

TXU CORP. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2006	2005	2004
	(millions of dollars)		
Cash flows — operating activities:			
Net income	\$ 2,552	\$ 1,722	\$ 485
Income from discontinued operations, net of tax effect	(87)	(5)	(378)
Extraordinary (gain) loss, net of tax effect	—	50	(16)
Cumulative effect of changes in accounting principles, net of tax effect	—	8	(10)
Income from continuing operations before extraordinary (gain) loss and cumulative effect of changes in accounting principles	2,465	1,775	81
Adjustments to reconcile income from continuing operations to cash provided by operating activities:			
Depreciation and amortization	893	836	826
Deferred income tax expense, including utilization of net operating loss carryforwards	756	481	(11)
Losses on early extinguishment of debt	1	—	416
Asset writedown charges	6	11	196
Charge (credit) related to impaired leases	(2)	(16)	180
Net gains on sale of assets, including amortization of deferred gains	(69)	(89)	(135)
Net effect of unrealized mark-to-market valuations	(272)	18	109
Impairment of natural gas-fueled generation plants	198	—	—
Customer appreciation bonus charge (net of amounts credited to customers in 2006)	122	—	—
Shareholders' litigation settlement accrual	—	—	84
Bad debt expense	68	56	90
Stock-based incentive compensation expense	27	32	56
Recognition of losses on dedesignated cash flow hedges	12	20	26
Recognition of gain on dedesignated fair value hedges	(6)	(10)	(15)
Charge related to coal contract counterparty claim	—	12	—
Net equity loss (income) from unconsolidated affiliate	14	—	(1)
Change in regulatory-related liabilities	1	(81)	(70)
Changes in operating assets and liabilities:			
Accounts receivable - trade	337	(335)	(246)
Impact of accounts receivable sales program	(44)	197	(73)
Inventories	(21)	(55)	15
Accounts payable - trade	(219)	(47)	223
Commodity contract assets and liabilities	—	76	(5)
Cash flow hedge and other derivative assets and liabilities	—	(9)	(22)
Margin deposits - net	564	61	34
Other - net assets	(92)	35	(165)
Other - net liabilities	215	(175)	165
Cash provided by operating activities of continuing operations	4,954	2,793	1,758
Cash flows — financing activities:			
Issuances of securities:			
Long-term debt	243	180	5,090
Common stock	180	83	112
Retirements/repurchases of securities:			
Long-term debt held by subsidiary trusts	—	—	(546)
Equity-linked debt securities	(179)	(106)	(1,105)
Other long-term debt	(1,512)	(269)	(3,088)
Exchangeable preferred membership interests	—	—	(750)
Preference stock	—	(300)	—
Preferred securities of subsidiaries	—	(38)	(75)
Common stock	(1,012)	(1,137)	(4,687)
Change in short-term borrowings:			
Commercial paper	939	358	—
Banks	(245)	230	210
Cash dividends paid:			
Common stock	(764)	(544)	(150)
Preference stock	—	(11)	(22)
Premium paid for redemption of exchangeable preferred membership interests	—	—	(1,102)
Excess tax benefit on stock-based incentive compensation	41	28	—
Debt premium, discount, financing and reacquisition expenses	(23)	(37)	(406)
Cash used in financing activities of continuing operations	(2,332)	(1,563)	(6,519)

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STATEMENTS OF CONSOLIDATED CASH FLOWS (CONT.)

	Year Ended December 31,		
	2006	2005	2004
	(millions of dollars)		
Cash flows — investing activities:			
Capital expenditures	(2,180)	(1,047)	(912)
Nuclear fuel	(117)	(57)	(87)
Dispositions of businesses	—	—	4,814
Purchase of lease trust	(69)	—	—
Proceeds from sales of assets	20	77	27
Change in collateral trust	—	—	525
Proceeds from sales of nuclear decommissioning trust fund securities	207	191	88
Investments in nuclear decommissioning trust fund securities	(223)	(206)	(103)
Investment in unconsolidated affiliate	(15)	—	—
Proceeds from pollution control revenue bonds deposited with trustee	(240)	—	—
Costs to remove retired property	(40)	(44)	(40)
Other	(7)	48	(32)
Cash provided by (used in) investing activities of continuing operations	(2,664)	(1,038)	4,280
Discontinued operations:			
Cash provided by (used in) operating activities	30	(265)	(79)
Cash used in financing activities	—	—	(10)
Cash provided by (used in) investing activities	—	4	(153)
Cash provided by (used in) discontinued operations	30	(261)	(242)
Net change in cash and cash equivalents	(12)	(69)	(723)
Cash and cash equivalents — beginning balance	37	106	829
Cash and cash equivalents — ending balance	\$ 25	\$ 37	\$ 106

See Notes to Financial Statements.