

TXU Reports Solid First Quarter Results

DALLAS - May 6, 2004 – TXU Corp. (NYSE: TXU) today reported first quarter ended March 31, 2004 earnings of \$0.50 per diluted share, after a \$0.06 per share loss from discontinued operations, and a \$0.01 preference stock dividend. Income from continuing operations was \$0.57 per diluted share. Comparable earnings for the first quarter of 2003 were \$0.14 per diluted share, including a cumulative effect of changes in accounting principles which lowered earnings by \$0.15 per share, a \$0.03 per share loss from discontinued operations, and a \$0.02 preference stock dividend. Income from continuing operations was \$0.34 per diluted share. Special items in the first quarter of 2004 totaled \$0.07 per share; no special items were identified in the prior-year quarter.

Table 1: Operational Earnings Reconciliation
Q1 04 vs. Q1 03; \$ per diluted share¹

Earnings Factor	EPS
1Q 03 income from continuing operations	0.34
Contribution margin:	
Energy	0.34
Energy Delivery	0.02
Australia	0.13
Depreciation and amortization	(0.03)
SG&A	(0.10)
Income taxes	(0.13)
1Q 04 income from continuing operations	0.57
Preference stock dividends	(0.01)
Special items	0.07
1Q 04 operational earnings	0.63

Operational earnings² per share after preference stock dividends were \$0.63, up 97 percent from \$0.32 in the first quarter of 2003. TXU Energy segment results improved \$0.22 per share, including a \$0.34 pre tax increase in contribution margin (revenues less cost of energy sold and delivery fees) because of higher retail and wholesale electricity prices, reflecting higher natural gas prices, increased base load generation output and more effective sourcing of purchased power versus gas-fired generation. The absence of losses from the telecommunications businesses in Corporate also improved results. Partially offsetting the gains was a \$0.02 per share decrease in earnings from the Energy Delivery segment due to a reduction in gas volumes delivered as a result of milder weather. Table 1 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.

Recent Highlights

- On February 23, TXU announced that John Wilder had been named president and chief executive officer of the company effective immediately.
- On March 5, TXU Energy announced a major initiative to offer the best customer service of any electric provider by June. The initiative includes the adding of over 600 additional customer service agents and securing new facilities to achieve targeted telephone answering times that are the best in the industry and twice as good as the industry average.
- On March 25, TXU Energy filed a request with the Public Utility Commission of Texas (PUC) for a 3.4% increase in the company's electricity Price to Beat (PTB), driven by higher gas prices. The filing is expected to be reviewed by the PUC on May 13.
- On March 29, TXU Energy announced the retirement of eight gas-fired generating units and the temporary shutdown of an additional four gas-fired units. The units have a total capacity of 1,471 megawatts.
- On April 16, TXU completed the sale of TXU Communications for \$527 million, including \$524 million in cash. On March 18, TXU repaid the remaining \$560 million principal amount of the 8.83% senior secured notes associated with this business.
- On April 26, TXU announced agreements to sell TXU Australia and TXU Fuel Company, and its intention to sell its TXU Gas subsidiary. In addition, TXU announced the repurchase of all \$750 million principal amount of TXU Energy's 9 percent exchangeable preferred membership interests, eliminating the future distributions and 57.1 million diluted common shares.

¹ Based upon average shares of common stock outstanding, diluted, of 380 million shares for the first quarter of 2004 as compared to 378 million shares for the first quarter of 2003.

² A non-GAAP measure adjusting for special items. See Attachment 1: Financial Definitions

“We had a solid quarter,” said John Wilder, TXU’s president and chief executive officer. “The results provide a glimpse of the potential of this business. Over the next year we will continue to strive to improve our competitiveness and deliver on this potential.”

Teleconference

TXU will host a teleconference with financial analysts to discuss first quarter results at 10:00 AM CDT on May 6, 2004. The telephone numbers are 800-309-0343 in the United States and Canada and 706-634-7057 internationally, with confirmation code 6810757. **The teleconference will be web cast live on the TXU web site at www.txucorp.com for all interested parties.**

Consolidated Results

TXU’s reported earnings of \$0.50 per diluted share in the first quarter of 2004 included a \$0.06 per share loss from discontinued operations and a \$0.01 preference stock dividend. Discontinued operations in the quarter primarily relate to the telecommunications business and the strategic accounts (energy management outsourcing) business. In the first quarter of 2003, TXU’s earnings of \$0.14 per diluted share included a \$0.03 per share loss from discontinued operations related mainly to the telecommunications business and the discontinued operations in Europe. When first quarter results were reported in 2003, the losses related to the telecommunications business results and the strategic accounts business were included in continuing operations. These losses, except for TXU’s equity interest in the January and February losses of the telecommunications business, have been reclassified as discontinued operations due to the sale of the telecommunications business and the decision to exit the strategic accounts business, resulting in a \$0.02 per share increase in income from continuing operations and a \$0.02 per share increase in loss from discontinued operations in the prior year quarter. This had no effect on net income or reported earnings per share for the first quarter of 2003. Last year’s results also included the cumulative effect of changes in accounting principles which lowered earnings by a net \$0.15 per diluted share.

Cash provided by operating activities for the first quarter of 2004 was \$468 million, a decrease of \$459 million from the prior year period. The decrease reflects the receipt of a \$616 million tax refund in 2003, partially offset by improved earnings.

Table 2 provides a summary of consolidated common stock and return measures.

Table 2: Consolidated Return Statistics
Periods ended 3/31/04 and 3/31/03; mixed measures

Statistic	3/31/04	3/31/03	%Change
Common stock data:			
Book value per share-end of period	17.56	14.87	18.1
Basic shares outstanding-end of period (millions)	324	322	0.6
Return on average common stock equity – based on net income (%)	13.3	(70.9)	-
Return on average common stock equity – based on operational earnings (%)	15.8	0.2	-
Return on average invested capital – based on net income (%)	6.6	(18.0)	-
Return on average invested capital – based on operational earnings (%)	7.3	3.0	-

Table 3 represents available liquidity (cash and available credit facility capacity) as of April 30, 2004 and December 31, 2003. TXU plans to maintain minimum available liquidity of \$1.5 billion throughout 2004.

Table 3: Liquidity – Excluding Australia
Available amounts as of 4/30/04 and 12/31/03; \$millions

Liquidity Component	Borrower	Maturity	4/30/04	12/31/03
Cash and cash equivalents			222	829
\$1.4 billion credit facility	US Holdings	Feb. 05	1,200	1,356
\$450 million credit facility	TXU Energy/Oncor	Feb. 05	450	450
\$400 million credit facility	US Holdings	May 05	400	400
\$500 million credit facility	TXU Corp.	Aug. 08	47	78
\$700 million credit facility	TXU Corp.	April 05	-	-
\$1 billion credit facility	TXU Energy	April 05	215	-
\$300 million credit facility	TXU Gas	April 05	115	-
Total liquidity			2,649	3,113

Table 4 shows the company’s capitalization and credit ratios. Capitalization is shown as reported on the balance sheet and excluding securitization bonds and debt-related restricted cash to reflect the off-credit and net debt treatment in credit reviews.

Table 4: Consolidated Financial Flexibility Measures
Periods ended 3/31/04 and 12/31/03; mixed measures

Financial Flexibility Measure	Q1 04	Capitalization Ratio (%)	Q4 03	Capitalization Ratio (%)
Capitalization (\$millions) and capitalization ratios (end of period):				
Notes payable and long-term debt due currently	633	3.1	774	3.8
Long-term debt	12,914	63.6	12,870	63.3
Exchangeable preferred membership interest (net of discount)	648	3.2	646	3.2
Preferred stock of subsidiaries	113	0.6	113	0.6
Total debt including transition bonds	14,308	70.5	14,403	70.9
Preference stock	300	1.5	300	1.5
Common stock equity	5,689	28.0	5,619	27.6
Total	20,297	100.0	20,322	100.0
Twelve months ended:				
Total debt less transition bonds and debt-related restricted cash	13,816	69.8	13,903	70.1
Preference stock	300	1.5	300	1.5
Common stock equity	5,689	28.7	5,619	28.4
Total	19,805	100.0	19,822	100.0
Twelve months ended:				
Interest coverage	3.3		3.1	
Debt coverage ratio (%)	23		22	

Business Segment Results

The following is a discussion of operational earnings by business segment. Tables 5 and 6 show the components of the contribution and change in earnings for the quarter ended March 31, 2004 by segment and the reconciliation of operational earnings to reported net income and income from continuing operations for the first quarter of 2004.

Table 5: Reconciliation of Reported Earnings, Contributions by Segment
Q1 03 to Q1 04; \$ per share after tax

Earnings Factor	Contribution	Change	Impact
Reported net income for common 1Q 03 (diluted)			0.14
Loss on discontinued operations			0.03
Cumulative effect of changes in accounting principles			0.15
Preference stock dividend			0.02
Income from continuing operations 1Q 03 (diluted)			0.34
Energy segment	0.31	0.22	
Energy Delivery segment	0.27	(0.02)	
Australia segment	0.08	0.01	
Corporate and Other	(0.12)	0.02	0.23
Income from continuing operations 1Q 04 (diluted)			0.57
Loss on discontinued operations			(0.06)
Preference stock dividend			(0.01)
Reported net income for common 1Q 04 (diluted)			0.50
Dilution adjustment ³			0.05
Reported net income for common 1Q 04 (basic)			0.55

Table 6: Reconciliation of Operational Earnings, Description of Special Items

³ Dilution adjustment = the addition to net income to common of the after tax amount of the dividends and amortization discount on the TXU Energy exchangeable preferred securities (\$13 million for 1Q 2004 and 1Q 2003) and the reflection of these securities as an additional 57 million shares of common stock in the diluted earnings per share calculation.

Q1 04; \$ per diluted share after tax

Earnings Factor/Special Item	Segment	Impact
Income from continuing operations		0.57
Preference stock dividends		(0.01)
Special items:		
Nonrecurring SG&A - compensation costs	Corporate & Other	0.04
Nonrecurring other deduction - severance costs	TXU Energy	0.02
Nonrecurring other deduction - retirement of gas plants	TXU Energy	0.01
Total special items		0.07
Operational earnings		0.63

Energy

TXU's Energy segment consists of the electricity generation, retail and wholesale energy sales, and portfolio management operations of TXU Energy, principally in the competitive Texas market. In the first quarter of 2004, the Energy segment reported income from continuing operations of \$0.31 per share, up \$0.22 from \$0.09 per share, before the cumulative effect of accounting principles (\$0.15 per share), in the first quarter of 2003. Excluding special items of \$0.03, operational earnings in the first quarter of 2004 were \$0.34 per share, a \$0.25 per share increase.

The \$0.25 improvement was the result of a \$129 million increase in contribution margin (operating revenues less cost of energy sold and delivery fees), primarily driven by higher retail and wholesale sales prices, increased base load 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 and increased average wires charges.

Table 7 provides details of operating revenues for the Energy segment for the first quarter ended March 31, 2004 as compared to the first quarter of 2003.

Table 7: Energy Segment – Operating Revenues
Q1 04 and Q1 03; \$millions

Operating Revenue Component	Q1 04	Q1 03	%Change
Retail electricity revenues: ⁴			
Native market:			
Residential	650	653	(0.5)
Small business	256	294	(12.9)
Total native market	906	947	(4.3)
Other markets:			
Residential	43	31	38.7
Small business	6	6	-
Total other markets	49	37	32.4
Large business	453	448	1.1
Total retail electricity revenues	1,408	1,432	(1.7)
Wholesale electricity revenues	475	237	-
Hedging and risk management activities	(12)	81	-
Other revenues	93	41	-
Total operating revenues	1,964	1,791	9.7

Table 8 provides a summary of quarter-to-quarter generation operating statistics that depicts the benefit of increased base load performance and more effective sourcing of purchased power versus gas-fired generation.

Table 8: Energy Segment – Generation and Supply Statistics
Q1 04 and Q1 03; mixed measures

⁴ Breakout of historical service territory and other territories are estimates and are only provided for reference. The Company is currently refining its systems to more precisely report this data.

Generation and Supply Statistic	Q1 04	Q1 03	%Change
Production and purchased power (GWh):			
Nuclear (base load)	4,854	4,740	2.4
Lignite/coal (base load)	10,203	8,687	17.5
Gas/oil	910	3,662	(75.2)
Purchased power	14,346	10,515	36.4
Total energy supply	30,313	27,604	9.8
Less line loss and other	437	755	(42.1)
Net energy supply	29,876	26,849	11.3
Base load capacity factors (%):			
Nuclear	97.0	95.4	1.7
Lignite/coal	83.8	73.2	14.5
Fuel and Purchased Power Costs (\$/MWh):			
Nuclear generation	4.41	4.32	2.1
Lignite/coal generation	13.28	13.05	1.8
Gas/Oil generation and purchased power	43.99	48.17	(8.7)
Average total electricity supply	27.32	29.59	(7.7)

Tables 9 and 10 summarize retail and wholesale sales operating statistics and Energy segment operating revenues.

The decrease in retail sales volumes is predominantly due to a decrease in customers and related load in the competitive market and lower average usage in the quarter due to milder weather. Most of the decrease in volumes due to customer switching were related to activity through December 2003, when the company incurred losses, especially small and medium business load, as some higher volume customers switched suppliers. TXU Energy now has the ability to compete on price in the small and medium business segment. Accordingly TXU Energy expects to improve retention of these customers. Customer count increased by 19 thousand, 0.7%, in the first quarter of 2004 compared to December 31, 2003.

**Table 9: Retail Operating Statistics – Sales Volumes
Q1 04 and Q1 03; GWh**

Volume Components	Q1 04	Q1 03	%Change
Retail electricity sales⁵:			
Native market:			
Residential	7,119	8,171	(12.9)
Small business	2,533	3,243	(21.9)
Total native market	9,652	11,414	(15.4)
Other markets:			
Residential	518	362	43.1
Small business	61	71	(14.1)
Total other markets	579	433	33.7
Large business	6,709	7,551	(11.2)
Total retail electricity sales	16,940	19,398	(12.7)
Wholesale electricity sales	12,936	7,451	73.6
Total electricity sales	29,876	26,849	11.3

**Table 10: Retail Operating Statistics
Q1 04 and Q1 03; mixed measures**

⁵ Breakout of native and other markets are estimates and are only provided for reference. The Company is currently refining its systems to more precisely report this data.

Retail Operating Statistic	Q1 04	Q1 03	%Change
Retail electricity customers ⁶ (end of period; thousands; # of meters):			
Native market:			
Residential	2,054	2,184	(6.0)
Small business	316	324	(2.5)
Total native market	2,370	2,508	(5.5)
Other markets:			
Residential	163	112	45.5
Small business	5	5	-
Total other markets	168	117	43.6
Large business	78	76	2.6
Total retail electricity customers	2,616	2,701	(3.1)
Average volume(KWh)/customer (using average customers):			
Residential	3,452	3,692	(6.5)
Small business	8,084	10,000	(19.2)
Large business	91,240	98,126	(7.0)
Average revenue (\$/MWh):			
Residential	90.70	80.14	13.2
Small business	100.83	90.43	11.5
Large business	67.53	59.38	13.7
Average wires charge (\$/MWh)	22.34	19.77	13.0
Average contribution margin (\$/MWh) ⁶			
Residential	41.04	30.78	33.3
Small business	51.17	41.07	24.6
Large business	17.87	10.02	78.3
Estimated share of ERCOT market:			
Residential ⁷	46	48	(4.2)
Small business ⁷	32	34	(5.9)
Large business ⁷	41	38	7.9
Weather – percent of normal (average for service territory) ⁸ :			
Heating degree days	88.6	106.6	-

Hedging and portfolio management revenues decreased \$93 million primarily due to realized market price movements on commodity positions held to hedge gross margin. The 2003 period also included an \$18 million favorable settlement with a counterparty. 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. The company is reviewing all of its hedging strategies and is adjusting its positions and methods of hedging to more effectively address current market conditions.

Tables 11 through 13 provide more details of hedging activities. Table 11 breaks out hedging and risk management activities revenues by realized and unrealized components and provides reference prices for electricity and natural gas.

⁶ Average contribution margin is based upon average electricity supply costs and average wires costs. To fully determine profitability by customer segment, actual power costs and wires costs reflective of the usage and load factors for each line of business, at a minimum, would need to be used. TXU is developing systems and processes to more appropriately evaluate and reflect profitability by line of business.

⁷ Estimated market share for residential and small and medium business is based on the number of customers within ERCOT that have choice. Estimated market share for large business is based on the annualized consumption for this overall market within ERCOT.

⁸ 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).

**Table 11: Energy Segment – Hedging and Risk Management Statistics
Q1 04 and Q1 03; mixed measures**

Hedging and Risk Management Statistic	Q1 04	Q1 03	%Change
Hedging and Risk Management activities revenue (\$ million):			
Net unrealized mark to market gains/(losses) ⁹	(18)	(17)	(5.9)
Realized gains (losses)	6	98	(93.9)
Total	(12)	81	-
ERCOT MCPE – median North zone on peak (\$/MWh) ¹⁰	37.22	44.64	(16.6)
Henry Hub – average monthly settlement gas prices (\$/MMBtu)	5.69	6.59	(13.7)
NYMEX – 12 month strip average gas prices (\$/MMBtu)	5.61	5.32	5.5

Table 12 presents the unrealized mark-to-market balance at March 31, 2004, scheduled by contractual settlement dates of the underlying positions. One hundred percent of 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 12: Energy Segment – Maturity Dates of Unrealized Net Mark-to-Market Balances
03/31/04; \$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	72	-	-	-	72
Prices provided by other external sources	-	35	2	(2)	35
Prices based on models	12	(1)	-	-	11
Total	84	34	2	(2)	118
Percentage (%) of total fair value	71	29	2	(2)	100

Table 13 summarizes the changes in commodity contract assets and liabilities for the three months ended March 31, 2004. The net change in these assets and liabilities, excluding “cumulative effect of change in accounting principle” and “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 13: Energy Segment - Changes in Commodity Contract Assets and Liabilities
Q1 04; \$millions**

Change Component	Impact
Balance of net commodity contract assets at beginning of period	108
Settlements of positions included in the opening balance ¹¹	(30)
Unrealized mark-to-market valuations of positions held at end of period	27
Other activity ¹²	(12)
Balance of net commodity contract assets at end of period	93

Operating costs decreased by \$14 million primarily due to the timing of power plant maintenance. Selling, general and administrative expenses increased primarily as a result of increased bad debt expense. The bad debt expense comparison to the

⁹ Q1 04 includes \$15 million of ineffectiveness losses related to cash flow hedges. Q1 03 includes \$6 million of ineffectiveness gains related to cash flow hedges.

¹⁰ 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.

¹¹ Unrealized mark-to-market valuations of these positions recognized in earnings as of the beginning of the period.

¹² 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.

first quarter of 2003 is primarily the effect of the lag in the benefit of the increased collection activity that started in early 2003. Bad debt expense is expected to be lower for the full year of 2004 than it was in 2003. Depreciation and amortization expense decreased due primarily to extensions of estimated average depreciable lives of nuclear and lignite generation facilities assets to better reflect their useful lives.

Energy Delivery

TXU's Energy Delivery segment includes the electricity transmission and distribution business of Oncor Electric Delivery Company and the natural gas pipeline and distribution businesses of TXU Gas Company, both of which are subject to regulation in Texas. The Energy Delivery segment reported income from continuing operations of \$0.27 per share in the first quarter of 2004, down from \$0.29 in the first quarter of 2003. The \$0.02 per share decline in net income was the result of a \$0.03 per share decrease from TXU Gas and a \$0.01 per share increase in net income from Oncor Electric Delivery. The decrease in TXU Gas results was primarily due to lower gross margin due to milder weather. The \$0.01 per share additional contribution from Oncor Electric Delivery was primarily due to increased revenues due to higher tariffs and lower interest expense.

TXU announced on April 26 that it intends to sell TXU Gas Company. Beginning in the second quarter, TXU Gas Company's financial results, including the first quarter on a retroactive basis, will be reported as discontinued operations.

Tables 14 and 15 summarize operating statistics and provide details of the operating revenues for the Energy Delivery segment for the first quarter ended March 31, 2004 as compared to the first quarter of 2003.

**Table 14: Energy Delivery Segment – Operating Statistics
Q1 04 and Q1 03; mixed measures**

Operating Statistic	Q1 04	Q1 03	%Change
Volumes:			
Electricity distribution (GWh)	23,631	23,908	(1.2)
Retail gas distribution (Bcf):			
Residential	38	45	(15.6)
Business and other	22	26	(15.4)
Total	60	71	(15.5)
Pipeline transportation (Bcf)	87	86	1.2
System Average Interruption Duration Index (SAIDI) (non-storm) ¹³	86.90	86.28	-
System Average Interruption Frequency Index (SAIFI) (non-storm) ¹³	1.32	1.26	-
Customer Average Interruption Duration Index (CAIDI) (non-storm) ¹³	65.83	68.46	-
Customers & points of delivery (end of period & in thousands):			
Retail gas distribution customers	1,489	1,475	0.9
Electricity distribution points of delivery (number of meters) ¹⁴	2,942	2,914	1.0

**Table 15: Energy Delivery Segment – Operating Revenues
Q1 04 and Q1 03; \$millions**

¹³ SAIDI is the number of minutes the average customer is out of electric service in a year. SAIFI is the number of times a year that the average customer experiences an interruption to electric service; and CAIDI is the duration of the average interruption to electric service.

¹⁴ Includes lighting sites, principally guard lights, for which TXU Energy is the REP, but are not included in TXU Energy's customer count. Such sites totaled 99,591 and 104,851 at March 31, 2004 and 2003, respectively.

Revenue Component	Q1 04	Q1 03	%Change
Electricity transmission and distribution:			
Affiliated (TXU Energy)	349	377	(7.4)
Non-affiliated	174	129	34.9
Total	523	506	3.4
Retail gas distribution:			
Residential	312	401	(22.2)
Business and other	159	193	(17.6)
Total	471	594	(20.7)
Pipeline transportation	16	16	-
Other revenues, net of eliminations	20	11	81.8
Total retail gas distribution and pipeline transportation	507	621	(18.4)
Total operating revenues	1,030	1,127	(8.6)

Electricity delivery revenues increased \$17 million 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 costs. The remaining \$3 million increase in revenues was primarily due to increased transmission cost of service and cost recovery tariffs (\$15 million) and increased miscellaneous service revenues exceeding the effects of decreased consumption (\$17 million) from lower average usage due to milder weather.

Australia

TXU's Australia segment includes operations of TXU Australia, principally in Victoria and South Australia, involving the electricity generation, retail and wholesale energy sales, and portfolio management in largely competitive markets, and natural gas transportation and storage, as well as regulated electricity and natural gas distribution operations. Income from continuing operations from the Australia segment was \$0.08 per share in the first quarter of 2004, up from \$0.07 per share in the first quarter of 2003. The increase was primarily the result of a stronger Australian dollar, which added \$0.02 per share.

As announced on April 26, 2004, TXU has agreed to sell TXU Australia to Singapore Power for an enterprise value of \$3.72 billion with after-tax proceeds to TXU of \$1.8 billion. The sale is expected to close in the third quarter. Beginning in the second quarter, TXU Australia's financial results, including the first quarter on a retroactive basis, will be reported as discontinued operations.

Corporate and Other

Corporate and Other consists of TXU'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 TXU Corp. level. Corporate and Other expenses from continuing operations were \$0.13 per share in the first quarter of 2004 compared with \$0.16 per share in the first quarter of 2003. Excluding the special item in Table 6, the improvement was \$0.07 per share. The improvement is primarily related to the company's telecommunications business and lower interest expenses, somewhat offset by increased operating expenses and the special item listed in Table 6. First quarter 2003 results included other deductions of \$0.04 related to January and February equity interest in losses in the telecommunication business. In March 2003, the telecommunications business was consolidated and results from that point forward are included in discontinued operations.

2004 Outlook

Cash from operations for 2004 is estimated in a range of \$1.5 billion - \$1.6 billion, and free cash flow, including net proceeds from announced sales of businesses, are projected to be more than \$3.5 billion. Management is targeting a debt to capitalization ratio of approximately 55 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 \$5.8 billion. At March 31, 2004, transition bond principal was \$492 million, and management anticipates issuing an additional \$790 million of transition bonds in the second quarter.

TXU currently expects 2004 operational earnings per share to be in a range of \$2.45 to \$2.55. Special items are estimated at approximately \$0.71 per share (\$241 million). The review is ongoing and the estimate is subject to change.

Tables 16 and 17 provide a reconciliation of this expectation to management's original guidance and a description of special items expected in 2004.

Table 16: Financial Outlook 04; mixed measures

Earnings Driver	Operational EPS, Diluted (\$/Share)	Total Debt (\$Billions)	Total Debt/Total Capital (%)
Original 04 guidance	2.15	12.6	64
Divestments (TXU Australia, TXU Gas, TXU Fuel)	(0.30)		
Interest expense reduction from debt reduction	0.03		
Effect of repurchase of exchangeable preferred membership interests	0.21		
Total after transactions announced April 26	2.09	8.6	57
Impact from business improvements (4+4 program)	0.48		
Contingency	(0.12) – (0.02)		
04 outlook	2.45 – 2.55	8.1	55

**Table 17: Description of Projected Special Items
04; \$millions after tax**

Special Item	Income Statement Impact
Nonrecurring other deductions - customer system write-off	63
Nonrecurring other deductions - mine closing costs	60
Nonrecurring other deductions - severance and other costs	52
Nonrecurring other deductions - inventory impairment	49
Nonrecurring SG&A expense – compensation costs	14
Nonrecurring other deductions - retirement of gas plants	3
Total	241

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 First Quarter Financial Results file at www.txucorp.com/investres/default.asp.

Investor Conference

Senior management will host an investor conference on Tuesday, May 18 at the Gaylord Texan Hotel in Grapevine, near Dallas, to discuss with financial analysts its strategic priorities for the future. The agenda will include in depth discussions of each major business segment and their operating and financial metrics and financial expectations, a review of risk management strategy, a consolidated financial forecast for 2005 and view on the future.

Analysts who wish to attend the meeting should RSVP to Sherri Cox at scox2@txu.com, 214/812-4901, or via fax at 214-812-3366. This event will be web cast live at www.txucorp.com for all interested parties.

TXU, a Dallas-based energy company manages a portfolio of competitive and regulated energy businesses in North America, primarily in Texas. TXU's unregulated business, TXU Energy, 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 Energy also 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 the North America. TXU's regulated electric distribution and transmission business complements the competitive operations, using asset management skills developed over more than one hundred years, to provide reliable electricity delivery to consumers. TXU's electric delivery operations are the largest in Texas, providing power to 2.9 million delivery points over more than 98,000 miles of distribution and 14,000 miles of transmission lines. TXU has agreed to sell its energy business in Australia, TXU Australia, and has announced its intent to sell TXU Gas, its largely regulated natural gas transmission and distribution business in Texas. Visit www.txucorp.com for more information about TXU.

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 purchasers to obtain all necessary governmental and other approvals and consents for the acquisition of TXU Australia and TXU Fuel and the ability of the company to exit the business of TXU Gas and to implement the initiatives that are part of the 4+4 program, and the terms under which the company executes those transaction or initiatives.

-END-

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Attachment 1: Financial Definitions

Operational Earnings Per Share (a non-GAAP measure): Per share (diluted) income from continuing operations, excluding special items and net of preference share dividends. Management 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. Management 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.

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 management 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 management to assess credit quality.

Debt Coverage Ratio (a non-GAAP measure):

Cash Operating Income divided by Total Debt less transition bonds and debt-related restricted cash

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 management 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 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 management to assess credit quality.

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

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 4+4-performance improvement program and other charges, credits or gains that are unusual or nonrecurring. The 4+4 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 4+4 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)

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 Q1 04 vs. Q1 03; \$millions unless otherwise noted

Component	Q1 04	Q1 03	Ref
Net income available for common stock	697	(4,442)	A
Income from continuing operations before income taxes	823	36	
Special items	25	-	
Preference stock dividends	(22)	(22)	
Operational earnings	826	14	B
Average common equity	5,239	6,261	C
Return on average common equity based on net income (A/C) (%)	13.3	(70.9)	
Return on avg common equity based on operational earnings (B/C) (%)	15.8	0.2	

Table 2: Return on Average Invested Capital Calculation
Twelve months ended Q1 04 vs. Q1 03; \$millions unless otherwise noted

Component	Q1 04	Q1 03	Ref
Net income	719	(4,421)	
After-tax interest expense and related charges net of interest income	622	594	
Total return (based on net income)	1,341	(3,827)	A
Operational earnings (from Table 1)	826	14	
Preference stock dividends	22	22	
After-tax interest expense and related charges net of interest income	622	594	
Total return (based on operational earnings)	1,470	630	B
Average total capitalization	20,273	21,314	C
Return on average invested capital based on net income (A/C) (%)	6.6	(18.0)	
Return on average invested capital based on operational earnings (B/C) (%)	7.3	3.0	

Table 3: Interest and Debt Coverage Ratios
Twelve months ended Q1 04 vs. Q4 03; \$millions unless otherwise noted

Component	Q1 04	Q4 03
Income from continuing operations before income taxes	1,188	1,051
Interest expense and related charges	966	975
Interest income	(39)	(44)
Depreciation and amortization	897	873
Cash operating income	3,012	2,855
Total debt	14,308	14,403
Transition bonds	(492)	(500)
Debt-related restricted cash	(544)	(547)
Total	13,272	13,356
Interest expense and related charges	965	975
Amortization of discount and reacquired debt expenses	(47)	(46)
Transition bond interest	(13)	(7)
Interest income on restricted cash	(8)	(4)
Capitalized interest	13	12
Cash interest expense	910	930
Interest coverage	3.3	3.1
Debt coverage ratio (%)	23	22

TXU CORP. AND SUBSIDIARIES

Earnings Per Diluted Share Reconciliation

Three Months Ended March 31, 2003 vs. Three Months Ended March 31, 2004

2003 earnings per diluted share	0.14
Preference stock dividends	0.02
Loss on discontinued operations	0.03
Cumulative effect of changes in accounting principles	0.15
2003 earnings per diluted share from continuing operations	0.34

Year over year effects in earnings

Contribution margins:	
Energy (1)	0.34
Energy Delivery (2)	0.02
Australia (3)	0.13
Operating costs (4)	(0.01)
SG&A (5)	(0.10)
Depreciation and amortization (6)	(0.03)
Interest (7)	0.01
Income Taxes (8)	(0.13)
Other (9)	-
2004 earnings per diluted share from continuing operations	0.57
Preference stock dividends	(0.01)
Loss on discontinued operations	(0.06)
2004 earnings per diluted share	0.50

Explanations:

- (1) Reflects higher retail and wholesale pricing, which was partially offset by lower results from hedging and risk management activities and the effect of lower retail sales volumes.
- (2) Reflects increased Oncor revenues due to higher tariffs and delivery fee surcharges partially offset by lower gas delivery margins resulting from lower sales volumes due to warmer weather.
- (3) Reflects foreign currency impact and increased wholesale electricity sales due to higher wholesale market prices and volumes generated and higher results from hedging and risk management activities due to greater market volatility.
- (4) Reflects foreign currency effect on Australia operating costs, partially offset by lower costs in Energy.
- (5) Reflects foreign currency effect and higher staffing costs associated with growth in competitive markets in Australia and higher bad debt expense for Energy.
- (6) Reflects investments in delivery facilities and amortization of regulatory assets associated with securitization bonds issued in 2003, partially offset by extension of the estimated depreciable life of Energy's lignite and nuclear generation fleet.
- (7) Reflects lower average borrowings partially offset by higher average interest rates resulting from the replacement of short-term borrowings with higher rate long-term debt.
- (8) Reflects primarily the impact of higher pre-tax earnings.
- (9) Reflects equity losses of Pinnacle in 2003 partially offset by higher gains in 2003 from sale of assets and foreign currency gains.

TXU CORP. AND SUBSIDIARIES

SEGMENT CONSOLIDATING INCOME STATEMENT

Year to Date Ended: March 31, 2004

	Energy	Energy Delivery	Australia	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	1,964	1,030	355	6	(363)	2,992
Direct costs and expenses						
Cost of energy sold and delivery fees	1,261	326	175	-	(350)	1,412
Operating costs	168	216	33	-	-	417
Depreciation and other amortization	83	102	23	-	-	208
Total direct costs and expenses	1,512	644	231	-	(350)	2,037
Gross margin	452	386	124	6	(13)	955
Other costs and expenses						
Selling, general and administrative expenses	144	83	35	31	(11)	282
Non-operating depreciation and other amortization	15	4	2	6	-	27
Franchise and revenue-based taxes	26	81	-	-	1	108
Other income	(1)	(4)	(1)	(4)	1	(9)
Other deductions	20	-	-	-	(1)	19
Interest income	(2)	(12)	(1)	(13)	23	(5)
Interest expense and other charges	79	80	44	57	(23)	237
Total other costs and expenses	281	232	79	77	(10)	659
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	171	154	45	(71)	(3)	296
Income tax expense (benefit)	54	50	13	(21)	(1)	95
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	117	104	32	(50)	(2)	201
Income (loss) from discontinued operations, net of tax effect	(2)	-	-	(18)	1	(19)
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-	-
Net income (loss)	115	104	32	(68)	(1)	182
Preference stock dividends	-	-	-	5	-	5
Net income (loss) available for common stock	115	104	32	(73)	(1)	177
Average shares of common stock outstanding, basic (millions)						323
Average shares of common stock outstanding, diluted (millions)						380
Per share of common stock:						
Basic earnings:						
Income (loss) from continuing operations before cumulative effect of changes in accounting principle:	0.36	0.32	0.10	(0.16)	0.00	0.62
Preference stock dividends	-	-	-	(0.01)	-	(0.01)
Loss on discontinued operations, net of tax effect	(0.01)	-	-	(0.05)	0.00	(0.06)
Cumulative effect of changes in accounting principles net of tax benefit	-	-	-	-	-	-
Net income (loss) available for common stock	0.35	0.32	0.10	(0.22)	(0.00)	0.55
Diluted earnings:						
Income (loss) from continuing operations before cumulative effect of changes in accounting principle:	0.31	0.27	0.08	(0.12)	0.03 *	0.57
Preference stock dividends	-	-	-	(0.01)	-	(0.01)
Loss on discontinued operations, net of tax effect	-	-	-	(0.06)	0.00	(0.06)
Cumulative effect of changes in accounting principles net of tax benefit	-	-	-	-	-	-
Net income (loss) available for common stock	0.31	0.27	0.08	(0.19)	0.03	0.50
Dividends declared						0.125

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

TXU CORP. AND SUBSIDIARIES

SEGMENT CONSOLIDATING INCOME STATEMENT

Year to Date Ended: March 31, 2003

	Energy	Energy Delivery	Australia	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	1,791	1,127	225	3	(386)	2,760
Direct costs and expenses						
Cost of energy sold and delivery fees	1,217	430	95	-	(377)	1,365
Operating costs	182	211	21	1	(1)	414
Depreciation and other amortization	103	84	17	-	-	204
Total direct costs and expenses	1,502	725	133	1	(378)	1,983
Gross margin	289	402	92	2	(8)	777
Other costs and expenses						
Selling, general and administrative expenses	142	84	18	10	(8)	246
Non-operating depreciation and other amortization	10	3	2	4	-	19
Franchise and revenue-based taxes	28	74	-	9	-	111
Other income	(8)	(2)	-	(6)	3	(13)
Other deductions	2	-	1	17	(3)	17
Interest income	(2)	(16)	(1)	(22)	31	(10)
Interest expense and other charges	77	92	34	75	(31)	247
Total other costs and expenses	249	235	54	87	(8)	617
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	40	167	38	(85)	-	160
Income tax expense (benefit)	6	57	11	(29)	-	45
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	34	110	27	(56)	-	115
Income (loss) from discontinued operations, net of tax effect	1	-	-	(13)	-	(12)
Cumulative effect of changes in accounting principles, net of tax benefit	(58)	-	-	-	-	(58)
Net income (loss)	(23)	110	27	(69)	-	45
Preference stock dividends	-	-	-	5	-	5
Net income (loss) available for common stock	(23)	110	27	(74)	-	40
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 cumulative effect of changes in accounting principle:	0.11	0.34	0.08	(0.17)	-	0.36
Preference stock dividends	-	-	-	(0.02)	-	(0.02)
Loss on discontinued operations, net of tax effect	-	-	-	(0.04)	-	(0.04)
Cumulative effect of changes in accounting principles net of tax benefit	(0.17)	-	-	-	-	(0.17)
Net income (loss) available for common stock	(0.06)	0.34	0.08	(0.23)	-	0.13
Diluted earnings:						
Income (loss) from continuing operations before cumulative effect of changes in accounting principle:	0.09	0.29	0.07	(0.14)	0.03 *	0.34
Preference stock dividends	-	-	-	(0.02)	-	(0.02)
Loss on discontinued operations, net of tax effect	-	-	-	(0.03)	-	(0.03)
Cumulative effect of changes in accounting principles net of tax benefit	(0.15)	-	-	-	-	(0.15)
Net income (loss) available for common stock	(0.06)	0.29	0.07	(0.19)	0.03	0.14
Dividends declared						0.125

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

TXU CORP. AND SUBSIDIARIES

SEGMENT CONSOLIDATING INCOME STATEMENT - VARIANCE

Year to Date Ended March 31, 2004 vs March 31, 2003

	Energy	Energy Delivery	Australia	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	173	(97)	130	3	23	232
Direct costs and expenses						
Cost of energy sold and delivery fees	44	(104)	80	-	27	47
Operating costs	(14)	5	12	(1)	1	3
Depreciation and other amortization	(20)	18	6	-	-	4
Total direct costs and expenses	10	(81)	98	(1)	28	54
Gross margin	163	(16)	32	4	(5)	178
Other costs and expenses						
Selling, general and administrative expenses	2	(1)	17	21	(3)	36
Non-operating depreciation and other amortization	5	1	-	2	-	8
Franchise and revenue-based taxes	(2)	7	-	(9)	1	(3)
Other income	7	(2)	(1)	2	(2)	4
Other deductions	18	-	(1)	(17)	2	2
Interest income	-	4	-	9	(8)	5
Interest expense and other charges	2	(12)	10	(18)	8	(10)
Total other costs and expenses	32	(3)	25	(10)	(2)	42
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	131	(13)	7	14	(3)	136
Income tax expense (benefit)	48	(7)	2	8	(1)	50
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	83	(6)	5	6	(2)	86
Income (loss) from discontinued operations, net of tax effect	(3)	-	-	(5)	1	(7)
Cumulative effect of changes in accounting principles, net of tax benefit	58	-	-	-	-	58
Net income (loss)	138	(6)	5	1	(1)	137
Preference stock dividends	-	-	-	-	-	-
Net income (loss) available for common stock	138	(6)	5	1	(1)	137
Average shares of common stock outstanding, basic (millions)						2
Average shares of common stock outstanding, diluted (millions)						2
Per share of common stock:						
Basic earnings:						
Income (loss) from continuing operations before cumulative effect of changes in accounting principle:	0.25	(0.02)	0.02	0.01	0.00	0.26
Preference stock dividends	-	-	-	0.01	-	0.01
Loss on discontinued operations, net of tax effect	(0.01)	-	-	(0.01)	0.00	(0.02)
Cumulative effect of changes in accounting principles net of tax benefit	0.17	-	-	-	-	0.17
Net income (loss) available for common stock	0.41	(0.02)	0.02	0.01	(0.00)	0.42
Diluted earnings:						
Income (loss) from continuing operations before cumulative effect of changes in accounting principle:	0.22	(0.02)	0.01	0.02	-	0.23
Preference stock dividends	-	-	-	0.01	-	0.01
Loss on discontinued operations, net of tax effect	-	-	-	(0.03)	0.00	(0.03)
Cumulative effect of changes in accounting principles net of tax benefit	0.15	-	-	-	-	0.15
Net income (loss) available for common stock	0.37	(0.02)	0.01	-	0.00	0.36
Dividends declared						-

TXU CORP. AND SUBSIDIARIES

Condensed Statements of Consolidated Cash Flows

(Unaudited)

	Three Months Ended	
	March 31,	
	2004	2003
	<i>(millions of dollars)</i>	
Cash flows - operating activities:		
Income from continuing operations before cumulative effect of changes in accounting principles	\$ 201	\$ 115
Adjustments to reconcile income from continuing operations before cumulative effect of changes in accounting principles to cash provided by operating activities:		
Depreciation and amortization	254	246
Deferred income taxes and investment tax credits -- net	76	-
Net gain from sale of assets	-	(6)
Net effect of unrealized mark-to-market valuations of commodity contracts	3	21
Net equity loss from unconsolidated affiliates and joint ventures	-	15
Over/(under) recovery of gas costs	8	(39)
Reduction in regulatory liability	-	(42)
Changes in operating assets and liabilities	(74)	617
Cash provided by operating activities	<u>468</u>	<u>927</u>
Cash flows - financing activities:		
Issuances of securities:		
Other long-term debt	759	1,317
Common stock	8	4
Retirements/repurchases of securities:		
Long-term debt	(1,429)	(565)
Preferred securities of subsidiaries, subject to mandatory redemption	-	(4)
Change in notes payable:		
Commercial paper	(30)	5
Banks	116	(1,286)
Cash dividends paid:		
Common stock	(40)	(40)
Preference stock	(5)	(5)
Redemption deposits applied to debt retirements	-	138
Debt premium, discount and reacquisition expenses	(24)	(47)
Cash used in financing activities	<u>(645)</u>	<u>(483)</u>
Cash flow - investing activities:		
Capital expenditures	(189)	(228)
Proceeds from sale of assets	1	13
Nuclear fuel	(47)	-
Other	12	25
Cash used in investing activities	<u>(223)</u>	<u>(190)</u>
Effect of exchange rates on cash and cash equivalents	3	2
Cash used by discontinued operations	(37)	(4)
Net change in cash and cash equivalents	(434)	252
Cash and cash equivalents -- beginning balance	875	1,574
Cash and cash equivalents -- ending balance	<u>\$ 441</u>	<u>\$ 1,826</u>

Notes:

- The \$459 million decrease in cash flows provided by operating activities in 2004 was principally driven by a \$616 million tax refund in 2003, primarily related to tax benefits associated with the write-off of the investment in Europe, partially offset by improved working capital (accounts receivable, accounts payable and inventory) of \$79 million and improved earnings.
- Net cash used in issuances and repayments of borrowings totaled \$608 million in 2004 compared to \$438 million in 2003.
- Capital expenditures, including nuclear fuel, were \$236 million in 2004 and \$228 million in 2003. Cash flows provided by investing activities in 2004 consisted primarily of a \$12 million gain from the settlement of fair value swaps. Cash flows provided by investing activities in 2003 included \$38 million largely related to the sale of retail gas activities outside of Texas, net proceeds from retirements of property, plant and equipment, and the effect of higher cash upon consolidation of Pinnacle.

TXU CORP. AND SUBSIDIARIES

Consolidating Balance Sheet

March 31, 2004
(Dollars in millions)
(Unaudited)

	Energy	Energy Delivery	Australia	Corporate & Other	Eliminations/ Rounding	Total
ASSETS						
Current assets						
Cash and cash equivalents	22	99	20	300	-	441
Restricted cash	-	9	-	-	-	9
Accounts receivable - trade	983	69	273	517	(504)	1,338
Income taxes receivable	-	-	-	195	(195)	-
Accounts receivable - affiliates	10	240	-	66	(316)	-
Inventories	348	141	36	4	1	530
Commodity contract assets	1,057	-	-	-	-	1,057
Assets of telecommunications holding company	-	-	-	-	-	-
Other current assets	204	89	31	49	(32)	341
Total current assets	2,624	647	360	1,131	(1,046)	3,716
Investments						
Restricted cash	-	20	-	560	-	580
Other investments	1,022	489	90	9,678	(10,543)	736
Property, plant and equipment - net	10,310	8,065	2,406	120	(1)	20,900
Goodwill	533	331	971	-	-	1,835
Regulatory assets - net	-	1,823	-	-	-	1,823
Commodity contract assets	134	-	279	-	-	413
Cash flow hedges and other derivative assets	36	-	38	1	-	75
Other noncurrent assets	126	56	167	64	(33)	380
Assets held for sale	12	-	-	588	-	600
Total assets	14,797	11,431	4,311	12,142	(11,623)	31,058
LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES & SHAREHOLDERS' EQUITY						
Current liabilities						
Notes payable						
Commercial paper	-	-	7	-	-	7
Banks	75	-	-	100	-	175
Long-term debt due currently	1	256	-	194	-	451
Accounts payable - trade	842	118	116	531	(506)	1,101
Accounts payable - affiliates	264	34	13	5	(316)	-
Commodity contract liabilities	997	-	-	-	-	997
Liabilities of telecommunications holding company	-	-	-	-	-	-
Other current liabilities	884	324	85	164	(225)	1,232
Total current liabilities	3,063	732	221	994	(1,047)	3,963
Accumulated deferred income taxes	1,935	1,668	188	128	(3)	3,916
Investment tax credits	357	69	-	-	-	426
Commodity contract liabilities	101	-	258	-	-	359
Cash flow hedges and other derivative liabilities	194	-	44	105	-	343
Long-term debt held by subsidiary trust	-	155	-	392	(1)	546
All other long-term debt, less amounts due currently	3,090	4,241	1,780	3,257	-	12,368
Other noncurrent liabilities and deferred credits	1,247	513	104	462	(31)	2,295
Advances from affiliates	423	251	407	538	(1,619)	-
Liabilities held for sale	-	-	-	92	-	92
Total liabilities	10,410	7,629	3,002	5,968	(2,701)	24,308
Preferred securities of subsidiaries	501	75	-	185	-	761
Shareholders' equity						
Preference stock	-	-	-	300	-	300
Common stock	-	-	1,090	34	(1,090)	34
Additional paid in capital	3,317	3,279	-	8,097	(6,596)	8,097
Retained earnings (deficit)	732	476	42	(2,361)	(1,250)	(2,361)
Accumulated other comprehensive income (loss)	(163)	(28)	177	(81)	14	(81)
Total shareholders' equity	3,886	3,727	1,309	5,989	(8,922)	5,989
Total liabilities, preferred securities of subsidiaries & shareholders' equity	14,797	11,431	4,311	12,142	(11,623)	31,058

Totals may not foot due to rounding.

TXU CORP. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2003

(Dollars in millions)

(Unaudited)

	Energy	Energy Delivery	Australia	Corporate & Other	Eliminations/ Rounding	Total
ASSETS						
Current assets						
Cash and cash equivalents	18	249	46	562	-	875
Restricted cash	-	12	-	-	-	12
Accounts receivable - trade	943	152	262	524	(512)	1,369
Income taxes receivable	-	-	-	175	(175)	-
Accounts receivable - affiliates	17	218	-	54	(289)	-
Inventories	387	173	35	4	-	599
Commodity contract assets	959	-	-	-	-	959
Assets of telecommunications holding company	-	-	-	110	-	110
Other current assets	225	46	28	42	(8)	333
Total current assets	2,549	850	371	1,471	(984)	4,257
Investments						
Restricted cash	-	22	-	560	-	582
Other investments	768	491	78	9,611	(10,243)	705
Property, plant and equipment - net	10,381	8,017	2,396	125	1	20,920
Goodwill	533	331	966	-	(1)	1,829
Regulatory assets - net	-	1,838	-	-	(1)	1,837
Commodity contract assets	121	-	241	-	-	362
Cash flow hedges and other derivative assets	88	-	36	-	(1)	123
Other noncurrent assets	135	54	184	69	(31)	411
Assets held for sale	14	-	-	647	(1)	660
Total assets	14,589	11,603	4,272	12,483	(11,261)	31,686
LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES & SHAREHOLDERS' EQUITY						
Current liabilities						
Notes payable						
Commercial paper	-	-	39	-	-	39
Banks	-	-	58	-	-	58
Long-term debt due currently	1	393	-	283	-	677
Accounts payable - trade	713	177	124	540	(512)	1,042
Accounts payable - affiliates	241	30	11	6	(288)	-
Commodity contract liabilities	913	-	-	-	-	913
Liabilities of telecommunications holding company	-	-	-	603	-	603
Other current liabilities	842	447	76	159	(185)	1,339
Total current liabilities	2,710	1,047	308	1,591	(985)	4,671
Accumulated deferred income taxes	1,965	1,653	180	145	(4)	3,939
Investment tax credits	360	71	-	-	(1)	430
Commodity contract liabilities	59	-	259	-	-	318
Cash flow hedges and other derivative liabilities	140	-	27	100	-	267
Long-term debt held by subsidiary trust	-	155	-	392	(1)	546
All other long-term debt, less amounts due currently	3,084	4,258	1,715	3,266	1	12,324
Other noncurrent liabilities and deferred credits	1,352	505	97	445	(29)	2,370
Advances from affiliates	423	179	404	295	(1,301)	-
Liabilities held for sale	-	-	-	143	-	143
Total liabilities	10,093	7,868	2,990	6,377	(2,320)	25,008
Preferred securities of subsidiaries	497	75	-	187	-	759
Shareholders' equity						
Preference stock	-	-	-	300	-	300
Common stock	-	-	1,090	48	(1,090)	48
Additional paid in capital	3,688	3,317	-	8,097	(7,005)	8,097
Retained earnings (deficit)	422	372	10	(2,498)	(804)	(2,498)
Accumulated other comprehensive income (loss)	(111)	(29)	182	(28)	(42)	(28)
Total shareholders' equity	3,999	3,660	1,282	5,919	(8,941)	5,919
Total liabilities, preferred securities of subsidiaries & shareholders' equity	14,589	11,603	4,272	12,483	(11,261)	31,686

Totals may not foot due to rounding.

TXU CORP. AND SUBSIDIARIES

Consolidating Balance Sheet-Variance

March 31, 2004 vs December 31, 2003

(Dollars in millions)

(Unaudited)

	Energy	Energy Delivery	Australia	Corporate & Other	Eliminations/ Rounding	Total
ASSETS						
Current assets						
Cash and cash equivalents	4	(150)	(26)	(262)	-	(434)
Restricted cash	-	(3)	-	-	-	(3)
Accounts receivable - trade	40	(83)	11	(7)	8	(31)
Income taxes receivable	-	-	-	20	(20)	-
Accounts receivable - affiliates	(7)	22	-	12	(27)	-
Inventories	(39)	(32)	1	-	1	(69)
Commodity contract assets	98	-	-	-	-	98
Assets of telecommunications holding company	-	-	-	(110)	-	(110)
Other current assets	(21)	43	3	7	(24)	8
Total current assets	75	(203)	(11)	(340)	(62)	(541)
Investments						
Restricted cash	-	(2)	-	-	-	(2)
Other investments	254	(2)	12	67	(300)	31
Property, plant and equipment - net	(71)	48	10	(5)	(2)	(20)
Goodwill	-	-	5	-	1	6
Regulatory assets - net	-	(15)	-	-	1	(14)
Commodity contract assets	13	-	38	-	-	51
Cash flow hedges and other derivative assets	(52)	-	2	1	1	(48)
Other noncurrent assets	(9)	2	(17)	(5)	(2)	(31)
Assets held for sale	(2)	-	-	(59)	1	(60)
Total assets	208	(172)	39	(341)	(362)	(628)
LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES & SHAREHOLDERS' EQUITY						
Current liabilities						
Notes payable	-	-	-	-	-	-
Commercial paper	-	-	(32)	-	-	(32)
Banks	75	-	(58)	100	-	117
Long-term debt due currently	-	(137)	-	(89)	-	(226)
Accounts payable - trade	129	(59)	(8)	(9)	6	59
Accounts payable - affiliates	23	4	2	(1)	(28)	-
Commodity contract liabilities	84	-	-	-	-	84
Liabilities of telecommunications holding company	-	-	-	(603)	-	(603)
Other current liabilities	42	(123)	9	5	(40)	(107)
Total current liabilities	353	(315)	(87)	(597)	(62)	(708)
Accumulated deferred income taxes	(30)	15	8	(17)	1	(23)
Investment tax credits	(3)	(2)	-	-	1	(4)
Commodity contract liabilities	42	-	(1)	-	-	41
Cash flow hedges and other derivative liabilities	54	-	17	5	-	76
Long-term debt held by subsidiary trust	-	-	-	-	-	-
All other long-term debt, less amounts due currently	6	(17)	65	(9)	(1)	44
Other noncurrent liabilities and deferred credits	(105)	8	7	17	(2)	(75)
Advances from affiliates	-	72	3	243	(318)	-
Liabilities held for sale	-	-	-	(51)	-	(51)
Total liabilities	317	(239)	12	(409)	(381)	(700)
Preferred securities of subsidiaries	4	-	-	(2)	-	2
Shareholders' equity						
Preference stock	-	-	-	-	-	-
Common stock	-	-	-	(14)	-	(14)
Additional paid in capital	(371)	(38)	-	-	409	-
Retained earnings (deficit)	310	104	32	137	(446)	137
Accumulated other comprehensive income (loss)	(52)	1	(5)	(53)	56	(53)
Total shareholders' equity	(113)	67	27	70	19	70
Total liabilities, preferred securities of subsidiaries & shareholders' equity	208	(172)	39	(341)	(362)	(628)

Totals may not foot due to rounding.

AUSTRALIA SEGMENT
Operating and Financial Statistics
Quarter Ended March 31, 2004 and 2003

	Three Months		
	2004	2003	% Change
Operating statistics - Volumes			
Retail electricity (gigawatt-hours) :			
Residential	913	893	2.2
Business and other	1,230	975	26.2
Total	<u>2,143</u>	<u>1,868</u>	<u>14.7</u>
Wholesale electricity:			
(gigawatt-hours)	<u>854</u>	<u>414</u>	<u>-</u>
Retail gas (billion cubic feet)	<u>12</u>	<u>11</u>	<u>9.1</u>
Electricity distribution (gigawatt-hours)	<u>659</u>	<u>597</u>	<u>10.4</u>
Gas distribution (billion cubic feet)	<u>6.7</u>	<u>6.5</u>	<u>3.1</u>
Retail customers & points of delivery (end of period & in thousands)			
Electricity	599	559	7.2
Gas	473	463	2.2
Total	<u>1,072</u>	<u>1,022</u>	<u>4.9</u>
Electricity distribution points of delivery	562	552	1.8
Gas distribution points of delivery	484	469	3.2
Total points of delivery	<u>1,046</u>	<u>1,021</u>	<u>2.4</u>
Operating revenues (millions of dollars)			
Retail electricity: (a)			
Residential	\$ 104	\$ 90	15.6
Business and other	70	45	55.6
Total	<u>174</u>	<u>135</u>	<u>28.9</u>
Wholesale electricity	<u>47</u>	<u>10</u>	<u>-</u>
Electricity distribution	<u>20</u>	<u>12</u>	<u>66.7</u>
Retail gas:			
Residential (a)	28	15	86.7
Business and other	28	27	3.7
Total	<u>56</u>	<u>42</u>	<u>33.3</u>
Gas distribution	<u>7</u>	<u>6</u>	<u>16.7</u>
Hedging and risk management activities & other revenues (b)	<u>51</u>	<u>20</u>	<u>-</u>
Total operating revenues	<u>\$ 355</u>	<u>\$ 225</u>	<u>57.8</u>

(a) Prior period amounts have been reclassified to reflect current categories by comparable rate type basis.

(b) Includes net unrealized mark-to-market gains of \$6 million in the three months 2004 period and net losses of \$4 million in 2003.
2004 also includes \$6 million of wholesale gas revenues from new contracts to supply gas via the Sea Gas joint venture pipeline.

TXU CORP. SCHEDULE OF SIGNIFICANT LEGAL PROCEEDINGS

Date Filed	Case Information	Summary and Status (1)
October 9, 2003	<i>Aspen Partners - Series A, of Aspen Capital Partners, L.P., Deephaven Risk ARB Trading LTD, JMG Capital Partners L.P., Pacific Asset Management L.L.C., Camden Asset Management, L.P., St. Albans Partners LTD., Yield Strategies Fund I, L.P., and Yield Strategies Fund II, L.P. v. TXU Corp</i> ; Index No. 03/603184; Supreme Court of the State of New York	Filing made by purported beneficial owners of certain equity linked securities issued in October 2001. TXU Corp. believes the claims are without merit. A motion to dismiss was filed on November 13, 2003 and granted March 16, 2004. The plaintiffs filed an appeal of the dismissal on March 30, 2004 and TXU Corp.'s brief was filed on May 3, 2004. An oral argument on the appeal is scheduled for June 3, 2004.
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 believes the claims are without merit and has filed a motion to dismiss. An amended complaint was filed on February 3, 2004. A hearing to argue all motions to dismiss is scheduled for May 20, 2004.
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.
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 is ongoing.
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. A motion to dismiss the lawsuit is pending.
October 23, 2002	<i>Bruce Girdauskas, 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.

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 floor rate for residential customers until 1/1/05 and a ceiling until 1/1/07. It is a ceiling for small/ medium business customers until 1/1/07. 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+ Will result in a \$3.39/month or 3.4% increase to residential customers using 1,000 kWh per month+ Final Order and implementation expected May 13, 2004
TXU Gas	<p>RRC No. 9400 – TXU Gas Company’s Statement of Intent to Change Rates in the Company’s Statewide 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 based upon 11.5% return on equity (ROE) and 50/50 capital structure+ On April 23, 2004, examiners at the RRC issued a Proposal For Decision recommending a total annual decrease in rates of approximately \$42 million. TXU Gas will file written exceptions to this PFD and present oral arguments to the Commissioners of the RRC in an open meeting prior to the issuance of an order by the RRC.+ Final Order is anticipated in the second quarter of 2004, currently scheduled for May 25, 2004.
Oncor	<p>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 Oncor Electric Delivery Company for Approval of Transmission Cost Recovery Factor (TCRF) Update</p> <ul style="list-style-type: none">+ The PUC approved Oncor’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 Oncor 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