

FOR IMMEDIATE RELEASE

TXU Reports Strong Fourth Quarter and Full Year Results; Affirms Outlook 'Year of Transition' Successful

DALLAS – February 2, 2005 – TXU Corp. (NYSE: TXU) today reported consolidated results for the fourth quarter and full year ended December 31, 2004.

- For the fourth quarter of 2004, TXU reported a net loss available for common stock of \$626 million, \$2.32 per share, compared to net income of \$23 million, \$0.07 per share for 2003.
- Operational earnings¹, which exclude special items, for the fourth quarter of 2004 were \$183 million, \$0.67 per share of common stock, compared to \$34 million, \$0.11 per share for 2003, a 509 percent increase in per share earnings.
- For the full year 2004, TXU reported a net loss available for common stock of \$386 million, \$1.29 per share, compared to net income of \$560 million, \$1.62 per share for 2003.
- Operational earnings for the full year were \$887 million, \$2.82 per share, compared to \$544 million, \$1.58 per share for 2003, a 78 percent increase in per share earnings.

Reported Earnings

For the fourth quarter, TXU reported a net loss available for common stock of \$626 million, \$2.32 per share, as compared to net income available for common stock of \$23 million, \$0.07 per share for 2003. For the fourth quarter of 2004, reported earnings include a loss from discontinued operations² of \$288 million, \$1.07 per share, and a benefit from cumulative effect of change in accounting principle of \$10 million, \$0.04 per share. Results from continuing operations before cumulative effect of change in accounting principle were a loss of \$341 million, \$1.27 per share, for the fourth quarter 2004 compared to income of \$39 million, \$0.12 per share for 2003. The loss from continuing operations for the fourth quarter of 2004 includes special items, primarily associated with the company's restructuring and performance improvement program, totaling \$531 million, \$1.94 per share, in net charges (after tax).

For the full year 2004, TXU reported a net loss available for common stock of \$386 million, \$1.29 per share, compared to income of \$560 million, \$1.62 per share for 2003. Income from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles was \$81 million, \$0.27 per share as compared to \$566 million, \$1.63 per share for 2003. Income from continuing operations for 2004 includes special items totaling \$828 million, \$2.58 per share, in net charges (after tax).

The cumulative effect of change in accounting principle for 2004, a credit of \$10 million, \$0.04 per share for the quarter and \$0.03 per share for the year, resulted from the adoption, effective October 1, 2004, of Statement of Financial Accounting Standards No. 123, "Share-Based Payment" as revised (SFAS 123R).

Reported and operational earnings per share are diluted. For periods when common stock equivalents are not dilutive, diluted shares are equal to basic shares outstanding.

Operational Earnings

Operational earnings, which exclude special items, for the fourth quarter of 2004 were \$183 million, \$0.67 per share, compared to \$34 million, \$0.11 per share for 2003, a 509 percent increase in per share earnings. TXU's Energy and Electric Delivery segments' significantly improved operational performance, reduced corporate expenses, and fewer average common shares contributed to the improved results.

¹ Operational earnings is a non-GAAP measure that adjusts net income 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.

² See Table 20 for details of discontinued operations.

Operational earnings for the full year were \$887 million, \$2.82 per share, compared to \$544 million, \$1.58 per share for 2003, a 78 percent increase in per share earnings. TXU's Energy and Electric Delivery segments' improved operational performance, reduced corporate expenses, and fewer average common shares contributed to the improved results.

Outlook Affirmed³

TXU Corp. affirmed its outlook for 2005 operational earnings of \$5.65 to \$5.85 per share of common stock. Additionally, the company affirmed its preliminary outlook for 2006 operational earnings in a range of 16 to 20 percent improvement relative to the \$5.75 midpoint of the 2005 outlook. Additional details regarding expectations for 2005 are provided on page 16.

"We had a very strong quarter both financially and operationally. For the full year, our restructuring program is working as evidenced by our nearly 80 percent improvement in operational earnings," said C. John Wilder, chief executive officer, TXU Corp. "We have substantially improved customer service, restored financial flexibility, improved credit metrics and lifted the earning and cash power of the company. In 2005, we will continue the transformation of TXU into a high-performance industrial company through a focus on operational excellence, market leadership, and performance management in our three core businesses, while at the same time evaluating potential growth opportunities."

Earnings Teleconference Today

TXU will host a teleconference with financial analysts to discuss 2004 results at 10:00 a.m. Central (11:00 a.m. Eastern) today. The telephone numbers are 800-309-0343 in the United States and Canada and 706-634-7057 internationally, with confirmation code 3138891. **The teleconference will be web cast live on TXU Corp.'s web site at www.txucorp.com for all interested parties.**

Table 1 provides a recap of operational highlights for 2004 and January 2005.

³ TXU Corp. does not provide net income outlook because it cannot reliably predict future special items or extraordinary events.

Table 1: 2004 Highlights

Highlight
Management: Named C. John Wilder as chief executive officer in February 2004 and in May named the senior leadership team of Tom Baker, chairman and chief executive of TXU Electric Delivery; Mike Greene, chairman and chief executive of TXU Power; Paul O'Malley, chairman and chief executive of TXU Energy; Kirk Oliver, executive vice president and chief financial officer; Eric Peterson, executive vice president and general counsel; and David Campbell, executive vice president of corporate planning, strategy and risk.
Strategy: Implemented a three-phase restructuring and operational improvement program to restore financial strength, drive performance improvement with a competitive industrialized company perspective, and allocate capital in a disciplined and efficient manner.
Portfolio Restructuring: Completed the sale of non-core businesses, TXU Communications, TXU Fuel Company, TXU Australia, and TXU Gas Company, for cash proceeds and assumed debt of \$6.5 billion.
Liability Management: Used proceeds from sales, cash balances and borrowings to improve financial strength, redeploying over \$14 billion to purchase, repay or defease \$7.2 billion of debt and preferred securities, reduce diluted shares outstanding by 141 million, avoid issuance of as many as 36 million shares of common stock, and invest in core businesses. Overall, total debt (excluding off-credit transition bonds) was reduced from approximately \$13.9 billion at the end of 2003 to \$11.6 billion in 2004. Credit metrics, including EBITDA to interest and debt to EBITDA, are expected to improve from third and fourth-quartile industry levels in 2003 to at or near top-quartile levels by the end of 2005.
Performance Improvements: Began phase two of the restructuring and operational improvement program with the implementation of the TXU Operating System, strategic sourcing, and other initiatives to achieve operational excellence and cost leadership, commercial excellence and customer service leadership and human performance leadership all focused on driving and rewarding high performance. Also began implementation of performance initiatives on continued investment in transmission and distribution infrastructure to reduce congestion, improve reliability and serve native load growth; continued improvement of customer service and customer retention through streamlined voice response systems, improved first call resolution and customer satisfaction rates, loyalty reward programs and other initiatives; continued improvement in optimization of purchased power versus higher heat rate gas generation to reduce fixed costs and costs of electricity sold; and continued investment in the communities served through financial aid to assist with electric bills and other programs. Launched a partnership with Capgemini Energy, a joint-venture providing business support services to TXU, transferring approximately 3,000 full-time and contracted TXU employees to the new company, enabling improved customer service and providing estimated cost savings of approximately \$175 million by 2005.
Capital Allocation: Began phase three of the restructuring and operational improvement program by refining the capital allocation strategy to adhere to a disciplined and dynamic capital allocation approach, rebasing the dividend from an annual rate of \$0.50 to \$2.25 per share of common stock (a 350 percent increase) and establishing a framework for future growth. Refinement of this framework and evaluation of attractive opportunities will be a management priority in 2005.
Risk Reduction: Settled a consolidated shareholder class action suit and potential claims from TXU Europe Ltd. and its major creditors, significantly eliminating legal proceeding exposure.
Governance Reform: Initiated a program to achieve corporate governance best practices, which included hiring a chief governance officer; conducting an intensive governance workshop; implementing age and membership requirements for board members, and selecting Dr. Jack Little as Lead Independent Director.

Consolidated Results

Tables 2a and 2b reconcile operational earnings to reported net income available for common stock and show the shares and adjustments included in the calculation of diluted earnings per share.

**Table 2a: Reconciliation of Operational Earnings to Reported Net Income
Q4 04 vs. Q4 03, YTD 04 vs. YTD 03; \$ per share after tax**

Factor	Q4 04	Q4 03	YTD 04	YTD 03
Net income (loss) to common	(2.32)	0.07	(1.29)	1.62
Discontinued operations	1.07	0.03	(1.26)	(0.20)
Extraordinary gain	-	-	(0.05)	-
Cum. effect of changes in accounting principles	(0.04)	-	(0.03)	0.15
Premium on EPMIs	-	-	2.83	-
Preference stock dividends	0.02	0.02	0.07	0.06
Income (loss) from continuing operations	(1.27)	0.12	0.27	1.63
Preference stock dividends	(0.02)	(0.02)	(0.07)	(0.06)
Effect of diluted shares calculation	0.02	0.01	0.04	0.01
Special items	1.94	-	2.58	-
Operational earnings	0.67	0.11	2.82	1.58

Table 2b demonstrates the dilution calculation for reported and operational earnings per share for fourth quarter and full year 2004.

**Table 2b: Calculation of Earnings Per Share⁴
Q4 04 and YTD 04; \$millions, million shares, \$ per share**

Factor	Q4 04 Reported	Q4 04 Operational	YTD 04 Reported	YTD 04 Operational
Net loss to common	(626)		(386)	
Operational earnings		183		887
Interest on EPMIs, convertible senior notes	-	-	-	18
Diluted earnings				
Basic shares	270		300	
Diluted shares		274		321
Diluted earnings per share	(2.32)	0.67	(1.29)	2.82

Special items in the fourth quarter and year-to-date 2004 periods primarily relate to TXU Corp.'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. Special items in the fourth quarter relate primarily to debt retirement expenses associated with the company's liability management program, lease termination and impairment expenses related principally to gas-fired combustion turbines and certain mining equipment, expenses associated with the termination of a power purchase and tolling agreement and realization of the deferred gain on the sale of the related power plants, accrual of a reserve for a potential rate case settlement in the Electric Delivery segment and severance and certain other expenses related to the company's operational improvement program, somewhat offset by the adjustment to a litigation settlement reserve as a result of settlement of a class action suit. Special items for the year-to-date period also include software project write-offs related to the business services outsourcing partnership, Capgemini Energy, 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, one-time compensation expenses and the expense for settlement of a class action lawsuit, somewhat offset by the benefit of a reduction in tax reserves associated with the 2002 write-off of the TXU Europe investment. Special items are described in Table 3.

⁴ For the fourth quarter 2004, the dilution calculation for operational earnings reflects the addition to net income of interest on the convertible senior notes of \$0.2 million after tax and addition of 4.2 million shares related primarily to the effect of share-based compensation (3.4 million), the convertible senior notes (0.7 million) and the equity-linked securities (0.1 million). For the year 2004 operational earnings dilution calculation, the \$17.2 million after-tax interest expense on the TXU Energy Co. exchangeable preferred membership interests (EPMIs), which were repurchased by TXU Corp. on April 26, 2004, and the \$0.6 million after-tax interest on the senior convertible notes are added to net income and 20.3 million shares are added to the share average share count, related primarily to the effect of the EPMIs (18.3 million), share-based compensation (1.3 million), and the convertible senior notes (0.7 million). The diluted earnings per share calculation for the year 2003 adds the \$53 million of interest expense on the EPMIs to net income and divides by the 379 million average diluted shares.

Table 3: Description of Special Items
Q4 04 and YTD 04; \$millions and \$ per share after tax

Special Item	Main Earnings Category	Q4 04		YTD 04		YTD 04	
		Q4 04	Q4 04	04	04	Cash	Non-Cash ⁵
Energy segment:							
Software projects write-off	Other deductions	-	-	69	0.22	-	69
Severance and related expenses	Other deductions	11	0.04	72	0.22	45	27
Inventory/gas plant write-downs	Other deductions	-	-	55	0.17	-	55
Lease termination expense	Other deductions	117	0.43	117	0.37	15	102
Power contract settlement	Other deductions	66	0.24	66	0.20	112	(46)
Disposition of property	Other income	(38)	(0.14)	(50)	(0.15)	(12)	(38)
Other charges	Other deductions	9	0.03	10	0.03	10	-
Electric Delivery segment:							
Rate case settlement reserve	Other deductions	14	0.05	14	0.04	-	14
Severance/other expenses	Other deductions	6	0.02	19	0.06	11	8
Corporate and Other:							
One-time compensation expense	SG&A	-	-	51	0.16	51	-
Transaction professional fees	SG&A	15	0.06	35	0.11	35	-
Litigation settlement expense	Other deductions	(9)	(0.03)	56	0.17	-	56
Liability management expense	Other deductions	339	1.24	384	1.20	382	2
Severance charges and other	Other deductions	1	-	5	0.02	5	-
Income tax benefit	Income tax	-	-	(75)	(0.24)	-	(75)
Total		531	1.94	828	2.58	654	174

Consolidated Operational Earnings Summary

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

Table 4: Consolidated - Operational Earnings Reconciliation
Q4 04 vs. Q4 03 and YTD 04 vs. YTD 03; \$ per share

Earnings Factor	QTR	YTD
03 operational earnings	0.11	1.58
Contribution margin:		
Energy segment	0.41	0.95
Electric Delivery segment	0.17	0.37
Operating costs	(0.01)	(0.09)
Depreciation and amortization	0.02	(0.10)
SG&A	(0.01)	(0.20)
Franchise and revenue based taxes	0.02	0.06
Other income and deductions	0.03	0.10
Net interest	0.02	0.21
Income taxes	(0.20)	(0.40)
Effect of reduced shares	0.11	0.34
04 operational earnings	0.67	2.82

Operational earnings were \$0.67 per share of common stock, up 509 percent from \$0.11 per share in the fourth quarter of 2003. The increase was driven by a reduction in the average shares outstanding, a \$0.34 per share improvement in operational earnings from the Energy segment, an \$0.11 per share improvement in operational earnings from the Electric Delivery segment and a \$0.01 per share reduction in corporate expenses. All segments were affected by the adoption of SFAS 123R. Under this standard the long-term incentive compensation expense is based upon the fair value of stock-based awards at the date of grant and fixes the expense over the vesting period. This standard resulted in lower long-term incentive compensation expense than would have been accrued under the prior methodology given

the increases in TXU's stock price. The decrease in average shares of common stock was primarily due to repurchase of TXU Energy Company's exchangeable preferred membership interests in April, and approximately 84 million shares of common stock between May and November, inclusive. Stock repurchases in the fourth quarter totaled approximately 53.7 million shares, concluding with a 52.5 million share stock repurchase agreement that closed on November 26. Full year operational earnings rose by \$1.24 per share over the prior year as a result of increased contributions from each segment. This consisted of a \$0.66 per share increase in operational earnings from the Energy segment, a \$0.08 per share increase from the Electric Delivery segment, a \$0.16 per share reduction in Corporate expenses, and the reduction in average shares. A more detailed review of variances by segment is provided below.

⁵ While these items are reflected in earnings for the current period, the cash impact, if any, will be realized in future periods. These items are considered non-cash for the current period.

Cash Flow and Financial Flexibility

For the year ended December 31, 2004, cash provided by operating activities was \$1.8 billion compared to \$2.4 billion for 2003. The decrease primarily reflects the receipt of a \$601 million tax refund in 2003. The prior year period also includes approximately \$337 million of collections of 2002 receivables primarily due to the billing and collections issues that resulted from opening of the retail electricity market to competition in 2002, somewhat offset by a counterparty settlement payment of \$102 million. In 2004, cash provided by operating activities before changes in operating assets and liabilities increased by \$974 million over the prior year period, reflecting the increased performance. The \$974 million increase is net of \$284 million in cash expenditures related to special items detailed in Table 3.

In 2003, cash provided by operating activities was \$2.4 billion. This included a \$601 million tax refund associated with Europe, and a net \$335 million cash inflow from the sale of receivables, a counterparty settlement, and the collection in 2003 of late-billed 2002 receivables. In 2004, cash provided by operating activities was \$1.8 billion. This included \$284 million in cash special charges and a \$185 million use of cash associated with the receivable sales program and storm reserves. Excluding these items from both years, operating cash flow increased 51% from 2003 to 2004.

Total debt plus preferred securities was reduced by \$1.5 billion in 2004. Excluding securitization bonds, which is consistent with credit reviews treatment, total debt decreased \$2.3 billion. The reduction includes \$1.7 billion of debt assumed by the purchaser of TXU Australia. In addition, TXU repaid the \$560 million principal amount of bonds associated with its telecommunications business that was sold in 2004. The bonds were classified as liabilities of the telecommunications holding company at December 31, 2003. Outstanding shares of common stock were also reduced by approximately 84 million in 2004. The repurchase of the TXU Energy Company exchangeable preferred membership interests and equity-linked and convertible debt securities resulted in the elimination of an additional 57 million of diluted shares and avoided issuance of as many as 36 million shares.

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

Table 5: Consolidated - Return Statistics
Periods ended 12/31/04 and 12/31/03; mixed measures

Statistic	12/31/04	12/31/03	% Change
Common stock data:			
Basic shares outstanding-end of period (millions)	240	324	(25.9)
Return on average common stock equity – based on net income (%)	(13.0)	10.8	-
Return on average common stock equity – based on operational earnings (%)	30.0	10.5	-
Return on average invested capital – based on adjusted net income (%)	5.7	5.7	-
Return on average invested capital – based on adjusted operational earnings (%)	8.4	5.6	50.0

Table 6 represents available liquidity (cash and available credit facility capacity) as of January 28, 2004 and December 31, 2003. TXU plans to maintain minimum available liquidity of \$1.5 billion.

Table 6: Consolidated – Liquidity
Available amounts as of 1/28/05 and 12/31/03; \$millions

Liquidity Component	Borrower	Maturity	1/28/05	12/31/03
Cash and cash equivalents			237	829
\$1.4 billion credit facility	TXU Energy Co./TXU Electric Delivery Co.	June 07	1,076	-
\$600 million credit facility	TXU Energy Co./TXU Electric Delivery Co.	June 05	525	-
\$500 million credit facility	TXU Energy Co./TXU Electric Delivery Co.	June 09	500	-
\$500 million credit facility	TXU Energy Co.	December 09	-	-
Terminated facilities			-	2,284
Total liquidity			2,338	3,113

TXU Corp. has made substantial progress in improving its financial flexibility as demonstrated on Table 7, which shows TXU Corp.'s credit ratio metrics.

**Table 7: Consolidated - Financial Flexibility Measures
YTD 04 and YTD 03; mixed measures**

Financial Flexibility Measure	YTD 04	YTD 03	Change	% Change
EBITDA/Interest	4.0	3.0	1.0	33.3
Debt/EBITDA	4.2	5.1	(0.9)	(17.6)

Business Segment Results

The following is a discussion of operational earnings by business segment.

Energy Segment

TXU's Energy segment consists of the electricity generation and consumer, business and wholesale markets activities of TXU Energy Company LLC, principally in the competitive Texas market. TXU Corp. expects to split the Energy segment into TXU Power (electricity generation operations) and TXU Energy (consumer, business, and wholesale markets) for reporting purposes in 2005.

Energy Segment: Full Year Operational Performance

TXU Energy (consumer, business, and wholesale markets) made significant progress in operational excellence and market leadership in 2004.

The segment continued to deliver on its strategy to improve the overall customer experience and be the best in the industry at customer service. Average speed to answer customer calls at the end of the year was 10 seconds compared to over 125 seconds at the end of 2003 and over 300 seconds at one point in 2003. Customer time in the integrated voice recognition system (IVR) was reduced via the rollout of a shorter, more easily navigable IVR. Early results have delivered a 33 percent more effective completion rate which should also result in improved customer satisfaction. Loyalty rewards programs and additional initiatives are expected to further improve the customer experience in 2005. In its first six months of operations, the Capgemini Energy partnership has assisted in delivering these service improvements and is on course to deliver an estimated \$115 million of SG&A expense savings in 2005. TXU Energy also made substantial progress in reduction of bad debt expense. Through strengthened payment and collections policies, new market rules, more targeted marketing and other initiatives, total bad debt expense was reduced by \$24 million to \$91 million in 2004. Retail bad debt was \$95 million or 1.5 percent of revenues, down 21 percent from \$121 million or 1.8 percent of revenues in 2003.

The business markets group improved its contracting activity through more effective sales coverage, cost reductions and a more customer-focused hedging strategy that protects against volatility in energy prices.

The wholesale markets group made good progress in reducing fuel and purchased power expense. As a result of buying cheaper power in the market, high-heat rate gas plant usage declined by 64 percent from 13 TWh in 2003 to 5 TWh in 2004, delivering effective expense reductions. As part of the ongoing performance improvement program, eight gas-fired units (653 MW) were retired, eight units (2,244 MW) were or are being mothballed, and nine combustion turbines (CTs) (585 MW) are no longer used for TXU's economic benefit. By mothballing generation units and changing the status of the CTs TXU will save an estimated \$34 million pre tax in operating costs in 2005, and the termination of an uneconomic power purchase and tolling agreement will save an estimated \$22 million in cost of energy sold in both 2005 and 2006. In addition, the company has offered the nine CTs and 5.6 GW of additional gas fired generation to the market for sale or tolling arrangement.

TXU Power's focus on operational excellence led to very strong 2004 performance. TXU Power's nuclear plant produced at a capacity factor of 94.3 percent for 2004 compared to 88.1 percent in 2003. This was achieved while continuing to focus on safety. The lignite plants also operated at record levels, reflecting the early benefits of the TXU Operating System, which is TXU's unique application of lean operating techniques to its power generation plants. Lignite fleet capacity factors exceeded 86 percent during 2004, delivering 42 TWh of electricity. The implementation of the TXU Operating System is well underway at the Martin Lake and Monticello plants and mines with both progressing well. Implementation teams are preparing to continue the rollout at other TXU Power lignite plant and mine locations and at the nuclear plant site during 2005. This progress on the TXU Operating System is a major portion of TXU Power's planned delivery of sustainable operational and earnings improvements in its goal to establish a new benchmark in the generation industry.

Energy Segment: Financial Performance

In the fourth quarter of 2004, the Energy segment reported income from continuing operations of \$0.01 per share as compared to income from continuing operations of \$0.18 per share in the fourth quarter of 2003. Subtracting special items of \$0.60 per share, as detailed in Table 3, operational earnings in the fourth quarter of 2004 were \$0.61 per share as compared to \$0.18 per share in the prior year period, a 239 percent increase. Excluding the effect of lower average shares, the Energy segment operational earnings improved by \$0.34 per share, or 189 percent.

For the full year 2004, the Energy segment reported income from continuing operations of \$1.36 per share compared to income from continuing operations of \$1.31 per share for 2003. Subtracting special items of \$1.06 per share and the effect of using diluted shares, operational earnings for 2004 were \$2.33 per share compared to \$1.31 per share in 2003, a 78 percent increase. Excluding the effect of lower average shares, the Energy segment results improved by \$0.66 per share, or 50 percent.

Table 8 reconciles the change in operational earnings from 2003 to 2004 for the fourth quarter and full year periods.

Table 8: Energy Segment - Operational Earnings Reconciliation
Q4 04 vs. Q4 03; YTD 04 vs. YTD 03; \$ per share

Earnings Factor	QTR	YTD
03 operational earnings	0.18	1.31
Contribution margin	0.41	0.95
Operating costs	(0.02)	(0.04)
Depreciation and amortization	0.06	0.15
SG&A	0.02	(0.07)
Franchise and revenue based taxes	0.01	0.02
Other income and deductions	0.03	(0.03)
Net interest	(0.03)	(0.02)
Income taxes	(0.14)	(0.30)
Effect of reduced shares	0.09	0.36
04 operational earnings	0.61	2.33

The increase in contribution margin for the quarter reflects higher retail and wholesale prices, increased nuclear generation plant production, improved results from hedging and risk management activities and more effective sourcing of purchased power versus higher heat rate gas-fired generation. These were partially offset by decreased retail sales volumes due to competition and a change in the strategy for large commercial and industrial retail business. The increase in operating costs of \$7 million was primarily due to higher production levels and increased incentive compensation expense as a result of TXU's overall strong operational results. The reduction in depreciation and amortization expense was primarily the result of extensions at the

beginning of the year of estimated average depreciable lives of nuclear and lignite generation facilities assets and amortization expense on assets transferred to the Capgemini Energy partnership in July 2004. A decrease in SG&A expenses of \$6 million was primarily due to decreased bad debt expenses of \$31 million as a result of stricter disconnect policies, more focused collection activities, targeted customer marketing and lower accounts receivable balances. The decrease in bad debt expense was substantially offset by increases in other SG&A expenses, primarily increased incentive compensation expenses. Other deductions decreased primarily due to several individually insignificant items in 2003.

The major drivers of improvement in operational earnings for the Energy segment for the full year are similar to those for the quarter. The increase in contribution margin for the year reflects higher retail and wholesale prices, increased output from the nuclear and lignite/coal generation plants, and more effective sourcing of purchased power versus higher heat rate gas-fired generation. These were partially offset by decreased retail sales volumes due to competition and milder summer weather (representing approximately \$180 million of decreased revenue), and results from hedging and risk management activities. The increase in operating costs of \$14 million was primarily due to the increased refueling and other performance improvement activities at the nuclear plant and increased incentive compensation accruals for the reasons addressed above. The increase in SG&A expenses of \$27 million was driven by increased incentive compensation expenses exceeding \$24 million of decreased bad debt expenses. Other income decreased primarily due to the sale of the retail gas business and land in 2003. Net interest expense increased due to the benefit in 2003 of interest rate swaps, somewhat offset by lower net borrowings.

Table 9 provides details of operating revenues for the Energy segment for the fourth quarter of 2004 as compared to 2003 and year-to-date 2004 as compared to 2003, respectively.

Hedging and risk management revenues improved \$67 million and decreased \$133 million for the quarter and year ended December 31, 2004, respectively, versus comparable 2003 periods. The quarter-to-quarter variance reflects lower mark-to-market gain reversals realized in revenues and costs of sales due to lower mark to market activity. The year-to-date period includes \$22 million in day one losses associated with required annual capacity auction sales, which are now recorded in hedging and risk management revenues to better match the obligations against the transactions used to hedge them. The full year variance also includes \$19 million in increased reserves primarily as a result of the effect of market movements, and \$26 million of increased cash flow accounting hedge ineffectiveness. Included in the 2003 full year period is \$34 million of additional gas storage and retail gas business margin, primarily due to margins on gas storage activity and retail gas businesses sold in 2003. The 2003 year-to-date 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 price and cost changes on margins.

For other revenues and other cost of energy sold, the majority of the period to period increase, \$126 million for the year-to-date period is due to a change in accounting rules, whereby revenues and cost of sales of natural gas to business customers have been reported on a gross basis since October 1, 2003 (previously, they were netted). Other cost of energy sold is shown in Table 10.

**Table 9: Energy Segment – Operating Revenues
Q4 04 and Q4 03; YTD 04 and YTD 03; \$millions**

Operating Revenue Component	Q4 04	Q4 03	% Change	YTD 04	YTD 03	% Change
Retail electricity revenues ⁶ :						
Native market:						
Residential	692	646	7.1	3,164	3,152	0.4
Small business	237	292	(18.8)	1,103	1,213	(9.1)
Total native market	929	938	(1.0)	4,267	4,365	(2.2)
Other markets:						
Residential	70	33	112.1	298	159	87.4
Small business	8	8	-	34	25	36.0
Total other markets	78	41	90.2	332	184	80.4
Large business	405	447	(9.4)	1,771	1,935	(8.5)
Total retail electricity revenues	1,412	1,426	(1.0)	6,370	6,484	(1.8)
Wholesale electricity revenues	456	344	32.6	1,886	1,258	49.9
Hedging and risk management activities:						
Net unrealized MtM gains/(losses) ⁷	(63)	(157)	(59.9)	(109)	(99)	10.1
Realized gains/(losses)	21	48	(56.3)	6	129	(95.3)
Total	(42)	(109)	61.5	(103)	30	-
Other revenues	80	82	(2.4)	342	214	59.8
Total operating revenues	1,906	1,743	9.4	8,495	7,986	6.4

Tables 10 provides details of the Energy segment cost of energy sold and delivery fees for the fourth quarter of 2004 as compared to the fourth quarter of 2003, and year-to-date 2004 as compared to year-to-date 2003, respectively.

**Table 10: Energy Segment – Cost of Energy Sold and Delivery Fees
Q4 04 and Q4 03; YTD 04 and YTD 03; \$millions**

Cost Component	Q4 04	Q4 03	%Change	YTD 04	YTD 03	%Change
Nuclear fuel (base load)	22	19	15.8	82	80	2.5
Lignite/coal (base load)	134	130	3.1	506	491	3.1
Gas/oil fuel and purchased power	548	519	5.6	2,912	2,913	-
Other cost of energy sold	72	54	33.3	221	81	-
Cost of energy sold	776	722	7.5	3,721	3,565	4.4
Delivery fees	332	358	(7.3)	1,544	1,552	(0.5)
Cost of energy sold and delivery fees	1,108	1,080	2.6	5,265	5,117	2.9

⁶ Breakout of native and other markets are estimates and provided for reference only.

⁷ Net unrealized mark-to-market gains/(losses): Q4 04 and YTD 04 include zero and \$20 million, respectively, of ineffectiveness losses related to cash flow hedges as compared to \$4 million and \$6 million of ineffectiveness gains, respectively, for the comparable periods in 2003.

Table 11 provides quarter-to-quarter and year-to-year summaries of the Energy segment generation and supply operating statistics. Statistics for both periods depict the benefit of increased generation from the nuclear plant and more effective sourcing of purchased power versus higher heat rate gas-fired generation. Gas and purchased power prices increased for both the quarter and year-to-date, reflecting higher gas prices. For the quarter, the decline in lignite production was primarily due to timing of maintenance outages and an extended maintenance outage at one unit. For the year-to-date period baseload production increased by 2,290 GWh, reflecting the benefits of the company's performance improvement initiatives. The lignite plants achieved record production levels in 2004, while the nuclear plant also substantially improved production relative to 2003, in which there were three unplanned outages. Average fuel and purchased power costs increased by one percent as compared to an increase in market power prices of over 20 percent. The one percent increase was driven by higher natural gas and purchased power prices and an increase in use of western coal versus lignite. In 2004, TXU Power used 30 percent western coal as compared to 25 percent in 2003. This was somewhat offset by decreased average nuclear fuel costs, increased output from the base load plants and more effective sourcing of purchased power versus higher heat rate gas-fired generation.

**Table 11: Energy Segment – Generation and Supply Statistics
Q4 04 and Q4 03; YTD 04 and YTD 03; mixed measures**

Generation and Supply Statistic	Q4 04	Q4 03	%Change	YTD 04	YTD 03	%Change
Production and purchased power (GWh):						
Nuclear (base load)	5,097	4,109	24.0	18,979	17,717	7.1
Lignite/coal (base load)	10,476	11,040	(5.1)	42,339	41,311	2.5
Gas/oil	426	1,380	(69.1)	4,726	13,250	(64.3)
Purchased power	11,342	12,378	(8.4)	56,007	49,915	12.2
Total energy supply	27,341	28,907	(5.4)	122,051	122,193	(0.1)
Less line loss and other	488	972	(49.8)	3,451	5,462	(36.8)
Net energy supply	26,853	27,935	(3.9)	118,600	116,731	1.6
Base load capacity factors (%):						
Nuclear	100.7	81.2	24.0	94.3	88.1	7.0
Lignite/coal	84.4	89.5	5.7	86.2	84.7	1.8
Fuel and Purchased Power Costs (\$/MWh):						
Nuclear generation	4.24	4.54	(6.6)	4.31	4.49	(4.0)
Lignite/coal generation ⁸	13.93	12.48	11.60	12.96	12.53	3.40
Gas/Oil generation and purchased power	46.62	37.71	23.6	47.95	46.12	4.0
Average total electricity supply	26.19	23.84	9.9	29.02	28.73	1.0
ERCOT MCPE ⁹ (\$/MWh)	47.64	32.96	44.5	42.26	41.79	1.1
ERCOT MWD ¹⁰ (\$/MWh)	44.68	34.65	28.9	50.52	41.77	20.9
Gas Daily ¹¹ (\$/MMBtu)	6.18	4.96	24.6	5.75	5.42	6.1
Implied heat rate ¹² (MMBtu/MWh)	7.23	6.99	3.5	8.79	7.71	14.0
NYMEX strip ¹³ (\$/MMBtu)	7.12	5.05	41.0	6.32	5.29	19.5

Table 12 summarizes Energy segment retail and wholesale sales volumes.

⁸ Includes depreciation and amortization of lignite mining plant and equipment and related asset retirement obligations which are reported as depreciation and amortization expense but are part of overall fuel costs.

⁹ 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. MCPE does not include shaping, ancillary services and other retail related purchased power costs.

¹⁰ MWD refers to indexed prices as referenced in the Megawatt Daily publication. Prices are quoted by zone and most of TXU Energy's generation capacity and customers are in the North zone. MWD pricing is based upon surveys.

¹¹ Houston Ship Channel average daily prices

¹² Efficiency at which a marginal unit converts fuel to electricity. Calculated by dividing ERCOT MWD price by Gas Daily natural gas price.

¹³ Average daily 12-month strip closing price for the period.

For fourth quarter and full year 2004, the decrease in retail sales volumes is predominantly due to a decrease in customers and related business load in the competitive market. For the fourth quarter this was somewhat offset by an increase in sales of approximately 265 GWh as a result of weather. Average residential usage for the quarter increased due to retention and addition of larger customers and increased weather-driven usage. The decrease in average small business segment volumes for the quarter is primarily due to competitive activity, especially for larger customers in this customer segment; this competitive intensity is evident throughout the state. The decline in large business volumes reflects a change in strategy to focus on margin versus volumes.

Total electricity sales for the year increased by 1.6 percent as a result of increased wholesale sales which in aggregate exceeded the decrease in retail sales. Retail sales declined primarily for the reasons mentioned above and due to milder weather, primarily in the third quarter, which reduced volumes by approximately 2,145 GWh for the year. Year-to-date average residential usage reflects favorable customer mix trends and a decrease in sales due to the milder weather. The Energy segment expects to continue to improve these customer mix trends, while increasing its share of customers in the competitive market. As a result of improved customer service, low retail margins, increased flexibility of pricing to small business customers since the end of 2003, and other factors, residential and small and medium business customer retention for the year improved to 97 percent and native market retention improved to 95 percent, up from 96 percent and 94 percent, respectively, in 2003.

**Table 12: Energy Segment – Retail and Wholesale Sales Volumes
Q4 04 and Q4 03; YTD 04 and YTD 03; GWh**

Volume Component	Q4 04	Q4 03	%Change	YTD 04	YTD 03	%Change
Retail electricity sales:						
Native market:						
Residential	6,652	6,840	(2.7)	30,897	34,082	(9.3)
Small business	2,141	2,875	(25.5)	10,476	12,673	(17.3)
Total native market	8,793	9,715	(9.5)	41,373	46,755	(11.5)
Other markets:						
Residential	744	453	64.2	3,089	1,899	62.7
Small business	86	88	(2.3)	363	313	16.0
Total other markets	830	541	53.4	3,452	2,212	56.1
Large business	5,574	7,014	(20.5)	25,466	30,955	(17.7)
Total retail electricity sales	15,197	17,270	(12.0)	70,291	79,922	(12.1)
Wholesale electricity sales	11,656	10,665	9.3	48,309	36,809	31.2
Total electricity sales	26,853	27,935	(3.9)	118,600	116,731	1.6

Table 13 provides the Energy segment retail operating statistics.

Table 13: Energy Segment – Retail Operating Statistics
Q4 04 and Q4 03; YTD 04 and YTD 03; mixed measures

Retail Operating Statistic	Q4 04	Q4 03	%Change	YTD 04	YTD 03	%Change
Retail electricity customers ¹⁴ :						
Native market:						
Residential				1,951	2,059	(5.2)
Small business				309	316	(2.2)
Total native market				2,260	2,375	(4.8)
Other markets:						
Residential				194	148	31.1
Small business				6	5	20.0
Total other markets				200	153	30.7
Large business				76	69	10.1
Total retail electricity customers				2,536	2,597	(2.3)
Volumes (GWh) – weather adjusted ¹⁵ :						
Residential	7,156	7,293	(1.9)	35,064	35,981	(2.6)
Small business	2,209	2,963	(25.5)	11,180	12,986	(13.9)
Large business	5,569	7,014	(20.6)	26,192	30,955	(15.4)
Average volume (KWh)/customer ¹⁶ :						
Residential	3,411	3,291	3.6	15,619	15,959	(2.1)
Small business	7,015	9,224	(23.9)	34,095	39,728	(14.2)
Large business	73,698	101,088	(27.1)	351,542	421,203	(16.5)
Avg. KWh/customer – weather adjusted ¹⁵ :						
Residential	3,300	3,291	0.3	16,114	15,959	1.0
Small business	6,957	9,224	(24.6)	35,169	39,728	(11.5)
Large business	73,625	101,087	(27.2)	361,566	421,206	(14.2)
Average revenue (\$/MWh):						
Residential	103.02	93.16	10.6	101.88	92.02	10.7
Small business	109.89	101.00	8.8	104.87	95.38	9.9
Large business	72.68	63.79	13.9	69.54	62.51	11.2
Average wires charge (\$/MWh)	21.68	20.17	7.5	21.75	18.93	14.9
Estimated share of market (%) ¹⁷ :						
Native market:						
Residential				81	86	(5.8)
Small business				78	82	(4.9)
Total ERCOT:						
Residential				44	46	(4.4)
Small business				31	32	(3.1)
Large business				33	37	(10.8)
Weather – percent of normal ¹⁸ :						
Cooling degree days	122.4	113.4	7.9	89.9	95.7	(6.1)
Heating degree days	85.3	81.1	5.2	89.2	98.1	(9.1)

¹⁴ End of period; thousands; number of meters. Q4 data is omitted because it is the same as YTD.

¹⁵ 2004 amounts adjusted for estimated weather effect as compared to 2003.

¹⁶ Based upon the average of the period beginning and ending customers.

¹⁷ End of period. Estimated market share for residential and small and medium business is based on the estimated number of customers in the native market and the estimated number of customers in ERCOT that have choice. Estimated market share for large business is based on the estimated annualized consumption for this overall market within ERCOT. Q4 data is omitted because it is the same as YTD.

¹⁸ Average for service territory. Weather data is obtained from WeatherBank, Inc., an independent company that collects and archives weather data from reporting stations of the National Oceanic and Atmospheric Administration (a federal agency under the US Department of Commerce).

Table 14 presents the unrealized mark-to-market balance at December 31, 2004, scheduled by contractual settlement dates of the underlying positions. Eighty-four percent of 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 14: Energy Segment – Maturity Dates of Unrealized Net Mark-to-Market Balances
12/31/04; \$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	59	-	-	-	59
Prices provided by other external sources	-	(38)	8	(3)	(33)
Prices based on models	5	-	-	-	5
Total	64	(38)	8	(3)	31
Percentage (%) of total fair value	207	(123)	26	(10)	100

Table 15 summarizes the changes in commodity contract assets and liabilities for the twelve months ended December 31, 2004. The net change in these assets and liabilities 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 15: Energy Segment - Changes in Commodity Contract Assets and Liabilities
04; \$millions**

Change Component	Impact
Balance of net commodity contract assets -- beginning of period	108
Settlements of positions included in the opening balance ¹⁹	(59)
Unrealized mark-to-market valuations of positions held at end of period	(31)
Other activity ²⁰	5
Balance of net commodity contract assets -- end of period	23

Electric Delivery Segment

TXU's Electric Delivery segment is focused on delivering operational excellence in system reliability and maintaining a position of cost leadership. In 2004 the segment delivered at or near top-decile performance in O&M expense per distribution customer and O&M expense per MWh.

Electric Delivery Segment: Operational Highlights

For the year, System Average Interruption Duration Index (SAIDI) minutes of 75.54 placed Electric Delivery among top quartile reliability performers. System Average Interruption Frequency Index (SAIFI) improved from 1.17 to 1.10 as compared to 2003. Electric Delivery expects further improvement as current reliability initiatives begin to be more fully realized in 2005 and 2006. Electric Delivery has developed and implemented a multi-year Comprehensive Maintenance Program in order to improve reliability on its worst performing facilities. In contrast to previous "targeted" or "light" maintenance activities primarily aimed at lightning strikes, wildlife and vegetation induced outages, this program is a proactive strategy which includes both heavy maintenance and selected replacement of aging infrastructure before outages occur. Comprehensive maintenance was completed on twenty-eight distribution feeders in 2004. Initial results indicate a reduction in both frequency and duration of outages on these feeders in excess of initially projected performance improvements. This program is expected to continue through 2006.

Electric Delivery Segment: Financial Highlights

The Electric Delivery segment reported income from continuing operations of \$0.13 per share in the fourth quarter of 2004, compared to \$0.06 per share in the fourth quarter of 2003. Adjusting for special items of \$0.07 per share, operational earnings for 2004 were \$0.20 per share as compared to \$0.06 per share in the prior year period. Excluding the effect of lower average shares, the Electric Delivery segment results improved by \$0.11 per share.

¹⁹ Represents unrealized mark-to-market valuations of these positions recognized in earnings as of the beginning of the period.

²⁰ 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.

For full year 2004, the Electric Delivery segment reported income from continuing operations of \$0.85 per share compared to income from continuing operations of \$0.68 per share for 2003. Adjusting for special items of \$0.10 per share and the effect of using diluted shares, operational earnings for 2004 were \$0.90 per share as compared to \$0.68 per share in the prior year period. Excluding the effect of lower average shares, the Electric Delivery segment results improved by \$0.08 per share.

Table 16 reconciles the change in operational earnings from the 2003 to 2004 periods.

Table 16: Electric Delivery Segment - Operational Earnings Reconciliation
Q4 04 vs. Q4 03 and YTD 04 vs. YTD 03; \$ per share

Earnings Factor	QTR	YTD
Q4 03 operational earnings	0.06	0.68
Contribution margin (revenues)	0.17	0.37
Operating costs	0.01	(0.06)
Depreciation and amortization	(0.06)	(0.24)
SG&A	(0.01)	(0.03)
Franchise and revenue based taxes	-	-
Other income and deductions	-	(0.01)
Net interest	0.03	0.07
Income taxes	(0.03)	(0.02)
Effect of reduced shares	0.03	0.14
Q4 04 operational earnings	0.20	0.90

Excluding the \$0.03 per share benefit of reduced average shares, the Electric Delivery segment's contribution for the fourth quarter increased by \$0.11 per share from the prior year period. The primary driver of the change was the approximate \$35 million (\$0.11 per share pre-tax) increase in contribution margin (revenues) related to increased transmission tariff revenues, growth, and increased miscellaneous and other revenues. Revenues also increased \$21 million related to transition charges under tariffs to service securitization bonds which have associated costs. The increase in depreciation and amortization expense was primarily due to \$21 million (\$0.07 per share pre-tax) of amortization of regulatory assets as a result of securitization bonds

issued in August 2003 and June 2004 for which there are associated revenues. The major factors in decreased net interest expense (interest expense net of interest income) were higher reimbursements from the Energy segment related to securitized regulatory assets and lower average interest rates.

The drivers of the full year results, excluding the \$0.14 per share benefit of reduced average shares were increased transmission-related revenues and decreased net interest expense somewhat offset by increased operating costs and milder weather. The increase in revenues for the year was driven by the same factors in the quarter, somewhat offset by reduced volumes due to milder weather, primarily in the third quarter, that reduced revenues by an estimated \$22 million as compared to 2003. Depreciation and amortization expense increased by \$92 million of which \$87 million was increased amortization of regulatory assets as a result of the securitization bonds. The remaining increase was primarily due to increased investment. The majority of the increase in operating costs reflects costs for which there are associated revenues.

Table 17 summarizes the details of the operating revenues for the Electric Delivery segment for the fourth quarter of 2004 as compared to the fourth quarter of 2003, and for the 2004 and 2003 year-to-date periods.

Table 17: Electric Delivery Segment – Operating Revenues
Q4 04 and Q4 03; YTD 04 and YTD 03 \$millions

Revenue Component	Q4 04	Q4 03	%Change	YTD 04	YTD 03	%Change
Electricity transmission and distribution:						
Affiliated (TXU Energy)	319	322	(0.9)	1,420	1,489	(4.6)
Non-affiliated	219	160	36.9	806	598	34.8
Total	538	482	11.6	2,226	2,087	6.7

Table 18 summarizes operating statistics for the Electric Delivery segment for the fourth quarter 2004 as compared to the fourth quarter of 2003, and for full year 2004 as compared to 2003.

Table 18: Electric Delivery Segment – Operating Statistics
Q4 04 and Q4 03; mixed measures

Operating Statistic	04	03	%Change
Volume - Electricity distribution (GWh) – Q4	22,529	21,644	4.1
Volume - Electricity distribution (GWh) – YTD	101,928	101,810	0.1
Electricity points of delivery - number of meters (end of period, in thousands) ²¹	2,971	2,932	1.3
System Average Interruption Duration Index (SAIDI) (non-storm) ²²	75.54	74.15	-
System Average Interruption Frequency Index (SAIFI) (non-storm) ²²	1.10	1.17	-
Customer Average Interruption Duration Index (CAIDI) (non-storm) ²²	68.67	63.30	-

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. Loss from continuing operations for Corporate and Other was \$1.41 per share for the fourth quarter 2004 as compared to a loss of \$0.12 per share for 2003. Excluding special items of \$1.27 per share, operational earnings were a loss of \$0.14 per share as compared to a loss of \$0.12 per share in 2003. For the full year, loss from continuing operations for Corporate and Other was \$1.94 per share as compared to a loss of \$0.58 per share for 2003. Excluding special items of \$1.42 per share and reflecting the effect of use of diluted shares, operational earnings were a loss of \$0.40 per share as compared to a loss of \$0.42 per share in 2003.

Excluding the special items in Table 3, the current period expenses from continuing operations declined by \$0.01 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. The lower net interest expense is primarily due to inter-company interest income (\$0.03 per share after tax) from the TXU Energy Company exchangeable preferred membership interests purchased by TXU Corp. in April, exceeding the increase in interest expense from an increase in debt.

For the full year 2004, Corporate and Other expenses from continuing operations, excluding special items and the effect of reduced average share count, decreased by \$0.16 per share from 2003 levels. The primary drivers of the improvement are increased other income, decreased other deductions and decreased net interest expense, somewhat offset by increased SG&A expenses. Other income increased as a result of the amortization of the deferred gain on the sale of TXU Fuel in June 2004. Other deductions decreased primarily as a result of inclusion in 2003 of \$17 million (\$0.03 per share after tax) of equity interest in losses of a telecommunications partnership that has been sold. Net interest expense decreased as a result of the inter-company interest income (\$0.08 per share after tax) from the TXU Energy Company exchangeable preferred membership interests, lower credit facility fees and reduced debt. The increase in SG&A expenses was primarily due to a \$19 million increase in incentive compensation expense and costs substantially offset by inter-company revenues or other benefits.

Discontinued Operations

Table 19 provides details of the components of discontinued operations for the fourth quarter and full year 2004 and 2003. Transactions for the disposition by sale of TXU Australia and merger transaction of TXU Gas were completed on July 30 and October 1, respectively. These are reported as discontinued operations for 2004 (and the 2003 comparative periods have been reclassified accordingly). For the fourth quarter 2004, discontinued operations results include a \$143 million after-tax accrual of expenses associated with the settlement of all potential claims from TXU Europe and its major creditors, a \$102 million after-tax loss on the sale of TXU Gas, a \$31 million adjustment to the release earlier in 2004 of a portion of the tax reserve associated with the investment in TXU Europe to reflect a change in estimated capital gains, and a \$2 million after-tax increase in the gain on the sale of TXU Australia. The full year 2004 results include TXU Gas charges associated with the second quarter write off due to a final order received in May by the Railroad Commission of Texas in the company's system-wide rate case, 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), a goodwill impairment (charge) on the TXU Gas transaction, somewhat offset by discontinuance of depreciation expense while the merger transaction was pending, and the benefit of net releases of the tax reserve associated with the 2002 write off of TXU Corp.'s investment in TXU Europe. Included in 2004 discontinued operations for TXU Australia is a gain on the sale of the business and a second quarter charge

²¹ Includes lighting sites, principally guard lights, for which TXU Energy Retail is the REP, which are not included in TXU Energy Retail's customer count. Such sites totaled 95,252 and 100,901 at December 31, 2004 and 2003, respectively. Adjusting for the guard lights, which have minimal value, points of delivery increased 1.6%.

²² 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.

to recognize deferred income tax expenses associated with the excess of book basis over tax basis of TXU's investment in TXU Australia. 2004 discontinued operations also include a benefit from the second quarter release of a portion of the tax reserve associated with the investment in TXU Europe. The results of TXU Energy Company LLC's cogeneration and wholesale energy sales business in New Jersey are also reflected in discontinued operations. Discontinued operations for the Energy segment for the full year 2004 includes an impairment charge of approximately \$17 million, after tax, associated with the New Jersey business and a charge of approximately \$18 million, after tax, for settlement of a contract in the company's energy outsourcing business that is being exited.

Table 19: Details of Discontinued Operations
Q4 04, Q4 03, YTD 04 and YTD 03; \$ per share after tax

Discontinued Operation	Q4 04	Q4 03	YTD 04	YTD 03
TXU Australia:				
Gain on sale	0.01	-	0.80	-
Income tax benefit (expense) - tax basis differential	-	-	(0.37)	-
Other operating results	-	0.04	0.16	0.32
TXU Gas:				
Loss on sale	(0.37)	-	(0.34)	-
Write off due to rate case (Docket 9400)	-	-	(0.33)	-
Goodwill impairment	-	-	(0.31)	-
Suspension of depreciation due to pending merger	-	-	0.04	-
Income tax expense reserve - 1993 tax return	-	-	(0.06)	-
Other exit costs and operating results	(0.05)	0.06	0.05	0.14
Income tax benefit - reserve release (TXU Europe)	(0.12)	-	2.26	-
Litigation settlement (TXU Europe)	(0.53)	-	(0.48)	-
Energy segment:				
Impairment/business exit	-	-	(0.08)	-
Other operating results	-	(0.05)	(0.03)	(0.05)
TXU Communications	-	(0.07)	(0.05)	(0.20)
Other	(0.01)	(0.01)	-	(0.01)
Total	(1.07)	(0.03)	1.26	0.20

2005 Outlook

Table 20 is a reproduction of the key areas of improvement from 2004 to 2005 that were identified on October 25, 2004 at the EEI Conference. This table highlighted the areas of focus and impact of Phase Two of the company's restructuring program. The numbers in the left column identify items that have been updated since October 25.

TXU is affirming its outlook range for 2005, acknowledging some offsetting movement in individual line items that were listed in October. Two line items are particularly significant: first, natural gas prices fell significantly between the end of October and early January, so TXU has not requested a fuel factor adjustment, removing \$0.16 of potential improvement. Second, operational results from the Phase 2 program were more favorable than previously estimated, reflecting that a higher portion of the savings are already in the 2004 run-rate; Phase 2 initiatives are achieving results at a faster pace and more sizeable levels than reflected in the previous 2004 outlook of \$2.65 to \$2.70. The incremental improvements that have been identified and realized in such areas as general and administrative (G&A) expense, bad debt, and working capital management are all offsets to the lost contribution margin associated with removing the fuel factor adjustment in February.

**Table 20: Operational Earnings Performance Drivers
04 vs. 05E; \$ per share, indicative**

Performance Driver	Income Statement Category	05E
1 04 operational earnings		2.82
2 Change in average shares outstanding		0.95
Operational improvements (indicative):		
TXU Power		
3 Increased revenues from wholesale market price changes	Operating revenues	1.10
Reduced O&M expenses (operating, benefit, lease, other)	O&M expense	0.20
Increased production from coal generation	Cost of energy sold expense	0.11
Reduced fuel expense	Cost of energy sold expense	0.04
Increased expenses related to two-unit nuclear outage (O&M, purchased power)	Cost of energy sold/O&M expense	(0.27)
TXU Energy		
4 Increased expenses from wholesale market price changes	Cost of energy sold expense	(1.14)
Increased revenues from 04 fuel factor adjustments and out of territory growth	Operating revenues	0.82
Reduced SG&A expenses (CapGemini Energy contract, bad debt)	SG&A expense	0.37
Reduced expense - purchased power and gas plant optimization, restructured PPAs	Cost of energy sold expense	0.28
5 Increased revenues from 2/05 fuel factor adjustment (50% of \$6.92 fuel factor)	Operating revenues	-
Increased margin in large business segment	Operating revenues/Cost of energy sold	0.15
Reduced O&M expenses (gas plants)	O&M expense	0.13
Reduced expenses and revenue losses due to hedge roll-off	Operating revenues/Cost of energy sold	0.11
Reduced wires expense	Delivery fees expense	0.06
Reduced margin from mass market customer churn	Operating revenues/Cost of energy sold	(0.04)
TXU Electric Delivery		
Increased contribution margin	Operating revenues	0.25
Corporate & Other		
Other	Other income	(0.03)
Other	SG&A expense	0.08
Interest expense		(0.24)
Contingency		(0.10) - 0.10
Subtotal operational improvements		1.88 - 2.08
05E operational earnings outlook range		5.65 - 5.85

The performance of the business in 2004 has provided the base for the 2005 financial outlook. Much of the 2005 growth is evident in the 2004 run-rate, as shown on Table 21: 2005 Comparative Analysis to 2004 Run-Rate (Estimates).

**Table 21: 2005 Comparative Analysis to 2004 Run-Rate (Estimates)
04 vs. 05E; \$ per diluted share**

Performance Driver	Income Statement Category	05E
04 operational earnings		
Q3 and Q4 earnings (based on 04 year end average shares)		1.77
Weather effect on margin (adjust to normal weather)	Operating revenues/Cost of energy sold	0.12
Full Q3 impact on revenue of July 04 fuel factor increase	Cost of energy sold expense	0.07
Share count adjustment (321 to 240 million shares)		0.66
Pro forma Q3 and Q4 earnings		2.62
Historical average contribution of last two quarters to full year's earnings		58%
Annualized run rate		4.52
Reduced G&A expenses (CapGemini Energy contract)	SG&A expense	0.22
Reduced expenses and revenue losses due to hedge roll-off	Operating revenues/Cost of energy sold	0.11
Total before improvements		4.85
Performance improvements		0.80 - 1.00
05E operational earnings outlook range		5.65 - 5.85

TXU expects cash flows to improve substantially in 2005 as a result of improved earnings and operational improvements. Table 22 shows cash provided by operating activities and free cash flow for 2004 and estimates of each for 2005.

**Table 22: Cash Provided By Operating Activities and Free Cash Flow
05E vs. 04; \$millions**

Component	05E	04	%Change
Cash provided by operating activities ²³	2,525	1,759	43.5
Capital expenditures	1,025	999	2.6
Free cash flow	1,500	760	97.4
Dividends on preference and common stock	562	172	-
Free cash flow after dividends	938	588	59.5

TXU also sees significant growth potential in 2006. Much of the identified improvement potential for 2006 is driven by having only one unit of the nuclear plant refueled in 2006 versus two units in 2005 and the roll-off on the income statement of the impact of a previously implemented change in hedging strategy. Other factors include service territory growth and transmission investment recovery in Electric Delivery, current forward natural gas curves and customer retention levels, and ongoing execution on Phase Two of the restructuring program. Table 23 highlights the major drivers of improvement from 2005 to 2006, reflecting current forward natural gas curves and plan assumptions.

**Table 23: Significant Growth Drivers
05E vs. 06E; % growth**

Performance Driver	Income Statement Category	06E
Decreased expenses due to only single-unit nuclear outage	Cost of energy sold expense	5.0
O&M/SG&A improvements from Phase 2 initiatives	O&M/SG&A expense	4.5
Decreased expenses and revenue losses due to hedge roll off	Operating revenues/Cost of energy sold	3.0
Other/deployment of cash	Interest expense/Avg. share count/Other	2.0 - 4.0
Increased Electric Delivery revenue from growth and investment	Operating revenues	2.0
Increased production from coal generation	Cost of energy sold expense	1.0
Mass market customer churn	Operating revenues/Cost of energy sold	(0.5)
Expected growth range		16 – 20

Additional Information

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

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 2.5 million competitive electricity customers in Texas, more customers than any other retail electric provider in the state. TXU Power has over 18,300 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 more than 2.9 million electric delivery points over more than 98,000 miles of distribution and 14,000 miles of transmission lines. 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 company to implement the initiatives that are part of its restructuring, operational improvement and cost reduction program, and the terms under which the company executes those initiatives.

-END-

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²³ Does not include potential one-time tax expense estimated at \$500 million to \$600 million (related to portfolio restructuring transactions).

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. 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.

Cash Interest Expense (a non-GAAP measure): Interest Expense and Related Charges less amortization of discount and reacquired debt expense plus capitalized interest. Cash interest expense is a measure used by TXU to assess credit quality.

EBITDA (a non-GAAP measure): Income from Continuing Operations before Interest Income, Interest Expense and Related Charges, and Income Tax plus Depreciation and Amortization and Special Items. EBITDA is a measure used by TXU to assess performance.

EBITDA/Interest (a non-GAAP measure): EBITDA divided by Cash Interest Expense is a measure used by TXU to assess credit quality.

Debt/EBITDA (a non-GAAP measure): Total Debt less transition bonds and debt-related restricted cash divided by EBITDA. 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/EBITDA is a measure used by management to assess credit quality.

Free Cash Flow (a non-GAAP measure): Cash provided by operating activities less capital expenditures (including nuclear fuel), used predominantly as a forecasting tool to estimate cash available for dividends, debt reduction, and other investments.

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.

Contribution Margin (a 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) and for the fair value of the option associated with TXU's floating rate convertible senior notes. For periods where including common stock equivalents would be anti-dilutive, net income is only adjusted for the after-tax fair value of the option associated with the floating rate convertible senior notes and basic average shares are used in the calculation.

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 (a non-GAAP measure): 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. This measure is used to evaluate operational performance and management effectiveness.

Return on Invested Capital Based on Adjusted Net Income (a non-GAAP measure): 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. This measure is used to evaluate operational performance and management effectiveness.

Return on Invested Capital Based on Adjusted Operational Earnings (a non-GAAP measure): 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. This measure is used to evaluate operational performance and management effectiveness.

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 (a non-GAAP measure): Total Debt plus Shareholders Equity.

Total Debt (a 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. TXU uses this measure to evaluate its debt and capitalization levels.

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 Q4 04 vs. Q4 03; \$millions unless otherwise noted

Component	Q4 04	Q4 03	Ref
Net income (loss) available for common stock	(386)	560	A
Income from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	81	566	
Special items (a)	828	-	
Preference stock dividends	(22)	(22)	
Operational earnings	887	544	B
Average common equity	2,961	5,193	C
Return on average common equity - based on net income (A/C) (%)	(13.0)	10.8	
Return on average common equity - based on operational earnings (B/C) (%)	30.0	10.5	

Table 2: Return on Average Invested Capital Calculation
Twelve months ended Q4 04 vs. Q4 03; \$millions unless otherwise noted

Component	Q4 04	Q4 03	Ref
Net income (loss)	485	582	
After-tax interest expense and related charges net of interest income	434	486	
Total return (based on net income)	919	1,068	A
Operational earnings	887	544	
Preference stock dividends	22	22	
After-tax interest expense and related charges net of interest income (b)	434	486	
Total return (based on operational earnings)	1,343	1,052	B
Average total capitalization	15,993	18,831	C
Return on average invested capital - based on net income (A/C) (%)	5.7	5.7	
Return on average invested capital - based on operational earnings (B/C) (%)	8.4	5.6	
(b) After-tax interest expense and related charges net of interest income			
Interest expense	695	784	
Interest income	(28)	(36)	
Net	667	748	
Tax at 35%	233	262	
Net of tax	434	486	

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

Component	Q4 04	Q4 03	Ref
Income from continuing operations before income taxes and extraordinary items	123	818	
Interest expense and related charges	695	784	
Interest income	(28)	(36)	
Depreciation and amortization	760	723	
Special items	1,190	-	
EBITDA	2,740	2,289	A
Interest expense and related charges	695	784	
Amortization of discount and reacquired debt expense	(27)	(31)	
Capitalized interest	12	12	
Cash interest expense	680	765	B
Total debt	12,874	12,590	
Transition bonds	(1,258)	(500)	
Debt-related restricted cash	-	(525)	
Total	11,616	11,565	C
EBITDA/Interest (A/B)	4.0	3.0	
Debt/EBITDA (C/A)	4.2	5.1	

Table 4a: Consolidated – Operational Earnings Reconciliation
Q4 04; \$millions and \$ per share after tax

Factor	Energy	Energy	Electric Delivery	Electric Delivery	Corp. & Other	Corp. & Other	Total	Total
Operational earnings	167	0.61	55	0.20	(39)	(0.14)	183	0.67
Special items ¹	(165)	(0.60)	(20)	(0.07)	(346)	(1.27)	(531)	(1.94)
Discontinued operations ²	(1)	-	-	-	(287)	(1.07)	(288)	(1.07)
Cumulative effect of accounting change	4	0.01	2	0.01	4	0.02	10	0.04
Effect of dilution calculation	-	-	-	-	-	(0.02)	-	(0.02)
Net income to common	5	0.02	37	0.14	(668)	(2.48)	(626)	(2.32)
Average shares – diluted								274
Average shares – basic								270
Dilutive effect of sr. convertible notes								-

¹ See Table 3: Description of Special Items on page 5 of the Earnings Release for details of special items.

² See Table 19: Details of Discontinued Operations on page 16 of the Earnings Release and accompanying Segment Consolidating Income Statements for details of discontinued operations.

**Table 4b: Consolidated – Operational Earnings Reconciliation
Q4 03; \$millions and \$ per share after tax**

Factor	Energy	Energy	Electric Delivery	Electric Delivery	Corp. & Other	Corp. & Other	Total	Total
Operational earnings	57	0.18	20	0.06	(43)	(0.13)	34	0.11
Discontinued operations	(16)	(0.05)	-	-	5	0.02	(11)	(0.03)
Effect of dilution calculation	-	-	-	-	-	(0.01)	-	(0.01)
Net income to common	41	0.13	20	0.06	(38)	(0.12)	23	0.07
Average shares – basic								323
Dilutive effect of sr. convertible notes								-

**Table 4c: Consolidated – Operational Earnings Reconciliation
YTD 04; \$millions and \$ per share after tax**

Factor	Energy	Energy	Electric Delivery	Electric Delivery	Corp. & Other	Corp. & Other	Total	Total
Operational earnings	747	2.33	288	0.90	(148)	(0.41)	887	2.82
Special items	(339)	(1.06)	(33)	(0.10)	(456)	(1.42)	(828)	(2.58)
Discontinued operations	(33)	(0.11)	-	-	411	1.37	378	1.26
Extraordinary gain, net of tax effect	-	-	16	0.05	-	-	16	0.05
Cumulative effect of accounting change	4	0.01	2	0.01	4	0.01	10	0.03
EPMI buyback premium	-	-	-	-	(849)	(2.83)	(849)	(2.83)
Effect of dilution calculation	-	0.09	-	-	-	(0.28)	-	(0.04)
Net income to common	379	1.26	273	0.86	(1,038)	(3.46)	(386)	(1.29)
Average shares – basic								300
Average shares – diluted								321
Dilutive effect of EPMIs								18

**Table 4d: Consolidated – Operational Earnings Reconciliation
YTD 03; \$millions and \$ per dilutive share after tax**

Factor	Energy	Energy	Electric Delivery	Electric Delivery	Corp. & Other	Corp. & Other	Total	Total
Operational earnings	497	1.31	258	0.68	(211)	(0.41)	544	1.58
Discontinued operations	(17)	(0.05)	-	-	91	0.25	74	0.20
Income from continuing operations								
Cumulative effect of accounting change	(58)	(0.15)	-	-	-	-	(58)	(0.15)
Effect of dilution calculation	-	-	-	-	-	(0.01)	-	(0.01)
Net income to common	422	1.11	258	0.68	(120)	(0.17)	560	1.62
Average shares – basic								322
Average shares – diluted								379
Dilutive effect of sr. convertible notes								-
Dilutive effect of EPMIs								53

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT

Quarter to Date Ended: December 31, 2004

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	1,906	538	7	(321)	2,130
Direct costs and expenses					
Cost of energy sold including delivery fees	1,108	-	-	(314)	794
Operating costs	191	183	-	(2)	372
Depreciation and amortization	81	103	(12)	1	173
Total direct costs and expenses	1,380	286	(12)	(315)	1,339
Gross margin	526	252	19	(6)	791
Other costs and expenses					
Selling, general and administrative expenses	172	67	53	(7)	285
Non-operating depreciation and other amortization	1	-	8	-	9
Franchise and revenue-based taxes	37	65	-	-	102
Other income	(61)	(4)	(11)	2	(74)
Other deductions	310	29	356	(1)	694
Interest income	(10)	(14)	(24)	41	(7)
Interest expense and related charges	91	67	57	(41)	174
Total other costs and expenses	540	210	439	(6)	1,183
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(14)	42	(420)	-	(392)
Income tax expense (benefit)	(16)	7	(41)	-	(50)
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	2	35	(379)	-	(342)
Income (loss) from discontinued operations, net of tax effect	(1)	-	(287)	-	(288)
Extraordinary gain, net of tax	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	4	2	4	-	10
Net income (loss)	5	37	(662)	-	(620)
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	6	-	6
Net income (loss) available to common shareholders	5	37	(668)	-	(626)
Average shares of common stock outstanding, basic (millions)					270
Average shares of common stock outstanding, diluted (millions)					270
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	0.01	0.13	(1.41)	(0.00)	(1.27)
Income (Loss) from discontinued operations, net of tax effect	-	-	(1.07)	-	(1.07)
Extraordinary gain, net of tax	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	0.01	0.01	0.02	(0.00)	0.04
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.02)	-	(0.02)
Net income (loss) available to common shareholders	0.02	0.14	(2.48)	-	(2.32)
Diluted earnings:					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	0.01	0.13	(1.41)	(0.00)	(1.27)
Income (Loss) from discontinued operations, net of tax effect	-	-	(1.07)	-	(1.07)
Extraordinary gain, net of tax	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	0.01	0.01	0.02	(0.00)	0.04
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.02)	-	(0.02)
Net income (loss) available to common shareholders	0.02	0.14	(2.48)	-	(2.32)
Dividends declared					0.563

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT

Quarter to Date Ended: December 31, 2003

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	1,743	482	5	(323)	1,907
Direct costs and expenses					
Cost of energy sold including delivery fees	1,080	-	-	(318)	762
Operating costs	180	186	-	(2)	364
Depreciation and amortization	91	79	-	1	171
Total direct costs and expenses	1,351	265	-	(319)	1,297
Gross margin	392	217	5	(4)	610
Other costs and expenses					
Selling, general and administrative expenses	179	62	23	(5)	259
Non-operating depreciation and other amortization	10	3	5	-	18
Franchise and revenue-based taxes	40	66	4	-	110
Other income	(5)	(2)	(2)	1	(8)
Other deductions	13	-	-	(1)	12
Interest income	(5)	(9)	(10)	8	(16)
Interest expense and related charges	77	71	47	(7)	188
Total other costs and expenses	309	191	67	(4)	563
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	83	26	(62)	-	47
Income tax expense (benefit)	25	7	(24)	-	8
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	58	19	(38)	-	39
Income (loss) from discontinued operations, net of tax effect	(16)	-	5	-	(11)
Extraordinary gain, net of tax	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss)	42	19	(33)	-	28
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	5	-	5
Net income (loss) available to common shareholders	42	19	(38)	-	23
Average shares of common stock outstanding, basic (millions)					323
Average shares of common stock outstanding, diluted (millions)					323
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	0.18	0.06	(0.12)	-	0.12
Income (Loss) from discontinued operations, net of tax effect	(0.05)	-	0.02	0.00	(0.03)
Extraordinary gain, net of tax	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.02)	-	(0.02)
Net income (loss) available to common shareholders	0.13	0.06	(0.12)	-	0.07
Diluted earnings:					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	0.18	0.06	(0.12)	-	0.12
Income (Loss) from discontinued operations, net of tax effect	(0.05)	-	0.02	0.00	(0.03)
Extraordinary gain, net of tax	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.02)	-	(0.02)
Net income (loss) available to common shareholders	0.13	0.06	(0.12)	-	0.07
Dividends declared					0.125

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT - VARIANCE

Quarter to Date Ended December 31, 2004 vs December 31, 2003

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	163	56	2	2	223
Direct costs and expenses					
Cost of energy sold including delivery fees	28	-	-	4	32
Operating costs	11	(3)	-	-	8
Depreciation and amortization	(10)	24	(12)	-	2
Total direct costs and expenses	29	21	(12)	4	42
Gross margin	134	35	14	(2)	181
Other costs and expenses					
Selling, general and administrative expenses	(7)	5	30	(2)	26
Non-operating depreciation and other amortization	(9)	(3)	3	-	(9)
Franchise and revenue-based taxes	(3)	(1)	(4)	-	(8)
Other income	(56)	(2)	(9)	1	(66)
Other deductions	297	29	356	-	682
Interest income	(5)	(5)	(14)	33	9
Interest expense and related charges	14	(4)	10	(34)	(14)
Total other costs and expenses	231	19	372	(2)	620
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(97)	16	(358)	-	(439)
Income tax expense (benefit)	(41)	-	(17)	-	(58)
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	(56)	16	(341)	-	(381)
Income (loss) from discontinued operations, net of tax effect	15	-	(292)	-	(277)
Extraordinary gain, net of tax	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	4	2	4	-	10
Net income (loss)	(37)	18	(629)	-	(648)
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	1	-	1
Net income (loss) available to common shareholders	(37)	18	(630)	-	(649)
Average shares of common stock outstanding, basic (millions)					(53)
Average shares of common stock outstanding, diluted (millions)					(53)
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	(0.17)	0.07	(1.29)	(0.00)	(1.39)
Income (Loss) from discontinued operations, net of tax effect	0.05	-	(1.09)	(0.00)	(1.04)
Extraordinary loss, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	0.01	0.01	0.02	(0.00)	0.04
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	-	-	-
Net income (loss) available for common stock	(0.11)	0.08	(2.36)	-	(2.39)
Diluted earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	(0.17)	0.07	(1.29)	(0.00)	(1.39)
Income (Loss) from discontinued operations, net of tax effect	0.05	-	(1.09)	(0.00)	(1.04)
Extraordinary loss, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	0.01	0.01	0.02	(0.00)	0.04
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	-	-	-
Net income (loss) available for common stock	(0.11)	0.08	(2.36)	-	(2.39)
Dividends declared					0.438

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT

Year to Date Ended: December 31, 2004

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	8,495	2,226	31	(1,444)	9,308
Direct costs and expenses					
Cost of energy sold including delivery fees	5,265	-	(1)	(1,417)	3,847
Operating costs	704	730	1	(6)	1,429
Depreciation and amortization	327	386	(4)	-	709
Total direct costs and expenses	6,296	1,116	(4)	(1,423)	5,985
Gross margin	2,199	1,110	35	(21)	3,323
Other costs and expenses					
Selling, general and administrative expenses	667	219	224	(19)	1,091
Non-operating depreciation and other amortization	23	3	25	-	51
Franchise and revenue-based taxes	117	248	2	-	367
Other income	(110)	(7)	(33)	2	(148)
Other deductions	610	52	513	(3)	1,172
Interest income	(31)	(56)	(77)	136	(28)
Interest expense and related charges	353	280	198	(136)	695
Total other costs and expenses	1,629	739	852	(20)	3,200
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	570	371	(817)	(1)	123
Income tax expense (benefit)	162	116	(235)	(1)	42
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	408	255	(582)	-	81
Income (loss) from discontinued operations, net of tax effect	(34)	-	411	1	378
Extraordinary gain, net of tax	-	16	-	-	16
Cumulative effect of changes in accounting principles, net of tax benefit	4	2	4	-	10
Net income (loss)	378	273	(167)	1	485
Exchangeable preferred membership interest buyback premium	-	-	849	-	849
Preference stock dividends	-	-	22	-	22
Net income (loss) available to common shareholders	378	273	(1,038)	1	(386)
Average shares of common stock outstanding, basic (millions)					300
Average shares of common stock outstanding, diluted (millions)					300
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	1.36	0.85	(1.94)	-	0.27
Income (Loss) from discontinued operations, net of tax effect	(0.11)	-	1.37	-	1.26
Extraordinary gain, net of tax	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles, net of tax benefit	0.01	0.01	0.01	(0.00)	0.03
Exchangeable preferred membership interest buyback premium	-	-	(2.83)	-	(2.83)
Preference stock dividends	-	-	(0.07)	-	(0.07)
Net income (loss) available to common shareholders	1.26	0.91	(3.46)	-	(1.29)
Diluted earnings:					
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	1.36	0.85	(1.94)	-	0.27
Income (Loss) from discontinued operations, net of tax effect	(0.11)	-	1.37	-	1.26
Extraordinary gain, net of tax	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles, net of tax benefit	0.01	0.01	0.01	(0.00)	0.03
Exchangeable preferred membership interest buyback premium	-	-	(2.83)	-	(2.83)
Preference stock dividends	-	-	(0.07)	-	(0.07)
Net income (loss) available to common shareholders	1.26	0.91	(3.46)	-	(1.29)
Dividends declared					0.938

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT

Year to Date Ended: December 31, 2003

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	7,986	2,087	16	(1,489)	8,600
Direct costs and expenses					
Cost of energy sold including delivery fees	5,117	-	-	(1,477)	3,640
Operating costs	685	710	-	(6)	1,389
Depreciation and amortization	368	285	-	1	654
Total direct costs and expenses	6,170	995	-	(1,482)	5,683
Gross margin	1,816	1,092	16	(7)	2,917
Other costs and expenses					
Selling, general and administrative expenses	636	207	72	(8)	907
Non-operating depreciation and other amortization	39	12	18	1	70
Franchise and revenue-based taxes	124	250	16	-	390
Other income	(48)	(9)	(5)	4	(58)
Other deductions	22	-	24	(4)	42
Interest income	(8)	(52)	(38)	62	(36)
Interest expense and related charges	323	300	223	(62)	784
Total other costs and expenses	1,088	708	310	(7)	2,099
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	728	384	(294)	-	818
Income tax expense (benefit)	231	126	(105)	-	252
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	497	258	(189)	-	566
Income (loss) from discontinued operations, net of tax effect	(18)	-	91	1	74
Extraordinary gain, net of tax	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	(58)	-	-	-	(58)
Net income (loss)	421	258	(98)	1	582
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	22	-	22
Net income (loss) available to common shareholders	421	258	(120)	1	560
Average shares of common stock outstanding, basic (millions)					322
Average shares of common stock outstanding, diluted (millions)					379
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	1.54	0.80	(0.58)	(0.00)	1.76
Income (Loss) from discontinued operations, net of tax effect	(0.06)	-	0.29	0.00	0.23
Extraordinary loss, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	(0.18)	-	-	-	(0.18)
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.07)	-	(0.07)
Net income (loss) available for common stock	1.30	0.80	(0.36)	(0.00)	1.74
Diluted earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	1.31	0.68	(0.36) *	(0.00)	1.63
Income (Loss) from discontinued operations, net of tax effect	(0.05)	-	0.25	-	0.20
Extraordinary loss, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	(0.15)	-	-	-	(0.15)
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.06)	-	(0.06)
Net income (loss) available for common stock	1.11	0.68	(0.17)	(0.00)	1.62
Dividends declared					0.500

* Reflects the dilution adjustment (\$53 million dilution adjustment / 57 million shares).

TXU CORP. AND SUBSIDIARIES
SEGMENT CONSOLIDATING INCOME STATEMENT - VARIANCE

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

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	509	139	15	45	708
Direct costs and expenses					
Cost of energy sold including delivery fees	148	-	(1)	60	207
Operating costs	19	20	1	-	40
Depreciation and amortization	(41)	101	(4)	(1)	55
Total direct costs and expenses	126	121	(4)	59	302
Gross margin	383	18	19	(14)	406
Other costs and expenses					
Selling, general and administrative expenses	31	12	152	(11)	184
Non-operating depreciation and other amortization	(16)	(9)	7	(1)	(19)
Franchise and revenue-based taxes	(7)	(2)	(14)	-	(23)
Other income	(62)	2	(28)	(2)	(90)
Other deductions	588	52	489	1	1,130
Interest income	(23)	(4)	(39)	74	8
Interest expense and related charges	30	(20)	(25)	(74)	(89)
Total other costs and expenses	541	31	542	(13)	1,101
Income (loss) from continuing operations before income taxes, extraordinary gain and cumulative effect of changes in accounting principles	(158)	(13)	(523)	(1)	(695)
Income tax expense (benefit)	(69)	(10)	(130)	(1)	(210)
Income (loss) from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	(89)	(3)	(393)	-	(485)
Income (loss) from discontinued operations, net of tax effect	(16)	-	320	-	304
Extraordinary gain, net of tax	-	16	-	-	16
Cumulative effect of changes in accounting principles, net of tax benefit	62	2	4	-	68
Net income (loss)	(43)	15	(69)	-	(97)
Exchangeable preferred membership interest buyback premium	-	-	849	-	849
Preference stock dividends	-	-	-	-	-
Net income (loss) available to common shareholders	(43)	15	(918)	-	(946)
Average shares of common stock outstanding, basic (millions)					(22)
Average shares of common stock outstanding, diluted (millions)					(79)
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	(0.18)	0.05	(1.36)	0.00	(1.49)
Income (Loss) from discontinued operations, net of tax effect	(0.05)	-	1.08	(0.00)	1.03
Extraordinary loss, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles, net of tax benefit	0.19	0.01	0.01	(0.00)	0.21
Exchangeable preferred membership interest buyback premium	-	-	(2.83)	-	(2.83)
Preference stock dividends	-	-	-	-	-
Net income (loss) available for common stock	(0.04)	0.11	(3.10)	0.00	(3.03)
Diluted earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	0.05	0.17	(1.58) *	0.00	(1.36)
Income (Loss) from discontinued operations, net of tax effect	(0.06)	-	1.12	-	1.06
Extraordinary loss, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles, net of tax benefit	0.16	0.01	0.01	(0.00)	0.18
Exchangeable preferred membership interest buyback premium	-	-	(2.83)	-	(2.83)
Preference stock dividends	-	-	(0.01)	-	(0.01)
Net income (loss) available for common stock	0.15	0.23	(3.29)	0.00	(2.91)
Dividends declared					0.438

TXU CORP. AND SUBSIDIARIES

Condensed Statements of Consolidated Cash Flows

(Unaudited)

	Twelve Months Ended December 31,	
	2004	2003
	<i>(millions of dollars)</i>	
Cash flows - operating activities:		
Income from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	\$ 81	\$ 566
Adjustments to reconcile income from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles to cash provided by operating activities:		
Depreciation and amortization	825	791
Deferred income taxes and investment tax credits -- net	542	(40)
Loss on early extinguishment of debt	409	-
Asset writedown and lease termination charges	375	-
Net gain from sale of assets	(135)	(45)
Net effect of unrealized mark-to-market valuations of commodity contracts	109	100
Litigation settlement charge	84	-
Net equity loss (income) from unconsolidated affiliates and joint ventures	(1)	17
Change in regulatory-related liabilities	(70)	(144)
Changes in operating assets and liabilities	(460)	1,168
Cash provided by operating activities	<u>1,759</u>	<u>2,413</u>
Cash flows - financing activities:		
Issuances of securities:		
Long-term debt	5,090	2,846
Common stock	112	23
Retirements/repurchases of securities:		
Long-term debt held by subsidiary trusts	(546)	-
Equity-linked debt securities	(1,105)	-
Other long-term debt	(3,072)	(2,187)
Exchangeable preferred membership interests	(750)	-
Preferred stock of subsidiary	(75)	(98)
Common stock	(4,687)	-
Change in notes payable:		
Banks	210	(2,305)
Cash dividends paid:		
Common stock	(150)	(160)
Preference stock	(22)	(22)
Premium paid for redemption of exchangeable preferred membership interests	(1,102)	-
Redemption deposit applied to debt retirements	-	210
Debt premium, discount financing and reacquisition expenses	(417)	(38)
Cash used in financing activities	<u>(6,514)</u>	<u>(1,731)</u>
Cash flow - investing activities:		
Capital expenditures	(912)	(721)
Disposition of businesses	4,662	24
Acquisition of telecommunications partner's interest	-	(150)
Investment in collateral trust	525	(525)
Nuclear fuel	(87)	(44)
Other	(50)	16
Cash provided by (used in) investing activities	<u>4,138</u>	<u>(1,400)</u>
Cash contributions from (to) discontinued operations	(125)	34
Net change in cash and cash equivalents	(742)	(684)
Cash and cash equivalents -- beginning balance	829	1,513
Cash and cash equivalents -- ending balance	<u>\$ 87</u>	<u>\$ 829</u>

TXU CORP. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2004

(Dollars in millions)

(Unaudited)

ASSETS	Energy	Electric Delivery	Other	Eliminations/ Rounding	Total
Current assets					
Cash and cash equivalents	70	-	17	-	87
Restricted cash	6	43	-	-	49
Advances to affiliates	686	-	14	(700)	-
Accounts receivable - trade	1,139	72	400	(337)	1,274
Income taxes receivable	-	-	274	(237)	37
Accounts receivable - affiliates	42	221	40	(303)	-
Notes or other receivables due from affiliates	-	49	-	(49)	-
Inventories	284	33	3	-	320
Commodity contract assets	546	-	-	-	546
Assets of telecommunications holding company	-	-	-	-	-
Other current assets	239	32	239	(8)	502
Total current assets	3,012	450	987	(1,634)	2,815
Investments					
Restricted cash	15	13	39	-	67
Other investments	498	29	5,708	(5,571)	664
Property, plant and equipment - net	9,920	6,609	147	-	16,676
Notes or other receivables due from affiliates	-	386	-	(386)	-
Goodwill	517	25	-	-	542
Regulatory assets - net	-	1,891	-	-	1,891
Commodity contract assets	315	-	-	-	315
Cash flow hedge and other derivative assets	8	-	(2)	-	6
Other noncurrent assets	221	97	17	(67)	268
Assets held for sale	17	-	7	-	24
Total assets	14,523	9,500	6,903	(7,658)	23,268
LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES & SHAREHOLDERS' EQUITY					
Current liabilities					
Notes payable - banks	210	-	-	-	210
Advances from affiliates	-	63	637	(700)	-
Long-term debt due currently	31	182	15	1	229
Accounts payable - trade	861	58	369	(338)	950
Accounts payable - affiliates	234	27	43	(304)	-
Notes or other liabilities due to affiliates	49	-	-	(49)	-
Commodity contract liabilities	491	-	-	-	491
Liabilities of telecommunications holding company	-	-	-	-	-
Other current liabilities	926	414	739	(243)	1,836
Total current liabilities	2,802	744	1,803	(1,633)	3,716
Accumulated deferred income taxes	1,848	1,497	-	(44)	3,301
Investment tax credits	342	63	-	-	405
Commodity contract liabilities	346	-	-	1	347
Cash flow hedge and other derivative liabilities	178	-	17	-	195
Notes or other liabilities due to affiliates	386	-	-	(386)	-
Long-term debt held by subsidiary trusts	-	-	-	-	-
All other long-term debt, less amounts due currently	3,226	4,199	4,972	-	12,397
Other noncurrent liabilities and deferred credits	1,306	323	637	(6)	2,260
Liabilities held for sale	6	-	-	-	6
Total liabilities	10,440	6,826	7,429	(2,068)	22,627
Preferred securities of subsidiaries	511	-	(473)	-	38
Shareholders' equity					
Preferred stock - not subject to mandatory redemption	-	-	300	-	300
Common stock	-	-	(889)	1,090	201
Additional paid in capital	2,781	2,061	2,730	(4,965)	2,607
Retained earnings (deficit)	961	653	(1,815)	(2,082)	(2,283)
Accumulated other comprehensive income (loss)	(170)	(40)	(379)	367	(222)
Total shareholders' equity	3,572	2,674	(53)	(5,590)	603
Total liabilities, preferred securities of subsidiaries & shareholders' equity	14,523	9,500	6,903	(7,658)	23,268

TXU CORP. AND SUBSIDIARIES

Consolidating Balance Sheet

December 31, 2003

(Dollars in millions)

(Unaudited)

ASSETS	Energy	Electric Delivery	Other	Eliminations/ Rounding	Total
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	526	(511)	1,016
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	70	(25)	303
Total current assets	2,426	595	1,524	(1,308)	3,237
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 hedge and other derivative assets	88	-	-	-	88
Other noncurrent assets	126	39	82	(33)	214
Assets held for sale	59	-	7,142	1	7,202
Total assets	14,165	9,332	17,178	(9,378)	31,297
LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES & SHAREHOLDERS' EQUITY					
Current liabilities					
Notes payable - banks	-	-	-	-	-
Advances from affiliates	-	25	289	(314)	-
Long-term debt due currently	1	243	433	1	678
Accounts payable - trade	712	43	546	(511)	790
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	936	387	207	(208)	1,322
Total current liabilities	2,392	714	2,097	(1,308)	3,895
Accumulated deferred income taxes	1,950	1,432	228	(11)	3,599
Investment tax credits	360	68	2	-	430
Commodity contract liabilities	47	-	-	-	47
Cash flow hedge and other derivative liabilities	140	-	100	-	240
Notes or other liabilities due to affiliates	423	-	-	(423)	-
Long-term debt held by subsidiary trusts	-	-	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	1,262	280	766	(6)	2,302
Liabilities held for sale	11	-	2,941	-	2,952
Total liabilities	9,669	6,476	10,222	(1,748)	24,619
Preferred securities of subsidiaries	497	-	262	-	759
Shareholders' equity					
Preferred stock - not subject to mandatory redemption	-	-	300	-	300
Common stock	-	-	48	-	48
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

December 31, 2004 vs December 31, 2003

(Dollars in millions)

(Unaudited)

	Energy	Electric Delivery	Other	Eliminations/ Rounding	Total
ASSETS					
Current assets					
Cash and cash equivalents	52	(245)	(549)	-	(742)
Restricted cash	6	31	-	-	37
Advances to affiliates	397	-	(11)	(386)	-
Accounts receivable - trade	196	14	(126)	174	258
Income taxes receivable	-	-	92	(55)	37
Accounts receivable - affiliates	25	16	(1)	(40)	-
Notes or other receivables due from affiliates	-	36	-	(36)	-
Inventories	(102)	4	(1)	-	(99)
Commodity contract assets	(2)	-	-	-	(2)
Assets of telecommunications holding company	-	-	(110)	-	(110)
Other current assets	14	(1)	169	17	199
Total current assets	586	(145)	(537)	(326)	(422)
Investments					
Restricted cash	15	-	(531)	1	(515)
Other investments	19	(3)	(2,027)	2,043	32
Property, plant and equipment - net	(425)	276	22	-	(127)
Notes or other receivables due from affiliates	-	(37)	-	37	-
Goodwill	(16)	-	-	-	(16)
Regulatory assets - net	-	19	-	-	19
Commodity contract assets	206	-	-	-	206
Cash flow hedge and other derivative assets	(80)	-	(2)	-	(82)
Other noncurrent assets	95	58	(65)	(34)	54
Assets held for sale	(42)	-	(7,135)	(1)	(7,178)
Total assets	358	168	(10,275)	1,720	(8,029)
LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES & SHAREHOLDERS' EQUITY					
Current liabilities					
Notes payable - banks	210	-	-	-	210
Advances from affiliates	-	38	348	(386)	-
Long-term debt due currently	30	(61)	(418)	-	(449)
Accounts payable - trade	149	15	(177)	173	160
Accounts payable - affiliates	6	11	24	(41)	-
Notes or other liabilities due to affiliates	36	-	-	(36)	-
Commodity contract liabilities	(11)	-	-	-	(11)
Liabilities of telecommunications holding company	-	-	(603)	-	(603)
Other current liabilities	(10)	27	532	(35)	514
Total current liabilities	410	30	(294)	(325)	(179)
Accumulated deferred income taxes	(102)	65	(228)	(33)	(298)
Investment tax credits	(18)	(5)	(2)	-	(25)
Commodity contract liabilities	299	-	-	1	300
Cash flow hedge and other derivative liabilities	38	-	(83)	-	(45)
Notes or other liabilities due to affiliates	(37)	-	-	37	-
Long-term debt held by subsidiary trusts	-	-	(546)	-	(546)
All other long-term debt, less amounts due currently	142	217	1,430	-	1,789
Other noncurrent liabilities and deferred credits	44	43	(129)	-	(42)
Liabilities held for sale	(5)	-	(2,941)	-	(2,946)
Total liabilities	771	350	(2,793)	(320)	(1,992)
Preferred securities of subsidiaries	14	-	(735)	-	(721)
Shareholders' equity					
Preferred stock - not subject to mandatory redemption	-	-	-	-	-
Common stock	-	-	(937)	1,090	153
Additional paid in capital	(907)	(440)	(6,171)	2,028	(5,490)
Retained earnings (deficit)	539	273	735	(1,332)	215
Accumulated other comprehensive income (loss)	(59)	(15)	(374)	254	(194)
Total shareholders' equity	(427)	(182)	(6,747)	2,040	(5,316)
Total liabilities, preferred securities of subsidiaries & shareholders' equity	358	168	(10,275)	1,720	(8,029)

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. Until 1/1/05 TXU Energy was permitted to offer only one rate -- the PTB -- to residential customers. TXU Energy has been permitted to offer rates other than the PTB to small/medium commercial customers since 2004 and as of 1/1/05 can offer rates other than the PTB to residential customers. TXU Energy must also make service at the PTB price available until 1/1/07. The fuel component of the PTB can be changed twice per year if gas prices (20-day average of NYMEX 12-month strip) change by more than 5% (10% after 11/15 of any year) from the current price upon which PTB fuel factor is based. Changes in the PTB fuel factor are initiated by TXU Energy through a filing with the PUC. TXU Energy adjusted the PTB twice in 2004:</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.+ Resulted in a \$5.87/month or 5.7% increase to residential customers using 1000 kWh per month.+ Approved by the PUC on August 3, 2004 and implemented on August 4, 2004.
TXU SESCO	<p>TXU SESCO Price to Beat - TXU SESCO has entered into an agreement with FPL Energy Marketing, Inc. for its 2005 PTB power supply. TXU SESCO filed for recovery of the expenses associated with the increase in purchased power costs over the current contract with Constellation (Docket No. 30178). TXU SESCO entered into a joint stipulation which eliminated the need for a hearing and approved the request as filed. The Commission issued a final order on December 2, 2004. TXU SESCO revenues will increase by approximately \$7.5 million annually due primarily to a 12.1% increase for a residential customer using 1,000 kWh per month. Nevertheless, TXU SESCO will continue to have the lowest Price to Beat rates, statewide.</p>
TXU Electric Delivery	<p>TXU Electric Delivery (formerly Oncor) general rate case: Authorized ROE of 11.25%, Capital structure of 60% Debt, 40% Equity. Reports are filed annually for review with the PUC. Certain cities within TXU Electric Delivery's historical service territory, acting in their role as a regulatory authority (with original jurisdiction), have initiated inquiries to determine if the rates of TXU Electric Delivery, which have been established by the Public Utility Commission, are just and reasonable. 23 cities have passed such resolutions (and 11 have passed resolutions supporting the other cities). TXU Electric Delivery has the right to appeal any city action to the Public Utility Commission. TXU Electric Delivery is currently engaged in settlement discussions with the cities and cities have granted an indefinite suspension in the filing date.</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 (Docket No. 29985) –</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).+ New TCRF rates were implemented September 1, 2004.

TXU Corp. Summary 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 or TCE) 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. The appeal remains pending.
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 June 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 October 11, 2002. The TXU Defendants believe the claims are without merit but cannot predict the outcome of this action. Initial class action certification related discovery has been completed and the Plaintiffs' initial class certification motion was denied without prejudice. A second 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 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. <i>The Plaintiff has filed a motion to lift the stay which has not yet been addressed by the Court.</i>
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. On January 20, 2005 a memorandum of understanding was signed pursuant to which the case will be settled in exchange for payment of \$150 million, at least \$66 million of which will be paid by TXU's D&O Carriers. The settlement is subject to court approval.
Other Items	<i>TXU Europe Claims</i>	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. On January 28, 2005, TXU entered into a settlement agreement providing for payment of approximately \$220 million to the administrators of TXU Europe Ltd in order to resolve the claims of the TXU Europe companies and creditors of those companies.
October, 2003	<i>TXU Europe Claims</i>	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. On January 28, 2005, TXU entered into a settlement agreement providing for payment of approximately \$220 million to the administrators of TXU Europe Ltd in order to resolve the claims of the TXU Europe companies and creditors of those companies.

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