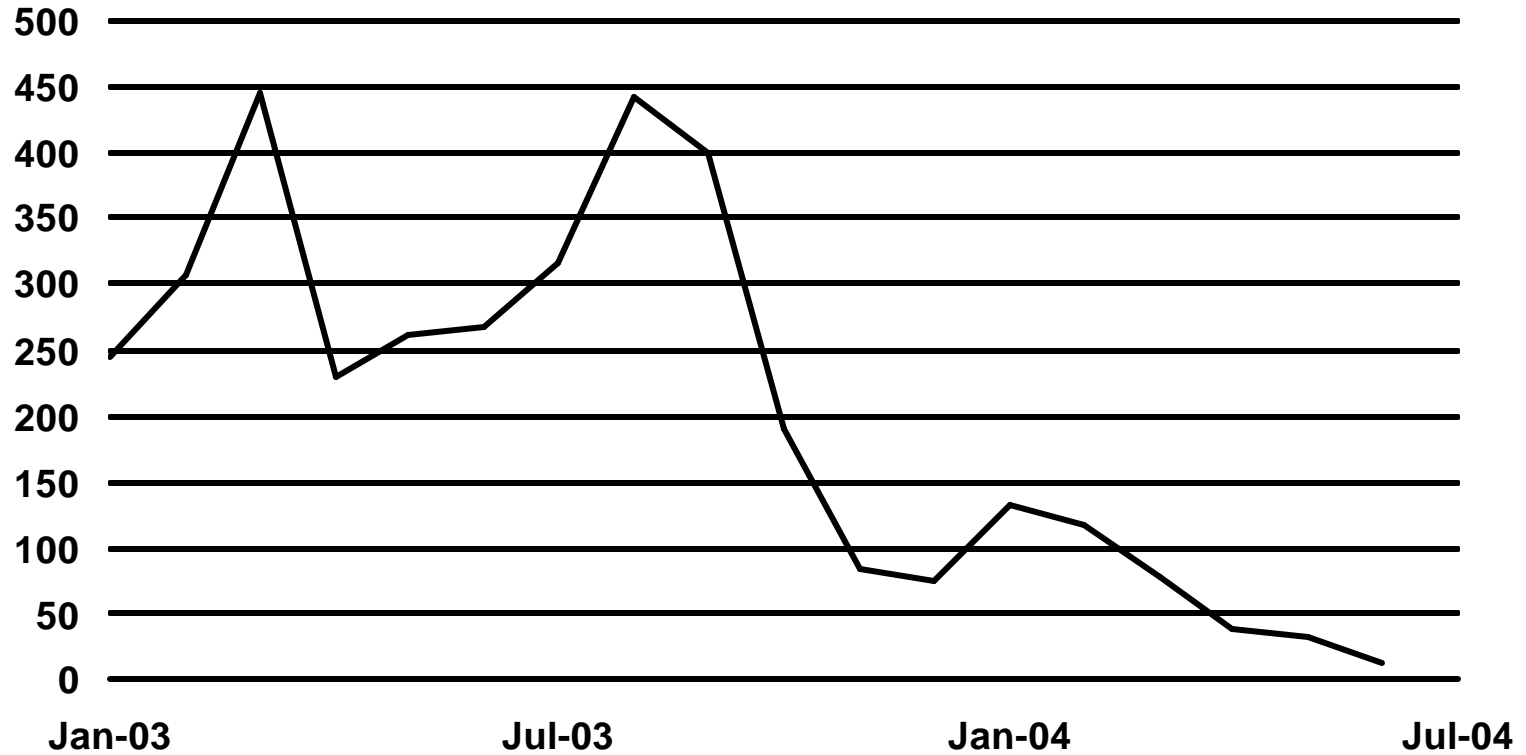
Underlying Earnings Power Has Doubled

Underlying Earnings Power
YTD 03 vs. 04; \$ per diluted share



Customer Service Levels Have Improved Dramatically

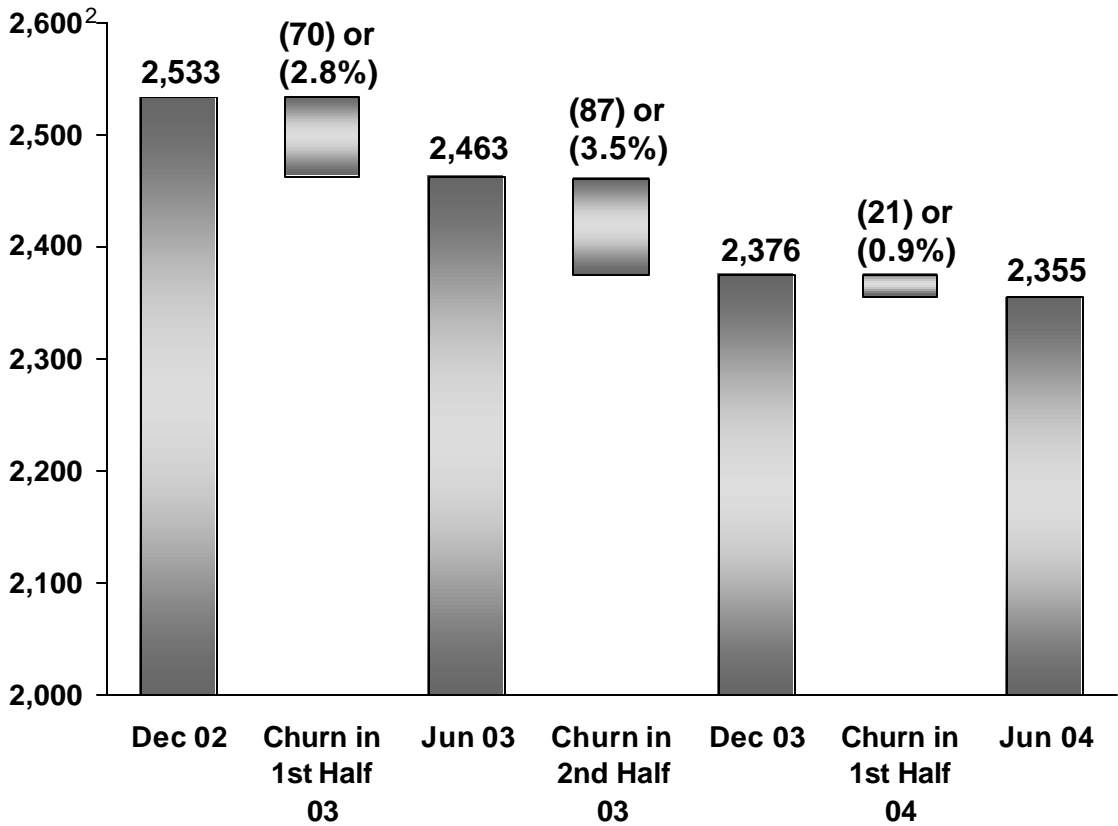
Average Speed of Answer
03 - 04; seconds



¹Excludes June 1 and June 2, the peak period for the storm that affected more than 1.3 million customers

North Texas Mass Market¹ Customer Count Stabilized in 04

Thousands of customers



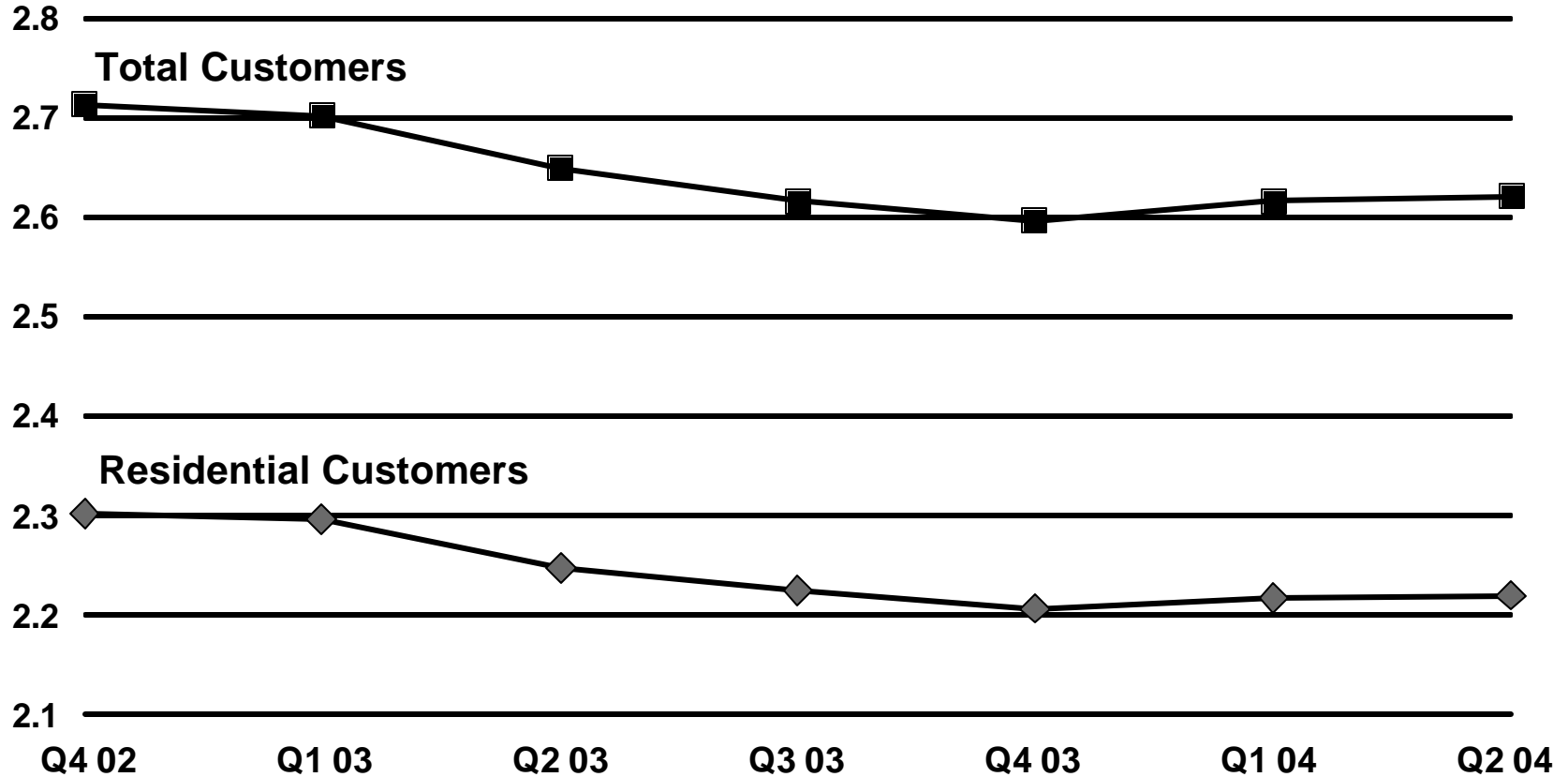
Customer count dropped 108,000 since June 2003: of these, 80% switched in the last six months of 03 vs. 20% in the first six months of 04.

¹ Including Consumer and Small & Medium Business

² Scale is truncated

Retail Customer Count Has Increased in 04

Customer Count (Based on Number of Meters) – North and South Texas
Q4 02 – Q2 04; millions

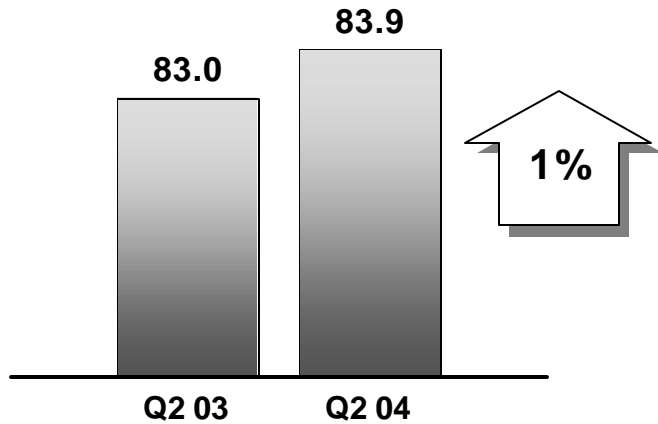


Total customers down 1% Q2 04 vs. Q2 03
Up 1% Q2 04 vs. Q4 03

Improved Base Load Plant Performance

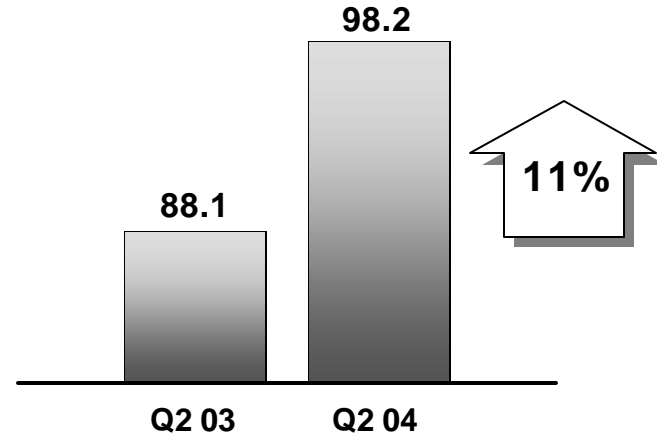
Lignite Units

Capacity Factor
Q2 03 vs. Q2 04; Percent

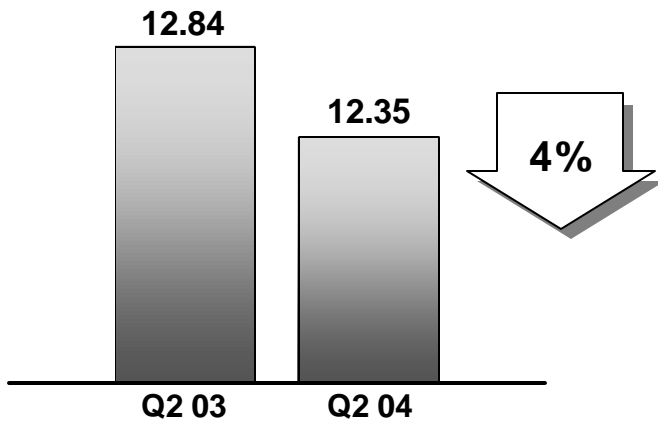


Nuclear Units

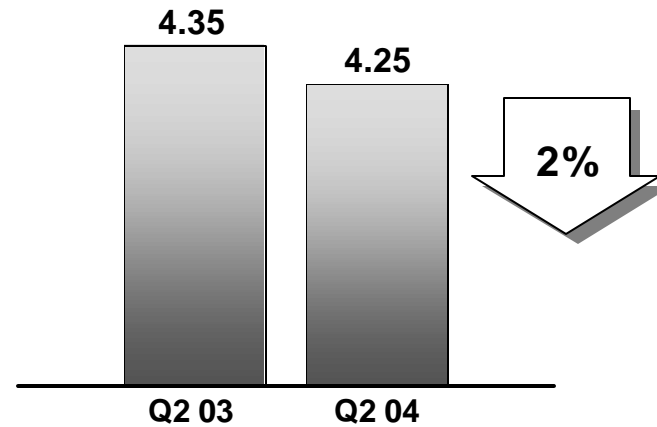
Planned Outage Adjusted Capacity Factor¹
Q2 03 vs. Q2 04; Percent



Fuel Costs
Q2 03 vs. Q2 04; \$/MWh



Fuel Costs
Q2 03 vs. Q2 04; \$/MWh



¹ Excludes planned outage of 38 days at Comanche Peak Unit 1 in Q2 04

Reconciliation of Operational Earnings to Net Income, the Most Directly Comparable GAAP Measure

Q2 04 vs. Q2 03, YTD 04 vs. YTD 03; \$ per diluted share (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 |
| Less: | | | | |
| Income (loss) from discontinued operations | 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 |

Description of Special Items

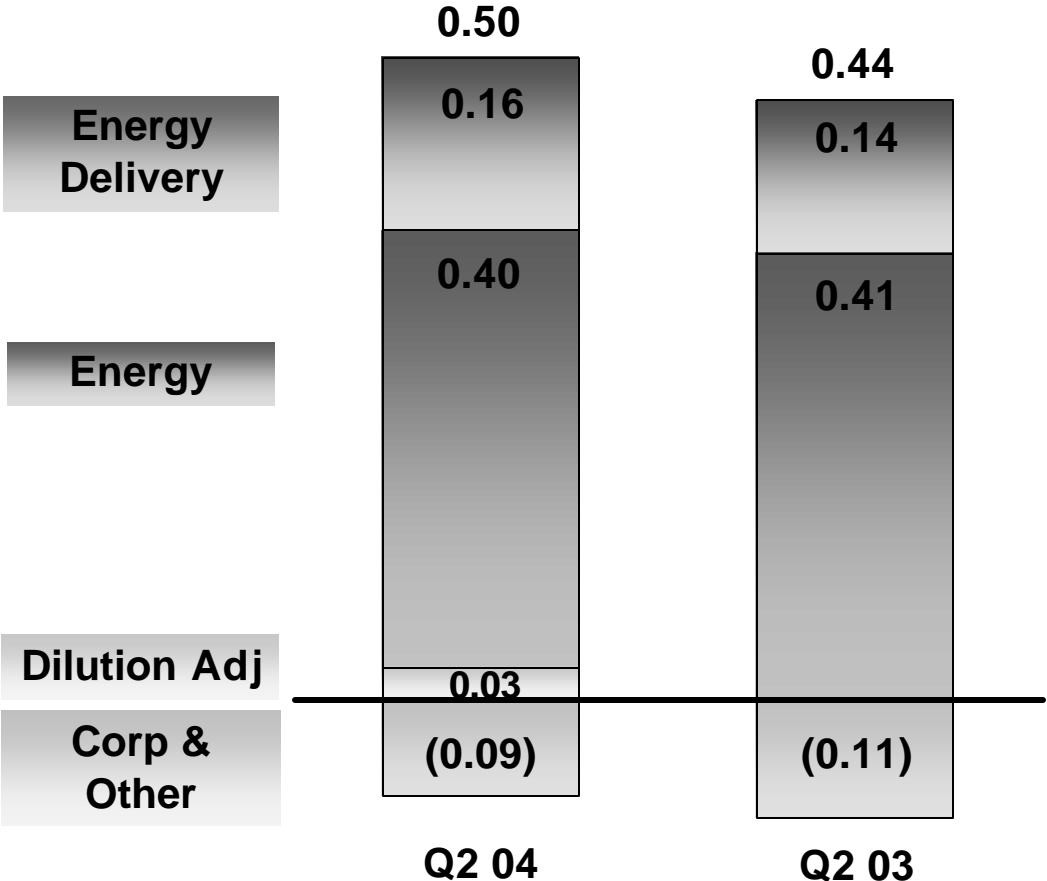
Q2 04; \$ millions after tax

| Special Item | Category | Cash | Non-Cash ¹ |
|-----------------------------------|------------------|-----------|-----------------------|
| Energy segment: | | | |
| Software projects write-off | Other deductions | – | 70 |
| Severance charges | Other deductions | 9 | 39 |
| Inventory/gas plant write-downs | Other deductions | – | 51 |
| Electric Delivery segment: | | | |
| Severance/other charges | Other deductions | – | 13 |
| Corporate and Other: | | | |
| One-time compensation expense | SG&A | 37 | – |
| Transaction/professional fees | SG&A | 12 | – |
| Litigation settlement reserve | Other deductions | – | 65 |
| Liability management expense | Other deductions | 35 | 4 |
| Severance charges | Other deductions | – | 3 |
| Income tax benefit | Income tax | – | (75) |
| Total | | 93 | 170 |

¹ 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.

Operational Earnings Improvement Across Energy, Electric Delivery, and Corporate

Operational Earnings Contribution by Segment
 Q2 04 vs. Q2 03; \$ per diluted share



Energy Segment Operational Earnings Reconciliation

Q2 04 vs. Q2 03, YTD 04 vs. YTD 03; \$ per diluted share

| Earnings Driver | 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 |

2004 Operational Outlook

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 |

Average Shares Outstanding¹ 04 and 05 estimates; millions

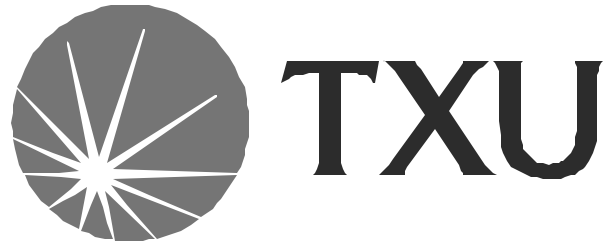
| Share Type | Q1 | Change | Q2 | Change | Q3E | Change | Q4E | Year 04E | Year 05E |
|------------|-----|--------|-----|--------|-----|--------|-----|-------------|-------------|
| Basic | 323 | (3) | 320 | (26) | 294 | 3 | 297 | 309 | 301 |
| Diluted | 380 | (43) | 337 | (43) | 294 | 3 | 297 | 327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

¹ 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.

Q&A

Discussion

Appendix



Regulation G Reconciliations

Reconciliation 1 - TXU Corp

Debt to Market Enterprise Value Ratio

\$ Millions

| Debt | <u>30-Jun-04</u> | <u>31-Mar-04</u> |
|-------------------------------------|------------------|------------------|
| Notes Payable: | | |
| Commercial Paper | - | 7 |
| Banks | 2,675 | 175 |
| Long-term Debt due Currently | 534 | 451 |
| LT Debt held by sub Trusts | 309 | 546 |
| All other LT debt, less due current | 10,463 | 12,368 |
| Securitization Debt | (1,282) | (492) |
| Preferred securities of subs | 113 | 761 |
| Preferred stock | 300 | 300 |
| Less: Cash & Cash Equivalents | | |
| Cash and cash equivalents | (691) | (441) |
| Restricted cash | (584) | (589) |
| Total Debt | <u>11,837</u> | <u>13,086</u> A |
| Market Capitalization | | |
| Shares Outstanding | 297 | 324 |
| Price per Share | <u>40.51</u> | <u>28.66</u> |
| Total Market Capitalization (A+B) | <u>12,031</u> | <u>9,286</u> B |
| Enterprise Value | <u>23,868</u> | <u>22,372</u> C |
| Debt to Enterprise Value (A/C) | <u>49.6%</u> | <u>58.5%</u> |