

## TXU Reports Strong Third Quarter Results

**DALLAS – October 22, 2004** – TXU Corp. (NYSE: TXU) today reported consolidated results for the third quarter ended September 30, 2004.

### Reported Earnings

Reported net income available for common stock for the third quarter 2004 was \$662 million, \$1.34 per diluted share, as compared to \$392 million, \$1.07 per diluted share for the third quarter 2003. Reported earnings include income from discontinued operations<sup>1</sup> of \$287 million, \$0.97 per diluted share, a dilutive effect of Convertible Senior Notes of \$268 million, \$0.91 per diluted share, and other net special items charges, primarily associated with the company's restructuring program, of \$10 million, \$0.03 per diluted share. All amounts are after tax. The Convertible Senior Notes, 92 percent of which were repurchased in October, are dilutive because the conversion trigger price of \$41.48 per share was reached in the third quarter. Due to the Company's stated intent to settle the conversion in cash, the calculation of diluted earnings per share reflects a reduction in earnings for the assumed after-tax settlement expense based on the fair market value of the embedded conversion option at September 30, 2004.<sup>2</sup>

### Operational Earnings<sup>3</sup>

Operational earnings, which exclude special items, for the three months ended September 30, 2004 were \$385 million, \$1.31 per diluted share of common stock, versus \$328 million, \$0.90 per diluted share for the 2003 comparable period, a 46 percent increase per share. TXU's Energy segment's improved operational performance, reduced corporate expenses, and fewer average diluted common shares contributed to the improved results, while the contribution from TXU's Electric Delivery segment declined slightly primarily due to the effect of mild summer weather on revenues. Milder summer weather resulted in an estimated \$17 million decrease in the Electric Delivery segment revenues and \$120 million decrease in the Energy segment revenues, representing an estimated decrease in earnings of \$0.07 per diluted share of common stock. Results from continuing operations for the third quarter 2004 were \$380 million or \$0.39 per diluted share, including the \$0.91 per diluted share effect of the Convertible Senior Notes, as compared to \$333 million, \$0.91 per diluted share in the prior year period.

"TXU's restructuring strategies are continuing to yield results, and we are moving closer to achieving high performance in each of our businesses," said C. John Wilder, chief executive officer, TXU Corp. "These third quarter results reflect strong execution and demonstrate the resiliency of our business as we delivered solid earnings despite the mildest summer in 15 years."

### Cash Flow and Liability Management

Year-to-date September 30, 2004 cash flow from operations was \$1.1 billion compared to \$1.8 billion for the same period in 2003. The decrease primarily reflects the receipt of a \$616 million tax refund in 2003. Total debt has been reduced by \$2.3 billion year-to-date September 30, 2004. Excluding securitization bonds, which is consistent with credit reviews treatment, total debt has decreased \$3.1 billion. The reduction includes \$1.7 billion of debt assumed by the purchaser of TXU Australia. In addition, TXU has defeased or repurchased approximately \$1.6 billion of debt in October 2004 primarily with proceeds from the merger transaction between TXU Gas and Atmos Energy Corporation, whereby Atmos Energy acquired the operations of TXU Gas. Outstanding shares of common stock have also been reduced by approximately 32 million year-to-date September 30, 2004. The repurchase of the TXU Energy Company exchangeable preferred membership interests and equity-linked and convertible debt securities, including the tender offers that closed in October 2004, resulted in the elimination of actual or potential additional common stock share dilution of 93 million shares.

<sup>1</sup> See Table 20 for details of discontinued operations.

<sup>2</sup> As a result of the success of the tender offer for the Convertible Senior Notes, TXU Corp. now expects to settle any conversions of the remaining notes with common stock, not cash.

<sup>3</sup> Operational earnings is a non-GAAP measure adjusting for special items. See Attachment 1: Financial Definitions for a detailed definition of operational earnings and other GAAP and Non-GAAP financial measures used in this release.

### Earnings Teleconference Today – EEI Conference and Presentation Next Week

TXU will host a teleconference with financial analysts to discuss third quarter results at 10:00 a.m. Central time (11:00 a.m. Eastern time) today. The telephone numbers are 800-309-0343 in the United States and Canada and 706-634-7057 internationally, with confirmation code 274457. **The teleconference will be web cast live on TXU Corp.'s web site at [www.txucorp.com](http://www.txucorp.com) for all interested parties.**

On Tuesday, October 26, 2004, C. John Wilder, chief executive officer of TXU Corp. will provide an update on TXU's strategy, business performance, and financial outlook for 2004 through 2006 at the EEI Annual Financial Conference. A live web cast of the EEI presentation will be available on the Investor Resources section of TXU Corp.'s website at [www.txucorp.com](http://www.txucorp.com) beginning at approximately 7:30 a.m. Pacific time (10:30 a.m. Eastern time).

Table 1 provides a recap of operational highlights since the beginning of the third quarter.

**Table 1: Recent Highlights**

<b>Date</b>	<b>Highlight</b>
07-01	Launched partnership with Capgemini Energy, a joint venture providing business support services to TXU, and transferred approximately 3,000 TXU full-time and contracted employees to the new company.
07-28	Received approval from the Public Utility Commission of Texas to raise electric price-to-beat prices in North Texas by 12.7 percent, resulting from continued increases in natural gas prices. TXU Energy Retail and its affiliate continue to offer the lowest price to beat prices of any incumbent in the state.
07-30	Completed the sale of TXU Australia to Singapore Power for an enterprise value of \$3.6 billion.
09-28	Completed the repurchase of 20 million shares of TXU Corp. outstanding common stock pursuant to an accelerated repurchase agreement that had been announced on June 30.
09-28	Continued hurricane assistance to southeastern states by sending 100 TXU Electric Delivery employee volunteers to areas hard-hit by series of storms.
09-29	Announced that TXU Energy Company and Credit Suisse First Boston mutually agreed not to pursue a joint energy marketing and trading venture previously announced on May 18.
09-30	TXU Energy Company announced the realignment of and related appointments to its marketing operations that further support its focus on customers and its initiative to improve customer service levels.
10-01	Released an independent environmental study developed by NERA as part of a TXU Corp. shareholder resolution.
10-01	Completed the merger transaction between TXU Gas and Atmos Energy for cash proceeds of \$1.905 billion. Announced the redemption of TXU Gas preferred stock and defeasance of TXU Gas debt.
10-15	Closed on the cash tender offers for equity-linked and convertible securities announced on September 15, retiring \$1.1 billion stated amount of debt and avoiding potential future issuances of up to 27.1 million shares of TXU Corp. common stock associated with the securities.

### Consolidated Results – Additional Details

For the nine month (year-to-date) period ended September 30, 2004, TXU Corp. reported net income available for common stock of \$239 million, or a loss of \$0.09 per diluted share of common stock, as compared to net income available for common stock of \$537 million, \$1.52 per diluted share, in the prior year period. For the current year-to-date period, the positive net income of \$239 million represents a loss per diluted share due to the subtraction from net income available for common stock of the \$268 million effect of the Convertible Senior Notes in the diluted earnings per share calculation. Year-to-date income from continuing operations was \$422 million, \$0.50 per diluted share, as compared to \$527 million, \$1.49 per diluted share, in the prior year period.

Year-to-date 2004 operational earnings were \$704 million, \$2.14 per diluted share, as compared to \$511 million, \$1.45 per diluted share, in the prior year period, a 48 percent increase. Major drivers of operational earnings are described below in Table 4.

Provided below in Table 2a is a reconciliation of reported results to operational earnings.

**Table 2a: Reconciliation of Operational Earnings to Reported Net Income  
Q3 04 vs. Q3 03, YTD 04 vs. YTD 03; \$ per diluted share after tax**

<b>Factor</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>YTD 04</b>	<b>YTD 03</b>
<b>Net income (loss) to common</b>	<b>1.34</b>	<b>1.07</b>	<b>(0.09)</b>	<b>1.52</b>
Income from discontinued operations	(0.97)	(0.17)	(2.13)	(0.22)
Extraordinary gain	-	-	(0.05)	-
Cum. effect of changes in accounting principles	-	-	-	0.15
Premium on EPMIs	-	-	2.72	-
Preference stock dividends	0.02	0.01	0.05	0.04
<b>Income from continuing operations</b>	<b>0.39</b>	<b>0.91</b>	<b>0.50</b>	<b>1.49</b>
Preference stock dividends	(0.02)	(0.01)	(0.05)	(0.04)
Dilutive effect of Convertible Senior Notes	0.91	-	0.80	-
Dilution effect of EPMIs	-	-	0.01	-
Special items	0.03	-	0.88	-
<b>Operational earnings</b>	<b>1.31</b>	<b>0.90</b>	<b>2.14</b>	<b>1.45</b>

Table 2b demonstrates the dilution calculation for reported and operational earnings per share for third quarter and year-to-date 2004. For the third quarter 2004, average basic and average diluted shares outstanding are the same.

**Table 2b: Calculation of Diluted Earnings Per Share<sup>4</sup>  
Q3 04 and YTD 04; \$millions, million shares, \$ per share**

<b>Factor</b>	<b>Q3 04</b>	<b>Q3 04</b>	<b>YTD 04</b>	<b>YTD 04</b>
	<b>Reported</b>	<b>Operational</b>	<b>Reported</b>	<b>Operational</b>
<b>Net income to common</b>	<b>662</b>		<b>239</b>	
<b>Operational earnings</b>		<b>385</b>		<b>704</b>
Dilutive effect of Convertible Senior Notes	(268)	-	(268)	-
Interest on exchangeable preferred securities	-	-	-	18
<b>Diluted earnings</b>	<b>394</b>	<b>385</b>	<b>(29)</b>	<b>722</b>
Basic shares			313	
Diluted shares	295	295		337
<b>Diluted earnings per share</b>	<b>1.34</b>	<b>1.31</b>	<b>(0.09)</b>	<b>2.14</b>

Special items in the third 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 third quarter relate primarily to debt retirement expenses associated with the company's liability management program and professional expenses related to restructuring transactions, somewhat offset by a gain on sale of land by TXU Energy Company. Special items for the year-to-date period also include severance-related charges and 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 a litigation accrual for the potential settlement of certain cases. Special items also include the benefit of a reduction in tax reserves associated with the 2002 write-off of the TXU Europe investment. Special items are described in Table 3.

<sup>4</sup> For year-to-date 2004, the dilution calculation for reported earnings reflects the subtraction of the \$268 million adjustment for the Convertible Senior Notes from net income available for common stock, which results in a net loss. Because of anti-dilution rules, average basic shares of common stock of 313 million are used instead of average diluted shares and the interest on TXU Energy Company's exchangeable preferred membership interests (EPMIs) are not added to net income. However, for the year-to-date 2004 operational earnings calculation, the \$18 million after-tax interest expense on the EPMIs, which were repurchased by TXU Corp. on April 26, 2004, is added to net income and the related diluted average share count of 337 million is used. The diluted earnings per share calculation for third quarter 2003 adds the \$13 million of interest expense on the EPMIs to net income and divides by the 379 million average diluted shares. The year-to-date 2003 calculation adds the \$40 million of interest expense on the EPMIs to net income and divides by the 378 million average diluted shares.

**Table 3: Description of Special Items**  
**Q3 04 and YTD 04; \$millions and \$ per diluted share after tax**

Special Item	Earnings Category	Q3 04		YTD 04		YTD 04	
		Q3 04	Q3 04	04	04	Cash	Non-Cash <sup>5</sup>
Energy segment:							
Software projects write-off	Other deductions	(1)	-	69	0.20	-	69
Severance charges	Other deductions	2	0.01	61	0.18	61	-
Inventory/gas plant write-downs	Other deductions	2	0.01	53	0.16	-	53
Disposition of property	Other deductions	(12)	(0.04)	(12)	(0.03)	(12)	-
Electric Delivery segment:							
Severance/other charges	Other deductions	1	-	14	0.04	13	1
Corporate and Other:							
One-time compensation expense	SG&A	-	-	51	0.15	51	-
Transaction professional fees	SG&A	10	0.03	22	0.06	22	-
Litigation settlement reserve	Other deductions	-	-	65	0.19	-	65
Liability management expense	Other deductions	7	0.02	46	0.14	7	39
Severance charges	Other deductions	-	-	3	0.01	3	-
Income tax benefit	Income tax	-	-	(75)	(0.22)	-	(75)
<b>Total</b>		<b>9</b>	<b>0.03</b>	<b>297</b>	<b>0.88</b>	<b>145</b>	<b>151</b>

**Consolidated Operational Earnings Summary**

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

**Table 4: Consolidated - Operational Earnings Reconciliation**  
**Q3 04 vs. Q3 03 and YTD 04 vs. YTD 03; \$ per diluted share**

Earnings Factor	QTR	YTD
<b>Q3 03 operational earnings</b>	<b>0.90</b>	<b>1.45</b>
Contribution margin:		
Energy segment	0.17	0.60
Electric Delivery segment	0.09	0.22
Operating costs	(0.01)	(0.08)
Depreciation and amortization	(0.07)	(0.11)
SG&A	(0.11)	(0.20)
Franchise and revenue based taxes	(0.01)	0.04
Other income and deductions	0.03	0.07
Net interest	0.11	0.20
Income taxes	(0.05)	(0.23)
Effect of reduced shares	0.26	0.18
<b>Q3 04 operational earnings</b>	<b>1.31</b>	<b>2.14</b>

Operational earnings per diluted share of common stock were \$1.31, up 46 percent from \$0.90 in the third quarter of 2003. The increase was driven by a reduction in the average diluted shares outstanding, a \$0.14 improvement in operational earnings from the Energy segment, and a \$0.06 per share reduction in corporate expenses, partially offset by a \$0.05 per share lower contribution from the Electric Delivery segment, primarily due to the effect of milder weather on revenues. The decrease in diluted shares of common stock was primarily due to repurchase of TXU Energy Company's exchangeable preferred membership interests in April, approximately 24.9 million shares of common stock in May and June, and approximately 5.7 million shares in the third quarter of 2004. Year-to-date operational earnings

per diluted share increased by \$0.69 over the prior year period as a result of a \$0.38 per share increase in operational earnings from the Energy segment, a \$0.02 per share decrease from the Electric Delivery segment, a \$0.15 per share reduction in Corporate expenses, and the reduction in average shares. A more detailed review of variances by segment is provided below.

**Cash Flows and Other Financial Measures**

Cash provided by operating activities for the nine months ended September 30, 2004 was \$1,084 million, a decrease of \$726 million from the prior year period. The decrease primarily reflects the receipt of a \$616 million tax refund in 2003 and the improved working capital in the prior year period reflecting the reduction in billing delays experienced during the transition to competition in 2002. Cash provided by operating activities before changes in operating assets and liabilities increased by \$20 million over the prior year period.

<sup>5</sup> While these items are reflected in earnings for the current period, the cash impact of those items which are cash will be realized in future quarters. These items are considered non-cash for the current period. Severances, which are cash events, were accrued in Q2. However, the majority of severance payments were made in Q3. Timing of the cash settlement of the litigation reserve is not known at this time.

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

**Table 5: Consolidated - Return Statistics**  
**Periods ended 9/30/04 and 9/30/03; mixed measures**

<b>Statistic</b>	<b>9/30/04</b>	<b>9/30/03</b>	<b>% Change</b>
Common stock data:			
Book value per share-end of period	15.14	16.74	(9.6)
Basic shares outstanding-end of period (millions)	292	322	(9.3)
Return on average common stock equity – based on net income (%)	5.1	(77.1)	-
Return on average common stock equity – based on operational earnings (%)	14.2	7.7	84.4
Return on average invested capital – based on net income (%)	8.9	(20.2)	-
Return on average invested capital – based on operational earnings (%)	6.6	4.7	40.4

Table 6 represents available liquidity (cash and available credit facility capacity) as of October 15, 2004 (subsequent to funding the equity-linked and Convertible Senior Notes tender offers) and December 31, 2003. TXU plans to maintain minimum available liquidity of \$1.5 billion.

**Table 6: Consolidated – Liquidity**  
**Available amounts as of 10/15/04 and 12/31/03; \$millions**

<b>Liquidity Component</b>	<b>Borrower</b>	<b>Maturity</b>	<b>10/15/04</b>	<b>12/31/03</b>
Cash and cash equivalents			75	829
\$1.4 billion credit facility	TXU Energy Co./TXU Electric Delivery Co.	June 07	1,080	-
\$600 million credit facility	TXU Energy Co./TXU Electric Delivery Co.	June 05	520	-
\$500 million credit facility	TXU Energy Co./TXU Electric Delivery Co.	June 09	500	-
\$500 million credit facility	TXU Corp.	August 08	71	78
Terminated facilities			-	2,206
Total liquidity			2,246	3,113

TXU Corp. has made substantial progress in improving its financial flexibility as demonstrated on Table 7, which shows TXU Corp.'s capitalization and credit ratio metrics. For the debt to market capitalization calculation, debt excludes securitization bonds to reflect the off-credit treatment and is net of debt-related restricted cash to reflect the net debt treatment in credit reviews.

**Table 7: Consolidated - Financial Flexibility Measures**  
**Twelve months 9/30/04 and 12/31/03; mixed measures**

<b>Financial Flexibility Measure</b>	<b>Q3 04</b>	<b>Q4 03</b>	<b>Change</b>	<b>% Change</b>
EBITDA/Interest	3.7	3.0	0.7	23.3
Debt/EBITDA	4.1	5.1	(1.0)	(19.6)

### **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.

TXU Energy (consumer, business, and wholesale markets) had a solid operating quarter, with continued progress in operational excellence, market leadership, and commercial excellence. The business 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 for the quarter was 10 seconds compared to 388 seconds for the same quarter last year. Customer time in the integrated voice recognition system (IVR) was also reduced via an ongoing rollout of a shorter, more easily navigable IVR. Early results have delivered an approximately 10 to 15 percent more effective completion rate which should also result in improved customer satisfaction. In its first quarter of operations, the CapGemini relationship has assisted in delivering these service improvements and is on course to deliver \$115 million of SG&A savings system-wide in 2005.

Progress is also being made in our Wholesale Markets business in reducing our fuel and purchased power costs. Ancillary services and shaping power, a component of fuel and purchased power, are increasingly being sourced from third party suppliers at a market cost that is lower than the cost of generation from the company's gas plants. As a result, gas plant usage declined by 50 percent quarter over quarter and by 7.5 TWh year-to-date, delivering effective cost improvements.

In the Business Markets group, large business contracting is improving through more effective sales coverage, cost reductions and a more customer-focused hedging strategy that protects against volatility in both natural gas prices (which increased 12% over the prior year third quarter) and heat rates.

TXU Power's focus on operational excellence and cost leadership led to very strong third quarter performance. TXU Power's nuclear plant produced at a capacity factor of 99.5 percent compared to 87.8 percent in the third quarter of 2003. This was achieved while continuing to focus on safety. The lignite plants operated at near record levels reflecting the early benefits of the TXU Operating System, which is TXU's unique application of lean operating techniques. Lignite fleet capacity factors exceeded 92.0% during the third quarter of 2004. The pilot of the TXU Operating System is progressing well at the Martin Lake plant and mine. TXU Power expects Operating System implementation teams to begin at other TXU Power lignite plant and mine locations before the end of the fourth quarter. The TXU Operating System is expected to help TXU Power deliver sustainable operational and EBIT improvements in its goal to establish a new benchmark in the generation industry.

In the third quarter of 2004, the Energy segment reported income from continuing operations of \$1.05 per diluted share as compared to income from continuing operations of \$0.66 per share in the third quarter of 2003. Subtracting special items of \$0.02 per share, primarily a gain on the sale of land, operational earnings in the third quarter of 2004 were \$1.03 per share as compared to \$0.66 per share in the prior year period. Excluding the effect of lower average diluted shares, the Energy segment results improved by \$0.14 per share.

Table 8 reconciles the change in operational earnings from 2003 to 2004 for the third quarter and year-to-date periods.

**Table 8: Energy Segment - Operational Earnings Reconciliation  
Q3 04 vs. Q3 03 and YTD 04 vs. YTD 03; \$ per diluted share**

<b>Earnings Factor</b>	<b>QTR</b>	<b>YTD</b>
<b>Q3 03 operational earnings</b>	<b>0.66</b>	<b>1.16</b>
Contribution margin	0.17	0.60
Operating costs	0.05	(0.02)
Depreciation and amortization	0.04	0.10
SG&A	(0.04)	(0.08)
Franchise and revenue based taxes	-	0.01
Other income and deductions	(0.02)	(0.06)
Net interest	0.01	-
Income taxes	(0.07)	(0.17)
Effect of reduced shares	0.23	0.19
<b>Q3 04 operational earnings</b>	<b>1.03</b>	<b>1.73</b>

The increase in contribution margin for the quarter reflects higher retail and wholesale prices, increased output from the nuclear generation plant 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 weather, which decreased contribution margin by approximately \$0.04 per share after tax, lower revenues from hedging and risk management activities, and increased average wires charges. The decrease in operating costs of \$19 million was primarily due to the termination of a service agreement with TXU Gas, now served by Capgemini Energy, which was largely offset by decreased revenues for the agreement, and the sale of

TXU Fuel. The reduction in depreciation and amortization expense was primarily due to the extensions at the beginning of the year of estimated average depreciable lives of nuclear and lignite generation facilities assets and depreciation on assets transferred to the Capgemini Energy partnership. An increase in SG&A expenses of \$16 million was primarily due to increased deferred and incentive compensation expenses associated with the increased TXU Corp. stock price and special incentive program payments related to wholesale markets activities, somewhat offset by lower out of territory marketing expense and a \$4 million decrease in bad debt expense. Other deductions increased primarily due to equity losses which principally represent depreciation in the TXU Corp. entity that holds the assets transferred to Capgemini Energy via license agreement.

The Energy segment operational earnings per share for year-to-date 2004 increased by \$0.38 as compared to year-to-date 2003, excluding the lower average diluted shares effect. The major drivers of improvement for the year-to-date period are the same as for the quarter. As addressed in the second quarter, year-to-date operating costs include costs associated with the spring refueling of Unit 1 of the company's nuclear generation station. Earnings from continuing operations for year-to-date 2004 were \$1.31 per share as compared to \$1.16 per share for the 2003 period.

Tables 9a and 9b provide details of operating revenues for the Energy segment for the third quarter of 2004 as compared to the third quarter of 2003, and year-to-date 2004 as compared to year-to-date 2003, respectively.

Hedging and risk management revenues decreased \$68 million and \$200 million for the quarter and year-to-date periods ended September 30, 2004 versus comparable 2003 periods. The quarter to quarter variance includes \$22 million in losses associated with required capacity auctions, which are now recorded in hedging and risk management revenues to better match the obligations against the transactions used to hedge them. The variance also includes \$17 million in increased reserves, primarily reflecting increased credit reserves as a result of the effect of increased prices on contracts, and \$15 million in mark-to-market losses associated with market price movements against hedges of gas in storage. The corresponding increase in value of the gas is not recorded in the income statement until the gas is sold. Included in the 2003 year-to-date 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 and \$11 million more gains related to roll off of large business contracts that are no longer marked to market. Because hedging activities are intended to mitigate the risk of commodity price movements on revenues and cost of energy sold, the changes in such results should not be viewed in isolation, but rather taken together with the effects of pricing and cost changes on margins.

For other revenues and other cost of energy sold, the majority of the period to period increase, \$38 million for the quarter and \$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 Tables 11a and 11b.

**Table 9a: Energy Segment – Operating Revenues  
Q3 04 and Q3 03; \$millions**

<b>Operating Revenue Component</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>%Change</b>
Retail electricity revenues: <sup>6</sup>			
Native market:			
Residential	1,073	1,086	(1.2)
Small business	352	289	21.8
Total native market	1,425	1,375	3.6
Other markets:			
Residential	113	54	109.3
Small business	12	6	100.0
Total other markets	125	60	108.3
Large business	458	551	(16.9)
Total retail electricity revenues	2,008	1,986	1.1
Wholesale electricity revenues	487	399	22.1
Hedging and risk management activities:			
Net unrealized mark to market gains/(losses) <sup>7</sup>	(15)	11	-
Realized gains (losses)	(49)	(7)	-
Total	(64)	4	-
Other revenues	86	48	79.2
<b>Total operating revenues</b>	<b>2,517</b>	<b>2,437</b>	<b>3.3</b>

<sup>6</sup> Breakout of native and other markets are estimates and only provided for reference.

<sup>7</sup> Q3 04 and YTD 04 include \$4 million and \$21 million, respectively, of ineffectiveness losses related to cash flow hedges as compared to \$1 million of ineffectiveness gains for each of the 2003 comparable periods.

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

<b>Operating Revenue Component</b>	<b>YTD 04</b>	<b>YTD 03</b>	<b>%Change</b>
Retail electricity revenues:			
Native market:			
Residential	2,472	2,506	(1.4)
Small business	867	922	(6.0)
Total native market	3,339	3,428	(2.6)
Other markets:			
Residential	228	126	81.0
Small business	25	17	47.1
Total other markets	253	143	76.9
Large business	1,366	1,488	(8.2)
Total retail electricity revenues	4,958	5,058	(2.0)
Wholesale electricity revenues	1,429	914	56.3
Hedging and risk management activities			
Net unrealized mark to market gains/(losses)	(46)	58	-
Realized gains (losses)	(15)	81	-
Total	(61)	139	-
Other revenues	263	131	-
Total operating revenues	6,589	6,243	5.5

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

**Table 10a: Energy Segment – Cost of Energy Sold and Delivery Fees**  
**Q3 04 and Q3 03; \$millions**

<b>Cost Component</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>%Change</b>
Nuclear fuel (base load)	22	21	4.8
Lignite/coal (base load)	130	130	-
Gas/oil fuel and purchased power	914	958	(4.6)
Other cost of energy sold	33	(7)	-
Cost of energy sold	1,099	1,102	(0.3)
Delivery fees	457	437	4.6
Cost of energy sold and delivery fees	1,556	1,539	1.1

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

<b>Cost Component</b>	<b>YTD 04</b>	<b>YTD 03</b>	<b>%Change</b>
Nuclear fuel (base load)	60	61	(1.6)
Lignite/coal (base load)	372	362	2.8
Gas/oil fuel and purchased power	2,363	2,394	(1.3)
Other cost of energy sold	150	26	-
Cost of energy sold	2,945	2,843	3.6
Delivery fees	1,212	1,194	1.5
Cost of energy sold and delivery fees	4,157	4,037	3.0

Tables 11a and 11b provide quarter to quarter and year-to-date to year-to-date summaries of the Energy segment generation and supply operating statistics that depict the benefit of increased generation from the nuclear plant, more effective sourcing of purchased power versus higher heat rate gas-fired generation and slightly higher quarter to quarter and decreased year-to-date fuel and purchased power costs, in spite of substantially higher natural gas and power prices. The increase in nuclear-fired generation in the quarter reflects improved performance and an unplanned outage of approximately 17 days in the third quarter of 2003.

**Table 11a: Energy Segment – Generation and Supply Statistics  
Q3 04 and Q3 03; mixed measures**

<b>Generation and Supply Statistic</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>%Change</b>
Production and purchased power (GWh):			
Nuclear (base load)	5,036	4,455	13.0
Lignite/coal (base load)	11,437	11,441	-
Gas/oil	1,988	4,048	(50.9)
Purchased power	15,196	15,673	(3.0)
Total energy supply	33,657	35,617	(5.5)
Less line loss and other	1,073	1,765	(39.2)
Net energy supply	32,584	33,852	(3.7)
Base load capacity factors (%):			
Nuclear	99.5	87.8	13.3
Lignite/coal	92.5	92.8	(0.3)
Fuel and Purchased Power Costs (\$/MWh):			
Nuclear generation	4.32	4.75	(9.1)
Lignite/coal generation	12.33	11.89	3.7
Gas/Oil generation and purchased power	53.03	48.38	9.6
Average total electricity supply	31.95	31.23	2.3
ERCOT MCPE – average North zone on peak (\$/MWh) <sup>8</sup>	46.83	42.19	11.0
Gas Daily – Houston Ship Channel average daily prices (\$/MMBtu)	5.43	4.87	11.5
Implied heat rate (MMBtu/MWh)	8.63	8.67	(0.4)
NYMEX – 12 month strip – end of quarter (\$/MMBtu)	6.96	4.89	42.3

<sup>8</sup> 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.

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

<b>Generation and Supply Statistic</b>	<b>YTD 04</b>	<b>YTD 03</b>	<b>%Change</b>
Production and purchased power (GWh):			
Nuclear (base load)	13,882	13,608	2.0
Lignite/coal (base load)	31,863	30,272	5.3
Gas/oil	4,300	11,870	(63.8)
Purchased power	44,665	37,536	19.0
Total energy supply	94,710	93,286	1.5
Less line loss and other	2,963	4,489	(34.0)
Net energy supply	91,747	88,797	3.3
Base load capacity factors (%):			
Nuclear	92.1	90.4	1.9
Lignite/coal	86.8	83.2	4.3
Fuel and Purchased Power Costs (\$/MWh):			
Nuclear generation	4.33	4.47	(3.1)
Lignite/coal generation	12.64	12.54	0.8
Gas/Oil generation and purchased power	48.05	48.34	(0.6)
Average total electricity supply	29.77	30.35	(1.9)
ERCOT MCPE – median North zone on peak (\$/MWh)	44.37	49.58	(10.5)
Gas Daily – Houston Ship Channel average daily prices (\$/MMBtu)	5.61	5.57	0.7
Implied heat rate (MMBtu/MWh)	7.91	8.90	(11.1)

Tables 12a and 12b summarize Energy segment retail and wholesale sales volumes.

The decrease in retail sales volumes is predominantly due to a decrease in customers and related business load in the competitive market, and milder weather in the third quarter of 2004. The decrease in average customer volumes in the residential segment is due to milder weather. The increase in average small business segment volumes for the quarter is primarily due to a prior period adjustment in the third quarter of 2003. Average volumes decreased for the year-to-date period, reflecting milder weather and loss of larger small business customers, predominantly in the second half of 2003. The decline in large business volumes reflects a change in strategy to focus on margin versus volumes. Total electricity sales decreased by 3.7 percent as a result of the effect of milder weather on retail sales (approximately 1,410 GWh for the quarter and 2,410 for the year-to-date period) and decreased customer volumes, somewhat offset by increased wholesale sales, partially due to new congestion zones, which resulted in the sale of additional power to third parties in the Northeast zone and the purchase of additional power from third parties in the North zones. The Energy segment expects to continue to improve retention of these customers, 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, the Energy segment has reversed the trends of late 2003 and in spite of substantially increased competitor advertising and increased customer switching in the summer months, year-to-date customer count is only down by approximately 10,000, or 0.4 percent, since the end of 2003, as shown in Table 14 below. This compares to a 3.5 percent decrease in customers for the same period in 2003.

**Table 12a: Energy Segment – Retail and Wholesale Sales Volumes  
Q3 04 and Q3 03; GWh**

<b>Volume Component</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>%Change</b>
Retail electricity sales:			
Native market:			
Residential	9,760	10,991	(11.2)
Small business	3,260	3,233	0.8
Total native market	13,020	14,224	(8.5)
Other markets:			
Residential	1,096	648	69.1
Small business	127	77	64.9
Total other markets	1,223	725	68.7
Large business	6,412	8,501	(24.6)
Total retail electricity sales	20,655	23,450	(11.9)
Wholesale electricity sales	11,929	10,402	14.7
Total electricity sales	32,584	33,852	(3.7)

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

<b>Volume Component</b>	<b>YTD 04</b>	<b>YTD 03</b>	<b>%Change</b>
Retail electricity sales:			
Native market:			
Residential	24,246	27,242	(11.0)
Small business	8,335	9,798	(14.9)
Total native market	32,581	37,040	(12.0)
Other markets:			
Residential	2,345	1,446	62.2
Small business	277	225	23.1
Total other markets	2,622	1,671	56.9
Large business	19,891	23,941	(16.9)
Total retail electricity sales	55,094	62,652	(12.1)
Wholesale electricity sales	36,653	26,145	40.2
Total electricity sales	91,747	88,797	3.1

Tables 13a and 13b provide the Energy segment retail operating statistics.

**Table 13a: Energy Segment – Retail Operating Statistics**  
**Q3 04 and Q3 03; mixed measures**

<b>Retail Operating Statistic</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>%Change</b>
Retail electricity customers (end of period; thousands; # of meters):			
Native market:			
Residential	1,997	2,096	(4.7)
Small business	313	318	(1.6)
Total native market	2,310	2,414	(4.3)
Other markets:			
Residential	195	129	51.2
Small business	6	4	50.0
Total other markets	201	133	51.1
Large business	76	70	8.6
Total retail electricity customers	2,587	2,617	(1.1)
Average volume(KWh)/customer <sup>9</sup> :			
Residential	4,921	5,204	(5.4)
Small business	10,530	10,183	3.4
Large business	83,907	119,337	(29.7)
Average volume(KWh)/customer – weather adjusted:			
Residential	5,234	5,204	0.6
Small business	11,191	10,183	9.9
Large business	90,611	119,337	(24.1)
Average revenue (\$/MWh):			
Residential	109.14	97.99	11.5
Small business	107.45	89.13	20.6
Large business	71.47	64.85	10.2
Average wires charge (\$/MWh)	22.06	18.19	21.3
Estimated share of market (%) <sup>10</sup> :			
Native market:			
Residential	83	88	(5.7)
Small business	81	84	(3.6)
Total ERCOT:			
Residential	45	46	(2.2)
Small business	32	33	(3.0)
Large business	33	39	(15.4)
Weather – percent of normal (average for service territory). <sup>11</sup>			
Cooling degree days	85.5	94.0	(9.0)

<sup>9</sup> Based upon the average of the period beginning and ending customers.

<sup>10</sup> 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.

<sup>11</sup> 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 13b: Energy Segment – Retail Operating Statistics**  
**YTD 04 and YTD 03; mixed measures**

<b>Retail Operating Statistic</b>	<b>YTD 04</b>	<b>YTD 03</b>	<b>%Change</b>
Average volume(KWh)/customer:			
Residential	12,091	12,673	(4.6)
Small business	26,905	30,599	(12.1)
Large business	274,470	325,248	(15.6)
Average volume(KWh)/customer – weather adjusted:			
Residential	12,694	12,673	0.2
Small business	28,001	30,599	(8.5)
Large business	284,566	325,248	(12.5)
Average revenue (\$/MWh):			
Residential	101.56	91.72	10.7
Small business	103.57	93.71	10.5
Large business	68.67	62.14	10.5
Average wires charge (\$/MWh)	21.76	18.59	17.1
Weather – percent of normal (average for service territory):			
Cooling degree days	93.0	97.0	(4.1)
Heating degree days	91.8	109.4	(16.1)

Table 14 provides Energy segment retail customer counts as of September 30, 2004 compared to December 31, 2003.

**Table 14: Energy Segment – Retail Customer Counts**  
**Q3 04 and Q4 03; end of period, thousands, # of meters**

<b>Statistic</b>	<b>Q3 04</b>	<b>Q4 03</b>	<b>%Change</b>
Retail electricity customers:			
Native market:			
Residential	1,997	2,059	(3.0)
Small business	313	317	(1.3)
Total native market	2,310	2,376	(2.8)
Other markets:			
Residential	195	148	31.8
Small business	6	4	50.0
Total other markets	201	152	32.2
Large business	76	69	10.1
Total retail customers	2,587	2,597	(0.4)

Table 15 presents the unrealized mark-to-market balance at September 30, 2004, scheduled by contractual settlement dates of the underlying positions. Ninety-three 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 15: Energy Segment – Maturity Dates of Unrealized Net Mark-to-Market Balances  
09/30/04; \$millions unless noted**

Source of Fair Value	Less Than 1 Year	1-3 Years	4-5 Years	More Than 5 Years	Total
Prices actively quoted	88	-	-	-	88
Prices provided by other external sources	76	(86)	10	(3)	(3)
Prices based on models	12	(1)	-	-	11
Total	176	(87)	10	(3)	96
Percentage (%) of total fair value	183	(90)	10	(3)	100

Table 16 summarizes the changes in commodity contract assets and liabilities for the nine months ended September 30, 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 16: Energy Segment - Changes in Commodity Contract Assets and Liabilities  
YTD 04; \$millions**

Change Component	Impact
Balance of net commodity contract assets -- beginning of period	108
Settlements of positions included in the opening balance <sup>12</sup>	(46)
Unrealized mark-to-market valuations of positions held at end of period	20
Balance of net commodity contract assets -- end of period	82

### Electric Delivery Segment

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

During the third quarter, System Average Interruption Duration Index (SAIDI) minutes of 74.58 placed Electric Delivery among top quartile reliability performers. System Average Interruption Frequency Index (SAIFI) improved from 1.19 to 1.09 as compared to the third quarter of 2003. Electric Delivery expects further improvement as current reliability initiatives begin to be more fully realized in 2005 and 2006. Initiatives currently underway include comprehensive maintenance on underperforming facilities, increase in vegetation management, and replacement or rehabilitation of aging infrastructure.

Electric Delivery expects to trim an additional 2,000 circuit miles of distribution feeders in 2004 over 2003, and approximately 350 miles of high voltage transmission circuits will be built or rebuilt during 2004, an increase of 150 miles, or 75 percent, over 2003 levels. The business also provided support to Florida and Gulf Coast states ravaged by hurricanes. Along with support provided by Electric Delivery's contractor construction and vegetation management workforce, two full work teams were dispatched to aid in reconstruction activities. During the quarter, a "Customer Focus" training program was completed and all employees are expected to be trained by year end to enhance customer and community relationships.

The Electric Delivery segment reported income from continuing operations of \$0.36 per diluted share in the third quarter of 2004, compared to \$0.33 per diluted share in the third quarter of 2003. Special items, representing severance and related costs for the quarter were less than \$0.01 per diluted share, so operational earnings per diluted share for the third quarter were the same as income from continuing operations per diluted share.

Table 17 reconciles the change in operational earnings from the 2003 to 2004 periods.

<sup>12</sup> Represents unrealized mark-to-market valuations of these positions recognized in earnings as of the beginning of the period.

**Table 17: Electric Delivery Segment - Operational Earnings Reconciliation**  
**Q3 04 vs. Q3 03 and YTD 04 vs. YTD 03; \$ per diluted share**

<b>Earnings Factor</b>	<b>QTR</b>	<b>YTD</b>
<b>Q3 03 operational earnings</b>	<b>0.33</b>	<b>0.63</b>
Contribution margin	0.09	0.22
Operating costs	(0.05)	(0.06)
Depreciation and amortization	(0.10)	(0.19)
SG&A	(0.01)	(0.02)
Franchise and revenue based taxes	(0.01)	-
Other income and deductions	(0.01)	(0.01)
Net interest	0.02	0.04
Income taxes	0.02	-
Effect of reduced shares	0.08	0.08
<b>Q3 04 operational earnings</b>	<b>0.36</b>	<b>0.69</b>

Excluding the \$0.08 per share benefit of reduced average diluted shares, the Electric Delivery segment's contribution for the third quarter decreased by \$0.05 per share from the prior year period. The primary driver of the change was the approximate \$17 million pre-tax (\$0.03 per share after tax) decrease in revenues as a result of milder summer weather and increased vegetation management expense (\$0.02 per share after tax). The increase in contribution margin (revenues) for the quarter was due primarily to transition charges under tariffs to service securitization bonds (\$38 million) and increased 3<sup>rd</sup> party transmission cost recovery tariff revenues, both of which have associated costs. The increase in operating costs primarily reflects costs for which there are associated revenues

and increased vegetation management as part of management's goal to further improve system reliability. The increase in depreciation and amortization expense was primarily due to \$38 million pre-tax (\$0.07 per share after 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, and increased investment.

Year-to-date TXU's Electric Delivery segment reported income from continuing operations of \$0.70 per basic share, (\$0.65 per diluted share) as compared to \$0.63 per share in the 2003 year-to-date period. Excluding special items of \$0.04 per diluted share, Electric Delivery segment operational earnings per share declined by \$0.02 per diluted share, excluding the effect of lower share count. The drivers of the year-to-date results were essentially the same as for the quarter. However, the effect of increased transmission-related tariff revenues, reflecting increased transmission investment, and lower interest expense, primarily due to lower interest rates, somewhat offset the impacts of third quarter weather and increased operating expense.

Electric Delivery segment revenues increased \$35 million compared to the third quarter of 2003 primarily due to a \$38 million increase from new transition charges associated with transition (securitization) bonds issued in August 2003 and June 2004 to recover regulatory assets, for which there is a corresponding increase in depreciation and amortization expense for amortization of the regulatory assets. The remaining \$3 million decrease in revenues was primarily due to the estimated \$17 million negative effect on revenues of milder summer weather exceeding increased transmission cost of service and cost recovery tariffs (\$10 million) and increased miscellaneous service revenues and growth. The transmission cost recovery and miscellaneous revenues have associated operating costs. Tables 18a and 18b summarize the details of the operating revenues for the Energy Delivery segment for the third quarter of 2004 as compared to the third quarter of 2003, and for the 2004 and 2003 year-to-date periods.

**Table 18a: Electric Delivery Segment – Operating Revenues**  
**Q3 04 and Q3 03; \$millions**

<b>Revenue Component</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>%Change</b>
Electricity transmission and distribution:			
Affiliated (TXU Energy)	389	441	(11.8)
Non-affiliated	259	172	50.6
Total	648	613	5.7

**Table 18b: Electric Delivery Segment – Operating Revenues**  
**YTD 04 and YTD 03; \$millions**

<b>Revenue Component</b>	<b>YTD 04</b>	<b>YTD 03</b>	<b>%Change</b>
Electricity transmission and distribution:			
Affiliated (TXU Energy)	1,070	1,167	(8.3)
Non-affiliated	618	438	41.1
Total	1,688	1,605	5.2

Tables 19a and 19b summarize operating statistics for the Electric Delivery segment for the third quarter 2004 as compared to the third quarter of 2003, and for the 2004 and 2003 year-to-date periods, respectively.

**Table 19a: Electric Delivery Segment – Operating Statistics**  
**Q3 04 and Q3 03; mixed measures**

<b>Operating Statistic</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>%Change</b>
Volume - Electricity distribution (GWh)	30,868	31,881	(3.2)
Electricity points of delivery - number of meters (end of period, in thousands) <sup>13</sup>	2,963	2,920	1.5
System Average Interruption Duration Index (SAIDI) (non-storm) <sup>14</sup>	74.58	74.19	-
System Average Interruption Frequency Index (SAIFI) (non-storm) <sup>14</sup>	1.09	1.19	-
Customer Average Interruption Duration Index (CAIDI) (non-storm) <sup>14</sup>	68.25	62.46	-

**Table 19b: Electric Delivery Segment – Operating Statistics**  
**YTD 04 and YTD 03; mixed measures**

<b>Operating Statistic</b>	<b>YTD 04</b>	<b>YTD 03</b>	<b>%Change</b>
Volume - Electricity distribution (GWh)	79,399	80,167	(1.0)

### Corporate and Other

Corporate and Other consists of TXU Corp.'s remaining non-segment operations consisting primarily of general corporate expenses, equity earnings or losses of unconsolidated affiliates, and interest on the debt at the corporate level. Excluding the special items in Table 3, the current period expenses from continuing operations declined by \$0.06 per diluted share from the prior year period, excluding the effect of reduced average share count. The improvement is primarily related to lower net interest expense and reduced other deductions, partially offset by increased SG&A expenses. The lower net interest expense is primarily due to inter-company interest income (\$0.03 per diluted share after tax) from the TXU Energy Company exchangeable preferred membership interests purchased by TXU Corp. in April, and lower interest expense due to debt retirements. The increase in SG&A expenses was primarily due to a \$9 million increase in deferred and incentive compensation expense and costs substantially offset by inter-company revenues or other benefits.

For year-to-date 2004, Corporate and Other expenses from continuing operations, excluding special items and the effect of reduced average share count, decreased by \$0.15 per diluted share from year-to-date 2003 levels. The primary drivers of the year-to-date improvement are the same as for the quarter. In addition, the 2003 year-to-date period includes \$17 million (\$0.03 per share after tax) of equity interest in losses of a telecommunications partnership that has been sold.

### Discontinued Operations

Table 20 provides details of the components of discontinued operations for the third quarter and year-to-date periods ended September 30, 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 restated accordingly). For the third quarter of 2004, discontinued operations results include a \$239 million after tax gain on the sale of TXU Australia, a \$57 million after tax impairment (charge) on the TXU Gas transaction, somewhat offset by \$12 million after tax for discontinuance of depreciation expense while the merger transaction was pending, and the benefit of net releases of \$73 million of the tax reserve associated with the 2002 write off of TXU Corp.'s investment in TXU Europe. The year-to-date 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, and an increase in tax reserves associated with an ongoing dispute with the Internal Revenue Service related to the 1993 tax return of ENSERCH Corp. (predecessor to TXU Gas). Included in year-to-date 2004 discontinued operations for TXU Australia is a second quarter 2004 charge to recognize deferred income tax expenses associated with the excess of book basis over tax basis of TXU's investment in TXU Australia. Year-to-date 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 year-to-date 2004 period 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.

<sup>13</sup> 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 96,499 and 102,267 at September 30, 2004 and 2003, respectively. Adjusting for the guard lights, which have minimal value, points of delivery increased 1.7%.

<sup>14</sup> 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.

**Table 20: Details of Discontinued Operations**  
**Q3 04, Q3 03, YTD 04 and YTD 03; \$ per diluted share after tax**

<b>Discontinued Operation</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>YTD 04</b>	<b>YTD 03</b>
TXU Australia:				
Gain on sale	0.81	-	0.76	-
Income tax benefit (expense) - tax basis differential	0.02	-	(0.36)	-
Other	0.06	0.12	0.16	0.28
TXU Gas:				
Write off due to rate case (Docket 9400)	-	-	(0.32)	-
Impairment	(0.19)	-	(0.29)	-
Suspension of depreciation due to pending merger	0.04	-	0.04	-
Income tax expense reserve - 1993 tax return	-	-	(0.05)	-
Other	(0.02)	(0.01)	0.08	0.09
Income tax benefit – reserve release (TXU Europe)	0.25	-	2.27	-
Energy segment:				
Other deductions - impairment/business exit	-	-	(0.07)	-
Other	-	-	(0.04)	-
TXU Communications	-	0.06	(0.05)	(0.14)
Other	-	-	-	(0.01)
<b>Total</b>	<b>0.97</b>	<b>0.17</b>	<b>2.13</b>	<b>0.22</b>

**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 Third Quarter Financial Results file at [www.txucorp.com/investres/default.asp](http://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 owns and operates 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 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](http://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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## 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. Net 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 credit quality.

**EBITDA/Interest (a non-GAAP measure):** EBITDA divided by Cash Interest Expense (a GAAP measure) 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.

**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 non-GAAP measure):** Operating revenues less cost of energy sold and delivery fees.

**Reported Earnings Per Share (a GAAP measure):** Per share (diluted) net income available to common shareholders. When calculating diluted earnings per share, net income is adjusted for the after-tax interest on the securities creating the dilution (exchangeable preferred membership interests) 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:** Twelve months ended Operational Earnings (a non-GAAP measure) divided by the average of the beginning and ending Common Stock Equity (a GAAP measure) for the period calculated.

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

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

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

**Total Capitalization:** Total Debt plus Shareholders Equity.

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

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

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

**Table 1: Return on Average Common Stock Equity Calculation**  
**Twelve months ended Q3 04 vs. Q3 03; \$millions unless otherwise noted**

<b>Component</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>Ref</b>
Net income (loss) available for common stock	263	(4,347)	A
Income from continuing operations before extraordinary gain and cumulative effect of changes in accounting principles	462	(12)	
Special items (a)	298	467	
Preference stock dividends	(22)	(22)	
Operational earnings	738	433	B
Average common equity	5,205	5,638	C
Return on average common equity - based on net income (A/C) (%)	5.1	(77.1)	
Return on average common equity - based on operational earnings (B/C) (%)	14.2	7.7	
(a) For Q3 04, all special items are 2004 as there were none in 2003. For Q3 03, all special items are 2002 as there were none in 2003.			

**Table 2: Return on Average Invested Capital Calculation**  
**Twelve months ended Q3 04 vs. Q3 03; \$millions unless otherwise noted**

<b>Component</b>	<b>Q3 04</b>	<b>Q3 03</b>	<b>Ref</b>
Net income (loss)	1,134	(4,325)	
After-tax interest expense and related charges net of interest income	437	490	
Total return (based on net income)	1,571	(3,835)	A
Operational earnings	738	433	
Preference stock dividends	(22)	(22)	
After-tax interest expense and related charges net of interest income (b)	437	490	
Total return (based on operational earnings)	1,153	901	B
Average total capitalization	17,576	19,000	C
Return on average invested capital - based on net income (A/C) (%)	8.9	(20.2)	
Return on average invested capital - based on operational earnings (B/C) (%)	6.6	4.7	
(b) After-tax interest expense and related charges net of interest income			
Interest expense	709	785	
Interest income	(36)	(31)	
Net	673	754	
Tax at 35%	236	264	
Net of tax	437	490	

**Table 3: Interest and Debt Coverage Ratios**  
**Twelve months ended Q3 04 vs. Q4 03; \$millions unless otherwise noted**

<b>Component</b>	<b>Q3 04</b>	<b>Q4 03</b>	<b>Ref</b>
Income from continuing operations before income taxes and extraordinary items	562	818	
Interest expense and related charges	709	784	
Interest income	(36)	(36)	
Depreciation and amortization	767	723	
Special items	536	-	
<b>EBITDA</b>	<b>2,538</b>	<b>2,289</b>	<b>A</b>
Interest expense and related charges	709	784	
Amortization of discount and reacquired debt expense	(29)	(31)	
Capitalized interest	12	12	
<b>Cash interest expense</b>	<b>692</b>	<b>765</b>	<b>B</b>
Total debt	12,085	12,590	
Transition bonds	(1,267)	(500)	
Debt-related restricted cash	(525)	(525)	
<b>Total</b>	<b>10,293</b>	<b>11,565</b>	<b>C</b>
EBITDA/Interest (A/B)	3.7	3.0	
Debt/EBITDA (C/A)	4.1	5.1	

**Table 4a: Consolidated – Operational Earnings Reconciliation**  
**Q3 04; \$millions and \$ per dilutive share after tax**

<b>Factor</b>	<b>Energy</b>	<b>Energy</b>	<b>Electric Delivery</b>	<b>Electric Delivery</b>	<b>Corp. &amp; Other</b>	<b>Corp. &amp; Other</b>	<b>Total</b>	<b>Total</b>
<b>Operational earnings</b>	<b>302</b>	<b>1.03</b>	<b>108</b>	<b>0.36</b>	<b>(25)</b>	<b>(0.08)</b>	<b>385</b>	<b>1.31</b>
Special items <sup>1</sup>	6	0.02	(1)	-	(15)	(0.05)	(10)	(0.03)
Discontinued operations <sup>2</sup>	(2)	(0.01)	-	-	289	0.98	287	0.97
Extraordinary gain, net of tax effect	-	-	-	-	-	-	-	-
Dilutive effect of sr. convertible notes	-	-	-	-	-	-	-	(0.91)
Dilution effect of EPMIs	-	-	-	-	-	-	-	-
<b>Net income to common</b>	<b>306</b>	<b>1.04</b>	<b>107</b>	<b>0.36</b>	<b>249</b>	<b>0.85</b>	<b>662</b>	<b>1.34</b>
Average shares – diluted								295
Dilutive effect of sr. convertible notes								(268)

<sup>1</sup> See Table 3: Description of Special Items on page 4 of the Earnings Release for details of special items.

<sup>2</sup> See Table 20: Details of Discontinued Operations on page 17 of the Earnings Release and accompanying Segment Consolidating Income Statements for details of discontinued operations.

**Table 4b: Consolidated – Operational Earnings Reconciliation**  
**Q3 03; \$millions and \$ per dilutive share after tax**

<b>Factor</b>	<b>Energy</b>	<b>Energy</b>	<b>Electric Delivery</b>	<b>Electric Delivery</b>	<b>Corp. &amp; Other</b>	<b>Corp. &amp; Other</b>	<b>Total</b>	<b>Total</b>
<b>Operational earnings</b>	<b>250</b>	<b>0.66</b>	<b>126</b>	<b>0.33</b>	<b>(48)</b>	<b>(0.09)</b>	<b>328</b>	<b>0.90</b>
Special items	-	-	-	-	-	-	-	-
Discontinued operations	(1)	-	-	-	65	0.17	64	0.17
Extraordinary gain, net of tax effect	-	-	-	-	-	-	-	-
Dilutive effect of sr. convertible notes	-	-	-	-	-	-	-	-
Dilution effect of EPMIs	-	-	-	-	-	-	-	-
<b>Net income to common</b>	<b>249</b>	<b>0.66</b>	<b>126</b>	<b>0.33</b>	<b>17</b>	<b>0.08</b>	<b>392</b>	<b>1.07</b>
Average shares – diluted								379
Dilutive effect of sr. convertible notes								-

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

<b>Factor</b>	<b>Energy</b>	<b>Energy</b>	<b>Electric Delivery</b>	<b>Electric Delivery</b>	<b>Corp. &amp; Other</b>	<b>Corp. &amp; Other</b>	<b>Total</b>	<b>Total</b>
<b>Operational earnings</b>	<b>582</b>	<b>1.73</b>	<b>234</b>	<b>0.69</b>	<b>(112)</b>	<b>(0.28)</b>	<b>704</b>	<b>2.14</b>
Special items	(174)	(0.51)	(14)	(0.04)	(110)	(0.33)	(298)	(0.88)
Discontinued operations	(33)	(0.11)	-	-	699	2.24	666	2.13
Extraordinary gain, net of tax effect	-	-	16	0.05	-	-	16	0.05
Cumulative effect of accounting change	-	-	-	-	-	-	-	-
EPMI buyback premium	-	-	-	-	(849)	(2.72)	(849)	(2.72)
Dilutive effect of sr. convertible notes	-	-	-	-	-	-	-	(0.80)
Dilution effect of EPMIs	-	-	-	-	-	-	-	(0.01)
<b>Net income to common</b>	<b>375</b>	<b>1.11</b>	<b>236</b>	<b>0.70</b>	<b>(372)</b>	<b>(1.09)</b>	<b>239</b>	<b>(0.09)</b>
Average shares – basic								313
Average shares – diluted								337
Dilutive effect of sr. convertible notes								(268)
Dilutive effect of EPMIs								18

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

<b>Factor</b>	<b>Energy</b>	<b>Energy</b>	<b>Electric Delivery</b>	<b>Electric Delivery</b>	<b>Corp. &amp; Other</b>	<b>Corp. &amp; Other</b>	<b>Total</b>	<b>Total</b>
<b>Operational earnings</b>	<b>439</b>	<b>1.16</b>	<b>239</b>	<b>0.63</b>	<b>(167)</b>	<b>(0.34)</b>	<b>511</b>	<b>1.45</b>
Special items	-	-	-	-	-	-	-	-
Discontinued operations	(2)	(0.01)	-	-	86	0.23	84	0.22
Extraordinary gain, net of tax effect	-	-	-	-	-	-	-	-
Cumulative effect of accounting change	(58)	(0.15)	-	-	-	-	(58)	(0.15)
EPMI buyback premium	-	-	-	-	-	-	-	-
Dilutive effect of sr. convertible notes	-	-	-	-	-	-	-	-
Dilution effect of EPMIs	-	-	-	-	-	-	-	-
<b>Net income to common</b>	<b>379</b>	<b>1.00</b>	<b>239</b>	<b>0.63</b>	<b>(81)</b>	<b>(0.11)</b>	<b>537</b>	<b>1.52</b>
Average shares – basic								321
Average shares – diluted								378
Dilutive effect of sr. convertible notes								-
Dilutive effect of EPMIs								40

**TXU CORP. AND SUBSIDIARIES**  
**SEGMENT CONSOLIDATING INCOME STATEMENT**

Quarter to Date Ended: Sep 30, 2004

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	2,517	648	7	(429)	2,743
Direct costs and expenses					
Cost of energy sold and delivery fees	1,556	-	-	(422)	1,134
Operating costs	145	193	1	(2)	337
Depreciation and other amortization	82	116	7	(1)	204
Total direct costs and expenses	1,783	309	8	(425)	1,675
Gross margin	734	339	(1)	(4)	1,068
Other costs and expenses					
Selling, general and administrative expenses	182	53	48	(3)	280
Non-operating depreciation and other amortization	1	-	5	-	6
Franchise and revenue-based taxes	28	66	1	(1)	94
Other income	(36)	-	(13)	1	(48)
Other deductions	20	3	(2)	(1)	20
Interest income	(13)	(17)	(29)	45	(14)
Interest expense and other charges	91	71	46	(45)	163
Total other costs and expenses	273	176	56	(4)	501
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	461	163	(57)	-	567
Income tax expense (benefit)	152	56	(22)	1	187
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	309	107	(35)	(1)	380
Income (loss) from discontinued operations, net of tax effect	(3)	-	289	1	287
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income	306	107	254	-	667
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	5	-	5
Net income available for common stock	306	107	249	-	662
Average shares of common stock outstanding, basic (millions)					295
Average shares of common stock outstanding, diluted (millions)					295
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	1.05	0.36	(0.11)	-	1.30
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.02)	-	(0.02)
Income (Loss) from discontinued operations, net of tax effect	(0.01)	-	0.98	-	0.97
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income available for common stock	1.04	0.36	0.85	-	2.25
Diluted earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	1.05	0.36	(1.02) *	-	0.39
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.02)	-	(0.02)
Income (Loss) from discontinued operations, net of tax effect	(0.01)	-	0.98	-	0.97
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss) available for common stock	1.04	0.36	(0.06)	-	1.34
Dividends declared					0.125

\* Reflects the dilution adjustment (\$0 million dilution adjustment / 0 million shares) and \$268 million for convertible senior note (FMV)

**TXU CORP. AND SUBSIDIARIES**  
**SEGMENT CONSOLIDATING INCOME STATEMENT**

Quarter to Date Ended: Sep 30, 2003

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	2,437	613	5	(440)	2,615
Direct costs and expenses					
Cost of energy sold and delivery fees	1,539	-	-	(437)	1,102
Operating costs	164	175	1	(4)	336
Depreciation and other amortization	89	75	-	-	164
Total direct costs and expenses	1,792	250	1	(441)	1,602
Gross margin	645	363	4	1	1,013
Other costs and expenses					
Selling, general and administrative expenses	166	49	14	(2)	227
Non-operating depreciation and other amortization	11	3	5	-	19
Franchise and revenue-based taxes	29	63	(1)	1	92
Other income	(20)	(2)	(2)	1	(23)
Other deductions	4	-	4	(1)	7
Interest income	(1)	(14)	(5)	15	(5)
Interest expense and other charges	83	74	51	(14)	194
Total other costs and expenses	272	173	66	-	511
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	373	190	(62)	1	502
Income tax expense (benefit)	123	65	(19)	-	169
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	250	125	(43)	1	333
Income (loss) from discontinued operations, net of tax effect	(1)	-	65	-	64
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income	249	125	22	1	397
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	5	-	5
Net income available for common stock	249	125	17	1	392
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	0.78	0.39	(0.13)	-	1.04
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.02)	-	(0.02)
Income from discontinued operations, net of tax effect	-	-	0.20	-	0.20
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income available for common stock	0.78	0.39	0.05	-	1.22
Diluted earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	0.66	0.33	(0.08) *	-	0.91
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.01)	-	(0.01)
Income from discontinued operations, net of tax effect	-	-	0.17	-	0.17
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss) available for common stock	0.66	0.33	0.08	-	1.07
Dividends declared					0.125

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

**TXU CORP. AND SUBSIDIARIES**
**SEGMENT CONSOLIDATING INCOME STATEMENT - VARIANCE**

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

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	80	35	2	11	128
Direct costs and expenses					
Cost of energy sold and delivery fees	17	-	-	15	32
Operating costs	(19)	18	-	2	1
Depreciation and other amortization	(7)	41	7	(1)	40
Total direct costs and expenses	(9)	59	7	16	73
Gross margin	89	(24)	(5)	(5)	55
Other costs and expenses					
Selling, general and administrative expenses	16	4	34	(1)	53
Non-operating depreciation and other amortization	(10)	(3)	-	-	(13)
Franchise and revenue-based taxes	(1)	3	2	(2)	2
Other income	(16)	2	(11)	-	(25)
Other deductions	16	3	(6)	-	13
Interest income	(12)	(3)	(24)	30	(9)
Interest expense and other charges	8	(3)	(5)	(31)	(31)
Total other costs and expenses	1	3	(10)	(4)	(10)
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	88	(27)	5	(1)	65
Income tax expense (benefit)	29	(9)	(3)	1	18
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	59	(18)	8	(2)	47
Income (loss) from discontinued operations, net of tax effect	(2)	-	224	1	223
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss)	57	(18)	232	(1)	270
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	-	-	-
Net income (loss) available for common stock	57	(18)	232	(1)	270
Average shares of common stock outstanding, basic (millions)					(27)
Average shares of common stock outstanding, diluted (millions)					(84)
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	0.27	(0.03)	0.02	-	0.26
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	-	-	-
Income (Loss) from discontinued operations, net of tax effect	(0.01)	-	0.78	-	0.77
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss) available for common stock	0.26	(0.03)	0.80	-	1.03
Diluted earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	0.39	0.03	(0.94) *	-	(0.52)
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.01)	-	(0.01)
Income (Loss) from discontinued operations, net of tax effect	(0.01)	-	0.81	-	0.80
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss) available for common stock	0.38	0.03	(0.14)	-	0.27
Dividends declared					-

**TXU CORP. AND SUBSIDIARIES**  
**SEGMENT CONSOLIDATING INCOME STATEMENT**

Year to Date Ended: Sep 30, 2004

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	6,589	1,688	24	(1,123)	7,178
Direct costs and expenses					
Cost of energy sold and delivery fees	4,157	-	(2)	(1,102)	3,053
Operating costs	513	547	3	(6)	1,057
Depreciation and other amortization	246	283	8	-	537
Total direct costs and expenses	4,916	830	9	(1,108)	4,647
Gross margin	1,673	858	15	(15)	2,531
Other costs and expenses					
Selling, general and administrative expenses	491	154	175	(15)	805
Non-operating depreciation and other amortization	22	3	17	-	42
Franchise and revenue-based taxes	80	183	2	-	265
Other income	(50)	(4)	(23)	4	(73)
Other deductions	301	23	156	(3)	477
Interest income	(21)	(42)	(53)	96	(20)
Interest expense and other charges	263	212	142	(96)	521
Total other costs and expenses	1,086	529	416	(14)	2,017
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	587	329	(401)	(1)	514
Income tax expense (benefit)	179	109	(196)	-	92
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	408	220	(205)	(1)	422
Income (loss) from discontinued operations, net of tax effect	(33)	-	698	1	666
Extraordinary gain, net of tax effect	-	16	-	-	16
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss)	375	236	493	-	1,104
Exchangeable preferred membership interest buyback premium	-	-	849	-	849
Preference stock dividends	-	-	16	-	16
Net income (loss) available for common stock	375	236	(372)	-	239
Average shares of common stock outstanding, basic (millions)					313
Average shares of common stock outstanding, diluted (millions)					313
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	1.31	0.70	(0.65)	-	1.36
Exchangeable preferred membership interest buyback premium	-	-	(2.72)	-	(2.72)
Preference stock dividends	-	-	(0.05)	-	(0.05)
Income (Loss) from discontinued operations, net of tax effect	(0.10)	-	2.23	-	2.13
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss) available for common stock	1.21	0.75	(1.19)	-	0.77
Diluted earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	1.31	0.70	(1.51) *	-	0.50
Exchangeable preferred membership interest buyback premium	-	-	(2.72)	-	(2.72)
Preference stock dividends	-	-	(0.05)	-	(0.05)
Income (Loss) from discontinued operations, net of tax effect	(0.10)	-	2.23	-	2.13
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles, net of tax benefit	-	-	-	-	-
Net income (loss) available for common stock	1.21	0.75	(2.05)	-	(0.09)
Dividends declared					0.375

\* Reflects the dilution adjustment (\$0 million dilution adjustment / 0 million shares) and \$268 million for convertible senior note (FMV)

**TXU CORP. AND SUBSIDIARIES**  
**SEGMENT CONSOLIDATING INCOME STATEMENT**

Year to Date Ended: Sep 30, 2003

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	6,243	1,605	11	(1,168)	6,691
Direct costs and expenses					
Cost of energy sold and delivery fees	4,037	-	-	(1,158)	2,879
Operating costs	506	524	1	(6)	1,025
Depreciation and other amortization	277	206	-	-	483
Total direct costs and expenses	4,820	730	1	(1,164)	4,387
Gross margin	1,423	875	10	(4)	2,304
Other costs and expenses					
Selling, general and administrative expenses	456	145	49	(6)	644
Non-operating depreciation and other amortization	29	9	13	1	52
Franchise and revenue-based taxes	84	183	12	1	280
Other income	(43)	(6)	(3)	3	(49)
Other deductions	9	-	24	(3)	30
Interest income	(3)	(43)	(28)	54	(20)
Interest expense and other charges	246	229	176	(54)	597
Total other costs and expenses	778	517	243	(4)	1,534
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	645	358	(233)	-	770
Income tax expense (benefit)	205	119	(81)	-	243
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	440	239	(152)	-	527
Income (loss) from discontinued operations, net of tax effect	(2)	-	86	-	84
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	(58)	-	-	-	(58)
Net income (loss)	380	239	(66)	-	553
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	16	-	16
Net income (loss) available for common stock	380	239	(82)	-	537
Average shares of common stock outstanding, basic (millions)					321
Average shares of common stock outstanding, diluted (millions)					378
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	1.37	0.74	(0.47)	-	1.64
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.05)	-	(0.05)
Income (Loss) from discontinued operations, net of tax effect	(0.01)	-	0.27	-	0.26
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	(0.18)	-	-	-	(0.18)
Net income (loss) available for common stock	1.18	0.74	(0.25)	-	1.67
Diluted earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	1.16	0.63	(0.30) *	-	1.49
Exchangeable preferred membership interest buyback premium	-	-	-	-	-
Preference stock dividends	-	-	(0.04)	-	(0.04)
Income (Loss) from discontinued operations, net of tax effect	(0.01)	-	0.23	-	0.22
Extraordinary gain, net of tax effect	-	-	-	-	-
Cumulative effect of changes in accounting principles, net of tax benefit	(0.15)	-	-	-	(0.15)
Net income (loss) available for common stock	1.00	0.63	(0.11)	-	1.52
Dividends declared					0.375

\* Reflects the dilution adjustment (\$40 million dilution adjustment / 57 million shares).

**TXU CORP. AND SUBSIDIARIES**
**SEGMENT CONSOLIDATING INCOME STATEMENT - VARIANCE**

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

	Energy	Electric Delivery	Corporate & Other	Eliminations / Rounding	Total
Operating revenues	346	83	13	45	487
Direct costs and expenses					
Cost of energy sold and delivery fees	120	-	(2)	56	174
Operating costs	7	23	2	-	32
Depreciation and other amortization	(31)	77	8	-	54
Total direct costs and expenses	96	100	8	56	260
Gross margin	250	(17)	5	(11)	227
Other costs and expenses					
Selling, general and administrative expenses	35	9	126	(9)	161
Non-operating depreciation and other amortization	(7)	(6)	4	(1)	(10)
Franchise and revenue-based taxes	(4)	-	(10)	(1)	(15)
Other income	(7)	2	(20)	1	(24)
Other deductions	292	23	132	-	447
Interest income	(18)	1	(25)	42	-
Interest expense and other charges	17	(17)	(34)	(42)	(76)
Total other costs and expenses	308	12	173	(10)	483
Income (loss) from continuing operations before income taxes and cumulative effect of changes in accounting principles	(58)	(29)	(168)	(1)	(256)
Income tax expense (benefit)	(26)	(10)	(115)	-	(151)
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	(32)	(19)	(53)	(1)	(105)
Income (loss) from discontinued operations, net of tax effect	(31)	-	612	1	582
Extraordinary gain, net of tax effect	-	16	-	-	16
Cumulative effect of changes in accounting principles, net of tax benefit	58	-	-	-	58
Net income (loss)	(5)	(3)	559	-	551
Exchangeable preferred membership interest buyback premium	-	-	849	-	849
Preference stock dividends	-	-	-	-	-
Net income (loss) available for common stock	(5)	(3)	(290)	-	(298)
Average shares of common stock outstanding, basic (millions)					(8)
Average shares of common stock outstanding, diluted (millions)					(65)
Per share of common stock:					
Basic earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	(0.06)	(0.04)	(0.18)	-	(0.28)
Exchangeable preferred membership interest buyback premium	-	-	(2.72)	-	(2.72)
Preference stock dividends	-	-	-	-	-
Income (Loss) from discontinued operations, net of tax effect	(0.09)	-	1.96	-	1.87
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles, net of tax benefit	0.18	-	-	-	0.18
Net income (loss) available for common stock	0.03	0.01	(0.94)	-	(0.90)
Diluted earnings:					
Income (loss) from continuing operations before cumulative effect of changes in accounting principles	0.15	0.07	(1.21) *	-	(0.99)
Exchangeable preferred membership interest buyback premium	-	-	(2.72)	-	(2.72)
Preference stock dividends	-	-	(0.01)	-	(0.01)
Income (Loss) from discontinued operations, net of tax effect	(0.09)	-	2.00	-	1.91
Extraordinary gain, net of tax effect	-	0.05	-	-	0.05
Cumulative effect of changes in accounting principles, net of tax benefit	0.15	-	-	-	0.15
Net income (loss) available for common stock	0.21	0.12	(1.94)	-	(1.61)
Dividends declared					-

## TXU CORP. AND SUBSIDIARIES

### Condensed Statements of Consolidated Cash Flows

(Unaudited)

	Nine Months Ended	
	September 30,	
	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	\$ 422	\$ 527
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	627	591
Deferred income taxes and investment tax credits -- net	(289)	72
Loss on early extinguishment of debt	54	-
Asset writedown charges	189	-
Net gain from sale of assets	(65)	(40)
Net effect of unrealized mark-to-market valuations of commodity contracts	46	(59)
Net equity loss from unconsolidated affiliates and joint ventures	2	18
Reduction in regulatory liability	(1)	(125)
Retail clawback accrual	-	(19)
Changes in operating assets and liabilities	99	845
Cash provided by operating activities	<u>1,084</u>	<u>1,810</u>
Cash flows - financing activities:		
Issuances of securities:		
Long-term debt	1,590	2,425
Common stock	9	27
Retirements/repurchases of securities:		
Long-term debt held by subsidiary trust	(237)	-
Equity-linked debt securities	(423)	-
Other long-term debt	(1,826)	(1,585)
Exchangeable preferred membership interests	(750)	-
Preferred stock of subsidiary, subject to mandatory redemption	-	(91)
Common stock	(1,226)	-
Change in notes payable:		
Banks	565	(2,305)
Cash dividends paid:		
Common stock	(120)	(120)
Preference stock	(16)	(16)
Premium paid for redemption of exchangeable preferred membership interests	(1,102)	-
Redemption deposits applied to debt retirements	-	210
Debt premium, discount financing and reacquisition expenses	(42)	(26)
Cash used in financing activities	<u>(3,578)</u>	<u>(1,481)</u>
Cash flow - investing activities:		
Capital expenditures	(543)	(489)
Disposition of businesses	2,805	18
Acquisition of telecommunications partner's interest	-	(150)
Investment in collateral trust	-	(525)
Nuclear fuel	(46)	(45)
Other	183	(12)
Cash provided by (used in) investing activities	<u>2,399</u>	<u>(1,203)</u>
Effect of exchange rate changes on cash and cash equivalents	-	1
Cash contributions to discontinued operations	(142)	(19)
Net change in cash and cash equivalents	(237)	(892)
Cash and cash equivalents -- beginning balance	829	1,513
Cash and cash equivalents -- ending balance	<u>\$ 592</u>	<u>\$ 621</u>

# TXU CORP. AND SUBSIDIARIES

## Consolidating Balance Sheet

September 30, 2004

(Dollars in millions)

(Unaudited)

	Energy	Electric Delivery	Corporate & Other	Eliminations/ Rounding	Total
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	5	26	562	(1)	592
Restricted cash	-	29	-	-	29
Advances to affiliates	1,524	-	(41)	(1,483)	-
Accounts receivable - trade	989	69	424	(396)	1,086
Income taxes receivable	-	-	-	-	-
Accounts receivable - affiliates	15	244	19	(278)	-
Notes or other receivables due from affiliates	-	30	-	(30)	-
Inventories	296	30	3	1	330
Commodity contract assets	707	-	-	-	707
Assets of telecommunications holding company	-	-	-	-	-
Other current assets	318	56	143	(34)	483
Total current assets	3,854	484	1,110	(2,221)	3,227
Investments					
Restricted cash	-	15	564	-	579
Other investments	578	73	5,826	(5,802)	675
Property, plant and equipment - net	9,833	6,467	188	-	16,488
Notes or other receivables due from affiliates	-	407	-	(407)	-
Goodwill	517	25	-	-	542
Regulatory assets - net	-	1,922	-	-	1,922
Commodity contract assets	229	-	-	-	229
Cash flow hedge and other derivative assets	24	-	-	-	24
Other noncurrent assets	134	48	1,466	(1,347)	301
Assets held for sale	27	-	2,134	-	2,161
Total assets	15,196	9,441	11,288	(9,777)	26,148
<b>LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES &amp; SHAREHOLDERS' EQUITY</b>					
Current liabilities					
Notes payable - banks	565	-	-	-	565
Advances from affiliates	-	8	1,475	(1,483)	-
Long-term debt due currently	31	283	1,265	-	1,579
Accounts payable - trade	844	46	416	(396)	910
Accounts payable - affiliates	259	21	-	(280)	-
Notes or other liabilities due to affiliates	30	-	-	(30)	-
Commodity contract liabilities	545	-	-	-	545
Liabilities of telecommunications holding company	-	-	-	-	-
Other current liabilities	711	364	908	(32)	1,951
Total current liabilities	2,985	722	4,064	(2,221)	5,550
Accumulated deferred income taxes	1,892	1,469	-	(1,312)	2,049
Investment tax credits	346	64	2	1	413
Commodity contract liabilities	309	-	-	-	309
Cash flow hedge and other derivative liabilities	218	-	8	-	226
Notes or other liabilities due to affiliates	407	-	-	(407)	-
Long-term debt held by subsidiary trusts	-	-	309	-	309
All other long-term debt, less amounts due currently	3,630	4,228	1,661	-	9,519
Other noncurrent liabilities and deferred credits	1,184	314	1,202	(18)	2,682
Liabilities held for sale	8	-	250	-	258
Total liabilities	10,979	6,797	7,496	(3,957)	21,315
Preferred securities of subsidiaries	508	-	(395)	-	113
Shareholders' equity					
Preferred stock - not subject to mandatory redemption	-	-	300	-	300
Common stock	-	-	(1,026)	1,090	64
Additional paid in capital	2,928	2,051	6,340	(5,224)	6,095
Retained earnings (deficit)	958	616	(1,055)	(2,042)	(1,523)
Accumulated other comprehensive income (loss)	(177)	(23)	(372)	356	(216)
Total shareholders' equity	3,709	2,644	4,187	(5,820)	4,720
Total liabilities, preferred securities of subsidiaries & shareholders' equity	15,196	9,441	11,288	(9,777)	26,148

# TXU CORP. AND SUBSIDIARIES

## Consolidating Balance Sheet

December 31, 2003

(Dollars in millions)

(Unaudited)

	Energy	Electric Delivery	Corporate & Other	Eliminations/ Rounding	Total
<b>ASSETS</b>					
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	573	(511)	1,063
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	69	(24)	303
Total current assets	2,426	595	1,570	(1,307)	3,284
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	-	7,096	-	7,155
Total assets	14,165	9,332	17,178	(9,378)	31,297
<b>LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES &amp; SHAREHOLDERS' EQUITY</b>					
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	856	387	207	(208)	1,242
Total current liabilities	2,312	714	2,097	(1,308)	3,815
Accumulated deferred income taxes					
Investment tax credits	1,950	1,432	228	(11)	3,599
Commodity contract liabilities	360	68	2	-	430
Cash flow hedge and other derivative liabilities	47	-	-	-	47
Notes or other liabilities due to affiliates	140	-	100	-	240
Long-term debt held by subsidiary trusts	423	-	-	(423)	-
All other long-term debt, less amounts due currently	-	-	546	-	546
Other noncurrent liabilities and deferred credits	3,084	3,982	3,542	-	10,608
Liabilities held for sale	1,342	280	766	(6)	2,382
Total liabilities	11	-	2,941	-	2,952
Preferred securities of subsidiaries	9,669	6,476	10,222	(1,748)	24,619
Shareholders' equity	497	-	262	-	759
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

September 30, 2004 vs December 31, 2003

(Dollars in millions)

(Unaudited)

	Energy	Electric Delivery	Corporate & Other	Eliminations/ Rounding	Total
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	(13)	(219)	(4)	(1)	(237)
Restricted cash	-	17	-	-	17
Advances to affiliates	1,235	-	(66)	(1,169)	-
Accounts receivable - trade	46	11	(149)	115	23
Income taxes receivable	-	-	(182)	182	-
Accounts receivable - affiliates	(2)	39	(22)	(15)	-
Notes or other receivables due from affiliates	-	17	-	(17)	-
Inventories	(90)	1	(1)	1	(89)
Commodity contract assets	159	-	-	-	159
Assets of telecommunications holding company	-	-	(110)	-	(110)
Other current assets	93	23	74	(10)	180
Total current assets	1,428	(111)	(460)	(914)	(57)
Investments					
Restricted cash	-	2	(6)	1	(3)
Other investments	99	41	(1,909)	1,812	43
Property, plant and equipment - net	(512)	134	63	-	(315)
Notes or other receivables due from affiliates	-	(16)	-	16	-
Goodwill	(16)	-	-	-	(16)
Regulatory assets - net	-	50	-	-	50
Commodity contract assets	120	-	-	-	120
Cash flow hedge and other derivative assets	(64)	-	-	-	(64)
Other noncurrent assets	8	9	1,384	(1,314)	87
Assets held for sale	(32)	-	(4,962)	-	(4,994)
Total assets	1,031	109	(5,890)	(399)	(5,149)
<b>LIABILITIES, PREFERRED SECURITIES OF SUBSIDIARIES &amp; SHAREHOLDERS' EQUITY</b>					
Current liabilities					
Notes payable - banks	565	-	-	-	565
Advances from affiliates	-	(17)	1,186	(1,169)	-
Long-term debt due currently	30	40	832	(1)	901
Accounts payable - trade	132	3	(130)	115	120
Accounts payable - affiliates	31	5	(19)	(17)	-
Notes or other liabilities due to affiliates	17	-	-	(17)	-
Commodity contract liabilities	43	-	-	-	43
Liabilities of telecommunications holding company	-	-	(603)	-	(603)
Other current liabilities	(145)	(23)	701	176	709
Total current liabilities	673	8	1,967	(913)	1,735
Accumulated deferred income taxes	(58)	37	(228)	(1,301)	(1,550)
Investment tax credits	(14)	(4)	-	1	(17)
Commodity contract liabilities	262	-	-	-	262
Cash flow hedge and other derivative liabilities	78	-	(92)	-	(14)
Notes or other liabilities due to affiliates	(16)	-	-	16	-
Long-term debt held by subsidiary trusts	-	-	(237)	-	(237)
All other long-term debt, less amounts due currently	546	246	(1,881)	-	(1,089)
Other noncurrent liabilities and deferred credits	(158)	34	436	(12)	300
Liabilities held for sale	(3)	-	(2,691)	-	(2,694)
Total liabilities	1,310	321	(2,726)	(2,209)	(3,304)
Preferred securities of subsidiaries	11	-	(657)	-	(646)
Shareholders' equity					
Preferred stock - not subject to mandatory redemption	-	-	-	-	-
Common stock	-	-	(1,074)	1,090	16
Additional paid in capital	(760)	(450)	(2,561)	1,769	(2,002)
Retained earnings (deficit)	536	236	1,495	(1,292)	975
Accumulated other comprehensive income (loss)	(66)	2	(367)	243	(188)
Total shareholders' equity	(290)	(212)	(2,507)	1,810	(1,199)
Total liabilities, preferred securities of subsidiaries & shareholders' equity	1,031	109	(5,890)	(399)	(5,149)

## TXU CORP. REGULATORY SUMMARY

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Company	Summary/Events
TXU Energy	<p><b>Price to Beat (PTB)</b> applies to former franchise area residential and small/medium business (&lt; 1MW of load) customers. It is a TXU Energy's only rate for residential customers until 1/1/05. TXU Energy may offer rates other than the PTB to small/medium commercial customers since it met the requirements of the 40% threshold target calculation in December 2003. The PTB can be changed twice per year if gas prices (20-day average of NYMEX 12-month strip) move greater than 5% (10% after 11/15 of any year) from the current price upon which PTB is based. Changes in the PTB are initiated by TXU Energy upon filing with the PUC.</p> <p><b>PUC No. 29516</b> – Application of TXU Energy Retail Company to Increase Price to Beat Fuel Factor filed March 25, 2004</p> <ul style="list-style-type: none"><li>+ Requesting 7.9% increase in PTB fuel factor.</li><li>+ Resulted in a \$3.39/month or 3.4% increase to residential customers using 1,000 kWh per month.</li><li>+ Approved by the PUC on May 19,2004 and implemented on May 20, 2004.</li></ul> <p><b>PUC No. 29837</b> – Application of TXU Energy Retail Company to Increase Price to Beat Fuel Factor filed June 10, 2004.</p> <ul style="list-style-type: none"><li>+ Requesting 12.7% increase in PTB fuel factor.</li><li>+ Resulted in a \$5.87/month or 5.7% increase to residential customers using 1000 kWh per month.</li><li>+ Approved by the PUC on July 28, 2004 and implemented on August 4, 2004.</li></ul>
TXU SESCO	<p><b>TXU SESCO Price to Beat</b> - TXU SESCO has entered into an agreement with FPL Energy Marketing, Inc. for its 2005 PTB power supply. TXU SESCO has filed for recovery of the expenses associated with the increase in purchased power costs over the current contract with Constellation. A hearing is scheduled for October 26, 2004. Based on this request, 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. The City of Denison, acting in its role as a regulatory authority, initiated an inquiry on August 2, 2004 to determine if the rates of TXU Electric Delivery, which have been established by the PUC, are just and reasonable. Approximately 20 cities have initiated similar requests and certain other cities within the historical service territory are considering similar requests. TXU Electric Delivery expects to file information responsive to the inquiries by the end of 2004, with city actions, if any, to take place in 2005. It is too early to determine whether these inquiries will have any material effect on TXU Electric Delivery's rates. TXU Electric Delivery has the right to appeal any city action to the PUC.</p> <p><b>PUC No. 29253</b> – Petition of TXU Electric Delivery Company for Approval of Transmission Cost Recovery Factor (TCRF) Update</p> <ul style="list-style-type: none"><li>+ The PUC approved TXU Electric Delivery's proposed TCRF on March 1, 2004</li><li>+ The increase will recover an additional \$9.2 million in annual revenue.</li></ul> <p><b>PUC No. 29425</b> – Application of TXU Electric Delivery Company for Interim Update of Wholesale Transmission Rates filed March 3, 2004</p> <ul style="list-style-type: none"><li>+ Approved and effective April 15, 2004.</li><li>+ Total annualized revenue increase of \$14 million</li></ul> <p><b>2<sup>nd</sup> 2004 TCRF Update (Docket No. 29985)</b> –</p> <ul style="list-style-type: none"><li>+ TXU Electric Delivery filed its 2<sup>nd</sup> 2004 TCRF request July 26, 2004.</li><li>+ Proposed total annualized revenue increase of \$29.5 million (\$9.8 for the remainder of 2004).</li><li>+ Proposed effective date of September 1, 2004.</li></ul>

## 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 July 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.
January 2003, October 2002, November 2002, December 2002	<i>Richard Schwartz, et al., v. TXU Corp et al.</i> ; Civil Action No.: 3:02-CV-2243-K; United States District Court for the Northern District of Texas, Dallas Division	A number of lawsuits were filed and consolidated, and an amended consolidated complaint was filed on July 21, 2003. The complaint alleges violations of the Securities Act of 1933 and the Securities Exchange Act of 1934, all relating to alleged materially false and misleading statements. TXU Corp. believes the claims are without merit but cannot predict the outcome of this action. On September 24, 2003 a motion to dismiss was filed. The court has not yet ruled on the motion to dismiss.
<b>Other Items</b>	October, 2003	TXU Corp. received notice from certain creditors and administrators of TXU Europe regarding potential claims against the directors and officers for allegedly failing to minimize the potential losses to the creditors of TXU Europe. TXU Corp. believes the claims are without merit and will defend such claims if they are ultimately pursued. Discussions with the administrators regarding the potential claims are ongoing.

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