

LUXEMBOURG LISTING PROSPECTUS

U.S.\$ 1,000,000,000



Comisión Federal de Electricidad

Comisión Federal de Electricidad

(a Productive State Enterprise of the Federal Government of the United Mexican States)

4.750% Notes due 2027

We made an offer of U.S.\$ 1,000,000,000 aggregate principal amount of our 4.750% notes due 2027, which we refer to as the “notes.” The notes will mature on February 23, 2027. Interest on the notes began to accrue from October 18, 2016 and will be payable on February 23 and August 23 of each year, beginning on February 23, 2017.

The notes rank without any preference among themselves and equally with all of our other unsecured and unsubordinated public external indebtedness. The Federal government of Mexico (the “Mexican government”) does not guarantee or secure our obligations and has no obligation to pay the principal or interest on the notes in the event that our cash flows and/or assets are not sufficient to make any such payments. The notes do not grant in any way rights over the ownership, control or assets of our company.

We may redeem the notes, in whole or in part, at any time by paying the greater of 100% of the principal amount of the notes and the applicable “make-whole” premium amount, plus accrued interest to the redemption date. In the event of certain changes in the applicable rate of Mexican withholding tax, we may redeem the notes, in whole but not in part, at a price equal to 100% of their principal amount, plus accrued interest to the redemption date. In addition, upon the occurrence of certain fundamental changes in our ownership or business, we will be required to offer to purchase the notes at a price equal to 100% of their principal amount, plus accrued interest to the purchase date. See “Description of the Notes—Redemption and Purchase.”

The notes contain provisions, commonly known as “collective action clauses.” Under these provisions, which differ from the terms of our public external indebtedness issued prior to June 16, 2015, we may amend the payment provisions of any series of debt securities issued under the indenture (including the notes) and other reserved matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66²/₃% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed modification, taken individually. See “Description of the Notes—Meetings, Amendments and Waivers.”

Investing in the notes involves risks. See “Risk Factors” beginning on page 16.

ISSUE PRICE: 99.876%, PLUS ACCRUED INTEREST, IF ANY, FROM OCTOBER 18, 2016

THE INFORMATION CONTAINED IN THIS LUXEMBOURG LISTING PROSPECTUS IS EXCLUSIVELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE COMISIÓN NACIONAL BANCARIA Y DE VALORES (MEXICAN BANKING AND SECURITIES COMMISSION, THE “CNBV”). THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE REGISTRO NACIONAL DE VALORES (MEXICAN NATIONAL SECURITIES REGISTRY) MAINTAINED BY THE CNBV AND THEREFORE THE NOTES MAY NOT BE PUBLICLY OFFERED OR SOLD NOR BE THE SUBJECT OF BROKERAGE ACTIVITIES IN MEXICO, EXCEPT THAT THE NOTES MAY BE OFFERED IN MEXICO TO INSTITUTIONAL AND QUALIFIED INVESTORS, PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE LEY DEL MERCADO DE VALORES (MEXICAN SECURITIES MARKET LAW). AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW, WE WILL NOTIFY THE CNBV OF THE OFFERING OF THE NOTES TO COMPLY WITH A STATUTORY REQUIREMENT AND FOR INFORMATION PURPOSES ONLY, AND THE RECEIPT OF SUCH NOTICE BY THE CNBV, DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN. THIS LUXEMBOURG LISTING PROSPECTUS MAY NOT BE PUBLICLY DISTRIBUTED IN MEXICO.

Application has been made to list the notes on the Official List of the Luxembourg Stock Exchange and to trade them on the Euro MTF Market of such exchange. The Euro MTF Market of the Luxembourg Stock Exchange is not a regulated market for the purposes of the Law on Prospectuses for Securities or Directive 2003/71/EC. This Luxembourg Listing Prospectus can only be used for the purposes for which it has been published. This Luxembourg Listing Prospectus constitutes a prospectus for purposes of the Luxembourg law on prospectus securities dated July 10, 2005, as amended.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction, and are being offered only (1) to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and (2) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. For certain restrictions on the transfer of the notes, see “Transfer Restrictions.”

The initial purchasers delivered the notes to purchasers on October 18, 2016 in book-entry form through the facilities of The Depository Trust Company for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*.

Joint Lead Managers and Joint Bookrunners

BBVA

BofA Merrill Lynch

Citigroup

October 24, 2016

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You should carefully review the entire Luxembourg Listing Prospectus before making an investment decision. Neither we nor the initial purchasers have authorized anyone to provide you with different information. We offered to sell, and sought offers to buy, the notes only in jurisdictions where offers and sales are permitted. This Luxembourg Listing Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this Luxembourg Listing Prospectus nor any sale made under it implies that there has been no change in our affairs or that the information in this Luxembourg Listing Prospectus is correct as of any date after the date of this Luxembourg Listing Prospectus.

In connection with the offering, one of the initial purchasers acting as stabilizing manager, or any agent acting on their behalf, may over-allot or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the stabilizing manager, or any agent acting on its behalf, to do this. Any stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period. For a description of these activities, see “Plan of Distribution.”

This Luxembourg Listing Prospectus has been prepared by us solely for use in connection with the placement of the notes. We and the initial purchasers reserve the right to reject any offer to purchase for any reason.

Neither the Securities and Exchange Commission (the “SEC”), the CNBV, any state securities commission nor any other regulatory authority has approved or disapproved the notes; nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Luxembourg Listing Prospectus. Any representation to the contrary is a criminal offense.

You must:

- comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Luxembourg Listing Prospectus and the purchase, offer or sale of the notes, and
- obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to

which you are subject or in which you make such purchases, offers or sales; and neither we nor the initial purchasers shall have any responsibility therefor.

See “Transfer Restrictions” for information on transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this Luxembourg Listing Prospectus;
- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes, other than as contained in this Luxembourg Listing Prospectus and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved.

The notes may not be transferred or resold, except as permitted under the indenture governing the notes, the Securities Act and applicable U.S. state securities laws. You may be required to bear the financial risks of this investment for an indefinite period of time.

We have taken reasonable care to ensure that the information contained in this Luxembourg Listing Prospectus is true and correct in all material respects and is not misleading in any material respect as of the date of this Luxembourg Listing Prospectus, and that there has been no omission of information that, in the context of the issuance of the notes, would make any statement of material fact in this Luxembourg Listing Prospectus misleading in any material respect, in light of the circumstances existing as of the date of this Luxembourg Listing Prospectus. We accept responsibility accordingly.

The initial purchasers are not making any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Luxembourg Listing Prospectus. You should not rely upon the information set forth in this Luxembourg Listing Prospectus, as a promise or representation, whether as to the past or the future.

None of us, the initial purchasers, nor any of our and their respective representatives, is making any representation to you regarding the legality of an investment in the notes. You should consult with your own advisors as to legal, tax, business, financial, regulatory and related aspects of an investment in the notes. You must comply with all laws applicable in any place in which you buy, offer or sell the notes or possess or distribute this Luxembourg Listing Prospectus, and you must obtain all applicable consents and approvals. None of us, the initial purchasers nor any of our or their respective representatives shall have any responsibility for any of the foregoing legal requirements.

ENFORCEABILITY OF CIVIL LIABILITIES

We are an *empresa productiva del Estado* (productive state enterprise of the Mexican government). We have irrevocably submitted to the jurisdiction of the U.S. federal courts located in the Borough of Manhattan in The City of New York and, to the extent permitted by law, have waived immunity from the jurisdiction of these courts in connection with any action based upon the notes brought by any holder of notes. We have, however, reserved the right to plead immunity under the U.S. Foreign Sovereign Immunities Act of 1976 (the “Foreign Sovereign Immunities Act”) in actions brought against us under the U.S. federal securities laws or any U.S. state securities laws. Unless we waive our immunity against such actions, a U.S. court judgment could be obtained against us only if a U.S. court were to determine that we are not entitled to sovereign immunity under the Foreign Sovereign Immunities Act with respect to that action.

Our directors and officers, as well as certain experts named in this Luxembourg Listing Prospectus, reside outside the United States, and all or a substantial portion of their assets and our assets are located outside of the United States. As a result, it may not be possible for holders of the notes to effect service of process outside of Mexico upon us, our directors or officers or those experts, or to enforce against such parties judgments of courts located outside Mexico predicated upon civil liabilities under the laws of jurisdictions other than Mexico, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States.

As a productive state enterprise of the Mexican government, we are not subject to the *Ley de Concursos Mercantiles* (Commercial Bankruptcy Act) and thus cannot be declared in reorganization or bankrupt (*en concurso mercantil o quiebra*). Under applicable Mexican law, we may be liquidated and dissolved by the Mexican Congress if it determines that we cease to fulfill the purpose for which we were created or for any other reason. In the event that we are liquidated and dissolved by the Mexican Congress, it is uncertain whether or to what extent the rights of holders of the notes would be honored.

Under the CFE Law (as defined below), real property owned by us shall be deemed to be property of the public domain and, under Article 4 of the *Ley General de Bienes Nacionales* (General Law of Public Property), neither attachment prior to judgment nor attachment in aid of execution will be ordered by Mexican courts against any such real property. As a result, a Mexican court would not recognize an attachment order against any such real property. In addition, under the *Ley de la Industria Eléctrica* (the Electric Industry Law), the transmission and distribution of electric energy as a public service are reserved to the Mexican government, through us, and to that extent, the assets related thereto are subject to immunity. As a result, the ability to enforce judgments against us in the courts of Mexico may be limited.

We cannot predict whether Mexican courts would enforce judgments of United States courts based on the civil liability provisions of the United States federal securities laws. Therefore, even if a United States judgment against us were obtained, a holder of notes may not be able to obtain a judgment in Mexico that is based on that United States judgment. Moreover, a holder of notes may not be able to enforce a judgment against our property in the United States except under the limited circumstances specified in the Foreign Sovereign Immunities Act. If an action were to be brought in Mexico seeking to enforce our obligations under the notes, satisfaction of those obligations may be made in pesos, pursuant to the laws of Mexico, at the rate of exchange in effect on the date on which payment is made. Such rate of exchange is currently determined by *Banco de México* every business day in Mexico based on an average of wholesale foreign exchange market quotes and is published the following business banking day in the *Diario Oficial de la Federación* (Official Gazette of the Federation) and on *Banco de México's* website (www.banxico.org.mx). See “Exchange Rates.”

WHERE YOU CAN FIND MORE INFORMATION

We prepare annual audited financial statements and quarterly summary financial information in both Spanish and English. This information is available on our website (www.cfe.gob.mx). In addition, we are required to file certain annual, quarterly and other reports and information with the *Bolsa Mexicana de Valores, S.A.B. de C.V.* (the “BMV”) with respect to our debt securities listed in the BMV. You may inspect and copy these reports and other information related to us at the website of the BMV (www.bmv.com.mx).

We are a productive state enterprise of the Mexican government. However, the Mexican government does not guarantee or secure our obligations and has no obligation to pay the principal or interest on the notes in the event that our cash flows and/or assets are not sufficient to make any such payments. Macroeconomic and other information relating to the Mexican government is available to the public on the websites of *Banco de México* (www.banxico.org.mx), the *Secretaría de Hacienda y Crédito Público* (Ministry of Finance and Public Credit, or the “Ministry of Finance”) (www.shcp.gob.mx) and the *Instituto Nacional de Estadística, Geografía e Informática* (Mexican National Institute of Statistics, Geography and Informatics, or “INEGI”) (www.inegi.org.mx). In addition, Mexico publishes ongoing reports with the SEC. Such reports are available on the SEC’s website, www.sec.gov.

The information contained in the foregoing websites is not incorporated by reference in this Luxembourg Listing Prospectus.

MEXICAN ENERGY REFORM

On December 20, 2013, amendments to Articles 25, 27 and 28 of the *Constitución Política de los Estados Unidos Mexicanos* (Political Constitution of the United Mexican States, or the “Mexican Constitution”) were published as the *Decreto por el que se reforman y adicionan diversas disposiciones de la Constitución Política de los Estados Unidos Mexicanos, en Materia de Energía* (Decree that amends and supplements various provisions of the Mexican Constitution relating to energy matters, or the “Energy Reform Decree”), in the Official Gazette of the Federation and took effect on December 21, 2013. The Energy Reform Decree outlines the general framework for the secondary legislation that is required to give full effect to the Energy Reform Decree (the “Secondary Legislation”). On August 11, 2014, the Secondary Legislation was published in the Official Gazette of the Federation. The Secondary Legislation includes nine laws, among others, the new *Ley de la Comisión Federal de Electricidad* (the “CFE Law”) and the *Ley de la Industria Eléctrica* (the “Electric Industry Law”). As of the date of this Luxembourg Listing Prospectus, certain provisions of the Secondary Legislation, including some provisions of the Electric Industry Law, are not yet fully effective. On October 31, 2014, the President of Mexico published in the Official Gazette of the Federation 26 regulations and amendments in respect of the Secondary Legislation (the “Regulations”) including, among others, the *Reglamento de la Ley de la Comisión Federal de Electricidad* (Regulations to the CFE Law) and the *Reglamento de la Ley de la Industria Eléctrica* (Regulations to the Electric Industry Law). See “Comisión Federal de Electricidad—General Regulatory Framework” for more details regarding the implementation of the Secondary Legislation and the Regulations.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise specified or the context otherwise requires, references in this Luxembourg Listing Prospectus to “CFE,” “we,” “us” and “our” refer to Comisión Federal de Electricidad, together with its *empresas productivas subsidiarias* (productive enterprise subsidiaries), and the “company” refers solely to the Comisión Federal de Electricidad.

This Luxembourg Listing Prospectus includes our audited consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013, and our unaudited condensed consolidated interim financial information as of June 30, 2016 and for the six-month periods ended June 30, 2016 and 2015 (together, our “financial statements”).

Our financial statements are expressed in Mexican pesos and have been prepared in accordance with International Financing Reporting Standards (“IFRS”), as adopted by the International Accounting Standards Board (“IASB”).

Currency Information

References in this Luxembourg Listing Prospectus to “U.S.\$,” “U.S. dollars” and “dollars” are to the lawful currency of the United States and references to “Ps.,” “Mexican pesos” and “pesos” are to the lawful currency of Mexico. See “Exchange Rates” for certain historical Mexican peso/U.S. dollar exchange rates.

This Luxembourg Listing Prospectus contains translations of certain peso amounts into dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent such dollar amounts or could be converted into dollars at the rate indicated. Unless otherwise indicated, dollar equivalent information for amounts in pesos is based upon the rate published by *Banco de México* in effect as of June 30, 2016, which was Ps. 18.911 per U.S.\$ 1.00.

Rounding

Certain figures included in this Luxembourg Listing Prospectus have been rounded for ease of presentation. Percentage figures included in this Luxembourg Listing Prospectus have been calculated on the basis of such amounts prior to rounding, not on the basis of rounded figures. For this reason, percentage amounts in this Luxembourg Listing Prospectus may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them due to rounding.

FORWARD-LOOKING STATEMENTS

This Luxembourg Listing Prospectus contains words, such as “believe,” “expect,” “anticipate” and similar expressions that identify forward-looking statements, which reflect our views about future events and financial performance. Examples of such forward-looking statements include projections or statements as to the following:

- changes in the legal and regulatory regime applicable to the Mexican electricity sector, or the interpretation thereof;
- our future operating revenues, net income (loss), capital expenditures, indebtedness levels or other financial items or ratios;
- our plans, objectives or goals;
- our future financial performance;
- the future economic performance of Mexico;
- interest rates, currency exchange rates and foreign securities markets; and
- availability and cost of external financing for our operations, which have been affected by the stress experienced by the global financial markets.

Actual results could differ materially from those projected in such forward-looking statements as a result of various factors that may be beyond our control. These factors include, but are not limited to:

- significant economic or political developments in Mexico, particularly developments affecting the electricity sector;
- changes in the economic policies or priorities of the Mexican government;
- developments relating to the implementation of the Energy Reform Decree, the Secondary Legislation and the Regulations, including the creation of *empresas productivas subsidiarias* (subsidiary productive state enterprises) and *empresas filiales* (subsidiary enterprises) to undertake certain activities;
- adjustments to the rates that we charge our customers;
- availability of funds under income laws and budgets approved annually for our operations;
- effects on us from increases in fuel oil or natural gas prices;
- changes in interest rates or access to sources of financing on competitive terms and inflation levels;
- effects on us from competition, including on our ability to hire and retain skilled personnel; and
- changes in our regulatory environment, including tax and environmental regulations, or the interpretation thereof.

Accordingly, you should not place undue reliance on these forward-looking statements. In any event, these statements speak only as of their dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

For a more detailed discussion of important factors that could cause actual results to differ materially from those contained in any forward-looking statement, see “Risk Factors.”

TECHNICAL TERMS RELATING TO THE ELECTRICITY INDUSTRY

“capacity” means the installed capacity an electric system must have to meet peak hour demand plus a reserve sufficient to cover unplanned outages. Some of our installed capacity is idle during periods when there is lower demand for energy output and, during those periods, some of the potential output is not generated. Capacity is generally measured in megawatts.

“demand” means, for an integrated electric system, the amount of power demanded by consumers of energy at any point in time, including energy lost during transmission and distribution to consumers. It is often expressed in kilowatts.

“distribution” means the part of the electric power system that takes power from a bulk power substation to customer switches. It includes distribution substations, circuits that extend from distribution substations to every distribution transformer, metering equipment and customer location.

“generation” means the production of electricity in the large quantities required to supply electric power systems in generating stations, or power plants. Generation of electricity is achieved by converting the heat of fuel (*e.g.*, coal, gas or uranium), the hydraulic energy of water, or other forms of energy (*e.g.*, wind or solar) into electric energy. A generating station or facility may consist of several independent generating units.

“GW” means gigawatt. One gigawatt equals one billion watts, one million kilowatts or one thousand megawatts.

“GWh” means gigawatt-hour, or one million kilowatt-hours. The GWh is often used to measure the annual energy output from large power generators.

“GVA” means gigavolt-amperes. The capacity of our transmission network is normally measured in terms of gigavolt-amperes, where one GVA is one billion volt-amperes.

“kW” or “kilowatt” means one thousand watts.

“kWh” means kilowatt-hour—the standard unit of energy used in the electric utility industry to measure consumption. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour.

“MW” or “megawatt” means one million watts.

“MWh” means megawatt-hour, or one thousand kilowatt-hours.

“photovoltaic” means a method of generating electrical power by converting solar radiation into direct current electricity using semiconductors.

“reserve” means, in the electricity industry, the generating capacity that is accessible on short notice to meet unplanned increases in demand for electricity or losses of generation capacity.

“substation” means an assembly of equipment through which electrical energy delivered by transmission circuits is passed in order to convert it to voltages suitable for use by consumers.

“thermal” means a type of electric generating station in which the source of energy for the prime mover is heat.

“transmission line” means an electrical connection between two points on a power system for the purpose of transferring high voltage electrical energy between the points. Generally, a transmission line consists of large wires, or conductors, held aloft by towers.

“TW” means terawatt. One terawatt equals one trillion watts, one billion kilowatts, one million megawatts or one thousand gigawatts.

“TWh” means terawatt-hour—a unit of electrical energy equal to the work done by one TW acting for one hour.

“volt-ampere” means the unit used to measure the apparent power in an electrical circuit.

“voltage” means the energy level of electrons flowing in an electric current. A high voltage line carries electrons that are at a high energy level, and can transmit more power than a low voltage line with the same current flowing in it.

SUMMARY

This summary highlights selected information described in more detail elsewhere in this Luxembourg Listing Prospectus. This summary may not include all of the information you should consider before making a decision to invest in the notes. You should carefully read this entire Luxembourg Listing Prospectus, including the risk factors and financial statements.

Comisión Federal de Electricidad

Overview

We are the national electricity company of Mexico and, following the energy reform described below, we remain 100% owned by the Mexican government. We generate approximately 84% of the electricity consumed in Mexico, including electricity generated by Independent Power Producers (“IPPs”) (28.8%), and we are solely responsible for the transmission and distribution of electricity for public service purposes throughout Mexico. Approximately 9% of the remaining generation corresponds to electricity generated by *Petróleos Mexicanos* (“PEMEX”), the Mexican state-owned oil and gas company, and the remaining approximately 7% corresponds to private producers for self-consumption. As of June 30, 2016, we provided electricity to 40.2 million customer accounts, which we estimate represented 98.6% of the Mexican population. Since 2005, our customer base has grown at an average rate of 5.8% per year.

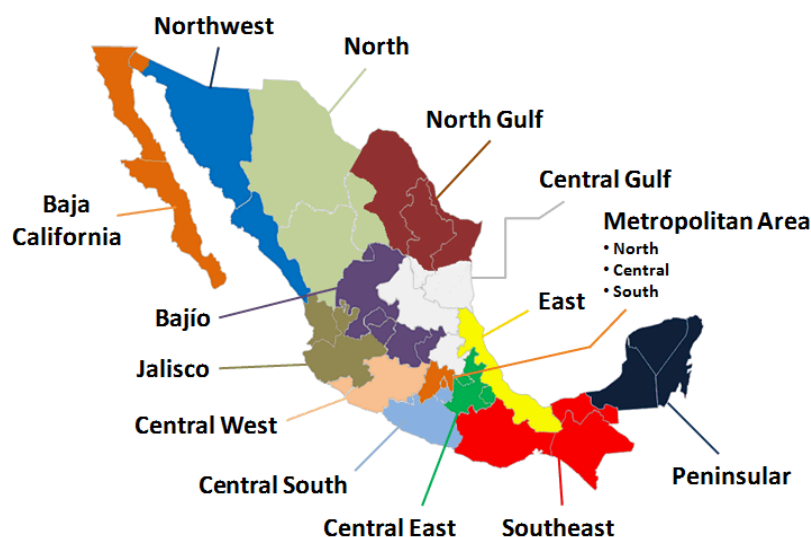
CFE was created in 1937 by presidential decree, and then converted by the Mexican Congress in 1949 into an *organismo público descentralizado de la Administración Pública Federal* (decentralized public entity of the Mexican government). Pursuant to the CFE Law, in accordance with the Energy Reform Decree and Secondary Legislation, CFE was converted into a productive state enterprise (*empresa productiva del Estado*) on October 7, 2014, subject to a new legal regime. See “Comisión Federal de Electricidad—General Regulatory Framework.”

Our Business

Our business is divided into three main areas: generation, transmission and distribution. Pursuant to the 2016-2030 *Programa de Desarrollo del Sistema Eléctrico Nacional* (the Development of the National Electric System Program, or “PRODESEN”) prepared by the Federal Government, our generation market share as of the date of this Luxembourg Listing Prospectus is estimated at 84%, of which 28.8% comes from IPPs. We have a 100% market share of the transmission and distribution markets.

We continually invest in electricity generation, transmission and distribution infrastructure in order to address Mexico’s growing electricity demand. In 2015, we invested Ps. 39.8 billion (U.S.\$ 2.1 billion) in new electricity generation, transmission and distribution infrastructure. Our Board of Directors defines our five-year business plan, determines our annual budget and approves investment priorities and projects. Our *balance financiero* (financial balance) and *techo de gasto de servicios personales* (personal services expenditure ceiling) is updated annually and requires the approval of the Mexican Congress. Our expected investment for 2016 is approximately Ps. 35.7 billion (U.S.\$ 1.9 billion), of which we had invested Ps. 5.5 billion (U.S.\$ 0.3 billion) as of June 30, 2016.

Our service area is divided into 16 regions, and extends to some of the most remote regions of Mexico.



Source: CFE.

The majority of our electricity generation activities are undertaken through thermal and hydroelectric power plants. A small percentage of our electricity generation comes from other sources, including nuclear, geothermal, coal and wind-driven powered plants. Since 1992, IPPs have been permitted under Mexican law to build and operate electricity generation plants in Mexico and sell the generated power exclusively to us.

As of June 30, 2016, our total debt, including obligations in respect of our *Proyectos de Infraestructura Productiva de Largo Plazo* (Long-term Productive Infrastructure Projects, or “PIDIREGAS”) was Ps. 300.4 billion (U.S.\$ 15.9 billion) and our total equity was Ps. 239.9 billion (U.S.\$ 12.7 billion). For further information on our existing and contemplated indebtedness, including U.S.\$ 300,000,000 aggregate principal amount of 4.39% Senior Notes due 2036 that we issued on September 29, 2016, and U.S.\$ 375,000,000 aggregate principal amount of 5.00% Senior Notes due 2036 that we issued on October 19, 2016, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” Our total assets were Ps. 1.3 trillion (U.S.\$ 68.6 billion) as of June 30, 2016. We were the fifth largest company in Mexico in terms of revenues as of December 31, 2015. Our revenues from the sale of electricity and net loss for six-month period ended June 30, 2016 were Ps. 154.4 billion (U.S.\$ 8.2 billion) and Ps. 106.8 billion (U.S.\$ 5.6 billion), respectively. Our revenues from the sale of electricity and net loss for 2015 were Ps. 306.9 billion (U.S.\$ 16.2 billion) and Ps. 93.9 billion (U.S.\$ 5.0 billion), respectively. Our revenues from the sale of electricity and net loss for 2014 were Ps. 333.4 billion (U.S.\$ 17.6 billion) and Ps. 46.8 billion (U.S.\$ 2.5 billion), respectively.

Energy Reform

Mexico enacted a landmark energy reform in 2013 and 2014, as set forth in the Energy Reform Decree, the Secondary Legislation and the Regulations that substantially altered, and is expected to continue to alter, the electricity industry in Mexico. We believe that the implementation of this reform will strengthen us by shifting our focus towards value creation, increasing our autonomy and flexibility, and enabling us to evolve from being an electricity company to being an energy company involved in additional aspects of the energy value chain in Mexico. We expect that the full implementation of the Energy Reform Decree will benefit us in the following key respects:

- **Legal Form:** We have been converted into a productive state enterprise. While we have generally retained the same rights, powers and privileges we had as a decentralized public entity, we now operate under a new legal framework, which gives us increased managerial and budgetary autonomy, as described more fully below.

- *Scope of Mandate:* As a productive state enterprise, our corporate purpose is to create economic value and increase the income of the Mexican nation. We remain solely responsible for the transmission and distribution of electricity for public service purposes. The scope of our mandate has been enlarged, which enables us to convert from being solely an electricity company to being an energy company involved in additional aspects of the energy value chain in Mexico, including natural gas commercialization. Our new corporate purpose gives us greater flexibility to deploy resources in high return opportunities to maximize profitability. We believe this focus on the most profitable generation opportunities will enable us to optimize our operating costs.
- *Natural Gas Sale:* In addition to our main activities, we are now able to sell natural gas for power generation and other purposes. We believe this may generate incremental revenue opportunities for us as demand for natural gas in Mexico increases.
- *Strategic Importance:* We will continue to operate Mexico's electricity transmission and distribution networks, and sell electricity to residential consumers and small and medium industrial and commercial consumers. In light of the foregoing, as well as our increasing participation in the growing natural gas industry in Mexico described above, we believe that we will continue to be a key participant in Mexico's energy sector.
- *Organizational Structure:* The CFE Law mandates that we create subsidiaries and undertake a vertical and horizontal separation of each of our key electric sector activities—generation, transmission, distribution and commercialization, some of which have already been created, and some others are in the process of creation as of the date of this Luxembourg Listing Prospectus. In addition, consistent with our expanded mandate, our Board of Directors has been empowered to create additional subsidiaries or participate in affiliates (*empresas filiales*) to engage in any new lines of business that we pursue without the need to obtain approval from the Mexican Congress. We believe that this new organizational structure will make our operations more efficient and transparent, and allow us to focus on maximizing our profitability along the entire energy sector value chain.
- *Rates:* Pursuant to the Secondary Legislation, the rates that we can charge our customers can be modified significantly, particularly with respect to certain of our industrial and commercial customers. The rates that we charge our residential and agricultural customers will continue to be determined and regulated by the Mexican government; however, the formula for determining rates for these customers is expected to allow us to recover our operating costs and receive a profit in an amount that the Mexican government determines to be reasonable. The rates that we charge our large industrial and commercial customers that qualify as “qualified users” by registration with the *Comisión Reguladora de Energía* (Energy Regulatory Commission) (provided existing demand exceeds certain thresholds) are no longer regulated, which grants us greater flexibility in determining our pricing strategy for “qualified users” and enables us to compete on equal terms with private electricity producers. We also expect to generate additional revenue from the new rates applicable to our transmission and distribution activities, which are designed to allow us to obtain a profit that the Mexican government determines to be reasonable from services that we provide to third parties. We believe that the new rate regime will also provide greater transparency regarding our results of operations.
- *Fiscal Regime:* We are no longer required to pay a public use tax to the Mexican government based on the value of our net fixed assets. The Secondary Legislation modified our fiscal regime by eliminating this public use tax and replacing it with a conventional income tax. In addition, in the future we may be required to pay a dividend to the Mexican government based on our net income. We expect the Ministry of Finance will determine the amount of any dividend we will pay to the Mexican government each year after taking into account our business plan and capital investment needs for the upcoming fiscal year. We also expect the proposed amount will be incorporated into the *Ley de Ingresos de la Federación* (the “Federal Revenue Law”), approved by the Mexican Congress on an annual basis. Upon congressional approval, the Ministry of Finance will determine the terms on which we are to pay such dividend. We believe these reforms will make our results of operations more transparent and enable us to report our results in a manner that will facilitate our profit-focused decision-making as the operating results will be comparable to private sector companies in Mexico.

- *Energy Procurement:* Frequent shortages of natural gas due to low domestic production and the lack of transportation infrastructure have restricted our transition to using lower-cost natural gas to generate electricity, which is three to four times less expensive than fuel oil. We believe that the full implementation of the Energy Reform Decree will result in an increase in the supply of natural gas as private-sector participants are able to explore, extract and produce natural gas in Mexico, and as the natural gas pipeline network continues to expand. We currently purchase a substantial portion of our natural gas from PEMEX, which has, at times, limited the amount of natural gas it makes available to us. Following the full implementation of the Energy Reform Decree, we believe that we will have a greater number of suppliers from which to purchase natural gas. Assuming that the increased supply of natural gas will have the expected effect of reducing the price for natural gas in Mexico, we expect our margins, which are substantially dependent on the prices we pay for the fuel that powers our generation activities, will improve.
- *Partnership Flexibility:* We are permitted to enter into joint ventures with private-sector companies for electricity generation, transmission and distribution activities, as well as for the distribution and commercialization of natural gas to industrial customers. We believe that our knowledge of Mexico's hydrologic conditions and our ability to be a supplier of natural gas will make us a strategic partner. We expect that these collaborations will, in turn, help us gain access to new technologies that will allow us to modernize our transmission and distribution networks, thereby reducing the quantity of electricity that is used in Mexico but not paid for. Moreover, by participating in joint ventures, we believe we will also be able to optimize our use of capital, potentially reduce our costs and share in any returns generated by these joint ventures.
- *Budgetary Autonomy:* Our conversion to a productive state enterprise is designed to provide us with greater budgetary autonomy and flexibility than we had as a decentralized public entity. Although the Mexican Congress will still approve our financial balance and personal services expenditure ceiling, and notwithstanding we are subject to certain budgetary controls by the Mexican government and the *Cámara de Diputados* (Mexican Chamber of Deputies), our Board of Directors is now able to define our five-year business plan, determine our annual budget and freely approve investment priorities and projects. In addition, the Secondary Legislation grants us greater autonomy and flexibility with respect to our procurement, contracting and compensation policies, which we believe will enable us to reduce contracting costs by adopting terms that are market standard in our service contracts and enhance our ability to attract and retain highly-skilled employees.
- *Corporate Governance:* In connection with our conversion to a productive state enterprise, we have adopted a corporate governance framework based on international best practices that is more closely aligned to the governance frameworks of private-sector companies. Our Board of Directors now consists of five representatives of the Mexican government, including the Minister of Energy and the Minister of Finance, four independent directors and one representative of our union. In addition, our internal auditing, control and accountability functions are now undertaken by three separate and independent bodies rather than a single body, in an effort to align our internal oversight practices with those of private-sector companies. We believe that the new composition of our Board of Directors and the reorganization of our internal auditing, control and accountability functions will provide greater transparency and accountability. In addition, in September 2016 President Enrique Peña Nieto submitted to the Mexican Congress proposed amendments to the CFE Law. If approved by Congress, such amendments will impose additional requirements on our independent directors to prevent conflicts of interest, and will harmonize our corporate governance regime with the new anticorruption measures included in the *Ley General de Responsabilidades Administrativas de los Servidores Públicos* (General Law of the Administrative Responsibilities of the Public Service Providers) published in the Official Gazette of the Federation on July 18, 2016.

Business Strategy

As a result of the energy reform, we are in the process of implementing a new strategy to comply with the CFE Law and to optimize our business portfolio and our overall performance, and increase our current profitability levels. In order to implement this strategy, in December 2015, our Board of Directors approved the *Plan de*

Negocios de la CFE 2016-2020 (Business Plan of CFE 2016-2020, or our “Business Plan”), together with the *Programa de Inversiones* (our “Investments Program”) for the period from 2016 to 2020.

Our business strategy is primarily focused on maximizing our overall performance in our four main business lines: generation, transmission, distribution and commercialization, through the following key strategies.

Improve our Electricity Generation Performance

We intend to maximize our current electricity generation capacity through the optimization and segmentation of our generation plants, the incorporation of new technologies and by replacing currently-underperforming thermal power plants. Our market share of electricity generation is approximately 84%, and between 2010 and 2015 our generation output, including through IPPs, increased by 6.6% (16.0 TWh). We expect electricity demand to increase approximately 3.7% by 2020, and consumption to increase between 45TWh and 60 TWh during the same period. Our goal is to increase our electricity output at a rate that will correspond with the anticipated increase in electricity demand in Mexico, while improving the profitability of our business portfolio. We also intend to increase the competitiveness of our generation plants, 26% of which have operating costs that we believe may be substantially reduced.

We also plan to expand our generation capacity in clean and renewable energy sources. We rely, and expect to continue to rely, on the use of cleaner burning fuels, such as natural gas, in our generation activities (as compared to fuels that emit higher levels of contaminants into the environment, such as fuel oil). As of June 30, 2016, 72.2% of our electricity generation capacity derived from fossil fuels (natural gas, coal, diesel and fuel oil), 31.1% of which derived from natural gas-fired plants of IPPs. The remaining 27.8% of our electricity generation capacity derived from renewable sources (including nuclear). We are converting seven thermoelectric power plants that currently use fuel oil to natural gas which represent 4,600 MW of installed capacity; and nine new plants, which represent an additional 6,200 MW of capacity, are under construction. Our goal is to maintain or improve this allocation between fuel types in the future; however, our actual allocation will depend in part on the global supply of such fuels and pricing considerations. In addition, we rely, and expect to continue to rely, on clean generation technology, such as hydroelectric, geothermal and wind-driven power generation, each of which use renewable primary sources of energy. Our Investments Program estimates an additional 15.3GW in generation capacity between 2016-2020. In accordance with our Business Plan, we expect that, by 2019, we will have expanded our generation capacity by 15.5GW (which would represent a 24.2% increase, for a total installed capacity of 70.482GW by 2020), and we expect that renewable energy sources will account for approximately 18-20% of our total generation.

Modernize our Transmission and Distribution Networks and Reduce Technical and Non-Technical Losses

Transmission and distribution remain strategic activities for the Mexican government and represent our core business line. Our main objective in the mid- to long-term is to reduce our technical losses and the quantity of electricity that is used in Mexico but not paid for (i.e., “non-technical losses”). Specifically, our goal is to reduce non-technical losses from 12.8%, as of June 30, 2016, to 9.0% by 2020 through the modernization of our metering systems, strengthening our commercial processes, regularizing our services in areas affected by irregular land-use and strengthening our electric infrastructure. We have accordingly embarked on a number of projects, tentatively aimed to be completed by the end of 2017 to early 2018, with the following targets:

- replacement of 2,419,143 regular meters with smart meters;
- modernization of 2,500 miles (4,000 km) of distribution lines; and
- replacement of 59,628 power transformers in our distribution network.

The estimated total investment required for these projects is U.S. \$1,247 million, and focuses chiefly on the Mexico City metropolitan area. This strategy and types of projects are expected to allow us to recover 29,927GWh between 2016 and 2020, and reach annual electricity savings of 5,985GWh beginning in 2020. These annual savings are estimated to be approximately Ps. 7.5 billion (U.S.\$ 397 million).

Modernization of our equipment and technology, including the replacement of aging transmission and distribution substations and power lines, is integral to providing reliable electricity service to our customers. We

intend to dedicate a significant portion of our financial and human resources as we seek to ensure that our transmission and distribution networks employ state of the art technology and are in good working condition. In addition, we intend to further develop our “smart-grid” technology, which will include a two-way digital communication system between our customers and us, through which we will be able to monitor the electricity needs of our customers in real time and, accordingly, improve the efficiency with which we provide electricity. We expect that the implementation of smart-grid technology will also help reduce our non-technical losses.

We seek to reduce electricity service interruptions. Much of our equipment is installed outdoors and is subject to the varying weather conditions and natural disasters that affect Mexico from time to time. As a result, this equipment (including, in particular, our transmission towers and utility poles) often incurs weather-related damage, which in certain instances causes electricity service interruptions for our customers. We maintain a well-trained staff of technicians that repair damaged equipment upon our receipt of notice of any such damage. Between 2010 and 2015, the duration of service interruptions resulting from failures in our distribution network decreased by 35%, and the current duration of service interruptions per user has been reduced to 39 minutes per year. We continually assess the quality and speed of these repairs, and we expect that our dedication to delivering fast and effective repair services will continue into the future.

Supply and Commercialization

A key aspect of our growth strategy is increasing the profitability of our commercialization activities in the medium to long-term. We intend to continue servicing our approximately 40.2 million customers and future qualified users by developing client-focused strategies that focus on differentiating our clients by segment. We also plan to take advantage of our client base to develop new lines of business and increase our overall commercialization capacity.

In parallel, we plan to continue to develop our transportation and commercialization of natural gas business. Under our new structure, we have created a subsidiary that will be in the business of buying, selling, transporting and storing gas, fuel oil, coal and other fuels.

We currently are the most important purchaser of the natural gas that is consumed in Mexico, and within five years we expect to become the main consumer of natural gas in North America. Considering our unique position in the industry and the opportunities available in Mexico’s undeveloped sector, we seek to gradually increase our presence in the market as we continue to commercialize, import, export, transport and store natural gas in Mexico and the United States.

Our transformation strategy is based on strategic pillars that will support each of our business lines.

Investments and Financing Capabilities

In accordance with our Investments Program approved by our Board of Directors in connection with our Business Plan, we intend to promote private investments by maintaining our current arrangements under *Programa de Obra Pública Financiada* (Financed Public Works Program, or “OPF”) programs, as well as to take advantage of the new partnership flexibilities granted under the CFE Law and the Electric Industry Law to enter into joint ventures, public private partnerships and similar arrangements that allow us to diversify the sources of private capital investment for our projects.

We estimate that 32% of our total projected investment amount through 2019 will be financed pursuant to existing procurement processes, including the construction and development of 16 generation plants that are expected to increase our installed capacity by 7.1GW. Also, we expect that 22% of our projected investments through 2019 will originate from our own resources and the remaining 46% from investments schemes under the new strategic platform we are developing, which is expected to rely substantially on raising private capital.

We expect that our total capital expenditures relating to our Investments Program for the period from 2016 to 2020 will be allocated as follows: Ps. 283 billion (U.S.\$ 15.0 billion) for the improvement and expansion of our electricity generation capacity; Ps. 53.5 billion (U.S.\$ 2.8 billion) for the improvement and expansion of our transmission network, and Ps. 86 billion (U.S.\$ 4.5 billion) for the improvement and expansion of our distribution network and commercialization.

Out of the Ps. 283 billion (U.S.\$ 15.0 billion) we expect to use for the improvement and expansion of our electricity generation capacity, we plan to invest Ps. 227 billion (U.S.\$12.0 billion) in generation projects aimed at increasing our installed generation capacity, while the remaining Ps. 55 billion (U.S.\$ 2.9 billion) is intended to further upgrade and maintain our plants.

In connection with our transmission projects, we expect to invest Ps. 30 billion (U.S.\$ 1.6 billion) in the expansion of our *Red Nacional de Transmisión* (National Transmission Network), and Ps. 23 billion (U.S.\$ 1.2 billion) in the modernization of our network and its substations.

With respect to our distribution projects, we expect to invest Ps. 41 billion (U.S.\$ 2.2 billion) in the modernization of our distribution network and Ps. 45 billion (U.S.\$ 2.4 billion) in its expansion.

We are also planning investments to improve the infrastructure required to transport natural gas by means of entering into 25 year agreements with service providers, which we expect will allow us to develop our business of transportation and commercialization of natural gas in the mid- to long-term and substantially increase our revenue stream.

Our program of contracting with IPPs has allowed private companies to bid and operate electricity generation plants in Mexico and sell the generated power to us. Under the program, we have entered into long-term (25 years) agreements, under which IPPs are responsible for the construction, operation and maintenance of the electricity generation facility during the life of the agreement and we are obligated to purchase the electricity produced by that facility. The use of IPPs has historically helped us meet electricity generation demands without the cost of construction.

The IPP program has also allowed us to obtain competitive prices for the purchased electricity via an international bidding process, in which we award projects to bidders that offer the lowest kWh price for the sale of electricity to us. As of June 30, 2016, a total of 29 IPP projects relating to generation facilities were operational.

The OPF program addresses our infrastructure needs with respect to the transmission and distribution of electricity and for generation projects that cannot be structured using IPPs. We enter into relatively short-term (1-2 years) agreements, under which a private company, which we select in an international public bidding process, is responsible for the construction of a project, but not for its ongoing operation and maintenance. Bidders that are selected for OPF agreements receive a total payment upon the completion of the project. The main advantage of this program is that we avoid risks relating to the development of the project that may arise during the construction stage, such as cost escalation and failure of the completed project to meet technical specifications. As with IPPs, we are able to secure competitive prices for the OPFs as a result of an international bidding process. For the 2016 Mexican government budget, a total of 322 OPF projects have been authorized for construction, including 217 facilities that were operational as of May 31, 2016. As of the date of this Luxembourg Listing Prospectus, we are assessing alternative investments schemes, such as joint ventures and public private partnerships, under which we may raise private capital in order to meet our investment needs.

We also intend to increase competition during the bidding processes for procurement contracts, reduce our financing costs and improve our risk-management policies.

In the past, our financings have been mostly limited to public and private financing transactions in the Mexican loan and bond markets, and certain private financings in the United States, Europe and Japan. In May 2011, February 2012, October 2013, June 2015, and September 2016, we sought financing in the international bond markets. We believe that the further development of this financing option, together with our objective to diversify our financing sources, will improve our liquidity and debt maturity profile and help fund our investment activities.

New Organizational and Operational Structure and Strong Performance Culture

We are in the process of developing a new organizational and operational structure that we expect will allow our new subsidiary productive state enterprises and other subsidiaries and affiliates (*empresas filiales*) to operate in a competitive and efficient manner, attract high-skilled employees, improve our strong performance culture and enhance result-oriented strategies.

Our organizational transformation requires us to reduce our financing costs and improve our financial risk management controls, for which we expect that we will centralize our budgetary, human resources, accounting and financing activities, as well as public relations through a corporate center. This new office will be in charge of coordinating with the Ministry of Finance certain matters relating to our financing plans, including the incurrence and registration of our indebtedness. In addition, we will establish a general information technology office, which will be in charge of developing new rules and processes that allow each subsidiary to be aligned to the rest of our company, by developing the adequate technology infrastructure to take advantage of the uniform application of several management tools. We will also establish a new strategic area in charge of overseeing our subsidiary productive state enterprises and other subsidiaries, including their business performance and investments portfolio.

Services and Support

We intend to develop new services and a support business model as a result of which we will transfer certain of our servicing areas to newly created subsidiaries, including those areas that currently provide administrative support. These subsidiaries are expected to service third parties as well as to continue servicing our businesses and affiliates, thus optimizing the value of our assets through more efficient processes.

Labor Liabilities, Costs Optimization and Productivity

As of June 30, 2016, our labor liabilities amounted to 37% of our total assets. As a result of the new labor contract, signed on May 19, 2016 between CFE and the *Sindicato Único de Trabajadores Electricistas de la República Mexicana* (Sole Union of Electrical Workers of the Mexican Republic, or “SUTERM”), our labor liabilities were reduced by approximately 25% and could be reduced by another 25% by year end if the Mexican government agrees to match the savings as it was stipulated in the *Proyecto de Decreto de Presupuesto de Egresos de la Federación para el Ejercicio Fiscal de 2017* (“Proposed Federal Budget for the Fiscal Year 2017”).

Strategic Regulatory Action

As a productive state enterprise, we intend to have an active role in the implementation of the new policies and regulations to develop the *Sistema Eléctrico Nacional* (the “National Power System”). We are currently assessing comparable international experiences relating to the liberalization of electricity markets. We will continue to develop our relationship with our regulators. In particular, regarding our tariff-regulated business, we will coordinate and maintain a channel of communication aimed to align the tariffs that we charge our customers with our costs and operating expenses.

As a result of the energy reform, there are still several items that remain pending with the relevant regulatory entities, such as the annual dividends policy and the horizontal division of our generation business, which will impact in our projected Business Plan and strategy of transformation. We will continue to assist the relevant authorities to enact the appropriate rules and regulations.

Additionally, the energy reform established the creation of the *Centro Nacional de Control de Energía* (National Energy Control Center, or “CENACE”), which will act as the independent energy system operator and will be in charge of overseeing all the activities (generation, transmission and distribution) of the *Mercado Eléctrico Mayorista* (the “Wholesale Electricity Market”) and its participants as well as managing the electricity spot market.

Social Responsibility

We will continue to operate as a last resort provider of electric power and we intend to continue to proactively face any electric emergencies. As a productive state enterprise, we expect to continue to monitor and assist the regulatory authorities in establishing reasonable and fair rates.

Implementation of Business Plan

Pursuant to our Business Plan, our strategy is expected to be implemented in three stages, as follows:

- **Initial Implementation:** We are in the process of improving our operational efficiency to make our business portfolio more sustainable, finalizing our new organizational and operational structure,

implementing our corporate reorganization and restructuring our financial balance to secure our future operation. As of the date of this Luxembourg Listing Prospectus, we have implemented the transition from fuel oil to natural gas generation, and we have created new subsidiaries as mandated by law and expect them to begin operations next year under the new organizational structure.

- Consolidation of our Core Lines of Businesses (2017-2018): Maximize the value of our core businesses through performance programs, optimize our generation portfolio, and prepare the basis for a future expansion into other businesses.
- Expansion (2019 onwards): Develop and implement policies and controls to ensure our improved performance in each of our core businesses and increase our profitability levels in other lines of business.

Our principal executive office is located at Paseo de la Reforma 164, Col. Juárez, 06600 Ciudad de México. Our facsimile number at that address is +1(5255) 5230-9092.

The Offering

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing throughout this Luxembourg Listing Prospectus. For a more complete description of the terms of the notes, see “Description of the Notes.”

Issuer	Comisión Federal de Electricidad.
Notes Offered	U.S.\$ 1,000,000,000 aggregate principal amount of 4.750% notes due 2027.
Issue Date	October 18, 2016.
Issue Price	99.876% of the principal amount thereof, plus accrued interest, if any, from October 18, 2016.
Maturity Date	February 23, 2027 at a redemption price equal to 100% of the then outstanding principal amount of the notes.
Interest Rate	The notes will bear interest at the rate of 4.750% per annum from October 18, 2016. Interest on the notes will be based upon a 360-day year consisting of twelve 30-day months.
Interest Payment Dates	Interest on the notes will be payable semi-annually on February 23 and August 23 of each year, beginning on February 23, 2017.
Status	The notes constitute our direct, general, unconditional, unsecured and unsubordinated Public External Indebtedness (as defined below). The notes rank and will rank without any preference among themselves and equally with all of our other unsubordinated Public External Indebtedness. The Mexican government does not guarantee or secure our obligations and has no obligation to pay the principal or interest on the notes in the event that our cash flows and/or assets are not sufficient to make any such payments. The notes do not grant in any way rights over the ownership, control or assets of our company. It is understood that this provision shall not be construed so as to require us to make payments under the notes ratably with payments being made under any other of our Public External Indebtedness. See “Description of the Notes—General—Status.”
Payments of Additional Amounts	We are required by current Mexican law to deduct Mexican withholding taxes from payments of interest to investors who are not residents of Mexico for tax purposes as described under “Taxation—Mexican Tax Considerations.” We will pay additional amounts in respect of those payments of interest so that the amount holders receive after Mexican withholding tax, will equal the amount that they would have received if no such Mexican withholding taxes had been applicable, subject to some limitations and exceptions as described under “Description of the Notes—Additional Amounts.”
Negative Covenants	The indenture governing the notes contains certain negative covenants relating to us, including: • a negative pledge, under which we will agree to a limitation on our ability to incur certain liens securing Public External Indebtedness; and • a limitation on fundamental changes, under which we will agree not to engage in certain mergers, consolidations or sales of assets. These covenants are subject to significant qualifications and exceptions. See

“Description of the Notes—Negative Covenants.”

Optional Redemption	We may redeem the notes, in whole or in part, at any time by paying the greater of 100% of the principal amount of the notes and a “make-whole” amount, plus accrued interest to the redemption date, as described under “Description of the Notes—Redemption and Purchase—Optional “Make-Whole” Redemption.”
Tax Redemption	We may redeem the notes, in whole but not in part, at a price equal to 100% of their principal amount, plus accrued interest to the redemption date, upon notice, if we are obligated to pay any additional amounts under the notes in excess of those attributable to a Mexican withholding tax rate of 4.9% as a result of certain changes in Mexican tax laws applicable to payments under the notes. See “Description of the Notes—Redemption and Purchase—Redemption for Taxation Reasons.”
Purchase at the Option of Holders	Upon the occurrence of certain fundamental changes in our ownership or business (including, among others, if we cease to be a public-sector entity of, or majority-owned by, the Mexican government), we will be required to offer to purchase the notes, at a price equal to 100% of their principal amount, plus accrued interest to the purchase date. See “Description of the Notes—Redemption and Purchase—Purchase at the Option of Holders.”
Further Issues	We may, from time to time without the consent of holders of the notes, issue additional notes having the same terms and conditions as the notes in all respects, except for the issue date, issue price and, if applicable, the date of first payment of interest, the date from which interest will accrue, CUSIP and/or other securities numbers and, to the extent necessary, certain temporary securities law transfer restrictions; <i>provided, however</i> , that any such additional notes issued with the same CUSIP as the notes issued pursuant to the offering shall be issued either in a qualified reopening for U.S. federal income tax purposes or with no more than <i>de minimis</i> original issue discount for U.S. federal income tax purposes. Additional notes issued in this manner will increase the aggregate principal amount of, and be consolidated with and form a single series with, the previously outstanding notes.
Collective Action Clauses	The notes contain “collective action clauses.” Under these provisions, which differ from the terms of our Public External Indebtedness issued prior to June 16, 2015, we may amend the payment provisions of any series of debt securities issued under the indenture (including the notes) and other reserved matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, whether or not the “uniformly applicable” requirements are met, more than 66 ² / ₃ % of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, <i>and</i> more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed modification, taken individually. See “Description of the Notes—Meetings, Amendments and Waivers.”

Transfer Restrictions	The notes have not been and will not be registered under the Securities Act and are subject to transfer restrictions. See “Transfer Restrictions.”
Form and Denomination	The notes were issued in fully registered book-entry form, with a minimum denomination of U.S. \$200,000 and integral multiples of U.S. \$1,000 in excess thereof. The notes sold in the United States in reliance on Rule 144A were evidenced by one or more notes in global form (collectively, the “Restricted global note”), which were deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”). The notes sold outside of the United States in reliance on Regulation S were evidenced by one or more separate notes in global form (collectively, the “Regulation S global note”), which also were deposited with a custodian for, and registered in the name of a nominee of, DTC. Transfer of beneficial interests between the Restricted global note and the Regulation S global note will be subject to certain certification requirements.
Use of Proceeds.....	We intend to use the net proceeds from the offering of the notes for working capital and general corporate purposes in accordance with the Mexican laws and regulations applicable to us.
Listing	Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market.
Trustee, Registrar, Principal Paying Agent and Transfer Agent	Deutsche Bank Trust Company Americas.
Luxembourg Paying Agent, Transfer Agent and Listing Agent	Deutsche Bank Luxembourg S.A.
Governing Law	The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York, except that matters relating to the authorization and execution of the indenture and the notes by us are governed by and construed in accordance with the laws of Mexico.
Risk Factors.....	Prospective purchasers of the notes should consider carefully all of the information set forth in this Luxembourg Listing Prospectus and, in particular, the information set forth under “Risk Factors” in this Luxembourg Listing Prospectus, before making an investment in the notes.

Summary Financial and Operating Information

The summary financial information set forth below has been derived from our audited financial statements as of and for the years ended December 31, 2015, 2014 and 2013, and our unaudited condensed consolidated interim financial information as of June 30, 2016 and for the six-month periods ended June 30, 2016 and 2015. This summary of financial information should be read in conjunction with, and are qualified in their entirety by reference to, our financial statements included elsewhere in this Luxembourg Listing Prospectus.

Our financial statements are expressed in Mexican pesos and have been prepared in accordance with IFRS, as adopted by the IASB.

	As of and for the Six-Month Period Ended June 30,						As of and for the Year Ended December 31,							
	2016		2016		2015		2015		2015		2014		2013	
	(in millions of dollars, except for ratios, percentages and GWh) (1)				(in millions of pesos, except for ratios, percentages and GWh)		(in millions of dollars, except for ratios, percentages and GWh) (1)				(in millions of pesos, except for ratios, percentages and GWh)			
Statement of Comprehensive income (loss) Information														
Revenues on sale of electric power.....	U.S.\$	7,530	Ps.	142,407	Ps.	147,153	U.S.\$	16,226	Ps.	306,864	Ps.	333,397	Ps.	318,409
Total operating costs and expenses		781		14,773		161,430		18,095		342,218		338,843		337,138
Operating income (loss)		7,384		139,634		(14,277)		(1,869)		(35,354)		(5,447)		(18,728)
Other (expenses) income, net		—		—		1,847		42		799		5,032		5,199
Income tax on the distributable remaining balance (2)		N/A		N/A		N/A						(2,492)		(1,581)
Rate insufficiency (3)		N/A		N/A		N/A		3,190		60,332		86,227		85,770
Public use tax (4)		N/A		N/A		N/A						(58,792)		(46,013)
Write-off of insufficiency not covered by public use taxes ...		N/A		N/A		N/A		(3,190)		(60,332)		(27,435)		(39,758)
Net result of the subsidy and non-tax charges		N/A		N/A		N/A								
Financial cost		(1,734)		(32,788)		(23,162)		(3,139)		(59,357)		(43,925)		(22,442)
Net income (loss).....	U.S.\$	5,650	Ps.	106,846	Ps.	(35,592)	U.S.\$	(4,966)	Ps.	(93,912)	Ps.	(46,832)	Ps.	(37,552)
Statement of Financial Position														
Current assets	U.S.\$	7,740	Ps.	146,381	Ps.	171,510	U.S.\$	7,270	Ps.	137,477	Ps.	139,202	Ps.	137,194
Plants, facilities and equipment, net		56,881		1,075,686		997,372		57,423		1,085,946		998,057		954,246
Derivative financial instruments		2,577		48,727		14,550		2,022		38,240		13,958		13,989
Long-term loans to workers.....		566		10,716		9,697		532		10,061		9,233		8,312
Other assets		832		15,736		16,704		1,042		19,709		15,498		11,378
Total assets	U.S.\$	68,597	Ps.	1,297,246	Ps.	1,209,833	U.S.\$	68,289	Ps.	1,291,433	Ps.	1,175,948	Ps.	1,125,118
Employee benefits and other (5).....		25,523		482,681		552,532		31,510		595,903		535,539		504,261
Short-term debt and leases (6)		3,512		66,432		52,298		1,881		35,571		30,816		48,484
Short-term employee benefits.....		—		—		28,846		1,543		29,181		28,513		23,268
Other current liabilities (7)		3,348		63,316		68,339		3,603		68,139		64,253		57,196
Documented debt and leases (8)		19,290		364,800		339,817		18,811		355,744		316,371		276,872
Derivative financial instruments		1,844		34,861		14,404		1,851		35,000		14,555		15,036
Other long-term liabilities		2,396		45,297		33,213		2,218		41,949		30,355		24,023
Total equity		12,684		239,859		120,383		6,871		129,946		155,544		175,978
Total liabilities and equity	U.S.\$	68,596	Ps.	1,297,246	Ps.	1,209,833	U.S.\$	68,289	Ps.	1,291,433	Ps.	1,175,948	Ps.	1,125,118
Other Financial and Operating Information														
Adjusted EBITDA (9)	U.S.\$	1,334	Ps.	25,232	Ps.	24,722	U.S.\$	2,450	Ps.	46,334	Ps.	64,566	Ps.	42,945
Ratio of adjusted EBITDA to net interest expense.....		2.0x		2.0x		2.5x		2.3x		2.3x		3.4x		2.2x
Ratio of debt to adjusted EBITDA		N/A		N/A		N/A		8.4x		8.4x		5.4x		7.6x
Ratio of debt to equity		179.8%		179.8%		329.0%		301.1%		301.1%		223.2%		184.9%
Capital expenditures.....	U.S.\$	814	Ps.	15,392		20,797	U.S.\$	2,104	Ps.	39,790	Ps.	46,822	Ps.	37,370
GWh sold		104,982		104,982		101,879		213,436		213,436		209,253		206,760
N/A = Not applicable.														

- (1) Translations into dollars of amounts in pesos have been made at the peso/dollar exchange rate in effect as of June 30, 2016 of Ps. 18.911 = U.S.\$ 1.00, as published by *Banco de México*. Such translations should not be construed as a representation that the peso amounts have been or could be converted into dollar amounts at the foregoing or any other rate.
- (2) Represents taxes paid on distributable remaining balance, under the tax regime that was in effect until December 31, 2014. Since January 1, 2015, upon the repeal of the *Ley del Servicio Público de Energía Eléctrica* (the Electric Power Utilities Law, or the “LSPEE”), and our conversion into a productive state enterprise, we are now obligated to pay income taxes based on our taxable income, instead of only on third party transactions. For further detail, see Note 20 to our audited financial statements as of and for the years ended December 31, 2015 and 2014 and Note 19 to our unaudited condensed consolidated interim financial information as of June 30, 2016 and for the six-month periods ended June 30, 2016 and 2015, and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”
- (3) Represents non-cash transfers that the Mexican government provided to us to compensate for the subsidized rates of electricity that we charge certain of our customers. We have calculated the rate insufficiency as of and for the six-month period ended June 30, 2016 on the same basis that we calculated the rate insufficiency for the previous periods. However, our ability to receive such rate insufficiency in the future is uncertain. Since January 1, 2015, upon the repeal of the LSPEE, and our conversion into a productive state enterprise, there is no current agreement with the Ministry of Finance relating to this subsidy. For further detail, see Note 3 to our audited financial statements as of and for the years ended December 31, 2015 and 2014 and Note 3 to our unaudited condensed consolidated interim financial information as of June 30, 2016 and for the six-month periods ended June 30, 2016 and 2015, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors—Risk Factors Related to CFE—Our operating costs may not be fully covered by our electricity rates, which are set by the Mexican government; and, as a result, a reduction of our electricity rates could adversely affect our results of operations and financial condition.”
- (4) Represents a non-cash charge from the Mexican government for the use of our assets. The charge was calculated as a percentage of our net fixed assets. The percentage was determined on an annual basis by the Mexican government. Since January 1, 2015, upon the repeal of the LSPEE, and our conversion into a productive state enterprise, we are no longer subject to this charge.
- (5) Represents employee benefits plus provision for labor obligations upon retirement and other contingencies.
- (6) Represents current portion of documented debt plus current portion of the leases of plants, facilities and equipment and PIDIREGAS.
- (7) Represents liabilities derived from suppliers and contractors plus taxes and fees payable plus other accounts payable and accrued liabilities plus deposits from users and contractors.
- (8) Represents long-term documented debt plus long-term leases of plants, facilities and equipment and PIDIREGAS.
- (9) Adjusted EBITDA equals operating income (loss) before depreciation and net cost of labor obligations. Operating EBITDA and the ratios of adjusted EBITDA to net interest expense, debt to adjusted EBITDA and debt to equity are presented in this Luxembourg Listing Prospectus because we believe that they are widely accepted as financial indicators of our ability to internally fund capital expenditures and service or incur debt. Adjusted EBITDA and such ratios should not be considered as indicators of our financial performance, as alternatives to cash flow, as measures of liquidity or as being comparable to other similarly titled measures of other companies.

Reconciliation of our adjusted EBITDA to operating income (loss) is as follows:

	For the Six-Month Period Ended June 30,			For the Year Ended December 31,			
	2016	2016	2015	2015	2015	2014	2013
	(in millions of dollars)	(in millions of pesos)		(in millions of dollars)	(in millions of pesos)		
Operating income (loss) ...	U.S.\$ 7,384	Ps. 139,634	Ps. (14,277)	U.S.\$ (1,869)	Ps. (35,354)	Ps. (5,446)	Ps. (18,728)
Depreciation.....	1,481	28,001	21,527	2,393	45,252	41,565	36,235
Net cost of labor obligations ^(A)	(7,531)	(142,403)	17,323	1,926	36,436	28,447	25,438
Adjusted EBITDA.....	U.S.\$ 1,334	Ps. 25,232	Ps. 24,573	U.S.\$ 2,450	Ps. 46,334	Ps. 64,566	Ps. 42,945

- (A) Represents our reserve for pension and seniority premiums in respect of our defined benefits plan, as determined by an independent actuarial study on an annual basis, which is established for employees that were employed prior to the inception of our defined contribution plan on August 18, 2008.

The figures in pesos shown for the purpose of reconciling the adjusted EBITDA are presented in the consolidated statements of cash flow for the corresponding periods.

RISK FACTORS

An investment in the notes is subject to the risks described below. You should carefully review the following risk factors, together with the other information contained in this Luxembourg Listing Prospectus, before deciding whether this investment is suited to your particular circumstances. Any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could, in turn, affect our ability to repay our indebtedness, including the notes. The trading price of the notes could decline due to any of these risks, and investors may lose all or part of their investment. The risks described below are those known to us and what we currently believe may materially affect us. Additional risks not presently known to us or that we currently consider immaterial may also impair our business.

Risk Factors Related to Mexico

The effects of the implementation of the new legal framework applicable to the energy sector in Mexico are uncertain but likely to be material

The Energy Reform Decree, which was enacted in December 2013, included the framework for the implementation of the Secondary Legislation and provided for certain transitional steps. On August 11, 2014, the Secondary Legislation, which was published in the Official Gazette of the Federation. Certain provisions of the Secondary Legislation, including some provisions of the Electric Industry Law relating to the Wholesale Electricity Market, are not yet fully effective as of the date of this Luxembourg Listing Prospectus. On October 31, 2014, President Enrique Peña Nieto enacted Regulations in respect of the Secondary Legislation, which were published in the Official Gazette of the Federation. We expect that the effects of these developments on our business and operations will be material.

Among the provisions of the Energy Reform Decree, the Secondary Legislation and the Regulations that may significantly affect our operations are the following:

- Private-sector companies are now able to invest and participate in all aspects of electricity generation and commercialization, subject to certain transitional provisions;
- As a productive state enterprise, we will no longer be responsible for the control and operation of the National Power System;
- Operational control over the National Power System and the transmission and distribution of electric energy are deemed to be areas of national strategic concern and, accordingly, will remain under the control of the Mexican government through one or more state entities, and the Mexican government may enter into contracts and joint ventures with private-sector companies in certain activities related to electricity transmission and distribution infrastructure;
- The *Secretaría de Energía* (Ministry of Energy) and the Energy Regulatory Commission were granted additional technical and administrative authority over certain of our operations; and
- The Mexican government may set some of our electricity rates at levels below our operating costs in order to maintain the affordability of electricity, in particular with respect to our residential and agricultural customers.

In addition, the implementation of the Secondary Legislation modified our fiscal regime by eliminating the public use tax and replacing it with an income tax. Furthermore, in the future we may be required to pay a dividend to the Mexican government based on our net income. The Ministry of Finance will determine the amount of any dividend we are expected to pay to the Mexican government each year, after taking into account our business plan and capital investment needs for the upcoming fiscal year and, after congressional approval, we expect the Ministry of Finance to determine the terms on which we are to pay such dividend.

As of the date of this Luxembourg Listing Prospectus, we are assessing the impact that the Energy Reform Decree, the Secondary Legislation and the Regulations will have on us, which will depend in part on how they are implemented by further regulations. As a result, at this time we cannot predict the long-term effects of the implementation of this new legal framework, although these effects could be adverse to our interests in significant

respects. For more information, see “Comisión Federal de Electricidad—General Regulatory Framework.” In addition, as a result of longstanding restrictions included in certain of our agreements, including certain financing agreements that were based on the legal framework in effect before the Energy Reform Decree and the Secondary Legislation were enacted, these effects may cause us to default on these agreements in the event that we are unable to amend them or obtain waivers from our lenders, as may be required in connection with the ongoing implementation of the Secondary Legislation. These restrictions include representations, covenants or events of default related to (a) our former status as a decentralized public entity of the Mexican government, (b) maintaining a determined market share in certain aspects of the electricity market and (c) our ability to reorganize or to transfer a substantial portion of our assets to our new subsidiary productive state enterprises or subsidiary enterprises.

Economic conditions and government policies in Mexico and elsewhere may have a material impact on our operations and financial performance

Substantially all of our operations and assets are located in Mexico and our revenues, therefore, are indirectly related to economic conditions in Mexico, including, among other factors, changes in its GDP, per capita disposable income, unemployment rates, the value of the peso as compared to the U.S. dollar, inflation, changes in oil prices, interest rates, regulation, taxation, social instability, and other political social and economic developments. These events could also lead to increased volatility in the foreign exchange and financial markets, thereby affecting our ability to obtain new financing and service our debt. The Mexican government cut spending for the 2016 and 2017 budgets in response primarily to a downward trend in international crude oil prices, and it may cut spending in the future. See “—Risk Factors Related to CFE—The Mexican government controls us and could limit our ability to satisfy our external debt obligations.” These cuts could adversely affect the Mexican economy and, consequently, our business, financial condition, operating results and prospects.

The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy and regulation of certain industries, including the energy sector, could have a significant effect on us and on market conditions in Mexico.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation and other economic problems. These problems may worsen or reemerge, as applicable, in the future and could adversely affect our business and ability to service our debt. During the six months ended June 30, 2016, *Banco de México* increased its reference rate by 100 basis points, from 3.25% to 4.25%. Future increases in interest rates may adversely affect our results of operations by increasing our financing costs.

In addition, a worsening of international financial or economic conditions, such as a slowdown in growth or recessionary conditions in Mexico’s trading partners, including the United States, or the emergence of a new financial crisis, could have adverse effects on the Mexican economy, our financial condition and our ability to service our debt.

Developments in other countries may adversely affect us, including the prices of our debt securities

Economic and market conditions in other countries may, to varying degrees, affect the market value of securities of Mexican companies. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors’ reactions to developments in other countries may have an adverse effect on the market value of securities of Mexican companies, including the notes. For example during 2007 and 2008, prices of both Mexican debt and equity securities decreased substantially as a result of the global financial crisis. The Dow Jones Industrial Average index fell by 53.00% from its average level in July 2007 to its January 2009 average level, while Mexico’s stock exchange index fell by 48.34% in the same period.

In addition, in recent years economic conditions in Mexico have become increasingly correlated to economic conditions in the United States as a result of the North American Free Trade Agreement (“NAFTA”), and of increased economic activity between the two countries, which was highlighted during the recent economic crisis affecting the United States. In November 2016, presidential elections will take place in the United States that will result in a change of the nation’s leadership, and its outcome is still uncertain. The candidates for the presidency for both major political parties have stated their intention to re-negotiate the terms of NAFTA, but the content of any potential revisions has not been specified, and one candidate has threatened to withdraw the United States from NAFTA. There can be no assurance as to what a new U.S. administration will do, and the impact of any measures that may be adopted by a new U.S. administration cannot be predicted.

Because the Mexican economy continues to be heavily influenced by the U.S. economy, the renegotiation, or even termination, of NAFTA and/or deterioration in economic conditions in, or delays in recovery of, the U.S. economy may affect economic conditions in Mexico. We cannot assure you that the events in other countries, in the United States or elsewhere will not adversely affect us.

Political conditions in Mexico could materially and adversely affect Mexican economic policy and, in turn, our operations

Political events in Mexico may significantly affect Mexican economic policy and, consequently, our operations. As of the date of this Luxembourg Listing Prospectus, no political party holds a simple majority in either house of the Mexican Congress.

Changes in exchange rates or in Mexico's exchange controls may adversely affect our ability to service our foreign currency-denominated indebtedness

The Mexican government does not currently restrict the ability of Mexican companies or individuals to convert pesos into dollars or other currencies, and Mexico has not had a fixed exchange rate control policy since 1982. However, in the future, the Mexican government could impose a restrictive exchange control policy or devalue the peso, as it has done in the past. We cannot provide assurances that the Mexican government will maintain its current policies with regard to the peso or that the peso's value will not fluctuate significantly in the future.

The peso has been subject to significant devaluations against the dollar in the past and has recently been subject to significant fluctuations. Mexican government policies affecting the value of the peso could prevent us from paying our foreign currency obligations.

Depreciation of the peso against the dollar and/or volatility in the financial markets could adversely affect our operational and financial results. In particular, a depreciation in the value of the peso relative to the dollar could increase our costs because our main raw materials are fossil fuels, whose prices are referenced to the dollar. In addition, a substantial portion of our debt, 46.3% as of June 30, 2016, is denominated in dollars or other foreign currencies, and we may incur additional indebtedness denominated in dollars or other foreign currencies in the future. The depreciation of the peso against the dollar during 2015 resulted in a Ps. 14,566.9 million increase in our foreign exchange loss, net, from a loss of Ps. 22,802.2 million in 2014 to a loss of approximately Ps. 37,369.1 million in 2015. The value of the peso in dollar terms depreciated by 14.3% in 2015, as compared to a 12.7% depreciation of the peso in dollar terms in 2014. Declines in the value of the peso relative to the dollar or other foreign currencies would increase our interest costs in pesos and may result in foreign exchange losses.

Regulatory developments in Mexico could have a negative impact on our results of operations and financial condition

We operate in an industry that is heavily regulated. As a result, our results of operations are closely linked to certain factors that are under the control of the Mexican government, such as the regulation of electricity rates throughout Mexico. Consequently, a change in applicable law, regulations or policies in Mexico, or the interpretation thereof, including as a result of the implementation of the Secondary Legislation and the Regulations, if adverse to us, could have a negative impact on our business, financial condition and results of operations. For additional discussion of the impact of potential regulatory developments, see “—Risk Factors Related to Mexico—The effects of the implementation of the new legal framework applicable to the energy sector in Mexico are uncertain but likely to be material” and “Comisión Federal de Electricidad—General Regulatory Framework.”

Risk Factors Related to CFE

The Mexican government controls us and could limit our ability to satisfy our external debt obligations

The primary source of funds for us to make payments under the notes is our results of operations and cash flows. The Mexican government does not guarantee or secure our obligations and has no obligation to pay the principal or interest on the notes in the event that our cash flows and/or assets are not sufficient to make any such payments. The notes do not grant in any way rights over the ownership, control or assets of our company.

Pursuant to the CFE Law, on October 7, 2014, we were converted from an *organismo público descentralizado de la Administración Pública Federal* (decentralized public entity of the Mexican government) into a productive state enterprise. As a productive state enterprise, we have additional technical, managerial and budgetary autonomy, which is designed to allow us to compete with other companies participating in the Mexican energy sector. See “—Risk Factors Related to Mexico—The effects of the implementation of the new legal framework applicable to the energy sector in Mexico are uncertain but likely to be material” and “Comisión Federal de Electricidad—General Regulatory Framework.” Notwithstanding this increased autonomy, we remain under the Mexican government’s supervision and regulation, and the Minister of Energy acts as chairman of our board. Our activities are monitored by the Ministry of Energy and the Energy Regulatory Commission, and our annual budget can be adjusted by the Mexican government in certain respects, as it has been adjusted in the recent past. The influence by the Mexican government may cause our business and activities to be driven by political factors that may not be aligned with increasing our efficiency and/or profitability. In addition, our financial balance and personal services expenditure ceiling are included in the overall public sector financing plans and expenditure budget, which requires the approval of the Mexican Congress. As a result, our financing and payment capacity is directly aligned with that of the Mexican government, which could adversely affect our ability to make payments under any securities issued by us, including the notes. Although we are wholly owned by the Mexican government, our financing obligations do not constitute obligations of, and are not guaranteed by, the Mexican government.

The Mexican government’s agreements with international creditors may affect our external debt obligations, including the notes. In certain past debt restructurings of the Mexican government, our external indebtedness was treated on the same terms as the debt of the Mexican government and other public sector entities, and it may be treated on similar terms in any future debt restructuring. In addition, Mexico has in the past entered into agreements with official bilateral creditors to reschedule public sector external debt.

Our operating costs may not be fully covered by our electricity rates, which are set by the Mexican government; and, as a result, a reduction of our electricity rates could adversely affect our results of operations and financial condition

The Mexican government may set some of our electricity rates at levels below our operating costs in order to maintain the affordability of electricity, in particular with respect to our residential and agricultural customers, which rates will continue to be determined by the Mexican government following the implementation of the Secondary Legislation. In addition, upon the repeal of the *Ley del Servicio Público de Energía Eléctrica* (the Electrical Power Utilities Law, or the “LSPEE”) and our conversion into a productive state enterprise, we are no longer subject to the public use tax and rate insufficiency regime that was historically applicable to us.

Certain electricity rates were historically set at levels below our operating costs. To avoid absorbing the impact of subsidies granted to consumers by the Mexican government, we were permitted to offset certain taxes through the “rate insufficiency” regime, which allowed us to transfer losses incurred from subsidized electricity rates to the Mexican government. See “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Significant Accounting Policies—Income Tax Regime.” However, as of the date of this Luxembourg Listing Prospectus, we are still assessing the impact that the Energy Reform Decree, the Secondary Legislation and the Regulations will have on us. Nonetheless, if the Mexican government maintains or continues to set some of our electricity rates at levels below our operating costs, we may be required to absorb the impact of the subsidies granted to consumers by the Mexican government and our business, financial condition and results of operations may be adversely affected. We are working with the Ministry of Finance with the goal of creating a framework whereby we do not absorb the impact of the subsidies granted to consumers, due to the effect of the electricity rates, but we can provide no assurances that we will not have to absorb such impact in the future, or whether the new framework will adversely affect our results of operations and financial position. As of the date of this Luxembourg Listing Prospectus, only the transmission and distribution rates have been set and published by the *Comisión Reguladora de Energía* (Energy Regulatory Commission, or the “CRE”).

Any significant increase in fuel prices could adversely affect our results of operations and financial condition

Our operations require substantial amounts of fuel (fuel oil, natural gas, coal and diesel), since a substantial percentage of our installed capacity for generation (including through the IPPs model) is derived from plants powered by these fuels. We purchase substantially all of our fuel oil from PEMEX at spot prices pursuant to a long-term fuel oil supply contract. We currently purchase natural gas from PEMEX and other suppliers in Mexico (including Gas de Litoral, S. de R.L. de C.V., IEnova LNG, S. de R.L. de C.V. and Grupo Iberdrola and its affiliates) at indexed prices pursuant to long-term contracts awarded pursuant to an international bidding

process. For 2015 and the six-month period ended June 30, 2016, fuel oil and natural gas accounted for an average of approximately 63.1% and 56.5%, respectively, of the aggregate amounts that we spent for the generation of electricity. As of June 30, 2016, approximately 9.8% of our installed capacity relied on the use of coal, which we purchase pursuant to three-year contracts with various foreign suppliers that we select through international bidding processes. A small percentage of our generating plants use diesel fuel, which we purchase from PEMEX at prices regulated by the Mexican government.

Any variation in fuel prices could affect our results of operations and financial condition, since an increase in fuel prices has a direct impact on our net operating cost. Since 2006, increased demand for natural gas in Mexico and diminished national supply has forced PEMEX to limit the amount of natural gas it makes available to us, which has, in turn, increased our demand for fuel oil and placed upward pressure on the prices we pay for natural gas and fuel oil. To mitigate our exposure to fuel prices, the electricity rates that we charged our industrial, commercial and high-consumption residential customers, which accounted for 70.8% of our revenues from electricity sales for 2015, were adjusted on a monthly basis pursuant to a formula that accounts for changes in fuel costs. However, in the future, we may not be able to successfully reduce our exposure to the volatility of fuel prices and their impact on our results of operations and financial condition.

We have substantial debt that could adversely affect our results of operations and financial condition

We have incurred and, pursuant to our capital expenditures program, will continue to incur substantial amounts of indebtedness. Neither the indenture governing the notes, nor any of our loan agreements, or the other documents governing our indebtedness contain covenants restricting the incurrence of indebtedness by us. However, because we are subject to certain budgetary controls by the Mexican government and the Mexican *Cámara de Diputados* (Chamber of Deputies), we may not be able to exceed limits on net indebtedness established for us, which are reevaluated annually by the Mexican Congress.

Our ability to repay our indebtedness depends primarily on our results of operations and cash flow. If our operating revenues and cash flows are significantly affected by any factor, including, for example, serious technical failures in the functioning of our generation facilities, or increases in fuel prices or labor costs, we may have difficulties making payments as they come due on our indebtedness, including the notes.

The occurrence of certain events could result in an obligation to prepay, or accelerate, our indebtedness

We have incurred indebtedness in Mexico and in the international markets that is subject to certain conditions that, if not met by us, could give rise to an obligation to prepay or an event of default under such indebtedness. For example, a mandatory prepayment event or an event of default under our indebtedness may occur if (i) we cease to be a public-sector entity of the Mexican government, (ii) the Mexican government ceases to be our majority owner, (iii) we cease to be a public-sector entity authorized to generate, transmit and distribute electricity in Mexico or (iv) our share of the electricity market in Mexico with respect to other public-sector entities were to be reduced below 75% (unless the Mexican government were to formally assume or guarantee all of our obligations). We would have an obligation to offer to repurchase such indebtedness, including the notes, early if the events described above were to occur, but we cannot assure you that we would have the resources available to do so if such an event were to occur. Moreover, if a mandatory prepayment event or an event of default under our indebtedness were to occur and our repayment obligations are accelerated, our business, financial condition and results of operations could be adversely affected.

Increased competition in the electricity sector could adversely affect our business and financial performance

As a result of the Energy Reform Decree and the enactment of the Secondary Legislation and the Regulations, we expect a greater involvement of the private sector in the power industry, including power generation and transmission and distribution, creating greater competition. The Mexican government may carry out electricity transmission and distribution activities through agreements with us or with private-sector companies and, once the Secondary Legislation is fully implemented, all aspects of electricity generation and commercialization will be opened to private-sector participation, and the new legislation is expected to allow high margin industrial consumers to purchase electricity from other independent producers. These changes could result in increased competition in some of the sectors in which we operate, and could make it more difficult for us to hire and retain skilled personnel. If we are unable to compete successfully with private-sector companies in these sectors, our results of operations and financial performance may be adversely affected.

We plan to engage in the sale of natural gas to industrial customers, which would be a new line of business for us; however, we cannot provide assurance that an expansion into this line of business will succeed

We plan to engage in the transportation, storage and sale of natural gas, coal and other fuels, which are activities in which we have limited experience. We have also announced that we will engage in the sale of natural gas to industrial customers. An expansion into this or any other area of the Mexican energy sector in which we have not been previously engaged is subject to the expenses, difficulties and risks inherent in establishing a new line of business. Failure to successfully develop this or other new lines of business in conjunction with our existing operations may have an adverse effect on our business, financial condition and results of operations.

We may suffer from a significant interruption of service, which could adversely affect our results of operations and financial condition

Although we conduct a comprehensive maintenance program, we may not be able to prevent service interruptions due to technical or technological failures. Much of our equipment is installed outdoors and is subject to the varying weather conditions that affect Mexico from time to time. As a result, this equipment, including, in particular, our transmission towers and utility poles, often incurs weather-related damage as well as wear-and-tear from aging, which in certain instances causes electricity service interruptions for our customers. Furthermore, we may suffer from significant and prolonged interruptions of service in any one or more of our facilities due to natural disasters (e.g., hurricanes, earthquakes, flooding and/or tsunamis), accidents, sabotage, terrorist acts, copper wire theft or failure of our technical systems or emergency maintenance plans, which could adversely affect our business, financial condition and results of operations. We currently do not hold insurance policies for business interruptions and we cannot assure you that we will do so in the future.

Additionally, as demand for electricity in Mexico increases in the future, our ability to maintain the quality of our service and avoid service interruptions may depend in part on our ability to expand our labor force accordingly. However, any expansion of our labor force is subject to the authorization of the Mexican government and the Mexican Chamber of Deputies. We cannot assure you that we will be able to obtain such authorization.

We are subject to environmental risks and possible claims and lawsuits inherent to the generation, transmission and distribution of electricity

There are environmental risks inherent to electricity generation, transmission, and distribution activities, and accordingly, we are subject to claims and lawsuits for damages arising from our operations. In particular, we are subject to environmental risks relating to the operation of our nuclear generation plant. Although we monitor the emissions of all our generation plants on a daily basis, we are subject to environmental audits ordered and performed by the *Procuraduría Federal de Protección al Ambiente* (Federal Environmental Protection Agency), which is part of the *Secretaría del Medio Ambiente y Recursos Naturales* (Ministry of Environment and Natural Resources), without prior notice, which could subject us to fines or remedial action. Furthermore, our nuclear facility is also subject to the regulation of the International Nuclear Regulators Association (“INRA”) and certain other international organizations. Our nuclear facility currently has a safety rating of “two” out of “five” on a five-point scale used by international regulators of nuclear facilities to measure safety, including INRA, where “one” is the rating given to the world’s safest plants. This rating is based in part on certain deficiencies in the qualifications and size of the personnel that manage our nuclear facility as compared to the personnel that would be required to obtain the highest safety rating.

Furthermore, a wide range of general and industry-specific Mexican federal and state environmental laws and regulation apply to our operations; these laws and regulations are often costly to comply with and carry substantial penalties for non-compliance. Such regulatory burden increases our costs as it may require significant capital expenditures.

We maintain a general liability insurance policy (which includes environmental risk insurance) and a civil liability insurance policy for the operation of our nuclear plant; however, such coverage may not be adequate or available to protect us in the event of a claim, or our coverage could be canceled or otherwise terminated. A major claim for damages could have a material impact on our business, financial condition, results of operations or prospects.

Natural disasters, such as hurricanes, earthquakes or massive rain storms could adversely affect our operations, in particular the supply of energy to the affected regions. Although we have contingency plans in place

and insurance against some or all of the risks that we face, we cannot assure you that we will be able to respond to the effects of natural disasters in an effective manner and that our insurance coverage will be adequate.

Unfavorable hydrologic conditions may adversely affect our operations

Our power generation activities depend, to a certain extent, on adequate flows and supplies of water, as 22.0% of our total installed capacity as of June 30, 2016 is from hydroelectric sources. Hydrological conditions largely influence plant dispatch and generation and therefore affect our operations. In the event of adverse hydrologic conditions and if alternative sources of generation are not available to us at a low cost, our financial performance may be negatively affected.

We may not be successful in implementing our business strategies

As part of our overall business strategy, we plan to undertake new, or expand ongoing, projects. Such projects include improving our clean and renewable energy generation capabilities, increasing the use throughout Mexico of energy-efficient appliances and light fixtures and further developing “smart grid” technology to improve the operational efficiency of our electricity transmission and distribution network.

Because of inherent uncertainties affecting these strategic initiatives, we are exposed to a number of risks and challenges, including, among others, the following:

- new and expanded business activities may require additional and unanticipated capital expenditures and increased regulatory compliance costs;
- new and expanded business activities may result in lower profits than we currently anticipate and there can be no guarantee that such activities will become profitable at the levels we desire or at all; and
- we may need to hire new personnel and/or retrain existing personnel to oversee and operate the relevant new business activities.

In addition, the Mexican government has the power, if the Mexican Constitution and federal law were further amended, to reorganize us, including a transfer of all or a portion of our assets to an entity not controlled by the Mexican government. The reorganization contemplated by the Energy Reform Decree and the Secondary Legislation, or any other reorganization implemented by the Mexican government in the future could adversely affect our operations, cause a disruption in our workforce and cause us to default on certain obligations. See “Comisión Federal de Electricidad—General Regulatory Framework.”

Labor unrest, employee benefits obligations and labor-related lawsuits may adversely affect our business, financial condition and results of operations

As of June 30, 2016, approximately 80% of our employees were members of the SUTERM. Historically, our relationship with SUTERM has been cordial and respectful despite our differing interests. Every two years, we renegotiate the terms of our *contrato colectivo* (collective bargaining agreement) with SUTERM, while wages are reviewed on an annual basis. We cannot guarantee the future stability of our relationship with SUTERM, and any labor related conflict with SUTERM may adversely affect our business, results of operations and financial condition.

In addition, as of June 30, 2016, we recorded a liability of Ps. 482,681 million (U.S.\$25,523 million) on our statement of financial position in respect of our future employee short-term and long-term benefits obligations, which represents 46% of our total liabilities. Any inability to meet these obligations at any time in the future may result in labor unrest, which could adversely affect our business, financial condition and results of operations.

As of June 30, 2016, we had 14,465 labor-related lawsuits filed against us by current and past employees. As of June 30, 2016, we had established a provision included in the liability for employee benefits of Ps. 3,726.8 million for our estimated liability in respect of these lawsuits, which provision is based on the trend of labor-related lawsuits resolved in the last five years. Although we have established reserves that we believe are sufficient to cover the risks associated with these lawsuits, we cannot guarantee that the assumptions underlying the establishment of our reserves will prove to be accurate, nor can we assure you that we will not become the subject of a further lawsuits that may have an adverse effect on our business, results of operations and financial condition.

Risk Factors Related to the Notes

An active trading market for the notes may fail to develop, which could adversely affect the market prices and liquidity of the notes

Currently, there is no established trading market for the notes. Application has been made to have the notes listed on the Official List of the Luxembourg Stock Exchange's Official List and traded on the Euro MTF Market. Even if the notes become listed on this exchange, we may delist the notes. A trading market for the notes may not develop, or if a market for the notes were to develop, the notes may trade at a discount from their initial offering price, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The initial purchasers are not under any obligation to make a market with respect to the notes, and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the notes. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

The notes are subject to certain transfer restrictions

The notes have not been and will not be registered under the Securities Act or any U.S. state or other securities laws, and we are not required to make and currently do not plan on making any such registration in the immediate future. Accordingly, the notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state or other securities laws, as applicable. Prospective investors should be aware that investors may be required to bear the financial risks of an investment in the notes for an indefinite period of time. See "Transfer Restrictions" for a full explanation of these restrictions.

Our credit ratings do not reflect all risks of investing in the notes

Our credit ratings are an assessment by the rating agencies of our ability to pay our debts as they mature. Consequently, actual or anticipated changes in our credit ratings generally affect the market value of the notes. The ratings do not constitute a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time by the rating agency. Our credit rating from each rating agency should be evaluated independently of ratings by any other rating agencies.

We are not subject to the bankruptcy laws of Mexico, and certain of our assets cannot be attached by creditors

As a productive state enterprise of the Mexican government, we are not subject to the *Ley de Concursos Mercantiles* (Commercial Bankruptcy Act), and thus, we cannot be declared in reorganization or bankrupt (*en concurso mercantil o quiebra*). Under applicable Mexican law, we may be liquidated and dissolved by the Mexican Congress if it determines that we cease to fulfill the purpose for which we were created or for any other reason. In the event that we are liquidated and dissolved by the Mexican Congress, it is uncertain whether or to what extent the rights of holders of the notes would be honored.

Under the CFE Law, real property owned by us is deemed to be property in the public domain, and under Article 4 of the *Ley General de Bienes Nacionales* (General Law of Public Property) neither attachment prior to judgment nor attachment in aid of execution will be ordered by Mexican courts against our real property. As a result, a Mexican court would not recognize an attachment order against such assets. In addition, under the *Ley de la Industria Eléctrica* (the Electric Industry Law), the transmission and distribution of electric energy as a public service are reserved to the Mexican government, through us, and to that extent, the assets related thereto are subject to immunity. As a result, the ability to enforce judgments against us in the courts of Mexico may be limited.

We have irrevocably submitted to the jurisdiction of the U.S. federal courts located in the Borough of Manhattan in The City of New York and, to the extent permitted by law, have waived immunity from the jurisdiction of these courts in connection with any action based upon the notes brought by any holder of notes. However, a holder of notes would not be able to enforce that judgment against our property in the United States except under the limited circumstances specified in the Foreign Sovereign Immunities Act. Moreover, most of our assets are located in Mexico, not in the United States. Therefore, even if a U.S. judgment against us were obtained, and an action to enforce that judgment were to be brought in Mexico, or an action seeking to enforce our obligations under the notes were brought against us in Mexico, satisfaction of those obligations may be made in pesos, pursuant

to the laws of Mexico, at the rate of exchange in effect on the date on which payment is made. This rate of exchange is currently determined by *Banco de México* every business day in Mexico, based on an average of wholesale foreign exchange market quotes, and is published the following business banking day in the Official Gazette and on *Banco de México's* website (www.banxico.org.mx). See “Exchange Rates.”

Holders of the notes may not be able to enforce civil liabilities against us or our directors and officers

We are a productive state enterprise of Mexico. While we have irrevocably submitted to the jurisdiction of the federal courts located in the Borough of Manhattan in The City of New York and, to the extent permitted by law, have waived immunity from the jurisdiction of these courts in connection with any action based upon the notes brought by any holder of notes, we have reserved the right to plead immunity under the Foreign Sovereign Immunities Act in actions brought against us under the U.S. federal securities laws or any U.S. state securities laws. Unless we waive our immunity against such actions, a U.S. court judgment could be obtained against us only if a U.S. court were to determine that we are not entitled to sovereign immunity under the Foreign Sovereign Immunities Act with respect to that action.

Our directors and officers, as well as certain experts named in this Luxembourg Listing Prospectus, reside outside the United States, and all or a substantial portion of their assets and our assets are located outside of the United States. As a result, it may not be possible for holders of the notes to effect service of process outside Mexico upon us, our directors or officers, or those experts, or to enforce against such parties judgments of courts located outside Mexico predicated upon civil liabilities under the laws of jurisdictions other than Mexico, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States.

Mexican law does not require us to pay our foreign-currency judgments or foreign currency denominated liabilities in a currency other than pesos

Although our obligations to pay United States dollars outside Mexico are valid, under Article 8 of the Mexican Monetary Law (*Ley Monetaria de los Estados Unidos Mexicanos*), if proceedings are brought in Mexico seeking to enforce in Mexico our obligations under the notes, whether as a result of an initial action before Mexican courts or in connection with the enforcement of a judgment by Mexican courts, we would not be required to discharge such obligations in Mexico in a currency other than Mexican currency. Pursuant to such Article 8, an obligation that is payable in Mexico in a currency other than Mexican currency may be satisfied in Mexican currency at the rate of exchange in effect on the date and in the place payment occurs. Such rate currently is determined by *Banco de México* every business banking day in Mexico and published the following business banking day in the Official Gazette. It is unclear, however, whether the applicable rate of exchange applied by the Mexican court to determine the Mexican judgment currency is the rate prevailing at the time when the judgment is rendered or when the judgment is paid. Provisions that purport to limit our liability to discharge our obligations in Mexican currency as described above, or to give any party an additional course of action seeking indemnity or compensation for possible deficiencies arising or resulting from variations in rates of exchange, will not be enforceable in Mexico.

USE OF PROCEEDS

We estimate that the net proceeds from the sale of the notes, after payment of the initial purchasers' commissions and estimated transaction expenses payable by us, will be approximately U.S.\$ 995.5 million. We intend to use the net proceeds from the offering of the notes for working capital and general corporate purposes in accordance with the Mexican laws and regulations applicable to us.

EXCHANGE RATES

Mexico has a free market for foreign exchange, and the Mexican government allows the peso to float freely against the dollar. There can be no assurance, however, that the Mexican government will maintain its current policies with respect to the peso or that the peso will not depreciate or appreciate significantly in the future.

The following table sets forth, for the periods indicated, the period-end, average, high and low exchange rates between the peso and the dollar published by *Banco de México*. These exchange rates are currently determined by *Banco de México* every business day in Mexico based on an average of wholesale foreign exchange market quotes and published the following business banking day in the Official Gazette and on *Banco de México*'s website (www.banxico.org.mx). The rates shown below are stated in pesos that have not been restated in constant currency units. No representation is made that the peso amounts referred to in this Luxembourg Listing Prospectus could have been or could be converted into dollars at any particular rate or at all.

Year ended December 31,	Exchange Rate			
	End of Period	Average ⁽¹⁾	High	Low
2011	13.948	12.430	14.244	11.502
2012	12.966	13.169	14.395	12.630
2013	13.084	12.770	13.439	11.981
2014	14.741	13.303	14.785	12.846
2015	17.195	15.881	17.377	14.566
Monthly (2016)				
January	18.194	18.073	18.608	17.346
February	18.102	18.473	19.175	18.057
March	17.943	17.649	17.943	17.237
April	17.177	17.488	17.893	17.228
May	18.154	18.412	18.547	17.228
June	18.465	18.653	19.128	18.149
July	18.784	18.601	18.898	18.301
August	18.861	18.475	18.912	17.987
September	19.378	19.192	19.839	18.352
October (through October 11)	18.953	19.166	19.321	18.879

⁽¹⁾ The average of the exchange rate for Pesos is calculated taking daily quotations during the relevant period.
Source: *Banco de México*.

The exchange rate published by *Banco de México* on October 11, 2016 was 18.9531 pesos per dollar.

CAPITALIZATION

The following table sets forth our capitalization (1) on an actual basis as of June 30, 2016 and (2) as adjusted to reflect the issuance and sale of the notes.

		As of June 30, 2016							
		Actual (in millions of Mexican pesos)		Actual (in millions of dollars) ⁽¹⁾		As Adjusted for this Offering (in millions of Mexican pesos)		As Adjusted for this Offering (in millions of dollars) ⁽¹⁾	
Debt									
Current portion of long-term debt	Ps.	40,119	U.S.\$	2,121	Ps.	40,119	U.S.\$	2,121	
Current portion of the lease of plants, installation, equipment and PIDIREGAS		20,022		1,059		20,022		1,059	
Total short-term debt		60,141		3,180		60,141		3,180	
Long-term documented debt		167,190		8,841		167,190		8,841	
4.750% Notes due 2027 offered hereby		—		—		18,911		1,000	
Long-term leases of plants, installation, equipment and PIDIREGAS		197,610		10,449		197,610		10,449	
Total long-term debt		364,800		19,290		383,711		20,290	
Total debt	Ps.	424,941	U.S.\$	22,470	Ps.	443,852	U.S.\$	23,470	
Equity									
Accumulated equity	Ps.	129,947	U.S.\$	6,871	Ps.	129,947	U.S.\$	6,871	
Contributions from the Federal Government		—		—		—		—	
Payment of Public Use Tax Federal Revenue Law		—		—		—		—	
Charge to equity for employee benefits		—		—		—		—	
Revaluation surplus		—		—		—		—	
Transfers to CENACE		—		—		—		—	
Derivative financial instruments		—		—		—		—	
Net income for the period		109,912		5,812		109,912		5,812	
Total equity	Ps.	239,859	U.S.\$	12,683	Ps.	239,859	U.S.\$	12,683	
Total capitalization (total debt and equity)	Ps.	664,800	U.S.\$	35,153	Ps.	683,711	U.S.\$	36,153	

(1) Peso amounts have been translated into dollars, solely for the convenience of the reader, at the peso/dollar exchange rate in effect as of June 30, 2016 of Ps. 18.911= U.S.\$ 1.00, as published by *Banco de México*.

There has been no material change in our capitalization since June 30, 2016, other than our issuance of U.S.\$ 300,000,000 aggregate principal amount of 4.39% Senior Notes due 2036 and our issuance of U.S.\$ 375,000,000 aggregate principal amount of 5.00% Senior Notes due 2036.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based on and should be read in conjunction with our audited and unaudited condensed consolidated interim financial information and related notes thereto included elsewhere in this Luxembourg Listing Prospectus and should also be read in conjunction with "Presentation of Financial Information," "Summary—Summary Financial and Operating Information" and other financial information contained in this Luxembourg Listing Prospectus.

We prepare our financial statements in accordance with IFRS, which require our management to make certain estimates and assumptions to determine the valuation of certain items included in our financial statements and to make the appropriate disclosures therein. Although actual results may differ from such estimates, our management believes that the estimates and assumptions used were adequate under the circumstances.

Significant Accounting Policies

The following is a summary of the significant accounting policies that we follow in preparing our financial information, including our financial statements included herein. See Note 3 to our audited financial statements as of and for the years ended December 31, 2015, 2014, and 2013 and Note 3 to our unaudited condensed consolidated interim financial information as of June 30, 2016 and for the six-month periods ended June 30, 2016 and 2015.

Basis of Consolidation

The unaudited financial statements of CFE Distribución, CFE Transmisión, CFE Generación I, CFE Generación II, CFE Generación III, CFE Generación IV, CFE Generación V, CFE Generación VI, CFE Suministrador de Servicios Básicos, CFE International LLC., CFENERGIA, S.A. de C.V., and the three trusts of which CFE has control were consolidated in accordance with IFRS 10, "Consolidation of Financial Statements."

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, bank deposits and short-term investments. Cash and bank deposits are presented at nominal value, and the yields generated are recognized in income as accrued. Cash equivalents include marketable securities with very short-term maturities, which are presented at fair value and are subject to a low risk of change in value.

Inventory of Operating Materials and Costs of Consumption

Inventories of operating materials are recorded at the lower of cost of acquisition and net realizable value. The cost of consumption of inventory is recorded at average cost. Inventories are reviewed periodically to determine the existence of obsolete material, as well as to evaluate the sufficiency of the allowance or provision.

Plants, Facilities and Equipment

Plants, facilities and equipment are recorded at their cost of acquisition and/or construction, which includes administrative expenses directly related to the construction or installation of assets, retirement costs and seniority bonuses for full-time construction workers and depreciation of the equipment used in the construction and installation of assets, as well as the cost of financing of ratable assets, dismantling expenses and asset retirements.

Depreciation of plants, facilities and equipment is recognized in net income and calculated by using the straight-line method as of the initial operating date of assets, considering depreciation rates based on the respective useful lives of the assets. In the event of a subsequent sale or retirement of revalued property, the surplus on revaluation attributable to the revaluation allowance of the remaining properties is directly transferred to retained earnings. Depreciation rates are determined by CFE-employed specialists as follows:

	<u>Annual rate %</u>
Geothermal power stations	From 2.00 to 3.70
Steam generating power stations	From 1.33 to 2.86
Hydroelectric power stations	From 1.25 to 2.50
Internal combustion power stations	From 1.33 to 3.03
Turbogas and combined-cycle power stations.....	From 1.33 to 3.03
Nuclear power station.....	From 1.33 to 2.50
Substations.....	From 1.33 to 2.56
Transmission lines	From 1.33 to 2.86
Distribution networks	From 1.67 to 3.33

Real property and assets allocated to offices and general services are depreciated in accordance with the following rates:

	<u>Annual rate %</u>
Buildings	5
Furniture and office equipment	10
Computer equipment	25
Transportation equipment	20
Other private property	10

Land is not depreciated.

The estimated useful life, residual value and depreciation method are reviewed at year end, and the effect of any change on the estimate recorded is recognized prospectively. Capitalized replacement parts are depreciated from the time at which they are available for use. We have established the policy of reviewing the fair value of our fixed assets every five years. If reliable, the resulting revaluation will be recorded.

Properties in the process of construction are recorded at cost less any recognized impairment loss. The cost includes professional fees and, in the event of ratable assets, the costs per capitalized loans in accordance with the company's accounting policy. Depreciation of these assets, just like in other properties, starts when the assets are ready to go into operation.

Long-term Productive Infrastructure Projects (PIDIREGAS)

We engage in investment projects to build revenue generating assets under two schemes:

- 1) Direct investment: Upon our receipt of a completed project that we deem acceptable under the standards set forth in the contract, we record the asset in the PIDIREGAS fixed asset account and the corresponding total liabilities in accordance with our accounting policies relating to the characterization of liabilities. The assets acquired through the PIDIREGAS scheme, as well as the related liabilities, are recorded at the contracted value of the respective projects.
- 2) Conditioned investment: Since 1992, IPPs have been permitted to sell power produced by them to CFE. Of the 29 contracts between CFE and IPPs, we determined that 23 have the characteristics of a financial lease of the power generating plant, in accordance with Interpretation of IFRS-12, "Concession Service Agreements". Accordingly, such leases qualify as financial leases, in accordance with IAS 17, "Leases," and are recorded in a fixed asset account denominated "Independent Producers" together with the corresponding total liability that applies to the value of the asset.

Intangible Assets

Intangible assets acquired separately are recognized at cost. We evaluate if the intangible asset is a definite-lived or an indefinite-lived intangible asset. If the intangible asset is determined to be indefinite-lived, impairment is tested annually. If the asset is determined to be definite-lived, accumulated amortization is reduced from the value of the asset and, if applicable, the impairment loss.

Amortization is recognized using the straight-line method on the asset's estimated useful life. Estimated useful life, residual value and amortization method are reviewed at year end, and the effect of any change on the estimate recorded is recognized prospectively.

Impairment of Long-Lived Assets in Use

We review the book value of long-lived assets in use, in the face of any indication of impairment that could indicate that the book value thereof might not be recoverable, considering the higher of fair value less the cost of selling it and the value in use. Furthermore, an adjustment is made to the value thereof. Upon evaluating the value in use, estimated future cash flows are discounted from the present value by using a discount rate before taxes that reflects the current evaluation of the market with respect to the time-value of money and specific risks of the asset. Accordingly, estimates of future cash flows have not been adjusted. Impairment indicators considered for these purposes are, among other things, operating losses or negative cash flows in the period if they are combined with a record or projection of losses, which in percentage terms, in connection with revenues, are substantially higher than those of prior fiscal years, as well as the effects of obsolescence, competition, and other economic and legal factors.

Financial Instruments

Financial assets and liabilities are recognized when we become one of the parties to a financial instrument contract. Financial assets and liabilities are recorded initially at fair value. Transaction costs include those that are directly attributable to the acquisition or issue of a financial asset or liability (other than financial assets and liabilities measured at fair value through gains or losses). Transaction costs are added to or subtracted from the fair value of the financial asset or liability upon the initial recognition, as the case may be. Transaction costs directly attributable to a financial asset or liability at fair value with changes in losses or gains are immediately recognized in income.

Derivative Financial Instruments

We value derivatives presented in our consolidated statement of financial position at fair or market value ("mark-to-market"). When we designate derivatives as hedging derivatives, the recognition of fair value depends on whether the hedging derivative is a fair value or cash flow derivative.

We recognize changes in fair value of hedging derivatives as follows: (1) if they are fair value, the fluctuations both of the derivative and the item hedged are charged against results, or (2) if they are cash flow hedges, they are recognized temporarily in comprehensive income (loss) and are reclassified to results when the hedged item affects them. The ineffective portion of the change in fair value is recognized immediately in results, as part of the comprehensive result of financing, regardless of whether the derivative is designated as a fair value or cash flow hedge.

We use mainly interest rate and foreign currency swaps and foreign currency forward contracts to manage our exposure to exchange rate and foreign currency fluctuations. We document all of our hedging relationships and this documentation describes the objectives and strategies of risk management relating to these hedging transactions. As a matter of policy, we refrain from carrying out speculative transactions involving derivative financial instruments.

Certain derivative financial instruments that were entered into for hedging purposes have been designated as trading securities for accounting purposes. The fluctuation in fair value of such derivatives is recognized in results within the comprehensive result of financing.

We conduct effectiveness tests on coupon swap cash flows that are carried out during the year. The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the measurement method. In addition, the most significant elements of each

swap were disclosed such as the date of the swap, the interest rates used for the calculation of the cash flow of the primary position, as well as the cash flow of the derivative financial instrument, the surcharge added to each calculation rate, the basis of calculation for each cash flow, the frequency of periods and date of the calculation of both rates.

Obligations Associated with the Retirement of Plants, Facilities and Equipment

Pursuant to Mexican and international law, once the operations at a nuclear power plant conclude in accordance with the terms of its license, such facility must be dismantled for safety and environmental protection reasons.

Our policy is to conduct a technical-economic study on our Laguna Verde nuclear power generating station, which must be periodically updated (every five years) and include the estimated cost for the future dismantling of such facility. This study takes into account the energy output of this facility, which we amortize uniformly over the useful life of the facility. The acquisition cost of nuclear facilities increases with the amount of the valuation of the obligation associated with retirement, considering the effect of writing it down to its present value.

Employee Benefits

Direct employee benefits. These benefits are valued in proportion to the services rendered considering current salaries, and the liability is recognized as accrued. These benefits principally include productivity incentives, vacations, vacation premium, bonuses and recognition of seniority of temporary and permanent workers.

Employee benefits upon termination and others. The liability for retirement benefits (seniority bonuses and pensions) and for termination of the employer-employee relationship is recorded as accrued, which is calculated by independent actuaries based on the projected unit credit method, by using nominal interest rates; therefore, it is estimated that the liability recognized at present value will cover the obligation for these benefits at the estimated retirement date of the employees who work at CFE, up to August 18, 2008, in a defined pension plan and retirement benefits. A defined pension and contribution retirement plan was established for employees hired on or after August 19, 2008, which is funded by contributions made by CFE and our employees to individual retirement accounts established for each such employee. As a result, these employees will not cause us to incur any additional liabilities for pensions and indemnities payable upon retirement.

Income Tax Regime

Under the Mexican Income Tax Law, until December 31, 2014, we were treated as a non-profit legal entity for purposes of paying income tax. As such, our obligations were generally limited to requesting information from third parties and withholding and paying third-party income taxes. Since January 1, 2015, we are no longer subject to the same provisions, including the public use tax. Instead, we are obligated to pay income taxes based on our income, as any other Mexican corporation under of the Mexican Income Tax Law. Our taxable income represents the difference between our taxable revenues, including profits, capital gains and passive income, and our tax deductible expenses.

2015 was the first fiscal year that we were subject to the provisions of the Mexican Income Tax Law, we did not make monthly estimated income tax payments during 2015, and it is expected that we will begin making such monthly estimated payments, if applicable, during 2017 once we determine a *coeficiente de utilidad* (profitability coefficient) in accordance with the Mexican Income Tax Law.

Additionally, effective January 1, 2015, we are no longer required to pay a public use tax to the Mexican government on the assets we use to generate electric power. The public use tax was determined based on a profitability rate established annually by the Mexican government. We were permitted to offset this public tax through the “rate insufficiency” regime, which allowed us to transfer losses incurred from subsidized electricity rates to the Mexican government. Any rate insufficiency that was offset against the public use tax was recorded as revenue.

For more information on historical and current taxes see “Transactions with Mexican Federal, State and Municipal Governments.”

Segment Information

Since we are a public economic entity, in accordance with the provisions of IFRS 8, “Operating Segments”, we distinguish and disclose segment information, which is presented in the same form used by CFE to evaluate each activity.

Revenue Recognition

Revenues are recognized in the period in which electric power services are sold to customers. Consequently, the power already delivered that is in the process of being billed is considered as revenue for the year, and its amount is estimated based on the real billing of the immediately foregoing two months.

Foreign Currency Transactions

Foreign currency denominated transactions are recorded at the current exchange rate on the date on which they are carried out. Foreign currency monetary assets and liabilities are valued in local currency at the exchange rate in effect at the date of the financial statements. Foreign exchange fluctuations are recorded in income as part of the financial cost.

Transactions with Mexican Federal, State and Municipal Governments

The main transactions carried out with the Mexican federal, state and municipal governments and their accounting treatment are as follows:

(1) Transactions with Mexican government:

Public use taxes payable to the Mexican government. In accordance with the repealed LSPEE, enacted on December 28, 1992, we were required to pay a public use tax to the Mexican government on the assets that we used for rendering the electric power utilities service. Since March 31, 2015, we are no longer obligated to pay a public use tax. The amount of any public use tax was determined based on the profitability rate established by state-owned entities on an annual basis. For the year ended December 31, 2014, a 9% rate was ratified by the Ministry of Finance. That rate was applied to the value of the net fixed assets in operation during the immediately preceding fiscal year. The resulting amount was charged to income for the year. The public use tax represented a decrease in profit for CFE as a result of a payment to the Mexican government, which is why it was recorded as an operating expense. This public use tax was offset against the rate insufficiency determined to supplement the revenue. Consequently, there was no payment made to the Mexican government in respect of the public use tax. During 2012, an amendment to the regulations of the LSPEE was published in the Official Daily Gazette, which defined the concept of “net fixed asset in operation” as follows:

For purposes of Article 46 of the LSPEE, net fixed assets in operation are equal to the fixed assets in operation reduced by: (i) accumulated depreciation; (ii) the unamortized debt directly related to such assets; and (iii) the contributions of CFE.

Invested equity. In accordance with the Federal Revenue Law, the Ministry of Finance can impose a dividend payment on the invested equity which, if applicable, should be paid to the Mexican government and recorded as a decrease in equity. Similarly, the executive branch of the Mexican government can determine its reinvestment annually in entities as an equity contribution for CFE. The Federal Revenue Law for 2016 does not contemplate a dividend payment to the Mexican government.

Rate insufficiency to supplement revenue. In accordance with the repealed LSPEE, the public use tax mentioned above was offset against the rate insufficiency, which corresponds to the subsidy that the Mexican government grants to the users of the electric service through CFE, by establishing rates on the sale of energy. Any rate insufficiency that was offset against the public use tax, represented an increase in economic benefits for CFE and, thus, was recorded as revenue, and the unrecoverable surplus of the rate insufficiency was recognized and written off in our financial statements. Upon the repeal of the LSPEE, we are no longer subject to the same provisions, including the public use tax. For more information on historical and current taxes see “Management’s Discussion and Analysis of

Financial Condition and Results of Operation—Significant Accounting Policies—Income Tax Regime.”

	Subsidy not Reimbursed (in millions of Ps.)				
	2Q 2016	2Q 2015	2015	2014	2013
Rate insufficiency	34,308	25,862	60,332	86,227	85,770
Public use tax.....	N/A	N/A	N/A	58,792	46,012
Subsidy paid by Mexican government	12,000				
Write off against equity	22,308	25,862	60,332	27,435	39,758

The public use tax was repealed by the Electric Industry Law and, accordingly, is not reflected in our unaudited condensed consolidated interim financial information for the six-month periods ended June 30, 2016 or 2015.

(2) Transactions with Mexican state and municipal governments:

- Contributions received from the Mexican state and municipal governments to provide electricity to rural populations and low income settlements, for expansions of the distribution network and for other specified purposes are recorded as unrealized proceeds, which will be realized in accordance with the useful life of the assets that such contributions have been made to finance.

Financial Cost

Financial cost includes all revenue and financial expense items, such as interest and foreign exchange gains or losses, as they occur or are accrued.

Contingencies and Commitments

Provisions are recognized when there is a present obligation, either legal or assumed and which originated in a past event, is likely to require the use of economic resources to settle the obligation, and it can be estimated reasonably. In the case of contingent liabilities, we only disclose them in our financial statements, when the possibility of an outflow of resources is more than remote. Otherwise, they are not disclosed in our financial statements. The financial effects of long-term commitments established with third parties, such as the case of supply contracts with suppliers or customers, are recognized in our financial statements. Relevant commitments are disclosed in the notes to the financial statements. Revenues, earnings or contingent assets are not recognized.

Critical Accounting Trials and Key Sources for the Estimate of Uncertainties

In the application of our accounting policies, our management makes certain judgments, estimates, and assumptions about the carrying values of the assets and liabilities that are not reasonably determinable from other sources. The relative estimates and assumptions are based on experience and other factors deemed pertinent. Real results might differ from such estimates. The underlying estimates and assumptions are reviewed on a regular basis. Reviews of book estimates are recognized in the review period and future periods, if the review affects the current period, as well as subsequent periods.

Factors Affecting our Revenues and Expenses

Our revenues and expenses are principally affected by economic conditions in Mexico, changes in the price of fuel oil and natural gas, fluctuations in the prevailing interest rates and changes in foreign exchange rates.

Economic Conditions in Mexico

Because our operations, facilities and customers are located in Mexico, we are affected by general economic conditions in the country. In particular, the general performance of the Mexican economy affects demand for electricity, and inflation primarily affects our business by leading to increases in wages and other operating costs, while at the same time reducing our net income if electricity prices do not increase at the same pace as inflation.

During 2012, Mexican GDP growth was primarily driven by increases in external and domestic demand. During 2013, GDP growth slowed as compared to 2012 as a result of the Mexican government's effort to manage inflation by restricting its spending. During 2014, GDP growth increased by 2.3% as compared to 2013, primarily due to increased activities in the services sector, mainly wholesale and retail trade. Finally during 2015, GDP growth increased by 2.5% as compared to 2014.

The following table sets forth the year-over-year changes in Mexico of various economic indicators, including GDP, the national consumer price index, the national producer price index, merchandise export growth and interest rates, as well as a comparison of these changes to the changes in the demand for electricity in Mexico for the years indicated. For further information on Mexico, see "United Mexican States."

Selected Economic Indicators for the Years Ended December 31, 2011 through 2015

	2011	2012	2013	2014	2015
Real GDP (% change) ¹	4.0	4.0	1.3	2.3	2.5
National consumer price index (% change) ¹	3.8	3.6	4.0	4.1	2.1
National producer price index (% change) ¹	6.9	1.8	1.6	3.3	2.8
Merchandise export growth (% change) ²	14.1	8.5	4.0	7.3	0.8
Interest rates (average % based on 28-day <i>Cetes</i>) ²	4.3	4.2	3.8	3.0	3.0
Change in Electricity Demand in Mexico (% change) ³	7.2	2.0	1.4	3.1	2.9

Sources:

¹ INEGI.

² Banco de México.

³ CFE.

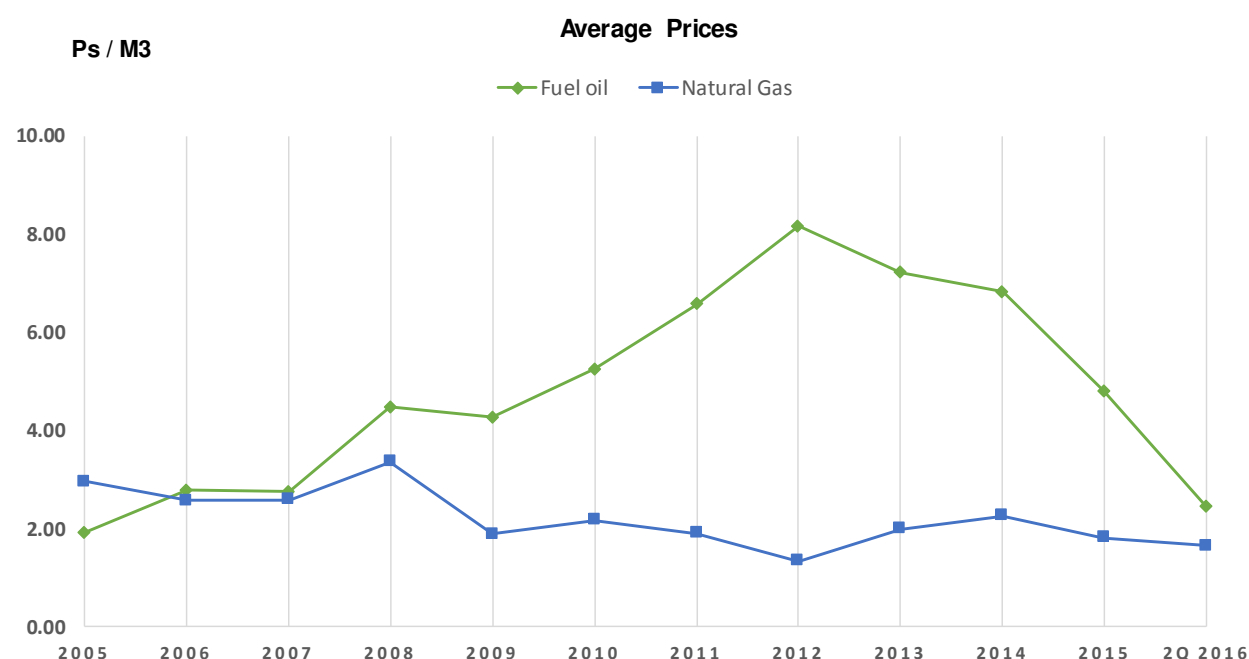
Changes in the Prices of Electricity, Fuel Oil and Natural Gas Paid by CFE

Our margins are substantially dependent on the prices that we charge for electricity and that we are required to pay for the fuel that powers our generation activities. For the year ended December 31, 2015, fuel oil represented 20.3% of the various primary sources on which we rely for our generation activities and natural gas represented 42.8%. Thus, for the year ended December 31, 2015, fuel oil and natural gas, together, represented 63.1%, and for the six-month period ended June 30, 2016, fuel oil and natural gas represented 56.2% of the aggregate amounts that we spent on the generation of electricity. Although several of our generating plants can use either fuel oil or natural gas, our generation plants are generally limited to the use of a single fuel type. As a result, our ability to change fuel sources in the event of a price increase is limited.

The prices we pay for fuel oil and natural gas have been and may continue to be affected by, among other factors, the availability of fuel oil and natural gas in Mexico, our ability to enter into agreements with local companies producing or transporting fuel oil and natural gas, the prices established by the Mexican government for these products and international supply and demand. Any significant increase in fuel prices could adversely affect our results of operations and financial condition.

The following graph shows the change in the prices of fuel oil and natural gas paid by CFE, each measured in pesos per cubic meter (Ps/M3), between 2005 and the second quarter of 2016:

Fuel Oil and Natural Gas Prices Paid by CFE



Source: CFE.

The electricity rates we currently charge to customers are determined annually by the Mexican government. Electricity rates reflect our anticipated production and long-term marginal costs, as well as other variables including the category and location of the consumer and the time of day that the electricity is expected to be consumed.

Changes in Interest Rates

As of December 31, 2015, we had approximately Ps. 279.2 billion (U.S.\$ 14.8 billion) in total indebtedness (excluding IPPs), of which approximately Ps. 122.4 billion (U.S.\$ 6.5 billion) accrued interest at floating interest rates. If the interest rates applicable to our floating rate debt increase, we will incur a corresponding increase in our interest expense, which may reduce our net income. We have entered into interest rate swaps covering approximately 4.1% of our floating rate peso-denominated debt and approximately 8.5% of our floating rate foreign-currency denominated debt.

Changes in Exchange Rates

We have incurred indebtedness in several currencies, with the most substantial portion being denominated in dollars (our external debt denominated in foreign currencies represented 39.4% of our total indebtedness as of December 31, 2015). If the peso depreciates against the dollar, we may need to apply a higher percentage of our revenues to the servicing of our dollar-denominated debt, which may reduce our net income. We have entered into hedging transactions to minimize our exposure to foreign exchange risk with respect to a portion of our dollar-denominated debt, but the majority of our dollar-denominated debt is not swapped into pesos.

Labor Relations and Employee Benefits

As of June 30, 2016, approximately 80% of our employees were members of the SUTERM labor union. Historically, our relationship with SUTERM has been cordial and respectful despite our differing interests. Every two years, we renegotiate the terms of our collective bargaining agreement with SUTERM, while wages are reviewed on an annual basis.

The current collective bargaining agreement was renegotiated in May 2016, and CFE employee wages were adjusted in May 2016. In June 2016, our employee benefits and pension reserve were reduced as a direct consequence of this collective bargaining agreement renegotiation. Our labor liabilities amounted to Ps. 482.7 billion, 37% of our total assets as of June 30, 2016. As previously mentioned, we estimate that as a result of the new labor contract, signed on May 19, 2016, between CFE and SUTERM, our labor liabilities will be reduced by approximately 25% and could be reduced by another 25% by year end if the Mexican government agrees to match the savings as it was stipulated in the Proposed Federal Budget for the Fiscal Year 2017.

In 2008, as a result of our collective bargaining negotiations with SUTERM, we entered into a new “defined contribution” employee benefits program, wherein we have agreed to establish individual retirement accounts for each employee that we hire after August 18, 2008. As currently set forth in the collective bargaining agreement with SUTERM, employees subject to the defined contribution plan are required to contribute 5% of their monthly salary into their individual retirement account, and we provide a corresponding contribution in the amount of 7.5% of each employee’s monthly salary (although these percentages are subject to change in accordance with the terms of the collective bargaining agreement). This new program replaces our previous “defined benefits” plan, which entitled our employees to certain retirement benefits, including a pension and health insurance, which were allocated to our retired employees in amounts that corresponded, in large part, to their years of service and seniority level at CFE. The new defined contribution plan does not apply retroactively to our employees that were employed as of or prior to August 18, 2008, nor does it apply to temporary employees. Labor unrest, employee benefits obligations and labor-related lawsuits may adversely affect our business, financial condition and results of operations.

Competition in Supply and Generation

As a result of the Energy Reform Decree and the enactment of the Secondary Legislation, we expect greater involvement from third parties in the power industry, which could create greater competition. The new legislation is expected to allow high margin industrial consumers to purchase electricity from other independent producers, which could have significant impacts on our results of operations and financial performance. Increased competition in the electricity sector could adversely affect our business and financial performance.

Results of Operations

Six-Month Period Ended June 30, 2016 Compared to Six-Month Period Ended June 30, 2015

Revenue on Sale of Electric Power

During the six-month period ended June 30, 2016, we reported revenue on sale of electric power of Ps. 154.4 billion (U.S.\$ 8.2 billion), which represented a 4.0% increase as compared to our revenues from electricity sales of Ps. 147.2 billion (U.S.\$ 7.8 billion) for the same period in 2015. The main reason for the revenue increase was the Ps.12.0 billion of subsidy paid by the Mexican government coupled with a 3.0% increase in the volume sold, which was partially offset by a 6.5% decrease in the average price of sales.

The average price per kWh of our electricity retail sales decreased by 6.2%, from Ps. 1.383 per kWh during the six-month period ended June 30, 2015 to Ps. 1.297 per kWh for the same period in 2016, mainly due to a decrease in the average price of electricity charged to our industrial customers, which is our largest customer type (representing 47.2% of our electricity revenues for the six-month period ended June 30, 2016). This decrease in the average price of electricity charged to industrial customers can be attributed to a decrease in the price of fuel oil and natural gas. During the six-month period ended June 30, 2016, we sold 104,982 GWh of electricity, which was a 3.0% increase in total sales volume as compared to the same period in 2015 (101,879 GWh). Of this total, 104,407 GWh, or 99.5%, were sold directly to customers and 575 GWh, or 0.5%, were exported (mainly to Central America).

The percentage of our revenues from electricity sales attributable to retail sales of electricity to each of our customer segments during the six-month period ended June 30, 2016, as compared to the same period in 2015 (excluding revenues that derive from (i) exports and (ii) domestic sales for which the billing process is still ongoing), was as follows: industrial customers 53.9% in 2016 as compared to 56.8% in 2015; residential customers 21.8% in 2016 as compared to 20.8% in 2015; commercial customers 13.7% in 2016 as compared to 13.2% in 2015; service customers 8.1% in 2016 as compared to 7.5% in 2015; and agricultural customers 2.4% in 2016 as compared to 1.8% in 2015.

Revenue on sale of electric power attributable to direct sales of electricity to each of our customer types during the six-month period ended June 30, 2016, as compared to the same period in 2015, is set forth in the following table.

Revenues from Electricity Sales

Customer Type	June 30,		% Change
	2016	2015	
	(in millions of pesos)		
Residential	29,570	29,041	1.8
Commercial.....	18,611	18,418	1.0
Agricultural.....	3,312	2,492	32.9
Industrial	72,914	79,475	(8.3)
Services.....	10,985	10,446	5.2
Total⁽¹⁾	135,392	139,872	(3.2)

⁽¹⁾ Totals do not reflect electricity that has been (i) exported or (ii) sold domestically but for which the billing process has not been completed; however, such amounts are reflected in revenues from electricity sales set forth in our financial statements.
Source: CFE.

Total Operating Costs and Expenses

Our costs of generating, transmitting and distributing electricity (collectively, “exploitation costs”) increased by 5.2% during the six-month period ended June 30, 2016 as compared to the same period in 2015, mainly due to Wholesale Electricity Market costs, a new concept relating to the new electric market, which amounted to Ps. 5.4 billion (U.S.\$ 0.3 billion) and higher other costs that included a Ps. 3.0 billion increase in the bad debt expense. Our total operating costs and expenses, which include exploitation costs, depreciation, administrative expenses and costs related to our actuarial reserve for pension and seniority premiums, or “labor obligation costs,” decreased Ps. 142.0 billion (U.S.\$ 7.7 billion), as a result primarily of the recognition of the savings that were reached under the May 19 collective bargaining agreement, an amount equal to \$160.0 billion (U.S.\$ 8.5 billion).

The table below presents our costs and expenses for the six-month period ended June 30, 2016 as compared to the same period in 2015:

Total Operating Costs and Expenses

	Six-Month Period Ended June 30,		% Change
	2016	2015	
	(in millions of pesos)		
Labor costs.....	26,691	22,678	17.7
Fuel	62,294	65,236	(4.5)
Maintenance and services & materials	12,231	11,325	8.0
Taxes and duties	1,298	3,029	(57.1)
Other	4,648	2,039	127.9
Wholesale Electricity Market	5,368	—	N/A
Exploitation costs	112,530	104,307	7.9
Depreciation and impairment	28,001	21,527	30.1
Labor obligation (gain) cost, net (Actuarial)	(125,758)	32,177	N/A
Total operating costs and expenses	14,773	158,011	(90.6)

Operating (Loss) Income

Our operating income increased from a loss of Ps. 14.3 billion (U.S.\$ 0.8 billion) for the six-month period ended June 30, 2015 to an operating income of Ps. 139.6 billion (U.S.\$ 18.9 million) during the same period in 2016, mainly due to the recognition of the savings that were achieved under the new collective bargaining agreement, as described above.

As a result of the increase in our operating income, our net operating margin increased from a negative 8.4% during the six-month period ended June 30, 2015 to a positive 90.4% for the same period in 2016.

The following table sets forth our non-operating revenues, costs and expenses for the six-month period ended June 30, 2016 as compared to the same period in 2015:

Non-Operating Revenues, Costs and Expenses

	Six-Month Period Ended June 30,		% Change
	2016	2015	
	(in millions of pesos)		
Financial Cost:			
Interest income (expense), net.....	(12,805)	(10,673)	20.0
Foreign exchange gain (loss), net.....	(19,983)	(12,489)	60.0
	(32,788)	(23,162)	41.6
Non-operating income (loss) ..	(32,788)	(23,162)	41.6

Source: CFE.

Income Tax Regime

Under the Mexican Income Tax Law, until December 31, 2014, we were treated as a non-profit legal entity for purposes of paying income tax. As a result, our obligations were generally limited to requesting information from third parties and withholding and paying third-party income taxes. Effective January 1, 2015, upon the repeal of the LSPEE, and the conversion of CFE into a productive state enterprise, we are no longer subject to the same provisions. Instead we are obligated to pay income taxes based on our income, as are all corporate entities in Mexico. Our taxable income represents the difference between our taxable revenues, including profits, capital gains and passive income, and our expenses.

As 2015 was the first fiscal year that we were subject to the provisions of Title II of the Mexican Income Tax Law, we did not make monthly estimated income tax payments during 2015, and it is expected that we will begin making such monthly estimated payments, if applicable, during 2017 once we determine a *coeficiente de utilidad* (profitability coefficient) in accordance with article 14 of the Mexican Income Tax Law.

Financial Cost

Financial cost reflects interest income (including gains and losses on certain derivative instruments), interest expense and foreign exchange gain or loss. Our financial cost increased from a cost of Ps. 23.2 billion (U.S.\$ 1.2 billion) during the six-month period ended June 30, 2015 to a cost of Ps. 32.8 billion (U.S.\$ 1.7 billion) for the same period in 2016. This increase was primarily due to significant foreign exchange losses, which increased from a loss of Ps. 12.5 billion (U.S.\$ 660 million) during the six-month period ended June 30, 2015 to a loss of Ps. 20.0 billion (U.S.\$1.1 billion) for the same period in 2016.

Net Income (Loss)

Net income went from a net loss of Ps. 35.6 billion (U.S.\$ 1.9 billion) during the six-month period ended June 30, 2015 to a net income of Ps. 106.8 billion (U.S.\$ 5.6 billion) for the same period in 2016. This increase in net income was mainly due to the recognition of the savings that were reached under the new collective bargaining agreement as described above.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue on Sale of Electric Power

During 2015, we reported revenue on sale of electric power of Ps. 306.9 billion (U.S.\$ 16.2 billion), which represented an 8.0% decrease as compared to our revenues from electricity sales of Ps. 333.4 billion

(U.S.\$ 17.6 billion) for 2014. Our revenue decreased as a result of a 1.2% increase in the volume of electricity sold and a 3.4% increase in the average price of sales.

The average price per kWh of our electricity retail sales decreased by 8.7%, from Ps. 1.553 per kWh in 2014 to Ps. 1.351 per kWh for the same period in 2015, mainly due to a decrease in the average price of electricity charged to our industrial customers, which is our largest customer type (representing 57.3% of our electricity revenues for 2015). During 2015, we sold 213,436 GWh of electricity, which was a 2.0% increase in total sales volume as compared to 2014 (209,253 GWh). Of this total, 212,200 GWh, or 99.4%, were sold directly to customers and 1,236 GWh, or 0.6%, were exported (mainly to Central America).

The percentage of our revenues from electricity sales attributable to retail sales of electricity to each of our customer segments during 2015, as compared to 2014 (excluding revenues that derive from (i) exports and (ii) domestic sales for which the billing process is still ongoing), was as follows: industrial customers: 54.8% in 2015 as compared to 60.2% in 2014; residential customers: 22.6% in 2015 as compared to 19.5% in 2014; commercial customers: 13.5% in 2015 as compared to 12.6% in 2014; agricultural customers: 1.7% in 2015 as compared to 1.5% in 2014; and service customers 7.4% in 2015 as compared to 6.2% in 2014.

Revenue on sale of electric power attributable to direct sales of electricity to each of our customer types during 2015, as compared to 2014, is set forth in the following table:

Revenues from Electricity Sales

	December 31,		% Change
	2015	2014	
Customer Type	(in millions of pesos)		
Residential	64,658	62,949	2.7
Commercial.....	38,827	40,710	(4.6)
Agricultural.....	4,874	4,703	3.6
Industrial	157,140	194,823	(19.3)
Services.....	21,234	19,893	6.7
Total⁽¹⁾	286,733	323,078	(11.3)

⁽¹⁾ Totals do not reflect electricity that has been (i) exported or (ii) sold domestically but for which the billing process has not been completed; however, such amounts are reflected in revenues from electricity sales set forth in our financial statements.
Source: CFE.

Total Operating Costs and Expenses

Our exploitation costs decreased by 5.8% in 2015 as compared to 2014, mainly due to a decrease in the average cost of fuel, oil and natural gas. Our total operating costs and expenses, which include exploitation costs, depreciation, administrative expenses and labor obligation costs, increased by 1.0% in 2015 as compared to 2014. This increase was mainly due to a 24.5% increase in labor obligation costs resulting from increased costs we are now subject to under the collective bargaining agreement that we renegotiated in May 2014, and a 8.9% increase in depreciation resulting from higher fixed assets, which was partially offset by the decrease in our exploitation costs as described above.

The table below presents our costs and expenses for 2015 as compared to 2014:

Total Operating Costs and Expenses

	Year Ended December 31,		% Change
	2015	2014	
	(in millions of pesos)		
Labor costs.....	46,246	46,106	0.3
Fuel.....	141,343	153,702	(8.0)
Maintenance and services.....	16,876	18,181	(7.2)
Maintenance materials.....	8,167	8,926	(8.5)
Taxes and duties.....	6,435	6,401	0.5
Other.....	3,793	6,904	(45.1)
Complementary account ⁽¹⁾	(2,457)	(3,067)	19.9
Federal government transfer to cover cost of fuels.....	—	(3,116)	N/A
Exploitation costs.....	220,403	234,037	(5.8)
Depreciation and impairment.....	45,252	41,565	8.9
Administrative expenses.....	7,999	8,152	1.9
Labor obligation costs (Actuarial).....	68,564	55,090	24.5
Total operating costs and expenses.....	342,218	338,844	1.0

⁽¹⁾ Includes the value of electricity provided to CFE employees as part of their compensation.
Source: CFE.

Operating (Loss) Income

Our operating losses increased from Ps. 5.4 billion (U.S.\$ 286 million) in 2014 to Ps. 35.4 billion (U.S.\$ 1.9 billion) in 2015, primarily as a result of the decrease in sale revenue of electric power, as described above.

As a result of the increase in our operating loss, our net operating margin increased from a negative 1.6% in 2014 to a negative 11.5% in 2015.

The following table sets forth our non-operating revenues, costs and expenses for 2015 as compared to 2014:

Non-Operating Revenues, Costs and Expenses

	Year Ended December 31,		% Change
	2015	2014	
	(in millions of pesos)		
Other (expenses) income, net.....	799	5,032	(84.1)
Income tax on distributable remaining balance.....	—	(2,492)	—
Rate insufficiency.....	60,332	86,228	(30.0)
Public use tax.....	N/A	(58,792)	—
Write-off of rate insufficiency not covered by public use tax.....	(60,332)	(27,435)	119
Financial Cost:			
Interest income (expense), net.....	(21,988)	(21,123)	4.1
Foreign exchange gain (loss), net.....	(37,369)	(22,802)	63.9
	(59,357)	(43,925)	35.1
Non-operating income (loss).....	(58,558)	(41,385)	41.5

Source: CFE.

Other (Expenses) Income, Net

Other (expenses) income, net reflects miscellaneous revenues, such as rental payments from telecommunications companies for their use of our transmission towers and distribution poles, and miscellaneous expenses, such as expenses relating to abandoned projects. Other (expenses) income, net decreased from revenues of Ps. 5.0 billion for 2014 to revenues of Ps. 799 million for 2015, mainly due to a decrease in revenues from IPPs, with whom we have supply contracts. This decrease in revenues resulted primarily from a decrease in the average price of fuel oil and natural gas, and a decrease in our supply of gas to IPPs.

Income Tax on the Distributable Remaining Balance

Under the Mexican Income Tax Law, until December 31, 2014, we were only required to pay income tax on distributable remaining balance payments to third parties. Our income tax on the distributable remaining balance in 2014 was Ps. 2.5 billion (U.S.\$ 132 million).

Rate Insufficiency and Public Use Taxes

The Mexican government sets electricity prices at rates that are insufficient to cover our operating costs. To compensate us for the shortfall, the Mexican government provided us with rate insufficiencies. Total rate insufficiencies from the Mexican government in 2015 decreased by 30.0% as compared to 2014, the above due to the cancellation of the public use tax in 2015. The public use tax payable to the Mexican government in 2014 amounted to Ps. 58.8 billion (U.S.\$ 3.1 billion).

The difference between the rate insufficiency and the public use tax 2014 was Ps. 27.4 billion (U.S.\$ 1.5 billion), and in 2015 the write off of the rate insufficiency amounted to Ps. 60.3 billion (U.S.\$ 3.2 billion). In accordance with IFRS and our accounting policies, these amounts were written off in the income statement.

Financial Cost

Financial cost reflects interest income (including gains and losses on certain derivative instruments), interest expense and foreign exchange gain or loss. Our financial cost increased from a cost of Ps. 43.9 billion (U.S.\$ 2.3 billion) in 2014 to a cost of Ps. 59.4 billion (U.S.\$ 3.1 billion) in 2015. This increase was primarily due to significant foreign exchange losses, which increased from a loss of Ps. 22.8 billion (U.S.\$ 1.2 billion) in 2014 to a loss of Ps. 37.4 billion (U.S.\$ 2.0 billion) in 2015, mainly as a result of the depreciation of the peso against the dollar in 2015, which increased the costs of servicing our indebtedness denominated in dollars.

Net Loss

Net loss increased from Ps. 46.8 billion (U.S.\$ 2.5 billion) in 2014 to Ps. 93.9 billion (U.S.\$ 5.0 billion) in 2015. This increase in net loss resulted primarily from the increase in financial cost and an increase in our operating losses.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenue on Sale of Electric Power

During 2014, we reported revenue on sale of electric power of Ps. 333.4 billion (U.S.\$ 17.6 billion), which represented a 4.7% increase as compared to our revenues from electricity sales of Ps. 318.4 billion (U.S.\$ 16.8 billion) for 2013. Our revenue increased as a result of a 1.2% increase in the volume of electricity sold and a 3.4% increase in the average price of sales.

The average price per kWh of our electricity retail sales increased by 3.4%, from Ps. 1.499 per kWh in 2013 to Ps. 1.553 per kWh for the same period in 2014, mainly due to an increase in the average price of electricity charged to our industrial customers, which is our largest customer type (representing 60.3% of our electricity revenues for 2014). During 2014, we sold 209,253 GWh of electricity, which was a 1.2% increase in total sales volume as compared to 2013 (206,760 GWh). Of this total, 208,014 GWh, or 99.4%, were sold directly to customers and 1,239 GWh, or 0.6%, were exported (mainly to Central America).

The percentage of our revenues from electricity sales attributable to retail sales of electricity to each of our customer segments during 2014 as compared to 2013 (excluding revenues that derive from (i) exports and (ii) domestic sales for which the billing process is still ongoing), was as follows: industrial customers: 60.3% in 2014 as compared to 60.2% in 2013; residential customers: 19.5% in 2014 as compared to 19.2% in 2013; commercial customers: 12.6% in 2014 as compared to 12.7% in 2013; agricultural customers: 1.5% in 2014 as compared to 1.8% in 2013; and service customers: 6.2% in 2014 as compared to 6.0% in 2013.

Revenue on sale of electric power attributable to direct sales of electricity to each of our customer types during 2014, as compared to 2013, is set forth in the following table.

Revenues from Electricity Sales

	December 31,		% Change
	2014	2013	
Customer Type	(in millions of pesos)		
Residential	62,948.7	59,383.0	6.0
Commercial.....	40,710.4	39,286.4	3.6
Agricultural.....	4,703.4	5,466.3	(14.0)
Industrial	194,822.8	186,183.4	4.6
Services.....	19,892.2	18,586.0	7.0
Total⁽¹⁾	323,077.5	308,905.1	4.6

⁽¹⁾ Totals do not reflect electricity that has been (i) exported or (ii) sold domestically but for which the billing process has not been completed; however, such amounts are reflected in revenues from electricity sales set forth in our financial statements.
Source: CFE.

Total Operating Costs and Expenses

Our exploitation costs decreased by 4.0% in 2014 as compared to 2013, mainly due to an increase in the volume of energy generated by natural gas (by 3.6%) and by hydroelectric sources (by 39.0%) instead of more expensive oil-based fuels, and a decrease in the average cost of fuel oil. Our total operating costs and expenses, which include exploitation costs, depreciation, administrative expenses and labor obligation costs, increased by 0.5% in 2014 as compared to 2013. This slight increase was mainly due to a 13.1% increase in labor obligation costs resulting from increased costs we are now subject to under the collective bargaining agreement that we renegotiated in May 2014, and a 9.8% increase in depreciation resulting from the fixed asset revaluation that took place at the end of 2013, which was partially offset by the decrease in our exploitation costs, as described above.

The table below presents our costs and expenses for 2014 as compared to 2013:

Total Operating Costs and Expenses

	Year Ended December 31,		% Change
	2014	2013	
	(in millions of pesos)		
Labor costs.....	46,106.2	42,695.6	8.0
Fuel.....	153,702.6	169,089.1	(9.1)
Maintenance and services.....	18,182.0	16,969.5	7.1
Maintenance materials.....	8,925.3	9,519.7	(6.2)
Taxes and duties.....	6,400.1	5,842.9	9.5
Other.....	6,903.7	10,085.9	(31.6)
Complementary account ⁽¹⁾	(3,067.0)	(3,056.2)	(0.4)
Federal government transfer to cover cost of fuels.....	(3,115.6)	(7,473.9)	(58.3)
Exploitation costs	234,037.4	243,672.6	(4.0)
Depreciation and impairment.....	41,564.9	37,871.7	9.8
Administrative expenses.....	8,151.4	6,904.0	18.1
Labor obligation costs (Actuarial).....	55,090.0	48,689.3	13.1
Total operating costs and expenses	338,843.7	337,137.6	0.5

⁽¹⁾ Includes the value of electricity provided to CFE employees as part of their compensation.

Source: CFE

Operating (Loss) Income

Our operating losses decreased from Ps. 18.7 billion (U.S.\$ 989 million) in 2013 to Ps. 5.4 billion (U.S.\$ 285.5 million) in 2014, primarily as a result of the increase in revenue on the sale of electric power as described above.

As a result of the decrease in our operating loss, our net operating margin increased from a negative 5.9% in 2013 to a negative 1.6% in 2014.

The following table sets forth our non-operating revenues, costs and expenses for 2014 as compared to 2013:

Non-Operating Revenues, Costs and Expenses

	Year Ended December 31,		% Change
	2014	2013	
	(in millions of pesos)		
Other (expenses) income, net.....	5,031.6	5,198.7	(3.2)
Income tax on distributable remaining balance.....	(2,491.6)	(1,580.5)	57.6
Rate insufficiency.....	86,227.5	85,770.3	0.5
Public use tax.....	(58,792.2)	(46,012.5)	27.8
Write-off of rate insufficiency not covered by public use tax.....	(27,435.3)	(39,757.8)	(31.0)
Financial Cost:			
Interest income (expense), net.....	(21,123.0)	(21,462.9)	1.6
Foreign exchange gain (loss), net.....	(22,802.2)	(979.5)	(2,227.9)
	(43,925.2)	(22,442.4)	95.7
Non-operating income (loss)	(41,385.2)	(18,824.2)	(119.9)

Source: CFE.

Other (Expenses) Income, Net

Other (expenses) income, net reflects miscellaneous revenues, such as rental payments from telecommunications companies for their use of our transmission towers and distribution poles, and miscellaneous expenses, such as expenses relating to abandoned projects. Other (expenses) income, net decreased from revenues of Ps. 5.2 billion (U.S. \$275 million) for 2013 to revenues of Ps. 5.0 billion (U.S. \$266 million) for 2014, mainly due to a decrease in revenues from IPPs, with whom we have supply contracts. This decrease in revenues resulted primarily from a decrease in the average price of fuel oil and natural gas, and a decrease in our supply of gas to IPPs.

Income Tax on the Distributable Remaining Balance

Under the Mexican Income Tax Law, until December 31, 2014, we were only required to pay income tax on distributable remaining balance payments to third parties. Our income tax on distributable remaining balance increased by 57.6%, from Ps. 1,581 million (U.S.\$ 83.6 million) in 2013 to Ps. 2,492 million (U.S.\$ 131.8 million) in 2014, mainly due to increased labor costs and the commitment to pay certain taxes on behalf of our employees, resulting from the collective bargaining agreement that we renegotiated in May 2014.

Rate Insufficiency and Public Use Taxes

The Mexican government sets electricity prices at rates that are insufficient to cover our operating costs. To compensate us for the shortfall, the Mexican government provided us with rate insufficiencies. Total rate insufficiencies from the Mexican government in 2014 increased by only 0.5% as compared to 2013, consistent with the percentage increase in our total operating costs and expenses during 2014. The public use tax payable to the Mexican government increased from Ps. 46.0 billion (U.S.\$ 2.4 billion) in 2013 to Ps. 58.8 billion (U.S.\$ 3.1 billion) in 2014, representing an increase of 27.8%, mainly as a result of our fixed assets revaluation that took place at the end of 2013 in accordance with IFRS.

The difference between the rate insufficiency and the public use tax was Ps. 27.4 billion (U.S.\$ 1.4 billion) in 2014, as compared to Ps. 39.8 billion (U.S.\$ 2.1 billion) in 2013. In accordance with IFRS and our accounting policies, this amount was written off in the income statement.

Financial Cost

Financial cost reflects interest income (including gains and losses on certain derivative instruments), interest expense and foreign exchange gain or loss. Our financial cost increased from a cost of Ps. 22.4 billion (U.S.\$ 1.2 billion) in 2013 to a cost of Ps. 43.9 billion (U.S.\$ 2.3 billion) in 2014. This increase was primarily due to significant foreign exchange losses, which increased from a loss of Ps. 980 million (U.S.\$ 52 million) in 2013 to a loss of Ps. 22.8 billion (U.S.\$ 1.2 billion) in 2014, mainly as a result of the depreciation of the peso against the dollar in 2014, which increased the costs of servicing our indebtedness denominated in dollars.

Net Loss

Net loss increased from Ps. 37,552.4 million (U.S.\$ 1,985.7 million) in 2013 to Ps. 46,831.9 million (U.S.\$ 2,476.4 million) in 2014. This increase in net loss resulted primarily from the increase in financial cost, which was partially offset by a decrease in our operating losses.

Liquidity and Capital Resources

We have experienced, and expect to continue to experience, substantial liquidity and capital resource requirements, principally in order to finance the construction and maintenance of our electrical generation facilities, transmission and distribution substations and power-line networks and to service our outstanding debt. In the past, we have generally met our liquidity and capital resource requirements primarily from cash flow generated by our operating activities and borrowings. For the year ended December 31, 2015, our net cash flow provided by operating activities was Ps. 76.0 billion (U.S.\$ 4.0 billion). Our cash flow used in investment activities during 2015 was Ps. 68.3 billion (U.S.\$ 3.6 billion), leaving us a deficit cash flow after financing activities of Ps 8.4 billion (U.S.\$ 445 million), as the incurrence of new debt exceeded the repayment of outstanding debt during the period. For the six-month period ended June 30, 2016, our net cash flow provided by operating activities was Ps. 30.0 billion (U.S.\$ 1.6 billion). Our cash flow used in investment activities was during the period Ps. 15.3 billion

(U.S.\$ 814 million), which left us, after cash flows from financing activities, cash inflows of Ps. 911 million (U.S.\$ 48 million) by means of mostly new indebtedness, a net surplus cash of Ps. 15.6 billion (U.S.\$ 822 million).

As of December 31, 2015, we had working capital of Ps. 4.6 billion (U.S.\$ 242 million) and as of June 30, 2016, we had working capital of Ps. 16.6 billion (U.S.\$ 0.9 billion). The decrease in our working capital during the six-month period ended June 30, 2016 was due primarily to higher short-term debt, including a syndicated loan we entered into, which will be due and payable at the end of 2016.

The following table sets forth the maturity composition of our short- and long-term debt as of June 30, 2016, excluding IPPs.

	Payments Due by December 31 of Each Year					
	(as of June 30, 2016)					
	(in billions of pesos)					
	Total	2016	2017	2018	2019	2020 and beyond
Total debt	300.4	52.8	30.2	20.2	18.3	178.9

Source: CFE.

We have a total amount of Ps. 52.8 billion (U.S.\$ 2.8 billion) in debt that will come due in 2016, some of which may be refinanced with the proceeds of newly issued debt.

We had total indebtedness (including obligations in respect of PIDIREGAS) of Ps. 300.4 billion (U.S.\$ 15.9 billion) as of June 30, 2016 compared to total indebtedness (including obligations in respect of PIDIREGAS) of Ps. 289.1 billion (U.S.\$ 15.3 billion) as of June 30, 2015, representing an increase of 4.4%.

The major categories of our indebtedness are as follows:

Total Indebtedness						
As of June 30, 2016			As of December 31, 2015		As of December 31 2014	
(in millions of pesos)						
Domestic Debt						
Bank loans	Ps.	25,700	Ps.	31,800	Ps.	41,467
Export credit agency loans	-	-	-	-	-	-
Bonds (<i>Certificados Bursátiles</i>)		71,560		71,528		53,500
Total domestic debt		97,260		103,328		94,967
External debt						
Bank loans	Ps.	27,611	Ps.	4,587	Ps.	3,805
Export credit agency loans		4,075		3,702		4,454
Bonds.....		78,363		71,372		50,872
Total external debt		110,049		79,661		59,131
PIDIREGAS obligations						
Domestic	Ps.	63,941	Ps.	65,809	Ps.	65,383
External		29,183		30,390		28,839
Total debt, PIDIREGAS obligations and capital leases.....	Ps.	300,433	Ps.	279,189	Ps.	248,320

Source: CFE.

For a breakdown of our indebtedness by currency, see Notes 12 and 13 to our audited financial statements as of and for the years ended December 31, 2015 and 2014, and Notes 12 and 13 to our unaudited condensed consolidated interim financial information as of June 30, 2016 for the six-month periods ended June 30, 2016 and 2015.

As of December 31, 2015, 60.6% of our total indebtedness was denominated in Mexican pesos and 39.4% was denominated in other currencies (primarily U.S. dollars). After giving effect to our hedging derivatives, as of December 31, 2015, 73% of our total indebtedness was denominated in Mexican pesos and 27% was denominated in other currencies (primarily U.S. dollars). As of December 31, 2015, 43.8% of our debt obligations bore interest at floating rates. The weighted average cost of all borrowed funds as of December 31, 2015 (including interest and reimbursement of certain lenders for Mexican taxes withheld, but excluding fees and the effect of interest-rate swaps) was approximately 5.1%. The inclusion of fees and the effect of interest-rate swaps in the calculation of weighted average cost of all borrowed funds at December 31, 2015 would increase such cost by 0.7% to approximately 5.8%. Such cost does not include the effect of exchange rate variations. We have not pledged any assets as security for our debt.

On July 14, 2015, our board of directors approved a *Programa Global de Financiamiento* (Global Program for Financing) for the year ended December 31, 2016 that contemplates an increase of our net indebtedness during this year in an amount equal to approximately Ps. 12.5 billion, comprised of the issuance and sale of peso denominated notes, including the issuance of Mexican Certificados Bursátiles, and the issuance of U.S. dollar denominated notes.

As of June 30, 2016, 53.7% of our total indebtedness was denominated in Mexican pesos and 46.3% was denominated in other currencies (primarily U.S. dollars). After giving effect to our hedging derivatives, as of June 30, 2016, 69% of our total indebtedness was denominated in Mexican pesos and 31% was denominated in other currencies (primarily U.S. Dollars).

On September 1, 2016 we agreed to issue U.S.\$ 300,000,000 aggregate principal amount of 4.39% Senior Notes due 2036, which we issued on September 29, 2016. In addition, on October 7, 2016, we agreed to issue U.S.\$ 375,000,000 principal amount of 5.00% Senior Notes due 2036, which we issued on October 19, 2016.

Conditioned Investment Liabilities (IPPs)

In addition to our indebtedness discussed above, as of June 30, 2016, we had 23 IPP contracts with lease characteristics of power generating plants in accordance with IFRIC 4 “Determination if an agreement contains a lease” and IFRIC 12 “Service Concession Agreements.” In turn, those leases qualify as financial leases in accordance with IAS 17, “Leases,” which requires that we capitalize all leases for which we are the sole beneficiary of the leased asset. The annual interest rate on those lease agreements is 11.19% on average. We recorded the following as conditioned investment liabilities in respect of these 23 IPP contracts:

Conditioned Investment Liabilities (IPPs)

	As of June 30,		As of December 31,	
	2016	2016	2015	2014
	(in millions of dollars)	(in millions of pesos)	(in millions of pesos)	(in millions of pesos)
Short-term.....	U.S.\$ 317.3	Ps. 6,001.204	Ps. 3,851.229	Ps. 2,964.984
Long-term.....	6,195.2	117,159.451	108,274.623	95,902.133
Total.....	U.S.\$ 6,512.5	Ps. 123,160.655	Ps. 112,125.852	Ps. 98,867.117

In addition to the 23 contracts with IPPs, we had three other contracts with wind-driven IPPs in operation. Unlike the other 23 IPP contracts, these are not considered financial leases as CFE pays only for wind power actually generated and delivered. In addition, we have two service contracts with third party suppliers of natural gas and coal that are not considered financial leases under IFRS.

Capital Expenditures and Investment

Since 2006, CFE has gradually increased in its installed capacity. We estimate that with our current installed capacity and the new projects that are currently under construction, we can satisfy the demand for electricity in Mexico for the next four years.

The following table illustrates the growth in our installed capacity since 2006 as well as the change in our generation of electricity:

	Installed Capacity as of December 31,	Generation For Year Ended December 31,
	(MW)	(TWh)
2006	47,857	221.9
2007	49,854	228.5
2008	49,931	231.4
2009	50,384	230.6
2010	51,611	241.5
2011	51,177	254.7
2012	51,780	257.5
2013	52,906	254.6
2014	54,577	250.0
2015	54,952	253.1
2016*	54,982	125.4

* As of the six-month period ended June 30, 2016.

Source: CFE.

We expect that our total capital expenditures relating to our Investments Program for the period from 2016 to 2020 will be allocated as follows: Ps. 283.0 billion (U.S.\$ 15.0 billion) for the improvement and expansion of our electricity generation capacity; Ps. 53.5 billion (U.S.\$ 2.8 billion) for the improvement and expansion of our transmission network; and Ps. 86 billion (U.S.\$ 4.5 billion) for the improvement and expansion of our distribution network and commercialization.

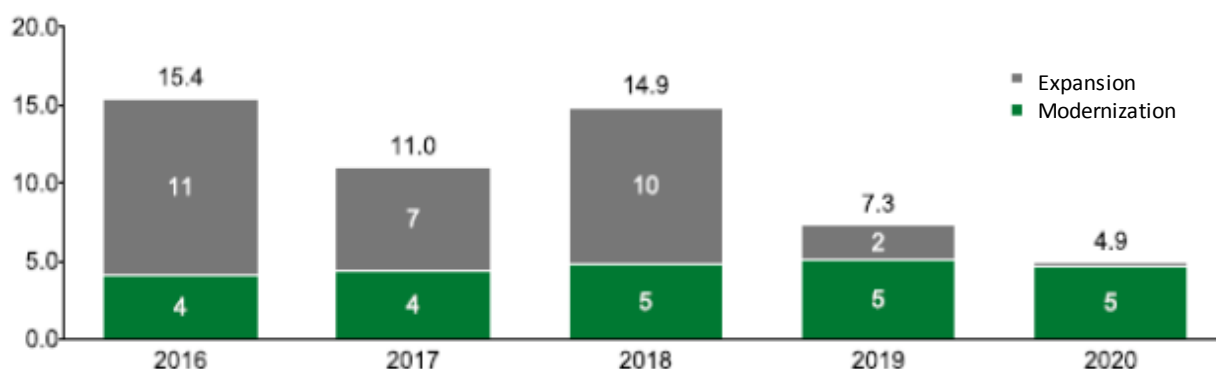
The following table sets forth our projected capital expenditures in transmission and distribution for the 2016-2020 period:

Transmission and Distribution Capital Investments						
(amounts in billions of pesos)						
	2016	2017	2018	2019	2020	Total
Transmission.....	15.4	11.0	14.9	7.3	4.9	53.5
Distribution.....	24.4	14.7	19.0	13.2	14.7	86.0
Total Ps.	39.8	25.7	33.9	20.5	19.6	139.5
Total (U.S.\$)	2.1	1.4	1.8	1.1	1.0	7.4

Source: CFE.

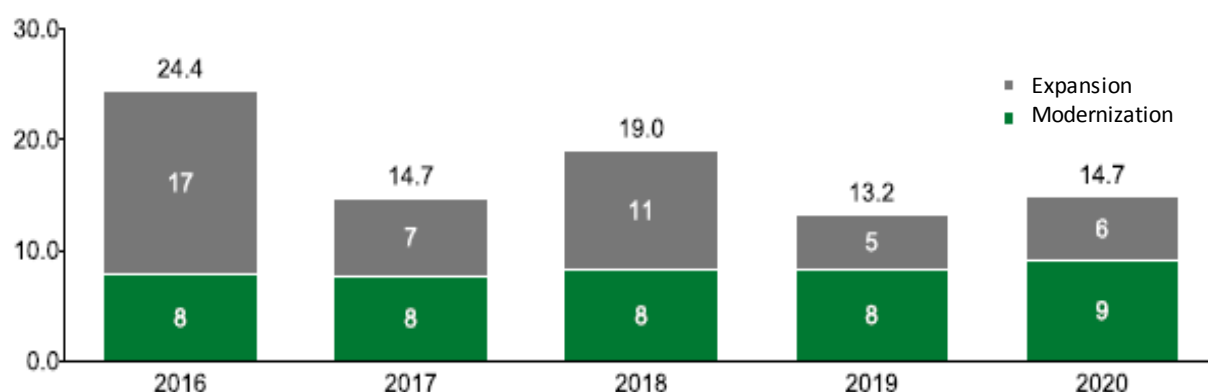
Total projected investment for the 2016-2020 period in transmission and distribution projects is illustrated in the following charts:

Transmission Investment Program 2016 2020



Source: CFE.

Distribution Investment Program 2016-2020



Source: CFE.

Long-Term Productive Infrastructure Projects (PIDIREGAS)

An important component of our capital expenditures are PIDIREGAS. Because of federal budgetary constraints, in 1996, the Mexican government sought private sector participation in the building and financing of PIDIREGAS in the electricity sector. The Mexican government approves the designation of certain infrastructure projects as PIDIREGAS. This designation means that these projects are treated as off-balance sheet items for annual Mexican government budgetary purposes, until delivery of the completed project to us or until our payment obligations begin under the contract, and are excluded from across-the-board Mexican government budget reductions.

The *Ley Federal de Deuda Pública* (Federal Law of Public Debt) and the *Ley Federal de Presupuesto y Responsabilidad Hacendaria* (Federal Law of Budget and Fiscal Accountability) define the PIDIREGAS legal framework. Article 18 of the Federal Law of Public Debt outlines the treatment of financial obligations under PIDIREGAS, defining as a direct liability the amounts payable under a financing during the current and immediately following fiscal years, and the remaining amounts as a contingent liability until its full payment. Article 32 of the Federal Law of Budget and Fiscal Accountability grants PIDIREGAS preferential and priority treatment for inclusion in the Mexican government's budget in future years, until the full payment of a project's costs. The distinction between PIDIREGAS and non-PIDIREGAS expenditures on the budget of the Mexican government (which includes the expenditures of the various decentralized public entities) is important in that, due to the private

financing of PIDIREGAS projects during the planning and construction stages, they are immune from across-the-board budget cuts by the Mexican Congress, while non-PIDIREGAS investments are not.

PIDIREGAS has three stages:

- The Mexican government identifies a project as a PIDIREGAS and authorizes expenditures related to their development by the private sector;
- Private sector companies, in cooperation with us, build and deliver the project to us; and
- We, with the Mexican government's authorization, pay all amounts owing to contractors and make final payments to receive delivery of the completed project, and then record as a liability the full principal amount of all indebtedness incurred to finance the project.

Compliance with the Mexican government's financial reporting standards and the Guidelines for the Accounting Treatment of Investments in Long-Term Productive Infrastructure Projects (Technical Release NIF-09-B, the "Technical Release"), which outlines the accounting and budgetary treatment applicable to PIDIREGAS, is mandatory during the construction period and after delivery of the PIDIREGAS. In accordance with IFRS, all of the accounts, expenditures and liabilities related to PIDIREGAS are incorporated into our financial statements.

There are currently two types of PIDIREGAS projects: conditioned investment (IPPs) and direct investment (OPFs). These two primary private investment programs address the two central needs of CFE: generation and transmission.

Productores Externos de Energía (Independent Power Producer Program). The IPP program allows private companies to bid to operate a generation plant in Mexico and sell the generated power to CFE. Under the program, CFE enters into a long-term agreement (25 years) under which the private producer is responsible for the construction, operation and maintenance of the generation facility during the life of the contract and CFE is obligated to purchase the electricity produced by that facility. The IPP program helps CFE meet generation demands without the costs of construction and maintenance. The IPP program also allows CFE to obtain competitive prices for the purchased energy through an international bidding process. Prior to our adoption of IFRS, under MFRS, these were reported as off-balance sheet items. Pursuant to IFRS, 23 of our contracts with IPPs are reported as financial leases in our financial statements.

Obra Pública Financiada (Financed Public Works Program). The OPF program addresses our infrastructure needs with respect to the transmission and distribution of electrical energy and for generation projects that cannot be structured as IPPs. CFE enters into relatively short-term agreements (1-2 years) under which a private company is responsible for the construction of a project, but not for its ongoing operation and maintenance. International bidders place their bids to receive a total payment upon the completion of the project involved. The main advantage of this program is that we avoid risks related to the development of the project that may arise during the construction stage, such as risks relating to cost escalation and failure of the completed project to meet the technical specifications. As with IPPs, we are able to secure competitive prices for the OPFs as a result of an international bidding process.

The table below sets forth a comparison between IPPs and OPFs.

IPP Program	OPF Program
• Used for generation projects, excluding hydroelectric plants. • Projects are awarded through international bids to bidder who offers lowest kWh price for the sale of electricity to CFE. • Winning bidder becomes fully responsible for the financing and construction of the plant. • CFE and the bidder sign an agreement for commitment of electrical power generation and purchase of associated electrical power by CFE for a 25-year term commencing upon commercial operation of the plant. • Bidder remains the sole owner of the project assets and plant operator.	• Generally used for transmission lines and substations. • Projects are awarded through international public bid to bidder that offers the lowest project development price. • Winning bidder becomes fully responsible for the construction of the project under a “turnkey” contract and the financing of the project during the construction stage. • At the end of construction and upon acceptance of the work by CFE, the ownership of the project is transferred to CFE and CFE pays the bidder the full contract price.

Currently there are two generation projects under construction that will be delivered by the end of October of 2016, both projects run with natural gas; CC Centro, with 642 MW capacity, and CC Agua Prieta II, with 394 MW capacity. Together, they represent an estimated U.S.\$800 million in investment.

Recent Developments with respect to PIDIREGAS

We estimate that by the third quarter of 2016, we will complete the construction of “Norte II,” a combined-cycle power generation plant located in the State of Chihuahua that is expected to have an installed capacity of 435 MW. Norte II is being built under PIDIREGAS as an IPP, and therefore, we are not incurring capital expenditures in respect of the construction.

Derivatives and Hedging

Foreign Exchange Rate Risk

A substantial part of our indebtedness, 39.4% as of December 31, 2015, is denominated in foreign currencies, mostly dollars, and we have very limited assets and revenues denominated in dollars. As a result, we are exposed to the risk of depreciation of the peso. As of December 31, 2015, our dollar-denominated indebtedness, including our dollar-denominated PIDIREGAS debt, amounted to Ps. 103.0 billion (U.S.\$ 5.4 billion).

To offset the foreign exchange rate risk, we enter into derivative financial instruments with large financial institutions to minimize the impact of fluctuations in exchange rates on our indebtedness. These derivative instruments typically consist of cross-currency swaps in which we pay peso amounts based on peso interest rates and receive dollar amounts based on dollar interest rates. As of December 31, 2015, we had outstanding cross-currency swaps covering foreign currency liabilities of Ps. 33.3 billion (U.S.\$ 1.8 billion), including our dollar-denominated PIDIREGAS debt.

Our Japanese Yen-denominated debt, as of December 31, 2015, amounted to Ps. 5.0 billion (U.S.\$ 264.4 million) or 1.8% of our total indebtedness. In 2002 we also entered into derivative financial instruments to offset the foreign exchange rate risk of our Yen 32 billion private placement.

This derivative financial instrument consists of an FX Forward string purchase contract under which we have agreed to purchase Japanese Yen at a fixed dollar exchange rate during the established transaction term. We have also purchased a call option for the purchase of Japanese Yen at the end of this transaction term. The mark-to-market value of this transaction is a liability of Ps. 1,001 million (U.S.\$ 52.9 million) as of December 31, 2015. For further discussion relating to our derivative and hedging transactions, see Note 10 to our audited financial statements as of and for the years ended December 31, 2014 and 2013, Note 11 to our audited financial statements as of December 31, 2015, and Note 11 to our unaudited condensed consolidated interim financial information for the six-month periods ended June 30, 2016 and 2015.

Interest Rate Risk

A substantial part of our indebtedness bears interest at variable rates (43.8% as of December 31, 2015). As a result, we are exposed to risks from changing interest rates.

We enter into derivative financial instruments with large financial institutions to minimize the impact of fluctuations in variable interest rates on our indebtedness. The types of derivative instruments we have typically entered into in recent periods include interest-rate swaps (in which we generally pay amounts based on fixed interest rates and receive amounts based on variable interest rates). The general effect of these swaps is to replace an obligation to pay variable-rate interest on our debt with an obligation to pay fixed-rate interest. As of December 31, 2015, the aggregate notional amount of our peso-denominated variable rate to fixed rate interest-rate swaps was Ps. 5.1 billion (U.S.\$ 269.7 million).

The fair value of our derivative instruments was an asset of Ps. 2.0 billion (U.S. \$105.8 million) as of December 31, 2015.

Our use of derivatives varies from time to time, depending on our judgment about our level of exposure to exchange rate and interest rate risks, and the costs of derivative instruments. The aggregate notional amount of our interest-rate swaps may be greater or less than the principal amount of our debt, and we may discontinue hedging at any time. We review and change our derivatives positions regularly, and our derivatives policies change from time to time. Under IFRS, we account for our interest rate swaps on a fair value basis. See Note 11 to our audited financial statements as of and for the years ended December 31, 2015 and 2014 and Note 11 to our unaudited condensed consolidated interim financial information as of June 30, 2016 and for the six-month periods ended June 30, 2016 and 2015.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a material effect on our financial condition, operating results, liquidity or capital resources.

COMISIÓN FEDERAL DE ELECTRICIDAD

Overview

We are the national electricity company of Mexico and, following the energy reform described below, we remain 100% owned by the Mexican government. We generate approximately 84% of the electricity consumed in Mexico, including electricity generated by IPPs (28.8%), and we are solely responsible for the transmission and distribution of electricity for public service purposes throughout Mexico. Approximately 9% of the remaining generation corresponds to electricity generated by PEMEX, the Mexican state-owned oil and gas company, and the remaining approximately 7% corresponds to private producers for self-consumption. As of June 30, 2016, we provided electricity to 40.2 million customer accounts, which we estimate represented 98.6% of the Mexican population. Since 2005, our customer base has grown at an average rate of 5.8% per year.

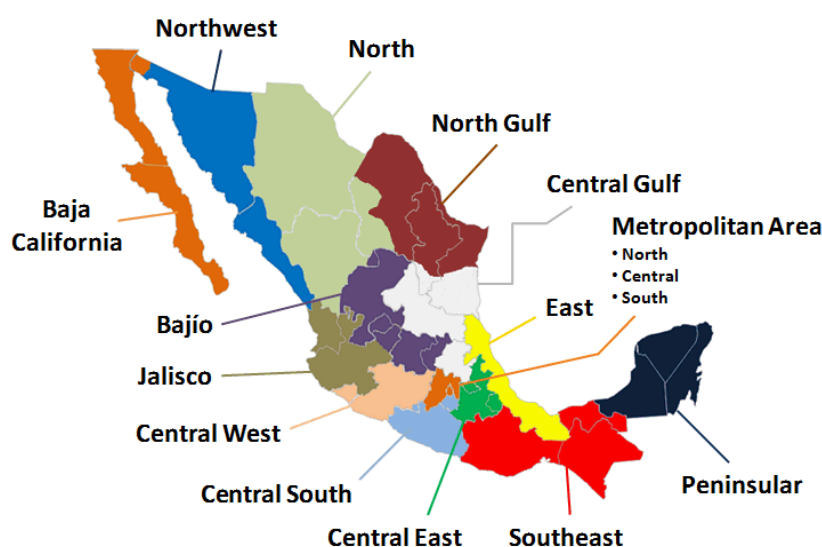
CFE was created in 1937 by presidential decree, and then converted by the Mexican Congress in 1949 into an *organismo público descentralizado de la Administración Pública Federal* (decentralized public entity of the Mexican government). Pursuant to the CFE Law, in accordance with the Energy Reform Decree and Secondary Legislation, CFE was converted into a productive state enterprise on October 7, 2014, subject to a new legal regime.

Our Business

Our business is divided into three main areas: generation, transmission and distribution. As per the PRODESEN, our generation market share as of the date of this Luxembourg Listing Prospectus is estimated at 84%, of which 28.8% comes from IPPs. We have a 100% market share of the transmission and distribution markets.

We continually invest in electricity generation, transmission and distribution infrastructure in order to address Mexico's growing electricity demand. In 2015, we invested Ps. 39.8 billion (U.S.\$ 2.1 billion) in new electricity generation, transmission and distribution infrastructure. Our Board of Directors defines our five-year business plan, determines our annual budget and approves investment priorities and projects. Our *balance financiero* (financial balance) and *techo de gasto de servicios personales* (personal services expenditure ceiling) is updated annually and requires the approval of the Mexican Congress. Our expected investment for 2016 is approximately Ps. 35.7 billion (U.S.\$ 1.9 billion), of which we had invested Ps. 5.5 billion (U.S.\$ 0.3 billion) as of June 30, 2016.

Our service area is divided into 16 regions, and extends to some of the most remote regions of Mexico.



Source: CFE.

The majority of our electricity generation activities are undertaken through thermal and hydroelectric power plants. A small percentage of our electricity generation comes from other sources, including nuclear, geothermal, coal and wind-driven powered plants. Since 1992, IPPs have been permitted under Mexican law to build and operate electricity generation plants in Mexico and sell the generated power exclusively to us.

As of June 30, 2016, our total debt, including obligations in respect of our Long-term Productive Infrastructure Projects was Ps. 300.4 billion (U.S.\$ 15.9 billion) and our total equity was Ps. 239.9 billion (U.S.\$ 12.7 billion). For further information on our existing and contemplated indebtedness, including U.S.\$ 300,000,000 aggregate principal amount of 4.39% Senior Notes due 2036 that we issued on September 29, 2016, and U.S.\$ 375,000,000 aggregate principal amount of 5.00% Senior Notes due 2036 that we issued on October 19, 2016, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” Our total assets were Ps. 1.3 trillion (U.S.\$ 68.6 billion) as of June 30, 2016. We were the fifth largest company in Mexico in terms of revenues as of December 31, 2015. Our revenues from the sale of electricity and net loss for six-month period ended June 30, 2016 were Ps. 154.4 billion (U.S.\$ 8.2 billion) and Ps. 106.8 billion (U.S.\$ 5.6 billion), respectively. Our revenues from the sale of electricity and net loss for 2015 were Ps. 306.9 billion (U.S.\$ 16.2 billion) and Ps. 93.9 billion (U.S.\$ 5.0 billion), respectively. Our revenues from the sale of electricity and net loss for 2014 were Ps. 333.4 billion (U.S.\$ 17.6 billion) and Ps. 46.8 billion (U.S.\$ 2.5 billion), respectively.

Energy Reform

Mexico enacted a landmark energy reform in 2013 and 2014, as set forth in the Energy Reform Decree, the Secondary Legislation and the Regulations that substantially altered, and expanded to continue to alter, the electricity industry in Mexico. We believe that the implementation of this reform will strengthen us by shifting our focus towards value creation, increasing our autonomy and flexibility, and enabling us to evolve from being an electricity company to being an energy company involved in additional aspects of the energy value chain in Mexico. We expect that the full implementation of the Energy Reform Decree will benefit us in the following key respects:

- ***Legal Form:*** We have been converted into a productive state enterprise. While we have generally retained the same rights, powers and privileges we had as a decentralized public entity, we now operate under a new legal framework, which gives us increased managerial and budgetary autonomy, as described more fully below.
- ***Scope of Mandate:*** As a productive state enterprise, our corporate purpose is to create economic value and increase the income of the Mexican nation. We remain solely responsible for the transmission and distribution of electricity for public service purposes. The scope of our mandate has been enlarged, which enables us to convert from being solely an electricity company to being an energy company involved in additional aspects of the energy value chain in Mexico, including natural gas commercialization. Our new corporate purpose gives us greater flexibility to deploy resources in high return opportunities to maximize profitability. We believe this focus on the most profitable generation opportunities will enable us to optimize our operating costs.
- ***Natural Gas Sale:*** In addition to our main activities, we are now able to sell natural gas for power generation and other purposes. We believe this may generate incremental revenue opportunities for us as demand for natural gas in Mexico increases.
- ***Strategic Importance:*** We will continue to operate Mexico’s electricity transmission and distribution networks, and sell electricity to residential consumers and small and medium industrial and commercial consumers. In light of the foregoing, as well as our increasing participation in the growing natural gas industry in Mexico described above, we believe that we will continue to be a key participant in Mexico’s energy sector.
- ***Organizational Structure:*** The CFE Law mandates that we create subsidiaries and undertake a vertical and horizontal separation of each of our key electric sector activities—generation, transmission, distribution and commercialization, some of which have already been created, and some others are in the process of creation as of the date of this Luxembourg Listing Prospectus. In addition, consistent with our expanded mandate, our Board of Directors has been empowered to create additional subsidiaries or participate in affiliates (*empresas filiales*) to engage in any new lines of business that we pursue without the need to obtain approval from the Mexican Congress. We believe that this new organizational structure will make our operations more efficient and transparent, and allow us to focus on maximizing our profitability along the entire energy sector value chain.

- *Rates*: Pursuant to the Secondary Legislation, the rates that we can charge our customers can be modified significantly, particularly with respect to certain of our industrial and commercial customers. The rates that we charge our residential and agricultural customers will continue to be determined and regulated by the Mexican government; however, the formula for determining rates for these customers is expected to allow us to recover our operating costs and receive a profit in an amount that the Mexican government determines to be reasonable. The rates that we charge our large industrial and commercial customers that qualify as “qualified users” by registration with the *Comisión Reguladora de Energía* (Energy Regulatory Commission) (provided existing demand exceeds certain thresholds) are no longer regulated, which grants us greater flexibility in determining our pricing strategy for “qualified users” and enables us to compete on equal terms with private electricity producers. We also expect to generate additional revenue from the new rates applicable to our transmission and distribution activities, which are designed to allow us to obtain a profit that the Mexican government determines to be reasonable from services that we provide to third parties. We believe that the new rate regime will also provide greater transparency regarding our results of operations.
- *Fiscal Regime*: We are no longer required to pay a public use tax to the Mexican government based on the value of our net fixed assets. The Secondary Legislation modified our fiscal regime by eliminating this public use tax and replacing it with a conventional income tax. In addition, in the future we may be required to pay a dividend to the Mexican government based on our net income. We expect the Ministry of Finance will determine the amount of any dividend we will pay to the Mexican government each year after taking into account our business plan and capital investment needs for the upcoming fiscal year. We also expect the proposed amount will be incorporated into the Federal Revenue Law, approved by the Mexican Congress on an annual basis. Upon congressional approval, the Ministry of Finance will determine the terms on which we are to pay such dividend. We believe these reforms will make our results of operations more transparent and enable us to report our results in a manner that will facilitate our profit-focused decision-making.
- *Energy Procurement*: Frequent shortages of natural gas due to low domestic production and the lack of transportation infrastructure have restricted our transition to using lower-cost natural gas to generate electricity, which is three to four times less expensive than fuel oil. We believe that the full implementation of the Energy Reform Decree will result in an increase in the supply of natural gas as private-sector participants are able to explore, extract and produce natural gas in Mexico, and as the natural gas pipeline network continues to expand. We currently purchase a substantial portion of our natural gas from PEMEX, which has, at times, limited the amount of natural gas it makes available to us. Following the full implementation of the Energy Reform Decree, we believe that we will have a greater number of suppliers from which to purchase natural gas. Assuming that the increased supply of natural gas will have the expected effect of reducing the price for natural gas in Mexico, we expect our margins, which are substantially dependent on the prices we pay for the fuel that powers our generation activities, will improve.
- *Partnership Flexibility*: We are permitted to enter into joint ventures with private-sector companies for electricity generation, transmission and distribution activities, as well as for the distribution and commercialization of natural gas to industrial customers. We believe that our knowledge of Mexico’s hydrologic conditions and our ability to be a supplier of natural gas will make us a strategic partner. We expect that these collaborations will, in turn, help us gain access to new technologies that will allow us to modernize our transmission and distribution networks, thereby reducing the quantity of electricity that is used in Mexico but not paid for. Moreover, by participating in joint ventures, we believe we will also be able to optimize our use of capital, potentially reduce our costs and share in any returns generated by these joint ventures.
- *Budgetary Autonomy*: Our conversion to a productive state enterprise is designed to provide us with greater budgetary autonomy and flexibility than we had as a decentralized public entity. Although the Mexican Congress will still approve our financial balance and personal services expenditure ceiling and notwithstanding we are subject to certain budgetary controls by the Mexican government and the Mexican Chamber of Deputies, our Board of Directors is now able to define our five-year business plan, determine our annual budget and freely approve investment priorities and projects. In addition, the Secondary Legislation grants us greater autonomy and flexibility with respect to our procurement, contracting and compensation policies, which we believe will enable us to reduce contracting costs by

adopting terms that are market standard in our service contracts and enhance our ability to attract and retain highly-skilled employees.

- ***Corporate Governance:*** In connection with our conversion to a productive state enterprise, we have adopted a corporate governance framework based on international best practices that is more closely aligned to the governance frameworks of private-sector companies. Our Board of Directors now consists of five representatives of the Mexican government, including the Minister of Energy and the Minister of Finance, four independent directors and one representative of our union. In addition, our internal auditing, control and accountability functions are now undertaken by three separate and independent bodies rather than a single body, in an effort to align our internal oversight practices with those of private-sector companies. We believe that the new composition of our Board of Directors and the reorganization of our internal auditing, control and accountability functions will provide greater transparency and accountability. In addition, in September 2016 President Enrique Peña Nieto submitted to the Mexican Congress proposed amendments to the CFE Law. If approved by Congress, such amendments will impose additional requirements on our independent directors to prevent conflicts of interest, and harmonize our corporate governance regime with the new anticorruption measures included in the *Ley General de Responsabilidades Administrativas de los Servidores Públicos* (General Law of the Administrative Responsibilities of the Public Service Providers) published in the Official Gazette of the Federation on July 18, 2016.

Business Strategy

As a result of the energy reform, we are in the process of implementing a new strategy to comply with the CFE Law and to optimize our business portfolio and our overall performance, and increase our current profitability levels. In order to implement this strategy, in December 2015, our Board of Directors approved our Business Plan, together with our Investments Program.

Our business strategy is primarily focused on maximizing our overall performance in our four main business lines: generation, transmission, distribution and commercialization, through the following key strategies.

Improve our Electricity Generation Performance

We intend to maximize our current electricity generation capacity through the optimization and segmentation of our generation plants, the incorporation of new technologies and by replacing currently-underperforming thermal power plants. Our market share of electricity generation is approximately 84%, and between 2010 and 2015 our generation output, including through IPPs, increased by 6.6% (16.0TWh). We expect electricity demand to increase approximately 3.7% by 2020, and consumption to increase between 45 TWh and 60 TWh during the same period. Our goal is to increase our electricity output at a rate that will correspond with the anticipated increase in electricity demand in Mexico, while improving the profitability of our business portfolio. We also intend to increase the competitiveness of our generation plants, 26% of which have operating costs that we believe may be substantially reduced.

We also plan to expand our generation capacity in clean and renewable energy sources. We rely, and expect to continue to rely, on the use of cleaner burning fuels, such as natural gas, in our generation activities (as compared to fuels that emit higher levels of contaminants into the environment, such as fuel oil). As of June 30, 2016, 72.2% of our electricity generation capacity derived from fossil fuels (natural gas, coal, diesel and fuel oil), 31.1% of which derived from natural gas-fired plants of IPPs. The remaining 27.8% of our electricity generation capacity derived from renewable sources (including nuclear). We are converting seven thermoelectric power plants that currently use fuel oil to natural gas which represent 4,600 MW of installed capacity; and nine new plants, which represent an additional 6,200 MW of capacity, are under construction. Our goal is to maintain or improve this allocation between fuel types in the future; however, our actual allocation will depend in part on the global supply of such fuels and pricing considerations. In addition, we rely, and expect to continue to rely, on clean generation technology, such as hydroelectric, geothermal and wind-driven power generation, each of which use renewable primary sources of energy. Our Investments Program estimates an additional 15.3 GW in generation capacity between 2016-2020. In accordance with our Business Plan, we expect that, by 2019, we will have expanded our generation capacity by 15.5GW (which would represent a 24.2% increase, for a total installed capacity of 70.482GW by 2020), and we expect that renewable energy sources will account for approximately 18-20% of our total generation.

Modernize our Transmission and Distribution Networks and Reduce Technical and Non-Technical Losses

Transmission and distribution remain strategic activities for the Mexican government and represent our core business line. Our main objective in the mid- to long-term is to reduce our technical losses and the quantity of electricity that is used in Mexico but not paid for (*i.e.*, “non-technical losses”). Specifically, our goal is to reduce non-technical losses from 12.8%, as of June 30, 2016, to 9.0% by 2020 through the modernization of our metering systems, strengthening our commercial processes, regularizing our services in areas affected by irregular land-use and strengthening our electric infrastructure. We have accordingly embarked on a number of projects, tentatively aimed to be completed by the end of 2017 to early 2018, with the following targets:

- replacement of 2,419,143 regular meters with smart meters;
- modernization of 2,500 miles (4,000 km) of distribution lines; and
- replacement of 59,628 power transformers in our distribution network.

The estimated total investment required for these projects is U.S. \$1,247 million, and focuses chiefly on the Mexico City metropolitan area. This strategy and types of projects are expected to allow us to recover 29,927 GWh between 2016 and 2020, and reach annual electricity savings of 5,985 GWh beginning in 2020. These annual savings are estimated to be approximately Ps. 7.5 billion (U.S.\$ 397 million).

Modernization of our equipment and technology, including the replacement of aging transmission and distribution substations and power lines, is integral to providing reliable electricity service to our customers. We intend to dedicate a significant portion of our financial and human resources as we seek to ensure that our transmission and distribution networks employ state of the art technology and are in good working condition. In addition, we intend to further develop our “smart-grid” technology, which will include a two-way digital communication system between our customers and us, through which we will be able to monitor the electricity needs of our customers in real time and, accordingly, improve the efficiency with which we provide electricity. We expect that the implementation of smart-grid technology will also help reduce our non-technical losses.

We seek to reduce electricity service interruptions. Much of our equipment is installed outdoors and is subject to the varying weather conditions and natural disasters that affect Mexico from time to time. As a result, this equipment (including, in particular, our transmission towers and utility poles) often incurs weather-related damage, which in certain instances causes electricity service interruptions for our customers. We maintain a well-trained staff of technicians that repair damaged equipment upon our receipt of notice of any such damage. Between 2010 and 2015, the duration of service interruptions resulting from failures in our distribution network decreased by 35%, and the current duration of service interruptions per user has been reduced to 39 minutes per year. We continually assess the quality and speed of these repairs, and we expect that our dedication to delivering fast and effective repair services will continue into the future.

Supply and Commercialization

A key aspect of our growth strategy is increasing the profitability of our commercialization activities in the medium to long-term. We intend to continue servicing our approximately 40.2 million customers and future qualified users by developing client-focused strategies that focus on differentiating our clients by segment. We also plan to take advantage of our client base to develop new lines of business and increase our overall commercialization capacity.

In parallel, we plan to continue to develop our transportation and commercialization of natural gas business. Under our new structure, we have created a subsidiary that will be in the business of buying, selling, transporting and storing gas, fuel oil, coal and other fuels.

We currently are the most important purchaser of the natural gas that is consumed in Mexico, and within five years we expect to become the main consumer of natural gas in North America. Considering our unique position in the industry and the opportunities available in Mexico’s undeveloped sector, we seek to gradually increase our presence in the market as we continue to commercialize, import, export, transport and store natural gas in Mexico and the United States.

Our transformation strategy is based on strategic pillars that will support each of our business lines.

Investments and Financing Capabilities

In accordance with our Investments Program approved by our Board of Directors in connection with our Business Plan, we intend to promote private investments by maintaining our current arrangements under OPF programs, as well as to take advantage of the new partnership flexibilities granted under the CFE Law and the Electric Industry Law to enter into joint ventures, public private partnerships and similar arrangements that allow us to diversify the sources of private capital investment for our projects.

We estimate that 32% of our total projected investment amount through 2019 will be financed pursuant to existing procurement processes, including the construction and development of 16 generation plants that are expected to increase our installed capacity by 7.1GW. Also, we expect that 22% of our projected investments through 2019 will originate from our own resources and the remaining 46% from investments schemes under the new strategic platform we are developing, which is expected to rely substantially on raising private capital.

We expect that our total capital expenditures relating to our Investments Program for the period from 2016 to 2020 will be allocated as follows: Ps. 283 billion (U.S.\$ 15.0 billion) for the improvement and expansion of our electricity generation capacity; Ps. 53.5 billion (U.S.\$ 2.8 billion) for the improvement and expansion of our transmission network, and Ps. 86 billion (U.S.\$ 4.5 billion) for the improvement and expansion of our distribution network and commercialization.

Out of the Ps. 283 billion (U.S.\$ 15.0 billion) we expect to use for the improvement and expansion of our electricity generation capacity, we plan to invest Ps. 227 billion (U.S.\$12.0 billion) in generation projects aimed at increasing our installed generation capacity, while the remaining Ps. 55 billion (U.S.\$ 2.9 billion) is intended to further upgrade and maintain our plants.

In connection with our transmission projects, we expect to invest Ps. 30 billion (U.S.\$ 1.6 billion) in the expansion of our *Red Nacional de Transmisión* (National Transmission Network), and Ps. 23 billion (U.S.\$ 1.2 billion) in the modernization of our network and its substations.

With respect to our distribution projects, we expect to invest Ps. 41 billion (U.S.\$ 2.2 billion) in the modernization of our distribution network, and Ps. 45 billion (U.S.\$ 2.4 billion) in its expansion.

We are also planning investments to improve the infrastructure required to transport natural gas by means of entering into 25 year agreements with service providers, which we expect will allow us to develop our business of transportation and commercialization of natural gas in the mid- to long-term and substantially increase our revenue stream.

Our program of contracting with IPPs has allowed private companies to bid and operate electricity generation plants in Mexico and sell the generated power to us. Under the program, we have entered into long-term (25 years) agreements, under which IPPs are responsible for the construction, operation and maintenance of the electricity generation facility during the life of the agreement and we are obligated to purchase the electricity produced by that facility. The use of IPPs has historically helped us meet electricity generation demands without the cost of construction.

The IPP program has also allowed us to obtain competitive prices for the purchased electricity via an international bidding process, in which we award projects to bidders that offer the lowest kWh price for the sale of electricity to us. As of June 30, 2016, a total of 29 IPP projects relating to generation facilities were operational.

The OPF program addresses our infrastructure needs with respect to the transmission and distribution of electricity, and for generation projects that cannot be structured using IPPs. We enter into relatively short-term (1-2 years) agreements, under which a private company, which we select in an international public bidding process, is responsible for the construction of a project, but not for its ongoing operation and maintenance. Bidders that are selected for OPF agreements receive a total payment upon the completion of the project. The main advantage of this program is that we avoid risks relating to the development of the project that may arise during the construction stage, such as cost escalation and failure of the completed project to meet technical specifications. As with IPPs, we are able to secure competitive prices for the OPFs as a result of an international bidding process. For the 2016 Mexican government budget, a total of 322 OPF projects have been authorized for construction, including

217 facilities that were operational as of May 31, 2016. As of the date of this Luxembourg Listing Prospectus, we are assessing alternative investments schemes, such as joint ventures and public private partnerships, under which we may raise private capital in order to meet our investment needs.

We also intend to increase competition during the bidding processes for procurement contracts, reduce our financing costs and improve our risk-management policies.

In the past, our financings have been mostly limited to public and private financing transactions in the Mexican loan and bond markets, and certain private financings in the United States, Europe and Japan. In May 2011, February 2012, October 2013, June 2015, and September 2016, we sought financing in the international bond markets. We believe that the further development of this financing option, together with our objective to diversify our financing sources, will improve our liquidity and debt maturity profile and help fund our investment activities.

New Organizational and Operational Structure and Strong Performance Culture

We are in the process of developing a new organizational and operational structure that we expect will allow our new subsidiary productive state enterprises and other subsidiaries and affiliates (*empresas filiales*) to operate in a competitive and efficient manner, attract high-skilled employees, improve our strong performance culture and enhance result-oriented strategies.

Our organizational transformation requires us to reduce our financing costs and improve our financial risk management controls, for which we expect that we will centralize our budgetary, human resources, accounting and financing activities, as well as public relations through a corporate center. This new office will be in charge of coordinating with the Ministry of Finance certain matters relating to our financing plans, including the incurrence and registration of our indebtedness. In addition, we will establish a general information technology office, which will be in charge of developing new rules and processes that allow each subsidiary to be aligned to the rest of our company, by developing the adequate technology infrastructure to take advantage of the uniform application of several management tools. We will also establish a new strategic area in charge of overseeing our subsidiary productive state enterprises and other subsidiaries, including their business performance and investments portfolio.

Services and Support

We intend to develop new services and a support business model as a result of which we will transfer certain of our servicing areas to newly created subsidiaries, including those areas that currently provide administrative support. These subsidiaries are expected to service third parties as well as to continue servicing our businesses and affiliates, thus, optimizing the value of our assets through more efficient processes.

Labor Liabilities, Costs Optimization and Productivity

As of June 30, 2016, labor liabilities amounted to 37% of our total assets. As a result of the new labor contract, signed on May 19, 2016 between CFE and the union (SUTERM) our labor liabilities were reduced by approximately 25% and could be reduced by another 25% by year end if the Mexican government agrees to match the savings as it was stipulated in the Proposed Federal Budget for the Fiscal Year 2017.

Strategic Regulatory Action

As a productive state enterprise, we intend to have an active role in the implementation of the new policies and the regulations to develop the National Power System. We are currently assessing comparable international experiences relating to the liberalization of electricity markets. We will continue to develop our relationship with our regulators. In particular, regarding our tariff-regulated business, we will coordinate and maintain a channel of communication aimed to align the tariffs that we charge our customers with our costs and operating expenses.

As a result of the energy reform, there are still several items that remain pending with the relevant regulatory entities, such as the annual dividends policy and the horizontal division of our generation business, which will impact in our projected Business Plan and strategy of transformation. We will continue to assist the relevant authorities to enact the appropriate rules and regulations.

Additionally the energy reform established the creation of the CENACE, which will act as the independent energy system operator and will be in charge of overseeing all the activities (generation, transmission and

distribution) of the Wholesale Electricity Market and its participants as well as managing the electricity spot market.

Social Responsibility

We will continue to operate as a last resort provider of electric power and we intend to continue to proactively face any electric emergencies. As a productive state enterprise, we expect to continue to monitor and assist the regulatory authorities in establishing reasonable and fair rates.

Implementation of Business Plan

Pursuant to our Business Plan, our strategy is expected to be implemented in three stages, as follows:

- **Initial Implementation**: We are in the process of improving our operational efficiency to make our business portfolio more sustainable, finalizing our new organizational and operational structure, implementing our corporate reorganization and restructuring our financial balance to secure our future operation. As of the date of this Luxembourg Listing Prospectus, we have implemented the transition from fuel oil to natural gas generation, and we have created new subsidiaries as mandated by law and expect them to begin operations next year under the new organizational structure.
- **Consolidation of our Core Lines of Businesses (2017-2018)**: Maximize the value of our core businesses through performance programs, optimize our generation portfolio, and prepare the basis for a future expansion into other businesses.
- **Expansion (2019 onwards)**: Develop and implement policies and controls to ensure our improved performance in each of our core businesses and increase our profitability levels in other lines of business.

History

We were created in 1937 by presidential decree, and then converted by the Mexican Congress in 1949 into a decentralized public entity of the Mexican government. Since the enactment of the LSPEE, we have been generally responsible for the generation, transmission and distribution of electric power in Mexico. In connection with energy reform, which, among others, repealed the LSPEE, we were converted from a decentralized public entity of the Mexican government to a productive state enterprise effective upon the effectiveness of the CFE Law, which became effective on October 7, 2014. Such transformation requires new management, organization and operation standards. Our activities are supervised by the Ministry of Energy, and the Minister of Energy serves as the chairman of our Board of Directors.

Luz y Fuerza del Centro

Luz y Fuerza del Centro (“LFC”), which was the utility previously responsible for the transmission and distribution of electricity in Mexico City and the surrounding areas, was dissolved by presidential decree in October 2009. LFC was also involved in small-scale electric power generation, amounting to 1,174 MW as of October 2009. Pursuant to the terms of LFC’s dissolution, the assets of LFC were transferred to the *Servicio de Administración y Enajenación de Bienes* (Asset Management and Divestiture Service, or “SAE”), a decentralized entity of the Mexican government that is operated by the Ministry of Finance. As of the date of the dissolution, LFC’s legal, commercial and financial obligations were assumed by SAE and the distribution of electricity within Mexico City and the surrounding areas was assumed by us. In order to carry out these new responsibilities, we have entered into a lease arrangement with SAE, which provides us with access to certain of LFC’s former assets and enables us to service LFC’s former customers.

As a result of LFC’s dissolution, we obtained approximately six million additional customer accounts. However, the increase in our customer base had little effect on our overall sales volume both because the volume of our sales to these new customers is substantially similar to the volume of our previous sales to LFC and because of the additional non-technical losses we incur by servicing the metropolitan area directly.

Our Operations.

Generation

As of June 30, 2016, our installed capacity was 54,982 MW, which includes the installed capacity of IPPs. Of our total installed capacity, 76.4% corresponds to our own generation units, while the remaining 23.6% corresponds to 29 generation plants operated by IPPs. Since 2000, the proportion of our installed capacity represented by IPPs has increased each year due to the Mexican's government's policy of promoting private participation and investment in the electricity sector.

The following table sets forth the change in our installed capacity for the periods listed:

Installed Capacity							
Installed Capacity	As of						As of
	December 31,						June 30,
	2010	2011	2012	2013	2014	2015	2016
Installed Capacity							
(MW)							
CFE.....	39,704	39,270	39,362	40,055	41,726	41,999	42,029
IPPs.....	11,907	11,907	12,418	12,851	12,851	12,953	12,953
Total.....	51,611	51,177	51,780	52,906	54,577	54,952	54,982
Generation (TWh)							
CFE.....	160.4	170.4	175.8	167.5	164.3	164.3	82.0
IPPs.....	78.4	84.3	81.7	87.1	85.7	88.8	43.4
Total.....	238.8	254.7	257.5	254.6	250.0	253.1	125.4

Source: CFE.

We generate a substantial amount (80.1% as of June 30, 2016) of our electricity at our hydrocarbon-based and hydroelectric power plants and the remaining 19.9% of our electricity from other sources, such as nuclear, geothermal, coal-fired, wind-driven and photovoltaic plants. As of June 30, 2016, our installed capacity, excluding IPPs, consisted of 21,984 MW from our thermal power plants consuming hydrocarbons, 12,092 MW from hydroelectric power plants, 5,379 MW from coal-fired power plants, 1,068 MW from nuclear power plants, 874 MW from geothermal power plants and 92 MW from wind-driven and photovoltaic power plants. IPPs also contributed to our total installed capacity with 12,953 MW from combined cycle and wind-driven plants, as of June 30, 2016. Since most of our power, 68% including IPPs, is generated by thermal power plants consuming hydrocarbons (mainly fuel oil and natural gas), our generation cost is highly sensitive to international fuel prices.

During 2015, we generated 253.1 TWh of electricity, representing a 1.2% increase over the 250.0 TWh we generated in 2014. Of this total, 35.1% was generated by IPPs and the remainder was generated from facilities owned by us.

The table below sets forth the installed capacity as of June 30, 2016 of the various sources of energy on which we rely.

Installed Capacity by Source as of June 30, 2016

Type	Capacity (MW)	% of Total
Fuel oil and natural gas	21,984	40.0%
Coal-fired and dual	5,379	9.8%
Nuclear power	1,608	2.9%
Geothermal	874	1.6%
Total thermal (excluding IPPs)	29,845	54.3%
Hydroelectric	12,092	22.0%
Wind-driven and photovoltaic	92	0.2%
IPPs (combined cycle and wind-driven)	12,953	23.5%
Total CFE (including IPPs)	54,982	100.0%

Source: CFE.

Our electricity generation capacity as of June 30, 2016 consists of 188 plants with 1,019 active units (including IPPs) throughout Mexico as follows in the table below (the distribution by generation type varies by season, rainfall and availability of renewable resources):

Generation Plants and Units by Type as of June 30, 2016

Type	Plants	Active Units
IPPs (combined cycle and wind-driven)	29	487
Hydroelectric	62	176
Turbo gas	41	93
Steam	21	72
Internal combustion (diesel)	7	56
Combined cycle	15	68
Geothermal	4	40
Coal-fired	3	15
Wind-driven and photovoltaic	5	10
Nuclear power	1	2
TOTAL	188	1,019

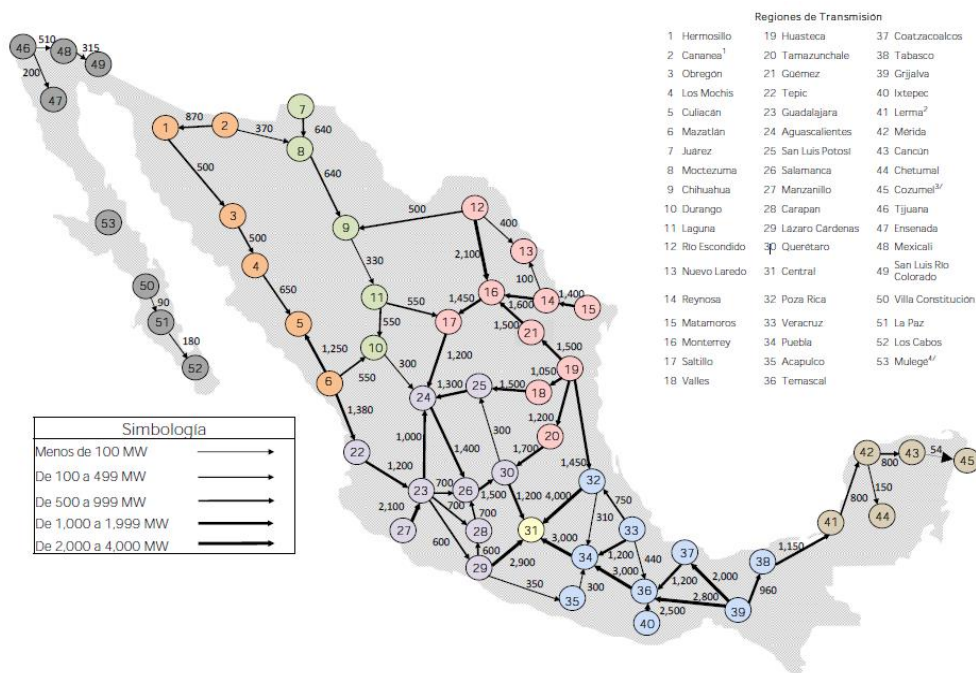
Source: CFE.

As of June 30, 2016, our generation plants and generation units were located throughout Mexico, as illustrated in the map below.



Source: CFE.

The map below shows the geographic distribution of our transmission and sub-transmission network.



Source: CFE and SENER.

Thermal Power Generation

Thermal power generation that uses hydrocarbons as the primary source of energy can be classified according to the type of technology used to power the rotation of an electrical generator's turbines. The technology used by our hydrocarbon-based thermal power plants can be categorized as follows:

- Steam (fuel oil, natural gas and dual);
- Gas turbine (natural gas or diesel);
- Combined cycle; and
- Internal combustion (diesel).

As of June 30, 2016, 54.3% of our installed capacity (excluding IPPs) consisted of thermal power plants (including coal-fired, geothermal and nuclear plants), including 21,984 MW from our thermal power plants consuming hydrocarbons, 5,379 MW from coal-fired power plants, 1,068 MW from nuclear power plants, and 874 MW from geothermal power plants. Given that most of our power (68% including IPPs) is generated by thermal power plants consuming hydrocarbons (mainly fuel oil and natural gas), our generation cost is highly sensitive to international fuel prices.

We purchase approximately all of our fuel oil from PEMEX at spot prices pursuant to a fuel oil supply contract. We currently purchase natural gas from PEMEX and five other suppliers in Mexico (Gas de Litoral, S. de R.L. de C.V., IEnova LNG, S. de R.L. de C.V. and Grupo Iberdrola and its affiliates) at indexed prices pursuant to long-term contracts awarded pursuant to an international bidding process. For the year ended December 31, 2015, fuel oil and natural gas, together, represented 63.1%, and for the three-month period ended March 31, 2016, fuel oil and natural gas represented 53.4% of the aggregate amounts that we spent on the generation of electricity. As of June 30, 2016, approximately 9.8% of our installed capacity relied on the use of coal. A small percentage of our generating plants use diesel fuel, which we purchase from PEMEX at prices regulated by the Mexican government.

Nuclear Power Generation

We operate Mexico's only nuclear power plant, Laguna Verde. The Laguna Verde plant is located on the coast of the Gulf of Mexico in the municipality of Alto Lucero in the state of Veracruz. The plant is a strategic facility due to its high power generation capacity, low operating cost and frequency and voltage regulation capacity. Laguna Verde is comprised of two power generating units. The nuclear reactor contained in each power generating unit is a "Boiling Water" (BWR-5) reactor equipped with direct cycle Mark II containment. Since operations at Laguna Verde began in 1990, Unit 1 has generated more than 105.1 million MWh, while Unit 2 has generated more than 89.3 million MWh. In 2011, we completed a substantial renovation of both generating units as a result of an investment of approximately Ps. 7,300 million (U.S.\$ 386 million), which was financed as an OPF under PIDIREGAS. As a result of the renovations, the installed capacity of Laguna Verde increased by a total of 210 MW to 1,610 MW as of June 30, 2015.

The two units of the Laguna Verde plant together account for 2.9% of our total installed capacity (including IPPs) as of June 30, 2016, with a total capacity of 1,608 MW. Laguna Verde's operations are subject to regulation and oversight by both national and international nuclear regulatory bodies. Laguna Verde has operated in compliance with ISO-14000 international standards for environmental management since 1999 based on its quality and safety standards. See "Risk Factors—Risks Factors Related to CFE—We are subject to environmental risks and possible claims and lawsuits inherent to the generation, transmission, and distribution of electricity."

Hydroelectric Power Generation

Our largest hydroelectric generating plant is Manuel Moreno Torres, which has 2,400 MW of installed capacity and is located in Chicoasén, Chiapas. The plant utilizes the water flow from the Grijalva River to power its turbines. The second and third largest plants are C.H. Infiernillo, which has 1,200 MW of installed capacity and is located in La Unión, Guerrero, and C.H. Malpaso, which has 1,080 MW of installed capacity and is located in Tecpatán, Chiapas. During the six-month period ended June 30, 2016, our hydroelectric power plants had a total capacity of 12,092 MW, or 22.0% of our total installed capacity (including IPPs).

Coal-Fired Power Generation

We have three coal-fired power generation plants located just south of the U.S. border in the State of Coahuila. These three plants are comprised of 15 generation units, which have a combined installed capacity of 5,379 MW and were responsible for 9.8% of our total installed capacity as of June 30, 2016.

Geothermal Power Generation

Our geothermal energy is generated by four plants with a total installed capacity of 874 MW as of June 30, 2016, which represents 1.6% of the total electricity generated by us (including IPPs). Our largest geothermal power station is *Cerro Prieto*, which generates 67.3% of the geothermal electricity generated in Mexico. Geothermal energy is the only renewable source other than hydroelectric power that currently contributes significantly to the total mix of the electricity we generate.

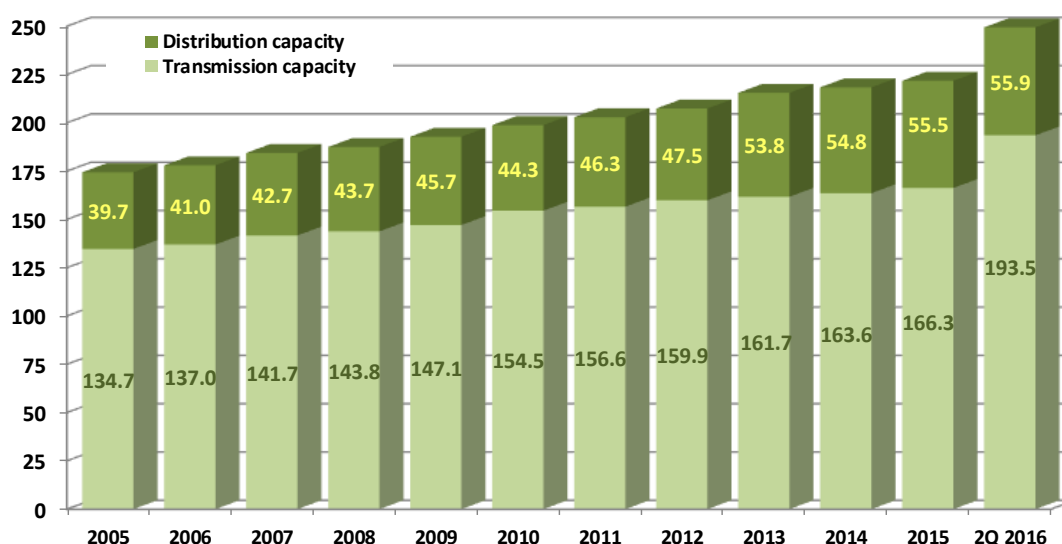
Wind-Driven Power Generation

We own and operate three wind-driven power plants, the largest of which is the *La Venta* power plant located 30 km northeast of the city of Juchitán, Oaxaca. *La Venta* was the first wind-driven power plant developed in Mexico and in Latin America. The wind-driven and photovoltaic power plants have a combined installed capacity of 92 MW. The five wind-driven power plants operated by IPPs have a combined installed capacity of 510.9 MW, all of them located in the State of Oaxaca. As of June 30, 2016, wind-driven plants (excluding IPPs) contributed to 0.2% of our installed capacity.

Transformation, Transmission and Distribution

Electric power generated in our facilities, as well as by IPPs, is made available to consumers after being transformed, transmitted and distributed. Transformation is the process by which the current and voltage of electricity is converted to a form suitable for its transmission or distribution. This process is carried out by our network of electrical transmission and distribution substations, which has grown in size and capacity in parallel with the growth of our transmission and distribution networks. As of June 30, 2016, our transformation capacity was 249.4 GVA, of which 77.6% related to transmission substations and 22.4% to distribution substations.

Capacity of Transmission and Distribution Substations (GVA)



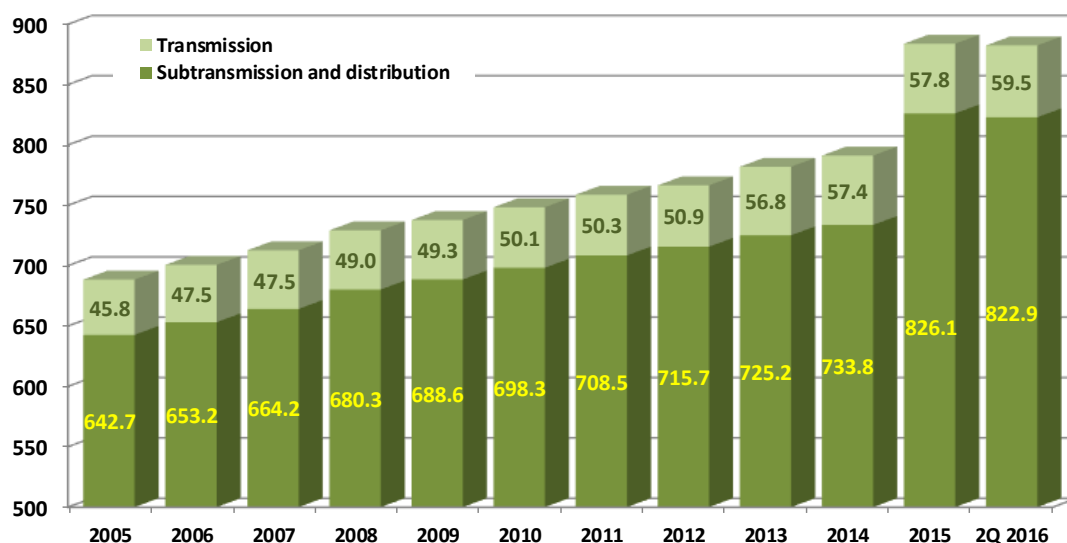
Source: CFE.

Transmission is the process by which electrical power is carried from electrical generators to distribution substations. Our transmission network consists of a network of power lines with capacities ranging from 161 to 400 kV. As of June 30, 2016, the transmission network was 59,545 kilometers (37,000 miles) long.

Our distribution network, which is responsible for delivering electricity to our customers throughout Mexico, is comprised of sub-transmission lines with voltage levels of 138, 115, 85 and 69 kV and a web of distribution lines with voltage levels of 34.5, 23, 13.8, 6.6, 4.16 and 2.4 kV.

As of June 30, 2016, we had a total of 822,950 kilometers (511,467 miles) of sub-transmission and distribution lines. Including transmission, sub-transmission and distribution lines, our transmission and distribution network is 882,492 kilometers (548,472 miles) long.

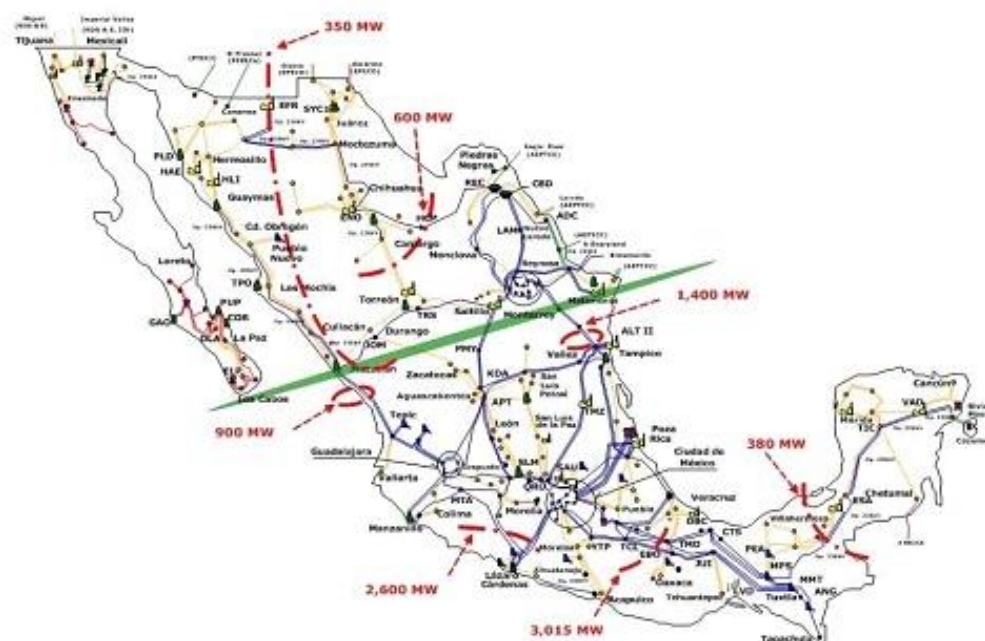
Length of Transmission and Distribution Lines (thousands of kilometers)



2015 and subsequent years data incorporate Mexico City and its metropolitan area distribution lines (86,809 kms not reported in preceding years).

Source: CFE.

The map below shows the geographic distribution of our transmission and sub-transmission network.



Source: CFE.

CENACE

Pursuant to the Electric Industry Law, we were required to transfer to the *Centro Nacional de Control de Energía* (National Center of Energy Control, or “CENACE”) the necessary human, material and financial resources for the operation of the National Power System and the Wholesale Electricity Market. Accordingly, on November 28, 2014, we transferred to CENACE the following assets:

- the *Centro Nacional* (National Center) located in Mexico City;
- the *Centro Nacional Alterno* (Alternate National Center) located in Puebla;
- eight control areas located in Mexicali, Hermosillo, Gómez Palacio, Monterrey, Guadalajara, Mexico City, Puebla and Mérida;
- the control centers in La Paz and Santa Rosalía;
- the *Coordinación de Planificación* (Office of Planning) of the *Subdirección de Programación* (Budget Department) located in Mexico City; and
- employees and assets associated with the operation of the above.

In accordance with Note 21 of our unaudited condensed consolidated interim financial information as of June 30, 2016 and for the six-month periods ended June 30, 2016 and 2015, the assets transferred had a value of Ps. 2,987 million. For more information regarding CENACE, see “—General Regulatory Framework” below.

Fiber Optic Network

As of December 31, 2014, we had a total of 39,789 kilometers (24,729 miles) of a national fiber optic network, which is comprised of an intermodal network of 37,296 kilometers (23,180 miles) and an access network and local access of 2,493 kilometers (1,549 miles), developed to increase the safety and reliability of the electricity network. This fiber optic network facilitates the application of long-term solutions for technical and administrative communications involving voice, data and video, among others, gradually replacing the telecommunications services currently provided by third parties.

In order to maximize the use of our fiber optic network, and given that we have the capacity to provide services to third parties, we obtained in November 2006 a concession (the “Fiber Optic Network Concession”) from the *Secretaría de Comunicaciones y Transportes* (Ministry of Communications and Transportations, or the “SCT”) in order to provide a public telecommunications network in 71 regions within Mexico for an initial term of 15 years, which term may be renewed. To achieve an adequate operation of the fiber optic network, our Board of Directors authorized modifications in our internal structure to create two additional units, the Fiber Optics Unit, engaged in the operation and maintenance of the fiber optic network, and the CFE Telecom Unit, engaged in the marketing of services authorized by the SCT.

Between 2010 and 2014, we focused on increasing the quality and efficiency of our fiber optic network, and as a result, increased our fiber optic customer base among independent telecommunication operators and institutional customers.

On June 11, 2013, the *Decreto por el que se reforman y adicionan diversas disposiciones de los artículos 6, 7, 27, 28, 73, 78, 94 y 105 de la Constitución Política de los Estados Unidos Mexicanos, en materia de telecomunicaciones* (Decree that amends and supplements Articles 6, 7, 27, 28, 73, 78, 94 and 105 of the Mexican Constitution relating to telecommunication matters, or the “Telecommunications Reform Decree”) was published in the Official Gazette of the Federation. Pursuant to the transitional regime of the Telecommunications Reform Decree, on December 17, 2014, we requested from the *Instituto Federal de Telecomunicaciones* (Federal Telecommunications Institute) an approval for the assignment of the Fiber Optic Network Concession to *Telecomunicaciones de México* (Mexico Telecommunications), a decentralized public entity of the Mexican government. On September 24, 2015 the Federal Telecommunications Institute approved the assignment of the Fiber Optic Network Concession to Mexico Telecommunications, and Mexico Telecommunications received such concession on January 21, 2016.

Service Quality

During the past several years, the Mexican government has implemented various programs in an effort to modernize CFE. Currently, through the Program for Corporate Transformation developed by our *Dirección de Modernización y Cambio* (Department of Modernization and Change), all of our operational units are evaluated by simulating their performance under a competitive environment. This practice allows us to identify our strengths and weaknesses, and to set benchmarks for productivity, competitiveness and technology programs, including the reduction of energy losses, the establishment of quality indicators and the implementation of pricing and maintenance programs. Our energy savings programs consist of efforts to promote replacement of high-consumption appliances and air conditioning units as well as internal programs for energy savings in generation plants and the creation of incentives for customers to use energy-friendly equipment.

Our quality indicators show a steady improvement over the past years. Increases in service quality are due to our commitment and effective measures undertaken by management to transform CFE into a world class company. As of 2004, all of our processes and work centers were certified under the ISO 9000 rules. We have been awarded the *Premio Nacional de Calidad* (National Quality Award) eight times, an award that is given by the Mexican government for continued improvement in quality indicators. We have also been awarded the *Premio Iberoamericano de la Calidad* (Iberoamerican Quality Award) on four occasions, the *Reconocimiento Innova* (Innova Award) and the *Premio Intragob* (Intragob Award).

The following table sets forth the primary indicators on which we rely to evaluate the quality of the services we provide.

Service Indicators	2010	2011	2012	2013	2014	2015	2Q 2016
Service Quality							
Connection lead-time for new user (days)	1.0	0.8	0.8	0.9	0.7	1.2	1.0
Fulfillment of service commitments (%)	97.2	98.4	98.5	97.4	94.6	96.2	97.8
Receipt of non-conforming electricity (for every 1,000 users per month)	4.4	4.3	3.9	3.6	3.5	3.5	3.0
Quality of Electric Power Supply							
Outage time per user (minutes per year)	60	50	46	39	37	39	15
Population with access to electric power (%)	97.8	97.9	98.1	98.2	98.4	98.5	98.6
Operation and Productivity							
Gross generation (TWh), including IPPs	241.5	254.7	257.5	254.6	255.6	257.5	128.3
Users per operations worker	417.9	415.7	419.3	431.2	444.3	470.4	475.8
Collection accuracy (%)	99.2	99.6	100.2	101.6	99.7	99.5	99.2*
ISO 9001 certified work centers	447	452	477	474	462	446	447

Source: CFE.

* As of May, 2016.

Client Base and Demand

Since CFE's inception in 1937, Mexico's population has quintupled in size, growing to approximately 120.2 million inhabitants as of December 31, 2015. This population growth has been accompanied by a significant increase in the demand for electric energy. The following table sets forth CFE's response to population growth in Mexico during the last 45 years:

	As of December 31,						As of June 30,
	1970	1980	1990	2000	2010	2015	2016
Population of Mexico* (in millions)	48.2	66.8	81.2	97.5	112.3	120.2**	N.A.
Number of CFE Customer Accounts (in millions).....	4.88	6.84	11.95	18.68	34.2	39.5	40.2
Total Installed Capacity of CFE (in MW)	5,401	13,692	24,442	35,869	51,611	54,952	54,982

Source: CFE.

* Source: INEGI.

** Source: Year-end demographic projection by INEGI.

N.A.: Data not yet available.

We provide electricity to approximately 118.4 million people in Mexico, and as of December 31, 2015, we had 39.5 million customer accounts. Since 2005, our customer base has grown by an average rate of 5.8% per year. We classify our customers into five categories: residential, commercial, agricultural, service and large industry. As of June 30, 2016, CFE's customer base consisted of 88.6% residential accounts and 9.8% commercial accounts, with the remainder of our accounts attributed to agricultural, industrial and services customers.

The following table sets forth a customer breakdown per sector as of December 31, 2010 through 2015 and as of June 30, 2016:

Customer Breakdown by Sector	As of December 31,						As of June 30,
	2010	2011	2012	2013	2014	2015	2016
Sector	Percentage of Customers						
Residential	88.3%	88.4%	88.4%	88.5%	88.6%	88.6%	88.6%
Commercial	9.9%	10.0%	10.0%	9.9%	9.8%	9.8%	9.8%
Agricultural	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	0.3%
Industrial.....	0.8%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%
Services	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%

Source: CFE.

For the year ended December 31, 2015, 99.4% of our total electricity sales were (by volume of kWh) direct sales to customers in Mexico and the remaining 0.6% represented exports, mainly to Central America.

Although the residential sector represented 88.6% of our customer base as of December 31, 2015, it constituted only 22.6% of our sales during 2015. Inversely, the industrial sector represented approximately 0.8% of our customer base, but as of December 31, 2015, it accounted for 54.8% of our sales volume. The following table sets forth the percentage of our sales volume attributable to each sector that we service for the years ended December 31, 2010 through 2015 and for the six month period ended June 30, 2016.

Sales Volume (GWh) breakdown by Sector	As of December 31,						As of June 30,
	2010	2011	2012	2013	2014	2015	2016
Sectors	Percentage of Volume Sold*						
Residential	25.5%	24.4%	23.9%	24.2%	24.8%	22.6%	23.0%
High-Consumption Residential..	1.5%	1.4%	1.3%	1.2%	1.2%	1.1%	1.2%
Commercial	6.0%	6.7%	6.7%	6.7%	6.7%	7.0%	6.9%
Agricultural	5.5%	5.7%	5.2%	5.0%	4.8%	4.7%	6.3%
Industrial.....	57.8%	57.9%	58.8%	58.5%	58.2%	54.8%	58.5%
Services	3.8%	3.9%	4.1%	4.5%	4.3%	4.2%	4.2%

Source: CFE.

* 100% is total retail volume before exports, non-technical losses, billing errors, billing in process and other exploitation products.

Electricity Rates

As of the date of this Luxembourg Listing Prospectus, the rates that we charge for electricity are determined annually by the Mexican government based on our anticipated generation capabilities and long-term marginal costs, as well as other variables including the category and location of our customers and the time of day that the electricity is expected to be consumed, and the expected inflation rates for the next year. The Mexican government may set some or all of our electricity rates at levels below our operating costs in order to maintain the affordability of electricity, in particular, for most of our residential and agricultural customers. As a result, we have relied on rate insufficiencies from the Mexican government to compensate for any shortfall. During the summer months, the Mexican government increased the portion of the rate insufficiencies that relate to our residential customers located in regions of Mexico that experience extreme heat. This seasonal adjustment was designed to mitigate the financial burden arising from higher demand for electricity, in particular because of the increased use of air conditioners in these regions. We are working with the Ministry of Finance with the goal of creating a framework whereby we do not absorb the impact of the subsidies granted to consumers, due to the effect of the electricity rates, but we can provide no assurances that we will not have to absorb such impact in the future, or whether the new framework will adversely affect our results of operations and financial position.

Pursuant to the Secondary Legislation, the rates that we can charge our customers can be modified significantly, particularly with respect to certain of our industrial and commercial customers. The rates that we charge to our residential and agricultural customers will continue to be determined and regulated by the Mexican government, however, the formula for determining rates for these customers is expected to allow us to recover our operating costs and receive a profit in an amount that the Mexican government determines to be reasonable. The rates that we charge to our large industrial and commercial customers will no longer be regulated, which will grant us greater flexibility in determining our pricing strategy for these consumers and enable us to compete on equal terms with private electricity producers. We also expect to generate additional revenue from the new rates applicable to our transmission and distribution activities, which are designed to allow us to obtain a profit that the Mexican government determines to be reasonable from services that we provide to third parties. We believe that the new rate regime will also provide greater transparency regarding our results of operations. The public use tax was repealed by the Electric Industry Law.

The rate insufficiencies that we received for the years ended December 31, 2013 and 2014 were offset by a public use tax in amounts that were measured as a percentage of our net fixed assets as of the end of the immediately preceding year. The following table sets forth the rate insufficiency we received and the public use tax we incurred for the years ended December 31, 2013, 2014 and 2015, as well as the balance that has been charged to our results of operations for each respective year.

	For the Year Ended December 31,			
	2015	2015	2014	2013
	(in millions of dollars)		(in millions of Mexican pesos)	
Rate insufficiency	3,190	60,332	86,227	85,770
Public use tax.....	N/A	N/A	58,792	46,012
Balance.....	3,190	60,332	27,435	39,758

Source: CFE.

To mitigate our exposure to fuel prices, the electricity rates that we currently charge our industrial, commercial and high-consumption residential customers, which account for 71.1% of our revenues, were adjusted on a monthly basis pursuant to a formula that accounts for changes in fuel costs and inflation. The formula, which is set forth below, provides us with a weighted average of the monthly changes in prices of each of the five hydrocarbon-based fuels on which we rely. We then either increase or decrease the electricity rates for our industrial, commercial and high-consumption residential customers from the previous month by the weighted average determined from this formula.

$$ICC_m = \sum_{c=1}^5 \alpha_c \times P_{c,m}$$

where,

ICC = fuel costs index

m = month subject to price adjustment

α = the multiplier used for each fuel (as set forth below)

Fuel oil	= 0.0570
Natural Gas	= 1.2309
Diesel	= 0.0037
Imported Coal	= 0.1832
Domestic Coal	= 0.2142

c = each of the five fuels subject to monthly adjustment

$P_{c,m}$ = price for each fuel (excluding value added tax) for the month immediately preceding the period subject to adjustment

Furthermore, to mitigate our exposure to inflation, the electricity rates charged to our residential (except for high-consumption residential), agricultural and services customers, which are not subject to the adjustment for fuel prices, were adjusted on a monthly basis by a fixed amount determined by the Ministry of Finance.

The following table sets forth, for the periods indicated, (i) the average price of electricity that we charge our customers (measured in pesos per kWh) and (ii) the percentage change in the average price of electricity that we charge our customers.

Year	Historic Price Trends	
	Period Average Price of Electricity Ps/kWh	Percentage Change in Period Average Price (as compared to the immediately preceding period)
2007	1.13	2.7%
2008	1.31	15.9%
2009	1.14	(13.0%)
2010	1.32	15.8%
2011	1.47	11.4%
2012	1.41	(4.1%)
2013	1.50	6.4%
2014	1.55	3.3%
2015	1.35	(13.0%)
2Q 2016	1.30	(4.0%)

Source: CFE.

Billing and Collection

Our billing and collection practices are governed by the *Manual de Disposiciones Relativas al Suministro y Venta de Energía Eléctrica Destinada al Servicio Público* (Rules for the Distribution and Sale of Electricity to the Public, the “Billing Rules”). Under the Billing Rules, customers have 10 calendar days to pay for electricity bills after receipt of the corresponding invoice. However, if we deliver an invoice late, the applicable payment period is extended accordingly.

We may suspend the supply of electricity to a customer if any of the following occurs: (i) late payment; (ii) tampering with metering or control installations; (iii) non-compliance of our installations with technical regulations; (iv) violations of electricity supply contracts with respect to the use of electricity; (v) consumption of electricity without a contract; and (vi) connection to our service without our previous authorization. Upon the occurrence of any of the above, we may proceed to cancel service without judicial intervention. However, in the case of any of the events described under (i), (iii) or (iv) above occur, we are required to notify customers before suspending their service.

We may terminate the supply of electricity if any of the following occurs: (i) upon request by a customer; (ii) upon a change in a customer’s business that result in tariff adjustments; (iii) upon the change in the owner or lessee of a property or business, and (iv) upon the failure to cure any payment default during the 15 days after service is suspended.

We may agree to modify the terms of payment when customers are unable to pay amounts owed to us but have agreed to such amounts. Among the modifications that we may agree to are: (i) the payment of 25% of the aggregate amount owed to us upon execution of an agreement modifying the terms of payment; (ii) the establishment of a monthly payment plan; (iii) the charging of interest on amounts owed (at a rate of the *Tasa de Interés Interbancaria de Equilibrio* (TIIE) plus a margin approved by us); and (iv) the acceleration of the aggregate amount owed to us upon the failure to make a monthly payment.

Labor

As of June 30, 2016, we had 92,297 employees (including temporary employees), as compared to 93,199 employees as of December 31, 2015. As of June 30, 2016, approximately 79.6% of our employees were unionized under the SUTERM labor union and the remainder were not unionized. We have never experienced a labor-related work stoppage or strike, and we consider our overall relationship with our unionized employees to be stable. The average tenure of our full-time employees (union and non-union) is 15 years.

The following table sets forth the breakdown of our labor force between unionized and non-unionized employees for the years ended December 31, 2010 through 2015, and for the six month period ended June 30, 2016:

Employees*	As of December 31,						As of June 30,
	2010	2011	2012	2013	2014	2015	2016**
Non-unionized Employees.....	19,084	20,034	20,047	19,648	19,277	18,970	18,867
Unionized Employees.....	74,245	77,329	77,320	75,946	74,665	74,229	73,430
Total Active Employees.....	93,329	97,363	97,367	95,594	93,942	93,199	92,297

* Includes temporary employees.

** 1Q 2015 data includes 203 non-unionized and 630 unionized employees that will be transferred to CENACE on May 2015.

Source: CFE.

The increase in our labor force between 2010 and 2011 (approximately 4.3%) was the result of our increased labor needs in Mexico City and the surrounding areas. See “—Luz y Fuerza del Centro.” Upon the dissolution of LFC in October of 2009, we hired approximately 12,845 employees, a portion of which were former employees of LFC, either as temporary or full-time workers, to support our new customers in Mexico City and the surrounding areas.

In 2008, as a result of our collective bargaining negotiations with SUTERM, we entered into a new “defined contribution” employee benefits program, wherein we have agreed to establish individual retirement accounts for each employee that we hire after August 18, 2008. As currently set forth in the collective bargaining agreement with SUTERM, employees subject to the defined contribution plan are required to contribute 5% of their monthly salary into their individual retirement account, and we provide a corresponding contribution in the amount of 7.5% of each employee’s monthly salary (although these percentages are subject to change in accordance with terms of the collective bargaining agreement). This new program replaces our previous defined benefits plan, which entitled our employees to certain retirement benefits, including a pension and health insurance, which were allocated to our retired employees in amounts that corresponded, in large part, to their years of service and seniority level at CFE. The new defined contribution plan does not apply retroactively to our employees that were employed as of or prior to August 18, 2008, nor does it apply to temporary employees. As of December 31, 2015, approximately 53.8% of our total liabilities comprise of our short and long-term obligations in respect of employee benefits for employees that were employed as of or prior to August 18, 2008. See “Risk Factors—Risk Factors Related to CFE—Labor unrest may adversely affect our business, financial condition and results of operations.”

Environmental and Sustainability Matters

We are subject to a broad range of environmental laws and regulations, including the *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (General Law of Ecological Balance and Environmental Protection), which is the principal environmental law in Mexico. These laws and regulations impose stringent environmental protection standards regarding, among other things, water usage, air and noise emissions, contamination control, wastewater discharges, the use and handling of hazardous waste or materials and waste disposal practices. These standards expose us to the risk of environmental costs and liabilities; however, we believe that we are in substantial compliance with all environmental laws applicable to us. In addition to environmental laws and regulations applicable to our operations, we are required to utilize the electricity production technologies that result in the lowest cost to us, on both a short-term and a long-term basis, after considering the environmental effect of each technology. We are also required to use the electricity production technologies that offer optimum stability, quality and safety for the public service we provide. This mandate is consistent with our longer-term strategy to focus on clean energy as we expand our generation capacity.

To maintain compliance with and mitigate our risk under the Mexican environmental legal and regulatory framework, we maintain an environmental policy program known as the *Programa Institucional para la Competitividad y la Sustentabilidad de la Comisión Federal de Electricidad* (Program for the Competitiveness and Sustainability of the Comisión Federal de Electricidad, or the “PICS”), designed primarily to reduce the environmental impact and increase the efficiency of our operations, increase the use of alternative fuels and promote energy savings programs. To satisfy these objectives, PICS focuses on plant modernizations, emissions controls, the construction of water treatment plants and programs to promote the use of clean energy and increase the efficiency of fossil fuel-based plants, each of which is consistent with the *Programa Especial de Cambio Climático 2009-2012* (Mexican government’s Special Climate Change Program for 2009-2012) which establishes the objective of

reduction of 50% of greenhouse gases emissions by 2050. Furthermore, PICS requires each participant in the bidding processes relating to the construction, maintenance and operation of power plants to prove their ability to perform these activities in compliance with all existing environmental rules and regulations and with CFE's standards, which in some cases are more stringent than those in applicable environmental laws. Additionally, it requires winning bidders to perform an environmental impact study sanctioned by the *Procuraduría Federal de Protección al Ambiente* (Federal Environmental Protection Agency), which is part of the *Secretaría del Medio Ambiente y Recursos Naturales* (Ministry of Environment and Natural Resources).

Pursuant to the Electric Industry Law, the Ministry of Energy will implement policies and procedures to promote the diversification of energy sources, energy security and clean energy through the use of *Certificados de Energías Limpias* (Clean Energy Certificates).

A substantial majority of our plants were awarded a *Certificado de Industria Limpia* (Clean Industry Certificate), certifying that their operations are in full compliance with applicable environmental laws. We expect that all of our plants currently under construction will be awarded with a Clean Industry Certificate. Additionally, certain of our operations and processes in our different power plants have obtained ISO-9001, ISO 14000 and ISO 18000 certifications for environmental management systems.

We also maintain a general liability insurance policy which includes specific environmental liabilities insurance coverage arising from nuclear accidents in compliance with Mexican rules and regulations and international conventions to which Mexico is a party.

General Regulatory Framework

Mexican Energy Reform

Prior to the Energy Reform Decree, the generation, transmission and distribution of electricity were each considered activities of strategic concern to the Mexican government, and were therefore reserved exclusively to public-sector entities in which the Mexican government holds 100% of the equity and control rights. Accordingly, we had the exclusive responsibility for the planning and development of Mexico's electric power system, the generation, transformation and distribution of electric power and the financing and construction of required projects and facilities to fulfill our operations. Private investment was allowed in the generation of electric power through independent generation, generation for self-consumption, co-generation and small-scale generation and for import and export of electric power.

We describe below the key features of the Energy Reform Decree and the Secondary Legislation that relate to our operations:

- **Continued government participation:** The Mexican government remains exclusively responsible for the planning and administration of Mexico's National Power System and the transmission and distribution of electric energy, which remains a public service.
- **Private-sector participation:** The Mexican government may permit private-sector companies to enter into contracts with us related to the financing, installation, maintenance, management, operation and expansion of electricity transmission and distribution infrastructure, although concessions continue to be prohibited with respect to these activities. Exclusivity in supply to basic service users (residential and small businesses) will remain in place for a period of time sufficient to employ our existing generation facilities. In addition, private-sector companies are now able to invest and participate in all aspects of electricity generation and commercialization activities.
- **Our conversion to a productive state enterprise:** The Energy Reform Decree provided for our conversion from a decentralized public entity to a productive state enterprise no later than December 21, 2015. As contemplated by the Secondary Legislation, pursuant to the CFE Law, CFE was converted from a decentralized public entity to a productive state enterprise on October 7, 2014, upon the integration of our Board of Directors. In addition, our new regime granting us with additional autonomy for purposes of determining our budget, incurring new debt, entering into procurement contracts and establishing anticorruption measures and remunerations schemes, among others, became effective on February 16, 2015, upon the confirmation by the Ministry of Energy that relevant internal

controls and transparency and accountability mechanisms mandated by the CFE Law have been put in place by us.

- Vertical and Horizontal Division of CFE: The CFE Law and the transitional articles of the Electric Industry Law mandate that we undertake a vertical and horizontal separation of each of our core activities of generation, transmission, distribution and commercialization of electric power, which shall be legal and include appropriate accounting and operational characteristics, and horizontal regarding generation and distribution. We are in the process of implementing this corporate reorganization. See “General Regulatory Framework—Organizational Structure of CFE.”
- Creation of subsidiaries: The CFE Law also requires us to create subsidiary productive state enterprises to undertake the transmission and distribution of electric power. Regarding the generation and commercialization activities, we may operate through subsidiary productive state enterprises, subsidiary enterprises and/or any other legal entities or joint ventures. The Ministry of Energy was authorized to determine the manner in which some of our agreements with third parties will be assigned to our subsidiary productive state enterprises and other subsidiary enterprises.
- Regulatory oversight and authority: The Ministry of Energy and the Energy Regulatory Commission were granted additional technical and administrative authority over certain of our operations and the electric energy sector generally. The Ministry of Energy is in charge of designing, implementing and coordinating Mexico’s energy policy, implementing the infrastructure programs, monitoring the profitability and return on equity of productive state enterprises and its subsidiaries and establishing mechanisms to promote clean energy generation through tradable energy certificates. The Energy Regulatory Commission was vested with its own legal status and technical and administrative autonomy and was entrusted with regulating and issuing permits for power generation and implementing regulations to encourage the sustainability and efficiency of the National Power System. In addition, the CENACE, a decentralized public entity of the Mexican government, was created to manage the National Power System, operate the Wholesale Electricity Market and ensure an open and non-discriminatory access to the electric transmission grid and the distribution systems.
- Electric Industry Law: The Electric Industry Law established a new regulatory framework that enables private-sector companies to obtain permits for generation and commercialization of electric power. Participants in Mexico’s electric sector, including us, will now be able to sell electricity to large industrial and commercial customers at rates set by the market in a new Wholesale Electricity Market. Pursuant to the Electric Industry Law, we are subject to a permits regime in order to continue to generate electricity, and will continue to sell electricity to residential consumers and small and medium industrial and commercial consumers subject to regulated tariffs. We also have authority to enter into contracts with private-sector companies, including contracts for the financing, installation, maintenance, procurement, operation and expansion of the electric network infrastructure. The Electric Industry Law repealed the LSPEE.

On October 31, 2014, the regulations relating to the Secondary Legislation, including the Regulations to the CFE Law and the Regulations to the Electric Industry Law, were published in the Official Gazette of the Federation.

Organizational Structure of CFE

The CFE Law mandates that we create subsidiaries and undertake a vertical and horizontal separation of each of our key electric sector activities—generation, transmission, distribution and commercialization. In addition, consistent with our expanded mandate, our Board of Directors has been empowered to create additional subsidiaries to engage in any new lines of business that we pursue without the need to obtain approval from the Mexican Congress.

In order to implement this contemplated corporate reorganization, on January 11, 2016, the Ministry of Energy published the general terms for the reorganization of CFE. These terms set forth the terms and conditions for the creation of these new subsidiaries. Accordingly, on March 29, 2016, CFE created the following new subsidiaries: (i) CFE Distribución; (ii) CFE Suministrador de Servicios Básicos; (iii) CFE Transmisión; (iv) CFE Generación I; (v) CFE Generación II; (vi) CFE Generación III; (vii) CFE Generación IV; (viii) CFE Generación V; and (ix) CFE Generación VI (collectively, the “New CFE Subsidiaries”). Each of the New CFE Subsidiaries is

wholly-owned by CFE. From October 2016 to December 2016, CFE intends to undertake the split of assets, systems and personnel. CFE will establish internal mechanisms to guarantee a transparent separation process.

In addition, on January 20, 2015 we created CFE International LLC in the United States of America, an affiliate established with the purpose of increasing our presence in the international fuel market. Also, on August 11, 2015, we created CFENERGÍA, S.A. de C.V., an affiliate established under Mexican law as a commercial entity with the purpose of increasing our participation in the import, export, transportation, storage and marketing of natural gas and other fuels, both in Mexico and abroad.

We believe that this new organizational structure will make our operations more efficient and transparent, and allow our new subsidiary productive state enterprises and other subsidiaries to focus on maximizing our profitability along the entire energy sector value chain. By 2017, we expect that the New Subsidiaries will begin operations as independent entities with their own assets, systems and personnel. Additionally, the New Subsidiaries are expected to be guarantors of the notes.

Because we continue to be a public-sector entity, the Mexican government's ownership interests in CFE is not represented by any shares of capital stock, but rather is memorialized by the CFE Law. Therefore, we have no authorized or outstanding shares of capital stock.

The establishment of our Board of Directors and the powers, attributions and responsibilities of this body and those of our *Director General* (General Director), the *Comité de Auditoría* (Audit Committee), the *Comité de Recursos Humanos y Remuneraciones* (Human Resources and Compensation Committee), the *Comité de Estrategia e Inversiones* (Strategy and Investment Committee) and the *Comité de Adquisiciones, Arrendamientos, Obras y Servicios* (Acquisitions, Leasing, Public Works and Services Committee) are contained in the CFE Law and the Regulations to the CFE Law. Several *Secretarios de Estado* (cabinet ministers) are members of CFE's Board of Directors and its committees. For further information on our Board of Directors and our committees, see "Management."

Our access to financing is regulated by the CFE Law, pursuant to which new external and internal indebtedness must be authorized by our Board of Directors, and we must coordinate with the Ministry of Finance to establish an annual calendar to incur such indebtedness. Any indebtedness (internal or external) we incur must be registered with the *Registro de las Obligaciones Financieras* (Financial Obligations Registry) maintained by the Ministry of Finance. PIDIREGAS financings are also regulated by the CFE Law and the *Ley General de Deuda Pública* (General Law of Public Debt, or "LGDP"), and as such are subject to the Ministry of Finance approval.

Under applicable laws and regulations, our five-year business plan and annual budget must be authorized by our Board of Directors. Our annual budget must also be submitted to the Ministry of Finance together with an estimation of our financial balance and personal services expenditure ceiling for the relevant fiscal year. Our financial balance and personal services expenditure ceiling are reviewed by the Ministry of Finance and included in the *Presupuesto de Egresos de la Federación* ("Federal Budget"), which is approved by the Mexican Congress on an annual basis.

As of January 1, 2016, we are subject to a new dividend policy that may require us to pay a dividend to the Mexican government on an annual basis, which will be approved and determined by the Ministry of Finance and approved by the Mexican Congress. In connection with this dividend, we will be required to submit a report to the Ministry of Finance each year disclosing our financial results for the previous fiscal year, investment and financing plans for the following five years and an analysis of the profitability of these plans and projections.

Our activities are also subject to Mexico's environmental laws and regulations. See "—Environmental and Sustainability Matters" for a discussion of the environmental legal framework and our compliance efforts relating thereto.

We are not subject to the *Ley de Concursos Mercantiles* (Commercial Bankruptcy Act) and thus cannot be declared in reorganization or bankrupt (*concurso mercantil o quiebra*). Our liquidation and dissolution would be carried out pursuant to law, which would address the applicable rules and the manner in which our outstanding obligations would be met. See "Risk Factors—Risk Factors Related to the Notes—We are not subject to the bankruptcy laws of Mexico and certain of our assets cannot be attached by creditors."

Private Participation in the Electricity Sector

Prior to the enactment of the Energy Reform Decree and the Electric Industry Law, the generation of electricity was the only sector of the Mexican electricity industry in which the private sector was permitted to participate. Private companies were permitted to make the following investments in the electricity generation sector:

- *Self-supply* – The generation of electrical energy by a private company in quantities limited to its own consumption requirements.
- *Co-generation* – The simultaneous production of electrical energy and heat, where the resulting heat is captured and used for heating purposes.
- *Independent production for export* – The generation of electrical energy by a private producer that has obtained a permit from the Energy Regulatory Commission, which energy must be used exclusively for export.
- *Minor production* – The self-supply of small rural communities or remote areas lacking in sufficient electrical energy services from us, with a maximum total capacity of 1 MW.
- *Importation* – Obtain permits to acquire electrical energy from foreign generation plants pursuant to agreements entered into directly between the foreign supplier and such private companies.

Pursuant to the Electric Industry Law, private companies are now permitted to make the following investments in the electricity sector:

- *Generation* – Obtain permits to construct, own and operate generation plants with a generation capacity greater than or equal to 0.5 MW for purposes of selling electrical energy to authorized suppliers or to qualified users in the Wholesale Electricity Market. The acquisition of electrical energy from foreign generation plants only requires an authorization from the Energy Regulatory Commission, and the generation of electrical energy by a private company in quantities limited to its own consumption does not require a permit.
- *Transmission and Distribution* – Enter into partnerships or agreements with us or the Ministry of Energy for the financing, installation, maintenance, management, operation and expansion of transmission and distribution infrastructure. As a productive state enterprise, we continue to provide the public service of transmission and distribution of electricity and continue to be responsible for the *Red Nacional de Transmisión* (National Transmission Network) and the *Redes Generales de Distribución* (General Distribution Networks).
- *Commercialization* – Obtain permits to supply electrical energy to end users under a regulated tariff regime as well as to sell electrical energy in the Wholesale Electricity Market. Private companies may also sell electrical energy to qualified users under freely negotiated power purchase agreements, *provided* that they inform CENACE accordingly pursuant to the *Reglas del Mercado* (Market Regulations) issued by the Ministry of Energy.

As of the date of this Luxembourg Listing Prospectus, most of the private sector participation in the generation of electricity continues to occur through IPPs. IPPs are permitted to build, finance, operate and maintain electricity generation plants, *provided* that these plants meet certain quality and technical standards promulgated by the Ministry of Energy in Mexico. The electricity generated by IPPs must be sold to CFE under long-term generation agreements at fixed prices. As of June 30, 2016, we were under contract to purchase electricity from 26 IPPs.

National Center for Energy Control (CENACE)

On August 28, 2014, CENACE, a decentralized public entity of the Mexican government, was created to act as the independent operator of the National Power System, the Wholesale Electricity Market and ensure open and non-discriminatory access to the electric transmission grid and distribution systems. The CENACE is also responsible for submitting proposals to the Ministry of Energy to promote the expansion and modernization of the General Distribution Networks. The Wholesale Electricity Market is expected to allow generators, suppliers and

qualified users to purchase and sell electricity through competitive processes managed by the CENACE, and the CENACE will also be permitted to enter into contracts or partnerships with private companies for the provision of ancillary services related to the operation of the Wholesale Electricity Market.

Litigation

Legal and Administrative Proceedings

In the ordinary course of our business, we are party to various labor-related lawsuits filed against us by current and past employees. As of June 30, 2016, we had established a provision included in the liability for employee benefits of Ps. 3,726.8 million for our estimated liability in respect of these lawsuits, which provision is based on the trend of labor-related lawsuits resolved in the last five years. We do not believe that the resolution of these lawsuits will have a material adverse effect on our financial condition or results of operations.

Furthermore, in the ordinary course of our business, we are party to various criminal, tax, civil, commercial, administrative and agricultural lawsuits and arbitration proceedings. We believe that some of these proceedings may be relevant; however, given the different stages of such proceedings, we are not yet able to assess whether they would have a material adverse effect on our financial condition or results of operations.

For more information on our legal and administrative proceedings, see Note 24 to our audited financial statements as of and for the years ended December 31, 2015, 2014 and 2013 included herein and Note 23 to our unaudited condensed consolidated interim financial information as of June 30, 2016 and for the six-month periods ended June 30, 2016 and 2015 included herein.

MANAGEMENT

Our Board of Directors (*Consejo de Administración*, or “Board of Directors”) is located at the executive office of CFE, at Paseo de la Reforma 164, Col. Juárez, 06600 México, Ciudad de México, and consists of 10 members. The President of Mexico appoints five members, including the Minister of Finance and the Minister of Energy, who serves as the Chairman of the Board of Directors. Four part-time independent board members are appointed by the President and ratified by the *Cámara de Senadores* (Senate), and the remaining board member is appointed by the SUTERM, our labor union. The President of Mexico also appoints the Chief Executive Officer of CFE. Except for the five independent members, who are appointed for a five-year term, the members of the Board of Directors are not appointed for a specific term. Board members, except for the independent members and those appointed by the SUTERM, serve at the discretion of the President of Mexico. The following charts set forth the current membership of our Board of Directors and top management structure.

Board of Directors of CFE

Name	Position	Year of Appointment
Lic. Pedro Joaquín Coldwell	Minister of Energy	2012
Dr. José Antonio Meade Kuribreña	Minister of Finance	2016
Lic. Ildefonso Guajardo Villarreal	Minister of Economy	2012
Ing. Rafael Pacchiano Alamán	Minister of Environment and Natural Resources	2015
Dr. César Emiliano Hernández Ochoa	Vice-minister of Electricity	2014
Ing. Enrique de Jesús Zambrano Benítez	Independent Board Member	2014
Dr. Luis Fernando Gerardo de la Calle Pardo	Independent Board Member	2014
Lic. Blanca Avelina Treviño de Vega	Independent Board Member	2016
Ing. Rubén Filemón Flores García	Independent Board Member	2014
Sr. Víctor Fuentes del Villar	General Secretary of SUTERM	2005

Biographical Information of our Board of Directors

Lic. Pedro Joaquín Coldwell – Minister of Energy

Pedro Joaquín Coldwell received his law degree from the Universidad Iberoamericana. In 1975, he was elected to the State of Quintana Roo’s Congress where he was designated President of the Congress. Later he was appointed State Government’s General Secretary and then elected Federal Congress Representative from 1979 to 1982. In 1981, he was elected Governor of the State of Quintana Roo for the 1981-1987 term. In 1988, he was designated by President Carlos Salinas de Gortari as CEO of the National Fund for the Promotion of Tourism (FONATUR) and the next year as Minister of Tourism, a position he occupied until 1993. In 1994, he was designated General Secretary of the PRI and, in 1998, he was appointed to be Mexico’s ambassador to Cuba, in which role he served until 2000. In 2006, he was elected to the country’s Senate by the State of Quintana Roo. In the Senate he acted in different positions and commissions connected with constitutional reforms, justice and tourism. On November 30, 2012, he resigned as President of the PRI to accept his new appointment as Minister of Energy.

Dr. José Antonio Meade Kuribreña – Minister of Finance

José Antonio Meade Kuribreña has a degree in economics from the Instituto Tecnológico Autónomo de México (ITAM), a degree in law from the Universidad Nacional Autónoma de México (UNAM), as well as a doctorate degree in economics from Yale University, where he specialized in public finance and international economics. Presently, he is the Minister of Finance, a position he held during President Felipe Calderón’s presidency. He has spent most of his professional career in the public sector, where he has occupied numerous positions, notably *Secretario de Energía* (Minister of Energy), *Secretario de Relaciones Exteriores* (Minister of Foreign Affairs) and *Secretario de Desarrollo Social* (Minister of Social Development). Mr. Meade has also been a professor at the Instituto Tecnológico Autónomo de México (ITAM) and Yale University, where he taught courses on economics and law. In 2013, the Foreign Policy magazine named him one of the 500 most influential individuals in the world.

Lic. Idefonso Guajardo Villarreal – Minister of Economy

Idefonso Guajardo Villarreal has a degree in economics from the Universidad Autónoma de Nuevo León (UANL), a master's degree in economics from the Arizona State University, and pursued doctorate studies in public finance and economics at the University of Pennsylvania, where he has also been visiting professor. He began his public administration career as Director of Public Finance in the now defunct Budget and Programming Ministry (1984). Later he occupied top management positions in the Ministries of Foreign Affairs, Tourism, and Commerce and Industrial Promotion. In 2000 and again in 2009, he was elected to Federal Congress. From 2003 to 2006, he occupied the position of Manager of the Executive Office of the Governor of the State of Nuevo León, where he served until 2006, when he was elected to State Congress. In 2009, while in the Federal Congress for the second time, he acted as President of the Economics Commission and member of the Finance Commission. In December 2012 he was appointed Minister of Economy by President Enrique Peña Nieto.

Ing. Rafael Pacciano Alamán – Minister of Environment and Natural Resources

Rafael Pacciano Alamán has a degree in industrial and systems engineering from the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM). In December, 2012, he was designated Managing Undersecretary in the Ministry of Environment and Natural Resources, a position he held until his nomination to Minister of the branch. Previously, he was a congressional representative in the LXI legislature for the *Partido Verde Ecologista de México* (Green Ecologist Party). During his time as a congressman, Mr. Pacciano also acted as vice-president of the Mexican chapter of Globe International and represented his party in the Asia-Pacific Parliamentary Forum and the Mexico-Brazil Interparliamentary Ensemble. He has also been a member of the Budget and the Environment and Natural Resources congress commissions.

Dr. César Emiliano Hernández Ochoa –Vice-minister of Electricity (Ministry of Energy)

César Emiliano Hernández Ochoa received his law degree from the Universidad Nacional Autónoma de México (UNAM). Winner of the Fulbright and Ford-MacArthur scholarships, he pursued a master's degree at the Fletcher School of Law and Diplomacy. Dr. Hernández also holds a doctorate degree in law by the UNAM, winning the 2007 "Marcos Kaplan" prize for the best doctorate thesis work in Law and Social Studies. He has occupied a number of positions in the public administration, such as Foreign Trade General Director in the Ministry of Economy, General Director of the Legal Counsel's Office to the President of Mexico, Long Distance Calls General Director of Mexico's Federal Telecommunications Commission, Legal Manager of the Ministry of Energy and Secretary of Pemex's Board of Directors. Dr. Hernández also developed research at the Centro de Investigación para el Desarrollo A.C. (CIDAC) and is the author of two books, one connected with foreign trade politics and another with Mexican electric sector economics. In February 2014, he was appointed Vice-minister of Electricity by designation of President Enrique Peña Nieto.

Ing. Enrique de Jesús Zambrano Benítez – Independent Board Member

Enrique de Jesús Zambrano Benítez has an engineering degree from the Massachusetts Institute of Technology (MIT) and holds a master's degree from Stanford University. He is a businessman with ample international experience and founder of Grupo Proeza, a firm that provides support and guidance to companies conforming Grupo Metalsa and Citrofrut. In 1999, he created ProzaGrede, a company dedicated to the manufacturing of nodular iron parts. In 2007, Ing. Enrique de Jesús Zambrano acquired full participation in Metalsa and ProezaGrede's capital, and in 2010 he strengthened its presence in both North and South American markets, inaugurated a plant in India and ventured in the health sector with Zánitas, its first hospital.

Lic. Luis Fernando Gerardo de la Calle Pardo – Independent Board Member

Luis Fernando Gerardo de la Calle Pardo has a degree in economics from the Instituto Tecnológico Autónomo de México (ITAM), as well as master's and doctorate degree in economics from the University of Virginia. His professional trajectory includes participating in the design and implementation of the North American Free Trade Agreement (NAFTA) and has been Vice-minister of International Commercial Negotiations in the Ministry of Economy. Currently he is Vice-president of International Trade and Investment Policy at the International Chamber of Commerce, CEO and founding partner of the consulting firm De La Calle, Madrazo, Mancera, S.C., President of Hill & Knowlton Latino America and professor at the ITAM.

Lic. Blanca Avelina Treviño de Vega – Independent Board Member

Blanca A. Treviño de Vega studied computer science at the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM). A renowned businesswoman, she co-founded Valores Corporativos Softtek, S.A. de C.V. in 1982, an IT corporation, and has been its Chief Executive Officer and President since August 2000. She is identified by several media publications as one of the most influential executives in Mexico and Latin America. She was the first woman to be inducted into the prestigious IAOP (International Association of Outsourcing Providers) Outsourcing Hall of Fame and has been named one of the Top 25 businesswomen by The Latin Business Chronicle. In 2014, she was named Mexico's Woman of the Year by the National Women of the Year Foundation. Mrs. Treviño de Vega is also a member of the Institute of Corporate Directors and the National Association of Corporate Directors.

Ing. Rubén Filemón Flores García – Independent Board Member

Rubén Filemón Flores García received his degree in mechanic electrical engineering from the Instituto Tecnológico de Estudios Superiores de Monterrey (ITESM), holds an MBA from the Universidad Autónoma de Guadalajara (UAG), and has further studies in power systems control chambers from the University of Sweden. For 17 years he was a professor at the Instituto Tecnológico de Occidente, teaching mechanical electrical engineering, and worked for 25 years at CFE where his last position was director of Mexico's National Center for Energy Control (currently the CENACE). For several years he served as General Director of Supply and Distribution of Electric Energy and Nuclear Resources and Vice-minister of Electricity at the Ministry of Energy.

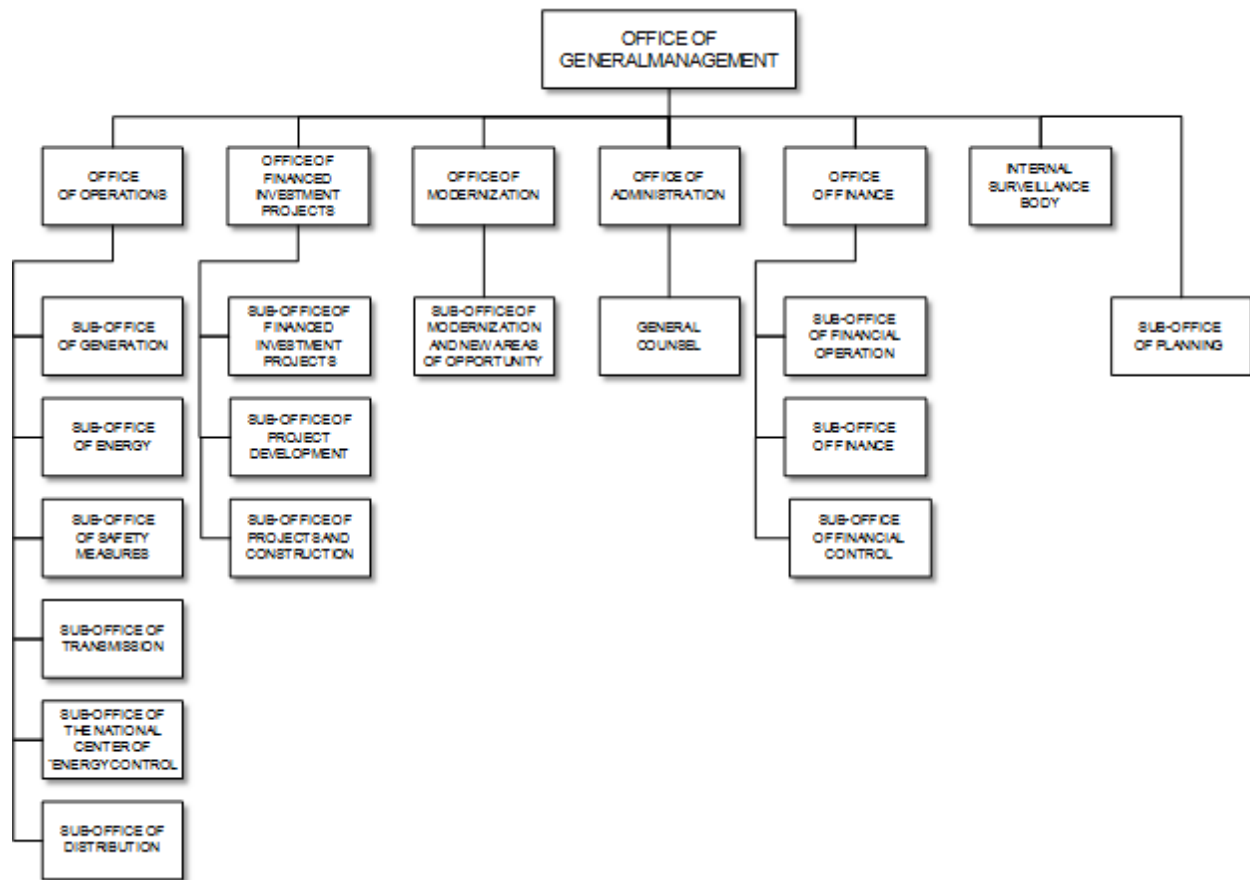
Víctor Fuentes del Villar – General Secretary of SUTERM

Mr. Fuentes del Villar has worked with CFE for more than 58 years, as he started working for the company from a very young age. After serving in many different positions within the company, including as Labor Secretary of SUTERM, he was appointed as General Secretary of SUTERM in 2005 and reappointed in 2007.

Compensation of Directors and Officers

For the year ended December 31, 2015, the total amount paid in staff salaries and benefits was Ps.4,524 million, and the total amount paid to Independent Board was Ps. 4.1 million.

CFE's Management Structure as of June 30, 2016



Source: CFE.

CFE Board Committees

On October 13, 2014, our Board of Directors appointed members to and convened the four committees established by the CFE Law to support its work. Unless otherwise specified in the CFE Law, the memberships of these committees must consist of at least three, but no more than five, members of our Board of Directors, two of whom must be independent members of our Board of Directors. Each of the Secretary of Energy, the Secretary of Finance and Public Credit and any ministry-level secretary serving as a member of our Board of Directors may designate one or more alternates to take his or her place at committee meetings, provided that these alternates are public officials whose positions are not more than two levels below such secretary's position in the Mexican government.

The committees may authorize a representative of the Chief Executive Officer to attend their meetings as a guest with the right to participate, but not vote, when deemed advisable for the performance of their duties.

Audit Committee

The Audit Committee of our Board of Directors is required to, among other duties, oversee our management, evaluate our financial and operational performance, monitor the status of our internal control systems, as well as nominate our external auditors, whose appointments are approved by our Board of Directors.

The Audit Committee is chaired by each of its members on a rotating, annual basis, as determined by our Board of Directors.

The Audit Committee consists of the following members:

- Ing. Rubén Flores García, independent member of our Board of Directors and President of the Audit Committee;
- Dr. Luis de la Calle Pardo, independent member of our Board of Directors; and
- Lic. Blanca Avelina Treviño de la Vega, independent member of our Board of Directors.

A representative of the Chief Executive Officer, the Comptroller, the General Counsel or any other person may attend the Audit Committee's meetings as a guest with the right to participate, but not vote, when deemed advisable and appropriate given the subject matter to be discussed.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee is chaired by an independent member of our Board of Directors and includes the Secretary of Finance and Public Credit as a permanent member. The duties of the Human Resources and Compensation Committee include, among others, proposing the compensation of the Chief Executive Officer and other members of our senior management within three levels of the Chief Executive Officer, as well as proposing hiring policies, performance management guidelines and the compensation of all of our other employees of.

The Human Resources and Compensation Committee consists of the following members:

- Ing. Enrique Zambrano Benítez, independent member of our Board of Directors and President of the Human Resources and Compensation Committee;
- Ing. Rubén Flores García, independent member of our Board of Directors;
- Dr. José Antonio Meade Kuribreña, member of our Board of Directors;
- Lic. Ildelfonso Guajardo Villarreal, member of our Board of Directors; and
- Dr. César Emiliano Hernández Ochoa, member of our Board of Directors.

Strategy and Investment Committee

The Strategy and Investment Committee is chaired by an independent member of our Board of Directors on a rotating annual basis and is required to, among other duties, analyze our business plan and assist the Board of Directors in the approval of guidelines, priorities and general policies related to investments made by us.

The Strategy and Investment Committee consists of the following members:

- Dr. Luis de la Calle Pardo, independent member of our Board of Directors and President of the Strategy and Investment Committee;
- Ing. Enrique Zambrano Benítez, independent member of our Board of Directors;
- Lic. Pedro Joaquín Coldwell, member of our Board of Directors;
- Dr. José Antonio Meade Kuribreña, member of our Board of Directors; and
- Ing. Rafael Pacchiano Alamán, member of our Board of Directors.

Acquisitions, Leasing, Public Works and Services Committee

The Acquisitions, Leasing, Public Works and Services Committee is chaired by an independent member of our Board of Directors on a rotating annual basis and, among other duties, reviews, evaluates, monitors and develops recommendations regarding our annual programs for acquisition, construction and services contracts, and determines whether an exception to the public bidding process is applicable in specific cases.

The Acquisitions, Leasing, Public Works and Services Committee consists of the following members:

- Lic. Blanca Avelina Treviño de la Vega, independent member of our Board of Directors and President of the Acquisitions, Leasing, Public Works and Services Committee;
- Ing. Rubén Flores García, independent member of our Board of Directors;
- Lic. Pedro Joaquín Coldwell, member of our Board of Directors; and
- Dr. José Antonio Meade Kuribreña, member of our Board of Directors.

Senior Management of CFE as of September 14, 2016

Name	Position	Year of Appointment to Current Position
Dr. Jaime Francisco Hernández Martínez	Chief Executive Officer	2016
Sr. Francisco de la Parra Díaz de León	Director of Operations	2011
Sr. Jorge Mendoza Sánchez	Director of Finance	2016
Mtro. Héctor Esteban de la Cruz Ostos	Director of Administration	2014
Sr. Jorge Araujo Balderas	Director of Financed Investment Projects	2014
Act. Guillermo Turrent Schnaas	Director of Modernization and Structural Change	2013
Lic. Roberto Martínez Espinosa	General Counsel	2014
Lic. Gustavo Varela Ruiz	Comptroller	2013

Biographical Information of our Senior Management

Dr. Jaime Francisco Hernández Martínez – Chief Executive Officer

Jaime Francisco Hernández Martínez has a degree in economics from the Instituto Politécnico Nacional (IPN), pursued law studies at the Universidad Nacional Autónoma de México (UNAM) and holds a doctorate in Political Economics from the Department of Government of the University of Essex. He was a member of the Governance Board of several institutions in Mexico connected with science, technology and economics (CONACYT, CIDE and Colegio de la Frontera Norte) and development banks. He has collaborated in advisory entities to the Presidency in areas such as technical economics, economic and social politics. Prior to his incorporation to CFE's directorship, Dr. Hernández acted as General Director of the Budget Division at the Ministry of Finance.

Francisco de la Parra Diaz de Leon – Director of Operations

Francisco de la Parra Diaz de Leon received his degree in mechanical and electricity engineering from the Universidad Iberoamericana (UIA), and has attended courses and seminars in México, Europe and the U.S. connected with the acquisition and transportation of fuels, finance, hedging and risk management. He also completed graduate studies in Strategic Management and Policy Analysis in the Electric Sector at the Goldman School of Public Policy at University of California, Berkeley. Mr. de la Parra Díaz has worked for CFE for 23 years in the Operations area where he occupied several positions, the most recently as sub-director of Fuels.

Jorge Mendoza Sanchez – Director of Finance

Jorge Mendoza Sánchez has a degree in finance from the University of Texas and a master's degree in Business Administration from Harvard University. Prior to his current position as Director of Finance at CFE, Mr. Mendoza was General Director of Deposits at the Ministry of Finance.

Mtro. Héctor Esteban de la Cruz Ostos – Director of Administration

Héctor Esteban de la Cruz Ostos received his law degree from the Universidad Nacional Autónoma de México (UNAM) and holds a master's degree in Administration and Public Policy from the University of Columbia. In the public sector he has held different positions, including General Director of Liquid Petroleum Gas Area at the Ministry of Energy, Director and Secretary of different areas and committees within Mexico's Government Workers Social Security Institute (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*) and the Ministry of Finance, Vice-minister of Quality and Innovation at the Ministry of Tourism (*Secretaría de Turismo*), as well as other similar top management positions in other ministries. In the private sector he worked at the international law firms Cleary, Gottlieb, Steen & Hamilton and in Basham, Ringe y Correa, as well as in GE Capital.

Jorge Araujo Balderas – Director of Financed Investment Projects

Jorge Araujo Balderas received his degree in civil engineering at the Universidad Iberoamericana (UIA). He also has a master's degree in Infrastructure Planning from Stuttgart University and a master's in Business Administration from France's Collège des Ingénieurs. Mr. Araujo currently serves as the Chief of Staff to CFE's CEO.

Act. Guillermo Turrent Schnaas – Director of Modernization and Structural Change

Guillermo Turrent Schnaas received his actuary degree from the Universidad Nacional Autónoma de México (UNAM). He has ample professional experience in the energy, natural gas and electricity sectors, having undertaken projects of business development, strategic investment and commercialization. He has commercialized natural gas at P.M.I. Comercio Internacional, as well as in Pemex's Division of Gas and Basic Petrochemicals. He has also acted as Vice-president of the US based Sempra Energy Trading, Senior Vice-president of Shell Trading Gas & Power, CEO of Sempra Energy Trading and Constellation Energy, Senior Vice-president of Electricité de France and President of Mexican Energy Advisors Corp.

Lic. Roberto Martínez Espinosa – General Counsel

Roberto Martínez Espinosa has a law degree from the Instituto Tecnológico y de Estudios Superiores Occidente (ITESO) and holds a master's degree in Legal Argumentation from the Universidad de Alicante in Spain. He has been magistrate and president of the Mexico City's Regional Court of the Federal Electoral Court. From March 2013 to February 2014, he acted as Legal General Director in the Hydrocarbons Vice-ministry at the Ministry of Energy. In February 2014, he was appointed as CFE's General Counsel.

Lic. Gustavo Varela Ruiz – Comptroller

Gustavo Varela Ruiz holds a degree in economics from the Universidad Nacional Autónoma de México (UNAM). His professional trajectory in the public sector includes Administrative Manager at the Mexican Petroleum Institute (*Instituto Mexicano del Petróleo*), Manager of Storing and Supplies, and Finance and Administration Sub director in Pemex's Exploration and Production Division. More recently he was Administrative Secretary and Comptroller in Mexico's Federal Electoral Court, the Federal Electoral Institute and Comptroller in the Ministry of Environment and Natural Resources. He has been Chairman of the Board of the country's National School of Economists, and President of the Association of Economists for Latin America and the Caribbean.

DESCRIPTION OF THE NOTES

This section of this Luxembourg Listing Prospectus summarizes the material terms of the indenture (the “indenture”) and the notes. It does not, however, describe every aspect of the indenture or the notes. Upon request, we will provide you with a copy of the indenture.

See “—Certain Definitions” for certain defined terms used in this “Description of the Notes” section. References to “holders” mean those who have notes registered in their names on the books that the trustee maintains for this purpose, and not those who own beneficial interests in notes issued in book-entry form through DTC or other applicable clearing system or in notes registered in street name. Owners of beneficial interests in the notes should refer to “Form of Notes, Clearing and Settlement.”

General

Indenture

The notes were issued under the indenture dated as of June 16, 2015 between us and Deutsche Bank Trust Company Americas, as trustee. The trustee can enforce your rights against us if we default in respect of the notes. There are some limitations on the extent to which the trustee acts on your behalf, which we describe under “—Default and Acceleration of Maturity.”

Principal and Interest

The aggregate principal amount of the notes is U.S.\$ 1,000 million. The notes will mature on February 23, 2027.

The notes bear interest at a rate of 4.750% per year from October 18, 2016. Interest on the notes will be payable semi-annually on February 23 and August 23 of each year, beginning on February 23, 2017, to the holders in whose names the notes are registered at the close of business on the February 17 or August 17 (whether or not a business day) immediately preceding the related interest payment date.

We will pay interest on the notes on the interest payment dates stated above and at maturity. Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date. We will compute interest on the notes on the basis of a 360-day year of twelve 30-day months.

Status

The notes constitute our direct, general, unconditional, unsecured and unsubordinated Public External Indebtedness. The notes rank and will rank without any preference among themselves and equally with all of our other unsubordinated Public External Indebtedness. It is understood that this provision shall not be construed so as to require us to make payments under the notes ratably with payments being made under any other of our Public External Indebtedness.

The Mexican government does not guarantee or secure our obligations and has no obligation to pay the principal or interest on the notes in the event that our cash flows and/or assets are not sufficient to make any such payments. The notes do not grant in any way rights over the ownership, control or assets of our company. The notes are not secured by any of our assets or properties.

As of the date of this Luxembourg Listing Prospectus, we had recently formed the New CFE Subsidiaries, each of which will become a guarantor of the notes and our other Public External Indebtedness (each, in such capacity, a “Subsidiary Guarantor”) in connection with the corporate reorganization described under “—Organizational Structure of CFE.” If we create additional Subsidiaries in the future, any Subsidiary or Subsidiaries (1) to which we transfer all or substantially all of our assets or (2) which incurs any Public External Indebtedness or provides a guarantee of any of our Public External Indebtedness must also become a Subsidiary Guarantor of the notes as set forth under “—Affirmative Covenants—Future Subsidiary Guarantees.” The payment obligations of each Subsidiary Guarantor, if any, under its guarantee will constitute direct, general, unconditional, unsecured and unsubordinated Public External Indebtedness of such Subsidiary Guarantor and will at all times rank without any

preference among themselves and equally with all other present and future unsecured and unsubordinated Public External Indebtedness of such Subsidiary Guarantor.

Form and Denominations

The were issued only in fully registered book-entry form without coupons and in denominations of U.S.\$ 200,000 and integral multiples of U.S.\$ 1,000 in excess thereof.

The notes were issued in the form of global notes. Except in limited circumstances, the notes will not be issued in physical, certificated form. See “Form of Notes, Clearing and Settlement.”

Further Issues

We reserve the right, from time to time without the consent of holders of the notes, to issue additional notes having the same terms and conditions as the notes in all respects, except for the issue date, issue price and, if applicable, the date of first payment of interest, the date from which interest will accrue, CUSIP and/or other securities numbers and, to the extent necessary, certain temporary securities law transfer restrictions; *provided, however*, that any such additional notes issued with the same CUSIP as the notes issued pursuant to the offering shall be issued either in a qualified reopening for U.S. federal income tax purposes or with no more than *de minimis* original issue discount for U.S. federal income tax purposes. Additional notes issued in this manner will increase the aggregate principal amount of, and be consolidated with and form a single series with, the previously outstanding notes.

Payment of Principal and Interest

Principal of, and interest on, the notes will be payable at the offices or agencies maintained by us for such purpose (which will initially be the offices of the paying agents specified on the inside back cover page of this Luxembourg Listing Prospectus).

We will arrange for payments to be made on global notes on the specified payment dates by wire transfer to DTC or other applicable clearing system, or to its nominee or common depositary, as the registered owner of the notes, which will receive the funds for distribution to the holders. An indirect holder's or beneficial owner's right to receive any such payments will be governed by the rules and practices of DTC or other applicable clearing system. See “Form of Notes; Clearing and Settlement.”

We will arrange for payments to be made on registered certificated notes on the specified payment dates to the registered holders of the notes. We will arrange for such payments by wire transfer or by check mailed to the holders at their registered addresses.

If any payment date on the notes is not a business day, we will make the payment on the next business day. Payments postponed to the next business day in this situation will be treated under the indenture as if they were made on the original due date and no interest on the notes will accrue as a result of any such delay in payment.

For purposes of all payments of interest, principal or other amounts contemplated herein, “business day” means any day that is not a Saturday or Sunday, and that is not a day on which banking institutions in New York City or Mexico City (or in the city where the relevant paying or transfer agent is located) are required or authorized by law, regulation or executive order to close.

Unclaimed Payments; Prescription

If any money that we pay to the trustee or any paying agent to make payments on any notes is unclaimed at the end of two years after the applicable payment was due and payable, then such money will be repaid to us upon our request. We will hold such unclaimed money in trust for the relevant holders of those notes. After such repayment, neither the trustee nor any paying agent will be liable for the payment. However, our obligations to make payments on the notes as they become due will not be affected until the expiration of the prescription period, if any, specified in the notes.

To the extent permitted by law, claims against us for the payment of principal of, or interest or other amounts due on, the notes (including additional amounts) will become void unless made within five years of the date on which such payment first became due.

Redemption and Purchase

We will not be permitted to redeem the notes, and you will not be entitled to require us to purchase your notes from you, before their stated maturity date, except as set forth below. The notes are not entitled to the benefit of any sinking fund, meaning that we will not deposit money on a regular basis into any separate account to repay the notes.

Optional “Make-Whole” Redemption

We will have the right at our option to redeem any of the notes in whole or in part, at any time or from time to time prior to their maturity, on at least 30 days', but not more than 60 days' notice to the holders of the notes, at a redemption price equal to the greater of (i) 100% of the principal amount of such notes and (ii) the sum of the present values of each remaining scheduled payment of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 45 basis points (the “Make-Whole Amount”), plus in each case accrued and unpaid interest on the principal amount of the notes to the date of redemption.

“Comparable Treasury Issue” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

“Comparable Treasury Price” means, with respect to any redemption date (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (ii) if we obtain fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by us.

“Reference Treasury Dealer” means (a) each of Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (or their respective affiliates that are primary U.S. government securities dealers in New York City (each, a “Primary Treasury Dealer”)) and their respective successors and (b) two other Primary Treasury Dealers selected by us in good faith; *provided, however*, that if any of the foregoing ceases to be a Primary Treasury Dealer, we will substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third business day preceding such redemption date.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

On and after the redemption date, interest will cease to accrue on the notes or any portion of the notes called for redemption (unless we default in the payment of the redemption price and accrued interest). Before 10:00 a.m. (New York City time) on the redemption date, we will deposit with the trustee money sufficient to pay the redemption price of and (unless the redemption date shall be an interest payment date) accrued interest to the redemption date on the notes to be redeemed on such date. If less than all of the notes are to be redeemed, the notes to be redeemed shall be selected by the trustee by such method as the trustee shall deem fair and appropriate and in accordance with DTC's procedures.

Redemption for Taxation Reasons

The notes may be redeemed at our option in whole, but not in part, at any time, at a price equal to 100% of the outstanding principal amount thereof (the “Tax Redemption Price”), plus accrued interest thereon to the date

fixed for redemption (the “Tax Redemption Date”), on giving not less than 30 nor more than 60 days’ notice to the holders (which notice shall be irrevocable), if:

- (a) we certify to the trustee immediately prior to the giving of such notice that we have or will become obligated to pay Additional Amounts (as defined under “—Additional Amounts”) in excess of the Additional Amounts that we would be obligated to pay in respect of payments (including payments of interest) on the notes subject to a tax at a rate of 4.9%, as a result of any change in, or amendment to, or lapse of, the laws, rules or regulations of Mexico or any political subdivision or any taxing authority thereof or therein affecting taxation, or any change in, or amendment to, an official interpretation or application of such laws, rules or regulations, which change or amendment becomes effective on or after the date of issuance of the notes; and
- (b) prior to the publication of any notice of redemption, we deliver to the trustee (i) a certificate signed by an authorized officer of ours stating that the obligation referred to in (a) cannot be avoided by us, taking reasonable measures available to us and (ii) an opinion of independent Mexican legal counsel of recognized standing to the effect that we have or will become obligated to pay such Additional Amounts as a result of such change, amendment or lapse, and the trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent described in (a) in which event they shall be conclusive and binding on the holders of the notes; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which we would be obligated but for such redemption to pay such Additional Amounts were a payment in respect of such notes then due and, at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

On the Tax Redemption Date fixed by us, the Tax Redemption Price will become due and payable and we will be obligated to pay the Tax Redemption Price, together with accrued interest on the notes to the Tax Redemption Date. If the notes are to be redeemed pursuant to the provisions described under this caption, then the notes will cease to bear interest on and after the Tax Redemption Date; *provided* that the Tax Redemption Price and such accrued interest is duly paid or made available to a paying agent for payment to the holders. All notes redeemed by us under this provision will be cancelled.

Purchase at the Option of Holders

- (a) If at any time prior to maturity, we cease to:
- (b) be a public-sector entity of the Mexican government;
- (c) be majority-owned by the Mexican government;
- (d) be a public entity created and appointed pursuant to the Mexican Constitution or Mexican federal laws with the right to generate, transmit, distribute and supply electricity in Mexico; or
- (e) at any time, generate, transmit and distribute at least 75% of the electricity generated, transmitted and distributed by public-sector entities, in each case within Mexico (unless, in the case of this clause (d), if permitted by Mexican law, the Mexican government shall have assumed or guaranteed our obligations under the notes and the indenture)

(in each case, an “Optional Purchase Event”), then we will give the holders and the trustee written notice thereof not less than 60 days prior to the occurrence of such Optional Purchase Event or, if it is not possible to give 60 days’ notice, then we will give holders notice in a lesser number of days, but in no event less than 30 days, as shall be practicable given the circumstances. Such notice will contain a written, irrevocable offer (an “Optional Purchase Offer”) by us to purchase, on the date specified in such Optional Purchase Offer (the “Optional Purchase Date”), the notes held by each holder in full, and not in part, at a price equal to the 100% of the outstanding principal amount thereof (the “Optional Purchase Price”) plus accrued interest thereon to the Optional Purchase Date. The Optional Purchase Date will be (i) not less than 30 days and not more than 60 days after the date of such notice and (ii) not later than the date of such Optional Purchase Event. The Optional Purchase Price with respect to the notes of holders accepting such Optional Purchase Offer will become due and payable on the Optional Purchase Date, upon presentation and surrender of such notes.

On the Optional Purchase Date, there will become due and payable and we will be obligated to purchase and pay the Optional Purchase Price, plus accrued and unpaid interest to the Optional Purchase Date, with respect to each note for which the holder has validly and timely elected to have us purchase that holder's notes. Any note to be purchased as provided under this provision will cease to bear interest on and after the Optional Purchase Date; *provided* that the Optional Purchase Price and such accrued interest is duly paid or made available to a paying agent for payment to the holders entitled thereto. All notes purchased by us under this provision will be cancelled.

Purchases of Notes

We may at any time purchase notes at any price in the open market, in privately negotiated transactions or otherwise. We may not resell any notes that we purchase, unless we register the resale under the Securities Act.

Affirmative Covenants

The following affirmative covenants apply to us for so long as any notes remain outstanding. These covenants do not limit our ability to incur debt nor do they require us to comply with financial ratios or to maintain specified levels of net worth or liquidity.

Delivery of Financial Statements

We will deliver to the trustee, and the trustee will make available to the holders, as soon as available, but not later than 180 days after the end of each of our fiscal years, a copy in the English language of our audited balance sheet as at the end of such year and the related statements of results of operations, changes in equity and changes in cash flows and notes thereto for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of an independent public accounting firm of recognized standing in Mexico, which opinion (a) will state that such financial statements present fairly our financial position as at such dates and the results of our operations, changes in equity and changes in cash flows for the respective periods then ended in accordance with IFRS, and (b) will not be qualified or limited because of a restricted or limited examination by such accounting firm of any material portion of our records.

We will deliver to the trustee, and the trustee will make available to the holders, as soon as available, but not later than 90 days after the end of each of our fiscal quarters, a copy in the English language of our unaudited condensed consolidated statement of financial position and unaudited condensed consolidated statement of comprehensive income as at the end of such quarter. The trustee shall have no responsibility whatsoever for the accuracy and contents of the financial statements delivered by us.

If we are not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, at any time when the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will furnish to any holder of notes, or to any prospective purchaser designated by such holder, financial and other information described in Rule 144A(d)(4) with respect to us to the extent required to permit such holder to comply with Rule 144A in connection with any resale of notes held by such holder.

If any of our officers becomes aware that an Event of Default or an event that with notice or the lapse of time would be an Event of Default has occurred and is continuing, as the case may be, we will also file an officer's certificate with the trustee describing the details thereof and the action that we are taking or propose to take with respect thereto.

Maintenance of Government Approvals

We will obtain and maintain in full force and effect any actions, orders, authorizations, consents, approvals, licenses, rulings, permits, certifications, exemptions, filings or registrations by or with any governmental authority that may be necessary under the laws of Mexico (each, a "Governmental Approval") for the performance by us of our obligations under the indenture and the notes or for the validity or enforceability thereof and duly take all necessary and appropriate governmental and administrative action in Mexico in order to make all payments to be made thereunder as required by the indenture and the notes.

Compliance with Applicable Laws and Governmental Approvals

We will comply in all material respects with all applicable laws and all applicable Governmental Approvals, except where any failure (individually or in the aggregate) to comply could not reasonably be expected to have a material adverse effect on our ability to perform our obligations under the indenture and the notes or where the necessity of compliance with which is contested in good faith.

Performance of Obligations

We will (a) perform all of our covenants and comply with all of our other obligations contained in the indenture and the notes and (b) pay, discharge or otherwise satisfy on or before maturity all of our other material payment obligations except where (i) the amount or validity thereof is being contested in good faith and by appropriate proceedings and adequate reserves are or will be maintained with respect thereto in conformity with IFRS or (ii) the failure to pay, discharge or otherwise satisfy such obligation would not have a material adverse effect on our ability to perform our obligations under the indenture and the notes.

Future Subsidiary Guarantees

We will cause any Subsidiary or Subsidiaries:

- (1) to which we transfer all or substantially all of our assets; or
- (2) which incurs any Public External Indebtedness or provides a guarantee of any of our Public External Indebtedness

to promptly become a Subsidiary Guarantor by executing a supplemental indenture to the indenture providing for a full and unconditional guarantee of the notes, and providing the trustee with an officer's certificate and opinion of counsel.

Notwithstanding that the provisions of the indenture or the notes do not so provide, any Subsidiary Guarantor, by execution of such supplemental indenture, will also become subject to all of the covenants set forth under "—Affirmative Covenants" and "—Negative Covenants," will be included in each Event of Default set forth under "—Default and Acceleration of Maturity," will be subject to the obligations set forth under "—Additional Amounts" and will have a related right of tax redemption as set forth under "—Redemption and Purchase—Redemption for Taxation Reasons," in each case as if such Subsidiary Guarantor were referenced therein. In addition, any Subsidiary Guarantor will be deemed to be referenced in clause (d) under "—Redemption and Purchase—Purchase at the Option of Holders."

Each Subsidiary Guarantor will be released and relieved of its obligations under its guarantee if it ceases to be a Subsidiary of ours.

Negative Covenants

The following negative covenants apply to us for so long as any notes remain outstanding. These covenants do not limit our ability to incur debt nor do they require us to comply with financial ratios or to maintain specified levels of net worth or liquidity.

Negative Pledge

We will not create or permit to subsist any mortgage, pledge, hypothecation or other charge or encumbrance, including without limitation any equivalent thereof created or arising under the laws of Mexico (a "Lien"), upon the whole or any part of our or its present or future revenues or assets to secure any of our Public External Indebtedness, unless the notes are secured equally and ratably with such Public External Indebtedness; *provided* that we may create or permit to subsist, if permitted under Mexican law:

- (a) any Lien on our property securing or providing for the payment of Public External Indebtedness incurred in connection with any Project Financing; *provided* that the properties to which any such Lien shall apply are (i) properties which are the subject of such Project Financing or (ii) revenues or claims which arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or

loss of or damage to such properties; and *provided, further*, that any such Liens shall be created within 365 days of the commencement of such Project Financing;

- (b) any Lien on our Accounts Receivable; *provided* that (i) the aggregate principal amount of the Public External Indebtedness secured by Liens referred to in this clause (b) will not exceed U.S.\$ 3,000.0 million (or its equivalent in other currencies) and (ii) the short-term portion of such indebtedness will not exceed U.S.\$ 1,000.0 million (or its equivalent in other currencies); and
- (c) any Lien on our Available Assets not permitted by any other paragraph of this “Negative Pledge” provision; *provided* that, after giving effect to any such Lien, the aggregate amount of Public External Indebtedness secured by Liens referred to in this clause (c) will not exceed U.S.\$ 500.0 million (or its equivalent in other currencies).

Merger, Consolidation or Sale of Assets

We will not:

- (a) consolidate or merge with or into any other Person; or
- (b) in a single transaction or a series of related transactions, sell, lease or otherwise transfer, directly or indirectly, all or substantially all of our assets to any other Person;

provided, however, that, without limitation of the rights of the holders described under “—Redemption and Purchase—Purchase at the Option of the Holders,” we may, if permitted under Mexican law:

- (i) merge with another Person if (x) we are the Person surviving such merger and (y) after giving effect to such merger, no Default or Event of Default shall have occurred and be continuing;
- (ii) consolidate with or merge into another Person or sell, lease or otherwise transfer all or substantially all of our assets to another Person if (x) the Person formed by such consolidation or into which we are merged or the Person which acquires by sale, lease or transfer all or substantially all of our assets is a public entity of the Mexican government or a corporation, partnership or trust, organized and validly existing under the laws of Mexico, (y) such Person will expressly assume our obligations under the indenture and the notes and (z) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;
- (iii) terminate the corporate existence of any of our Subsidiaries if (x) such Subsidiary transfers all of our or its material assets to us or to another Subsidiary and (y) immediately after giving effect to such termination, no Default or Event of Default shall have occurred and be continuing; and
- (iv) sell, lease or otherwise transfer all or substantially all of our assets to one or more of our Subsidiaries if (x) each such Subsidiary becomes a Subsidiary Guarantor in accordance with the provisions set forth under “—Affirmative Covenants—Future Subsidiary Guarantors” and (y) immediately after giving effect to any such transaction, no Event of Default shall have occurred and be continuing.

Upon the occurrence of any event described in clause (ii) or (iv), we will execute and deliver, or cause any Person referred to in clause (ii) or (iv) above, as applicable, to execute and deliver, an opinion of counsel and officer’s certificate to the trustee stating that such event complies with the requirements described in this paragraph and the indenture.

Default and Acceleration of Maturity

Each of the following events is an “Event of Default” with respect to the notes:

- (a) any payment of principal of the notes is not made when due or any payment of interest on the notes is not made within 30 days of the date it was due;
- (b) we fail to perform any material obligation contained in the notes or, insofar as it concerns the notes, the indenture (other than any obligation specified in any other Event of Default) and such failure continues

for 60 days after written notice thereof has been given to us by the trustee or the holders of not less than a majority in aggregate principal amount of the notes then Outstanding;

- (c) we fail to make a payment of principal of or interest on any Public External Indebtedness of, or guaranteed by, us in an aggregate principal amount exceeding U.S.\$ 75.0 million or its equivalent when due and such failure continues for more than the period of grace, if any, originally applicable thereto;
- (d) one or more final judgments, order or decrees is rendered against us involving in the aggregate a liability in excess of U.S.\$ 75.0 million and such judgments, orders or decrees continues unsatisfied, unvacated, unstayed or not bonded for a period of 60 days;
- (e) an involuntary case or other proceeding is commenced against us seeking liquidation, reorganization or other relief with respect to us or our debts under any *concurso mercantil*, bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, *interventor*, *síndico*, custodian or other similar official of us or any substantial part of our property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days;
- (f) we commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to our company or our debts under any *concurso mercantil*, bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, *interventor*, *síndico*, custodian or other similar official of us or any substantial part of our property, or we consent to any such relief or to the appointment of or taking possession by any such official in any involuntary case or other proceeding commenced against us, or we make a general assignment for the benefit of creditors, or fail generally to pay our debts as they become due, or take any corporate action to authorize any of the foregoing;
- (g) a decree is issued or other proceedings are commenced by a governmental authority or agency of Mexico seeking dissolution, liquidation, reorganization or other relief with respect to us or our debts under applicable law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, *interventor*, *síndico*, custodian or other similar official of us or any substantial part of our property;
- (h) a general moratorium is agreed or declared in respect of any of our Public External Indebtedness, which moratorium does not expressly exclude the notes;
- (i) any action, condition or situation (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable us to lawfully perform our obligations under the indenture and the notes and (ii) to ensure that those obligations are legally binding and enforceable, is not taken, fulfilled or done within 30 days of its being so required;
- (j) it is or it becomes unlawful for us to perform or comply with one or more of our obligations under the indenture and the notes;
- (k) our payment obligations under the indenture and the notes fail to constitute our unconditional general obligations that rank without any preference among themselves and equally with all of our other unsecured and unsubordinated Public External Indebtedness; or
- (l) any event occurs which under the laws of Mexico has an analogous effect to any of the events referred to in paragraphs (e) to (g) above.

If any of the Events of Default described above occurs and is continuing, holders of at least 25% of the aggregate principal amount of the notes then Outstanding may declare all the notes to be due and payable immediately by giving written notice to us, with a copy to the trustee.

Holders holding notes representing in the aggregate more than 50% of the principal amount of the then-Outstanding notes may waive any existing Events of Default and their consequences on behalf of the holders of all of the notes if:

- following the declaration that the principal of the notes has become due and payable immediately, we deposit with the trustee a sum sufficient to pay all outstanding amounts then due on the notes (other than principal due by virtue of the acceleration upon the Event of Default) together with interest on such amounts through the date of the deposit as well as the reasonable fees and compensation of the holders that declared the notes due and payable, the trustee and their respective agents, attorneys and counsel; and
- all Events of Default (other than non-payment of principal that became due by virtue of the acceleration upon the Event of Default) have been remedied.

Suits for Enforcement and Limitations on Suits by Holders

If an Event of Default has occurred and is continuing, the trustee may, in its discretion, institute judicial action to enforce the rights of the holders of the notes. With the exception of a suit brought by a holder of the notes on or after the stated maturity date to enforce its absolute right to receive payment of the principal of and interest on the notes on the stated maturity date therefor (as such date may be amended or modified pursuant to the terms of the indenture and the notes, but without giving effect to any acceleration), a holder of the notes has no right to bring a suit, action or proceeding with respect to the notes unless: (1) such holder has given written notice to the trustee that an Event of Default with respect to the notes has occurred and is continuing; (2) holders of at least 25% of the aggregate principal amount of the Outstanding notes have instructed the trustee by specific written request to institute an action or proceeding and provided an indemnity satisfactory to the trustee; and (3) 60 days have passed since the trustee received the instruction, the trustee has failed to institute an action or proceeding as directed, and no direction inconsistent with such written request shall have been given to the trustee by a majority of holders of the notes. Moreover, any such action commenced by a holder of the notes must be for the equal, ratable and common benefit of all holders of the notes.

Additional Amounts

We will make payment of the principal of and interest on the notes without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Mexico, any political subdivision thereof or any taxing authority in Mexico ("Mexican Withholding Taxes"), unless such withholding or deduction is required by law or by the interpretation or administration thereof. If we are required to make any such withholding or deduction, we will pay such additional amounts ("Additional Amounts") as may be necessary in order to ensure that the net payment made in respect of the notes after such withholding or deduction for or on account of Mexican Withholding Taxes will not be less than the amount that would have been receivable in respect of the notes in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts will not apply to:

- any Mexican Withholding Taxes that would not have been imposed or levied on a holder or beneficial owner of notes but for the existence of any present or former connection between the holder or beneficial owner of such notes and Mexico or any political subdivision or territory or possession thereof or area subject to its jurisdiction, including, without limitation, such holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under, such notes;
- any estate, inheritance, gift, sales, transfer, or personal property or similar tax, assessment or other governmental charge;
- any Mexican Withholding Taxes that are imposed or levied by reason of the failure by the holder or beneficial owner of such notes to comply with any certification, identification, information, documentation, declaration or other reporting requirement that is required or imposed by a statute, treaty, regulation, general rule or administrative practice as a precondition to exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Mexican Withholding Taxes; *provided* that at least 60 days prior to (i) the first payment date with respect to which we apply this clause (c) and, (ii) in the event of a change in such certification, identification, information, documentation, declaration or other reporting requirement, the first payment date subsequent to such change, we have notified the trustee and the holders in writing that the holders or beneficial owners of

notes will be required to provide such certification, identification, information or documentation, declaration or other reporting;

- (d) any Mexican Withholding Taxes that would not have been so imposed but for the presentation by the holder of such note for payment on a date more than 20 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the holder of such note would have been entitled to the Additional Amounts on presenting such note on any date during such 20-day period;
- (e) any payment on such note to any holder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of such note; or
- (f) any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on a note.

All references in this “Description of the Notes” section to principal and interest in respect of notes will, unless the context otherwise requires, be deemed to mean and include all Additional Amounts, if any, payable in respect thereof as set forth in the first paragraph of this “Additional Amounts” section and in paragraphs (a) through (f) above.

We will also pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Mexico other than those resulting from, or required to be paid in connection with, the enforcement of the notes following the occurrence of any Event of Default.

Notwithstanding the foregoing, the limitations on our obligation to pay Additional Amounts set forth in clause (c) above will not apply if the provision of the certification, identification, information, documentation, declaration or other evidence described in such clause (c) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note (taking into account any relevant differences between United States and Mexican law, regulation or administrative practice) than comparable information or other applicable reporting requirements imposed or provided for under U.S. federal income tax law (including the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and a Protocol thereto, both signed on September 18, 1992, as amended by Additional Protocols signed on September 8, 1994 and November 26, 2002), regulations (including proposed regulations) and administrative practice. In addition, the limitations on our obligation to pay Additional Amounts set forth in clause (c) above will not apply if Article 166, Section II, paragraph a) of the Mexican Income Tax Law (or a substantially similar successor of such provision) is in effect, unless (i) the provision of the certification, identification, information, documentation, declaration or other evidence described in clause (c) is expressly required by statute, regulation, general rules or administrative practice in order to apply Article 166, Section II, paragraph a) (or a substantially similar successor of such provision), we cannot obtain such certification, identification, information, documentation, declaration or other evidence, or satisfy any other reporting requirements, on our own through reasonable diligence and we otherwise would meet the requirements for application of Article 166, Section II, paragraph a) (or such successor of such provision) or (ii) in the case of a holder or beneficial owner of a note that is a pension fund or other tax-exempt organization, such holder or beneficial owner would be subject to Mexican Withholding Taxes at a rate less than that provided by Article 166, Section II, paragraph a) if the information, documentation or other evidence required under clause (c) above were provided. In addition, clause (c) above will not be construed to require that a non-Mexican pension or retirement fund, a non-Mexican tax-exempt organization or a non-Mexican financial institution or any other holder or beneficial owner of a note register with the Mexican Ministry of Finance and Public Credit or the Mexican Tax Revenue Service (*Servicio de Administración Tributaria*) for the purpose of establishing eligibility for an exemption from or reduction of Mexican Withholding Taxes.

We will provide the trustee with a duly certified or authenticated copy of an original receipt evidencing the payment of Mexican Withholding Taxes that we have withheld or deducted in respect of any payments made under

or with respect to the notes. We will make copies of such documentation available to the holders of the notes upon request.

In the event that Additional Amounts actually paid with respect to any notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of Mexican Withholding Taxes in excess of the appropriate rate applicable to the holder of such notes, and, as a result thereof, such holder is entitled to make a claim for a refund or credit of such excess, then such holder will, by accepting such notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

Meetings, Amendments and Waivers — *Collective Action*

We may call a meeting of the holders of the notes at any time regarding the indenture or the notes. We will determine the time and place of the meeting and will notify the holders of the time, place and purpose of the meeting not less than 30 and not more than 60 days before the meeting.

In addition, we or the trustee will call a meeting of holders of the notes if the holders of at least 10% in principal amount of all the notes then Outstanding have delivered a written request to us or the trustee (with a copy to us) setting out the purpose of the meeting. Within 10 days of receipt of such written request or copy thereof, we will notify the trustee and the trustee will notify the holders of the time, place and purpose of the meeting called by the holders, to take place not less than 30 and not more than 60 days after the date on which such notification is given.

Only holders of notes and their proxies are entitled to vote at a meeting of holders. We will set the procedures governing the conduct of the meeting and if additional procedures are required, we will consult with the trustee to establish such procedures as are customary in the market.

Modifications may also be approved by holders of the notes pursuant to written action with the consent of the requisite percentage of holders of the notes. We will solicit the consent of the relevant holders to the modification not less than 10 and not more than 30 days before the expiration date for the receipt of such consents as specified by us.

The holders of the notes may generally approve any proposal by us to modify the indenture or the terms of the notes with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the Outstanding principal amount of the notes.

However, holders of any series of debt securities (including the notes) issued under the indenture may approve, by vote or consent through one of three modification methods, any modification, amendment, supplement or waiver proposed by us that would do any of the following (such subjects are referred to as “reserved matters”):

- change the date on which any amount is payable on the debt securities;
- reduce the principal amount of the debt securities (other than in accordance with the express terms of the debt securities and the indenture);
- reduce the interest rate on the debt securities;
- change the method used to calculate any amount payable on the debt securities (other than in accordance with the express terms of the debt securities and the indenture);
- change the currency or place of payment of any amount payable on the debt securities;
- modify our obligation to make any payments on the debt securities (including any redemption price therefor);
- change the identity of the obligor under the debt securities;

- change the definition of “Outstanding” debt securities or the percentage of affirmative votes or written consents, as the case may be, required to make a “reserved matter modification” (as defined in the indenture);
- change the definition of “uniformly applicable” or “reserved matter modification”;
- authorize the trustee, on behalf of all holders of the debt securities, to exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of us or any other Person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of the debt securities.

A change to a reserved matter, including the payment terms of any series of debt securities (including the notes), can be made without your consent, as long as the change is approved, pursuant to one of the three following modification methods, by vote or consent by:

- the holders of more than 75% of the aggregate principal amount of the Outstanding notes insofar as the change affects the notes (but does not modify the terms of any other series of debt securities issued under the indenture);
- where such proposed modification would affect the Outstanding notes and at least one other series of debt securities issued under the indenture, the holders of more than 75% of the aggregate principal amount of the then Outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, if certain “uniformly applicable” requirements are met (defined in the indenture as “cross-series modification with single aggregated voting”); or
- where such proposed modification would affect the Outstanding notes and at least one other series of debt securities issued under the indenture, whether or not the “uniformly applicable” requirements are met, the holders of more than $66\frac{2}{3}\%$ of the aggregate principal amount of the then Outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, *and* the holders of more than 50% of the aggregate principal amount of the then Outstanding debt securities of each series affected by the modification, taken individually.

“Uniformly applicable,” as used herein, means a modification by which holders of debt securities of all series affected by that modification (including the notes, if so affected) are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be uniformly applicable if each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

We may select, in our discretion, any modification method for a reserved matter modification in accordance with the indenture and to designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation.

For so long as any series of debt securities (collectively, the “2011 debt securities”) issued under the indenture dated as of May 26, 2011 between us and the trustee (as supplemented from time to time, the “2011 indenture”) are outstanding, if we certify to the trustee under the indenture and to the trustee under the 2011 indenture that a proposed modification affecting more than one series of debt securities issued under the indenture (a

“cross-series modification”) is being sought simultaneously with a “2011 indenture reserved matter modification,” the 2011 debt securities affected by such 2011 indenture reserved matter modification shall be treated as “series affected by that proposed modification” as that phrase is used in the indenture (as described in the preceding paragraphs); *provided*, that if we seek a cross-series modification with single aggregated voting, in determining whether such modification will be considered uniformly applicable, the holders of any series of 2011 debt securities affected by the 2011 indenture reserved matter modification shall be deemed “holders of debt securities of all series affected by that modification,” for the purpose of the uniformly applicable definition. It is the intention that in such circumstances, the votes of the holders of the affected 2011 debt securities be counted for purposes of the voting thresholds specified in the indenture for the applicable cross-series modification as though those 2011 debt securities had been affected by that cross-series modification although the holders of any notes will be deemed to have acknowledged and agreed that the effectiveness of any modification, as it relates to the 2011 debt securities, shall be governed exclusively by the terms and conditions of those 2011 debt securities and by the 2011 indenture.

“2011 indenture reserved matter modification,” for these purposes, means any modification to a reserved matter affecting the terms and conditions of one or more series of the 2011 debt securities, pursuant to the 2011 indenture.

Before soliciting any consent or vote of any holder of debt securities (including the notes) for any change to a reserved matter, we will provide the following information to the trustee for distribution to the holders of debt securities of any series that would be affected by the proposed modification:

- a description of our economic and financial circumstances that are in our opinion relevant to the request for the proposed modification and a description of our existing debts;
- if we shall at the time have entered into an arrangement for financial assistance with major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the creditors, as applicable, a copy of the arrangement or agreement;
- a description of our proposed treatment of external debt instruments that are not affected by the proposed modification and our intentions with respect to any other major creditor groups; and
- if we are then seeking any reserved matter modification affecting any other series of debt securities, a description of that proposed modification.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment, modification, supplement or waiver. It is sufficient if the consent approves the substance of the proposed amendment, modification, supplement or waiver. After an amendment, modification, supplement or waiver under the indenture becomes effective, we will mail to the affected holders a notice briefly describing the amendment, modification, supplement or waiver. However, the failure to give this notice or any defect in the notice, will not impair or affect the validity of the amendment, modification, supplement or waiver.

Other Amendments

We and the trustee may, without the vote or consent of any holder of debt securities of a series issued under the indenture (including the notes), amend the indenture or the debt securities of that series for the purpose of:

- adding to our covenants for the benefit of the holders of the debt securities of that series;
- surrendering any of our rights or powers with respect to the debt securities of that series;
- securing the debt securities of that series;
- curing any ambiguity or curing, correcting or supplementing any defective provision in the debt securities of that series or the indenture;
- amending the debt securities of that series or the indenture in any manner that we and the trustee may determine and that does not materially adversely affect the interests of any holders of the debt securities of that series;

- correcting a manifest error of a formal, minor or technical nature;
- reflecting the succession of another Person to us and the successor entity's assumption of our covenants and obligations under the debt securities of that series and the indenture in accordance with the provisions described under “—Negative Covenants—Merger, Consolidate or Sale of Assets”;
- providing, if permitted by Mexican law, for the guarantee of the debt securities of that series by any Subsidiary Guarantor and related revisions to the indenture to reflect the terms of the covenant described under “—Affirmative Covenants—Future Subsidiary Guarantors”; or
- providing for a successor trustee or co-trustee in accordance with the provisions of the indenture, or adding or changing any of the provisions of the indenture as shall be necessary to provide for or facilitate the administration of the trusts by more than one trustee in accordance with the indenture.

Defeasance

We may, at our option, elect to terminate (1) all of our obligations with respect to the notes (“legal defeasance”), except for certain obligations, including those regarding any trust established for defeasance and obligations relating to the transfer and exchange of the notes, the replacement of mutilated, destroyed, lost or stolen notes and the maintenance of agencies with respect to the notes or (2) our obligations under the covenants in the indenture, so that any failure to comply with such obligations will not constitute an Event of Default (“covenant defeasance”) in respect of the notes. In order to exercise either legal defeasance or covenant defeasance, we must irrevocably deposit with the trustee money or U.S. government obligations, or any combination thereof, in such amounts as will be sufficient (in the case of U.S. government obligations as determined by a nationally recognized firm of independent public accountants) to pay the principal, premium, if any, and interest (including additional amounts) in respect of the notes then Outstanding on the maturity date of the notes, and comply with certain other conditions, including, without limitation, the delivery of an officer's certificate stating our election and an opinion of counsel as to specified tax and other matters.

If we elect either legal defeasance or covenant defeasance with respect to the notes, we must so elect it with respect to all of the notes.

Certain Definitions

The following are certain defined terms used in the indenture and in the notes.

“Accounts Receivable” means, as to any Person, amounts payable to such Person in respect of the sale, lease or other provision of goods, energy, services or the like, whether or not yet earned by performance.

“Available Assets” means, as to any Person, assets of such Person consisting of cash on hand or on deposit in banks, certificates of deposit and bankers' acceptances, debt securities and intangible assets (other than equity securities and Accounts Receivable).

“Default” means any event or circumstance that, with the giving of notice, the lapse of time, or both, would (if not cured, waived or otherwise remedied during such time) constitute an Event of Default.

“IFRS” means *Normas Internacionales de Información Financiera* (International Financial Reporting Standards) as issued by the International Accounting Standards Board, as in effect from time to time.

“Outstanding” means, as of any date of determination, in respect of the debt securities of any series issued under the indenture, the debt securities of such series authenticated and delivered pursuant to the indenture *except* for:

- debt securities of that series theretofore canceled by the trustee or delivered to the trustee for cancellation or held by the trustee for reissuance but not reissued by the trustee;
- debt securities of that series that have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof (and premium, if any) and any interest thereon shall have been made available to the trustee; *provided* that, if such debt securities are to be redeemed, notice of such

- redemption has been duly given pursuant to the indenture or provision therefor satisfactory to the trustee has been made; or
- iii. debt securities of that series in lieu of or in substitution for which other debt securities shall have been authenticated pursuant to the indenture;

provided, however, that, in determining whether the holders of the requisite principal amount of debt securities Outstanding have taken any action or instruction under the indenture or the debt securities, a debt security will be disregarded and deemed not to be outstanding, and may not be counted in a vote or consent solicitation for or against a proposed modification, if on the record date for the proposed modification or other action or instruction hereunder, the debt security is held by Mexico or by a Public Sector Instrumentality, or by a corporation, trust or other legal entity that is controlled by Mexico (including us or any of our Subsidiaries) or a Public Sector Instrumentality, except that (x) debt securities held by Mexico or any Public Sector Instrumentality or any corporation, trust or other legal entity controlled by Mexico or by a Public Sector Instrumentality that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the trustee the pledgee's right so to act with respect to such debt securities and that the pledgee is not Mexico or a Public Sector Instrumentality (including us or any of our Subsidiaries), and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the trustee in accordance with such advice, and any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information that is in the possession of the trustee, upon the certificate, statement or opinion of or representations by the trustee; and (y) in determining whether the trustee will be protected in relying upon any such action or instructions hereunder, or any notice from holders, only debt securities that a responsible officer of the trustee knows to be so owned or controlled will be so disregarded.

As used in this definition, "Public Sector Instrumentality" means any department, secretary, ministry or agency of the Mexican government, and "control" means the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or to elect or to appoint a majority of the board of directors or other Persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity.

"Person" means an individual, a corporation, a partnership, a limited liability company, a limited liability partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Project Financing" means any financing of the acquisition, construction or development of any properties in connection with a project if the Person or Persons providing such financing expressly agree to look to the properties financed and the revenues to be generated by the operation of, loss of or damage to, such properties as the principal source of repayment for the moneys advanced (with limited recourse, if any, to us) and have been provided with a feasibility study prepared by competent independent experts on the basis of which it was reasonable to conclude that such project would generate sufficient foreign currency income to repay substantially all of the principal of and interest on all Public External Indebtedness incurred in connection therewith.

"Public External Indebtedness" means, with respect to any Person, any Public Indebtedness of such Person that is payable by its terms or at the option of its holder in any currency other than the currency of Mexico (other than any such Public Indebtedness that is originally issued or incurred within Mexico).

"Public Indebtedness" means, with respect to any Person, any payment obligation, including any contingent liability, of such Person arising from bonds, debentures, notes or other securities that (a) are, or were intended at the time of issuance to be, quoted, listed or traded on any securities exchange or other securities market or were issued in a private placement to institutional investors (including, without limitation, securities issued pursuant to Section 4(2) of, or eligible for resale pursuant to Rule 144A under, the Securities Act (or any successor law or regulation of similar effect)) and (b) have an original maturity of more than one year or are combined with a commitment so that the original maturity of one year or less may be extended at our option to a period in excess of one year.

"Stated maturity date" means, when used with respect to any debt security or any installment of principal thereof or interest thereon, the date expressed in such debt security (as such debt security may be amended or modified pursuant to the indenture) as the fixed date on which the principal of such debt securities or interest thereon is due and payable, without giving effect to any acceleration of any payment dates pursuant to the terms of such debt securities or otherwise.

“Subsidiary” means, in relation to any entity, any other entity (whether or not now existing) which is controlled directly or indirectly, or more than 50% of whose issued equity share capital (or equivalent) is then held or beneficially owned by, the first Person and/or any one or more of the first Person’s Subsidiaries, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other Persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

Trustee

The indenture establishes the obligations and duties of the trustee, the right to indemnification of the trustee and the liability and responsibility, including limitations, for actions that the trustee takes. The trustee is entitled to enter into business transactions with us or any of our affiliates without accounting for any profit resulting from these transactions.

Paying Agents; Transfer Agents; Registrar

Until the notes are paid, we will maintain a principal paying agent, a transfer agent and a registrar in New York City. We have initially designated the corporate trust office of the trustee as the agency for each such purpose and as the place where the register will be maintained. In addition, from and after the date the notes are listed on the Luxembourg Stock Exchange we will maintain a paying agent and a transfer agent in Luxembourg so long as the rules of the Luxembourg Stock Exchange so require. We have initially appointed Deutsche Bank Luxembourg S.A. to serve as our Luxembourg paying agent and transfer agent. We will give prompt notice to all holders of notes of any future appointment or any resignation or removal of any paying agent, transfer agent or registrar or of any change by any paying agent, transfer agent or registrar in any of its specified offices.

Notices

We will mail notices to the holders of bonds at their registered addresses, as reflected in the books and records of the trustee.

So long as DTC, or its nominee, is the registered holder of a global note, each Person owning a beneficial interest in a global note must rely on the procedures of DTC to receive notices provided to DTC. Each Person owning a beneficial interest in a global note that is not a participant in DTC must rely on the procedures of the participant through which the Person owns its interest to receive notices provided to DTC.

From and after the date the notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, we will also publish all notices to the holders of the notes either in a newspaper with general circulation in Luxembourg, which is expected to be the *Luxemburger Wort*, or on the website of the Luxembourg Stock Exchange at www.bourse.lu or, if we determine that this is not practicable, in another manner permitted by the rules of the Luxembourg Stock Exchange.

Governing Law

The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York, except that matters relating to the authorization and execution of the indenture and the notes by us are governed by and construed in accordance with the laws of Mexico.

Consent to Service, Jurisdiction and Waiver of Immunity

In the indenture, we irrevocably designated, appointed and empowered the Consul General of Mexico (New York office), presently located at 27 East 39th Street, New York, New York 10016 (the “Authorized Agent”) as our authorized agent to accept and acknowledge on our behalf service of any and all process which may be served in any suit, action or proceeding arising out of or based upon the notes or the indenture that may be instituted by the trustee or any holder in any U.S. federal or New York state court in the Borough of Manhattan, The City of New York. We consented to process being served in any such action or proceeding by service of process upon the Authorized Agent. We and the trustee each irrevocably submitted to the jurisdiction of any such court in respect of any such action or proceeding and irrevocably waived any objection which we or the trustee may now or hereafter have to the laying of venue of any such action or proceeding in any such court.

To the extent that we have or hereafter may acquire any immunity from jurisdiction of any of the courts referred to above or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to ourselves or our property, in each case in respect of any action, claim or proceeding brought in respect of the indenture or the notes, we have irrevocably waived such immunity in respect of our obligations under the indenture and the notes to the fullest extent permitted by law, subject to certain restrictions pursuant to applicable Mexican law, including (i) the adoption of the CFE Law, the Electric Industry Law and any other new Mexican law or regulation or (ii) any amendment to, or change in the interpretation or administration of, any existing law or regulation, in each case, pursuant to or in connection with the Energy Reform Decree and the Secondary Legislation, by any governmental authority in Mexico with oversight or authority over us. Such restrictions include (a) under article 90 of the CFE Law, real property owned by us shall be deemed to be property of the public domain under the *Ley General de Bienes Nacionales* (General Law of Public Property), and neither attachment prior to judgment nor attachment in aid of execution will be ordered by Mexican courts against our real property, and (b) under the *Ley de la Industria Eléctrica* (the Electric Industry Law), the transmission and distribution of electric energy as a public service are reserved to the federal government of Mexico, through the Issuer and to that extent the assets related thereto are subject to immunity. Without limiting the generality of the foregoing, we have agreed that the waivers set forth in this paragraph will have force and effect to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976, as amended, and will be irrevocable for purposes of such Act; *provided, however*, that we will have reserved the right to plead immunity under such Act in actions brought against us under the U.S. federal securities laws or any state securities laws.

Currency Indemnity

Our obligation to any holder of notes that has obtained a court judgment affecting those notes will be discharged, to the greatest extent permissible under applicable law, only to the extent that the relevant holder is able to purchase U.S. dollars (referred to as the “agreement currency”) with any other currency paid to that holder in accordance with the judgment currency. If the holder cannot purchase the agreement currency in the amount originally to be paid, we have agreed to pay the difference. The holder, however, agrees that, if the amount of the agreement currency purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to us. The holder will not be obligated to make this reimbursement if we are in default in respect of our obligations under the notes.

Our Relationship with the Trustee

Deutsche Bank Trust Company Americas is initially serving as the trustee for the notes. Deutsche Bank Trust Company Americas may have other business relationships with us from time to time.

TAXATION

The following summary of certain Mexican federal and U.S. federal income tax considerations is based on the advice of our in-house counsel, with respect to Mexican federal taxes, and on the advice of Cleary Gottlieb Steen & Hamilton LLP, New York, New York, with respect to U.S. federal income taxes. This summary contains a description of certain Mexican federal and U.S. federal income tax consequences of the purchase, ownership and disposition of the notes, but does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, municipality, locality or taxing jurisdiction other than the federal laws of the United States and the federal laws of Mexico.

This summary is based on the *Ley de Impuesto Sobre la Renta* (Mexican federal income tax law) and the *Codigo Fiscal de la Federación* (Mexican federal tax code), the Tax Treaty described below, the federal tax laws of the United States as in effect on the date of this Luxembourg Listing Prospectus and regulations, rulings and decisions of the United States available on or before such date and now in effect. All of the foregoing are subject to change, which change could apply retroactively and could affect the continued validity of this summary.

The United States and Mexico entered into a Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and a Protocol thereto, both signed on September 18, 1992 and amended by additional Protocols signed on September 8, 1994 and November 26, 2002 (the “Tax Treaty”). This summary describes the provisions of the Tax Treaty that may affect the taxation of certain U.S. holders of notes. The United States and Mexico have also entered into an agreement that covers the exchange of information with respect to tax matters.

Mexico has also entered into tax treaties with various other countries (most of which are in effect) and is negotiating tax treaties with various other countries. These tax treaties may have effects on holders of notes. This summary does not discuss the consequences (if any) of such treaties.

Prospective purchasers of notes should consult their own tax advisors as to the Mexican, United States or other tax consequences of the purchase, ownership and disposition of the notes, including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Mexican Tax Considerations

This summary of certain Mexican federal tax considerations refers only to prospective holders of notes that are not residents of Mexico for Mexican tax purposes and that will not hold the notes or a beneficial interest therein through a permanent establishment for tax purposes in Mexico to which income under the notes is attributable (any such non-resident holder a “Foreign Holder”). For purposes of Mexican taxation, an individual is a resident of Mexico if he/she has established his/her primary residence (*casa habitación*) in Mexico, unless he/she has a primary residence (*casa habitación*) in another country, in which case such individual will be considered a resident of Mexico for tax purposes, if such individual has his/her center of vital interest in Mexico; an individual would be deemed to maintain his/her center of vital interest in Mexico if, among other things, (i) more than 50% of his/her total income for the calendar year results from Mexican sources, or (ii) his/her principal center of professional activities is located in Mexico. A legal entity is a resident of Mexico if it maintains the main place of its management in Mexico or has established its effective management in Mexico. A Mexican citizen is presumed to be a resident of Mexico unless such person can demonstrate the contrary. If a legal entity or individual has a permanent establishment for tax purposes in Mexico, such legal entity or individual shall be required to pay taxes in Mexico on income attributable to such permanent establishment in accordance with Mexican federal tax law.

Taxation of Interest and Principal

Under existing Mexican laws and regulations, payments of principal under the notes, made by CFE to a Foreign Holder, will not be subject to any withholding or similar taxes imposed by Mexico.

Pursuant to Mexican laws, payments of interest (or amounts deemed to be interest) made by CFE in respect of the notes to a Foreign Holder will be subject to a withholding tax imposed at a rate of 4.9% if, as expected: (i) the notes are placed outside of Mexico by a bank or broker dealer in a country with which Mexico has a valid tax treaty in effect, (ii) notice relating to the offering of the notes is given to the CNBV as required under the Securities

Market Law and evidence of such notice is timely filed with the Mexican Tax Revenue Service, and (iii) CFE timely files with the Tax Administration Service (a) certain information related to the notes and this Luxembourg Listing Prospectus and (b) information representing that no party related to CFE, directly or indirectly, is the effective beneficiary of five percent (5%) or more of the aggregate amount of each such interest payment, and (iv) CFE maintains records that evidence compliance with (iii)(b) above. If these requirements are not satisfied, the applicable withholding tax rate will be higher.

Payments of interest made by CFE in respect of the notes to a non-Mexican pension or retirement fund will be exempt from Mexican withholding taxes; *provided* that any such fund: (i) is duly established pursuant to the laws of its country of origin and is the effective beneficiary of the interest paid; (ii) is exempt from income tax in respect of such payments in such country; and (iii) delivered to us certain information required by Mexican regulations.

Additional Amounts

CFE has agreed, subject to specified exceptions and limitations, to pay Additional Amounts to the holders of the notes in respect of the Mexican withholding taxes mentioned above. If CFE pays Additional Amounts in respect of such Mexican withholding taxes, any refunds received with respect to such Additional Amounts will be for the account of CFE, but holders of notes will not be required to take any action in respect of such refunds. See “Description of the Notes—Additional Amounts.”

Holders or beneficial owners of notes may be requested to provide certain information or documentation necessary to enable CFE to establish the appropriate Mexican withholding tax rate applicable to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not provided on a timely basis, the obligation of CFE to pay Additional Amounts will be limited. See “Description of the Notes—Additional Amounts.”

Taxation of Dispositions and Further Acquisitions of the Notes

Capital gains resulting from the sale or other disposition of the notes by a Foreign Holder to another Foreign Holder will not be subject to Mexican withholding or other similar taxes.

Notes acquired at a discount by a Foreign Holder from another Foreign Holder would not be subject to income tax withholding in Mexico. Notes acquired at a discount by a Foreign Holder from a Mexican resident holder would be subject to Mexican income tax, in which case the Mexican resident transferor would be required to determine, pay and collect the tax on behalf of the Foreign Holder.

Transfer and Other Taxes

There are no Mexican stamp, registration, or similar taxes payable by a Foreign Holder in connection with the purchase, ownership or disposition of the notes. A Foreign Holder of notes will not be liable for Mexican estate, gift, inheritance or similar tax with respect to the notes.

United States Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a beneficial owner of the notes that is an individual citizen or resident of the United States or a domestic corporation or otherwise subject to U.S. federal income tax on a net income basis in respect of the notes (a “U.S. Holder”) and Non-U.S. Holders (as defined below). It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular investor’s decision to invest in the notes. This summary does not address the alternative minimum tax, the Medicare tax on net investment income or any non-U.S., state or local tax considerations that may be relevant to investors in light of their particular circumstances.

In addition, except as noted below, this summary deals only with investors that are U.S. Holders who acquire the notes in the United States as part of the initial offering of the notes (and at their initial offering price), who will own the notes as capital assets, and whose functional currency is the U.S. dollar. It does not address U.S. federal income tax considerations applicable to investors who may be subject to special tax rules, including but not limited to banks, financial institutions, insurance companies, tax-exempt entities, partnerships or other pass-through entities (or persons that hold the notes through such entities), traders in securities that elect to use the mark-to-market method of accounting for their securities, persons subject to the alternate minimum tax, regulated

investment companies, real estate investment trusts, dealers in securities or currencies, certain short-term holders of the notes, or persons that hedge their exposure in the notes or will hold the notes as a position in a “straddle” or “conversion” transaction or as part of a “synthetic security” or other integrated financial transaction for U.S. federal income tax purposes. Investors should be aware that the U.S. federal income tax consequences of holding the notes may be materially different for investors described in the previous sentence.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations and judicial and administrative interpretations thereof, in each case as in effect or available on the date of this Luxembourg Listing Prospectus. All of the foregoing are subject to change, and any such change may apply retroactively and could affect the tax consequences described below.

Payments of Interest and Additional Amounts

Payments of the gross amount of stated interest (i.e., including amounts withheld in respect of Mexican withholding taxes) and Additional Amounts (as defined in “Description of the Notes — Additional Amounts) with respect to a note will be taxable to a U.S. Holder as ordinary income at the time that such payments are accrued or are received, in accordance with the U.S. Holder’s method of tax accounting.

The Mexican withholding tax that is imposed on interest will be treated as a foreign income tax eligible, subject to generally applicable limitations and conditions under U.S. tax law, for credit against a U.S. Holder’s federal income tax liability or, at the U.S. Holder’s election, for deduction in computing the holder’s taxable income. Interest and Additional Amounts paid on the notes generally will constitute foreign source “passive category income.” A U.S. Holder may be denied a foreign tax credit for foreign taxes imposed with respect to the notes where such holder does not meet a minimum holding period requirement during which it is not protected from risk of loss. The calculation and availability of foreign tax credits and, in the case of a U.S. Holder that elects to deduct foreign taxes, the availability of deductions, involves the application of complex rules that depend on a U.S. Holder’s particular circumstances. U.S. Holders should consult their own tax advisors regarding the availability of foreign tax credits and the treatment of Additional Amounts.

Disposition of Notes

A U.S. Holder generally will recognize gain or loss on the sale, redemption or other disposition of the notes in an amount equal to the difference between the amount realized on such sale, redemption or other disposition (less any amounts attributable to accrued but unpaid interest, which will be taxable as ordinary income to the extent not previously included in income) and the U.S. Holder’s adjusted tax basis in the notes. A U.S. Holder’s adjusted tax basis in a note generally will equal its cost for that note. Gain or loss realized by a U.S. Holder on such sale, redemption or other disposition generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the notes have been held by such holder for more than one year. Long-term capital gains of individuals are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Gain or loss realized by a U.S. Holder on the sale or other disposition of a note generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. Accordingly, if Mexican tax is imposed on the sale or other disposition of the notes, such tax generally will not be available as a credit for the U.S. Holder against its U.S. federal income tax liability unless such holder has other income from foreign sources, in the appropriate category, for purposes of the foreign tax credit rules. U.S. Holders should consult their advisors regarding the foreign tax credit implications of a disposition of the notes.

Information Reporting and Backup Withholding

The paying agent may be required to file information returns with the U.S. Internal Revenue Service (the “IRS”) with respect to payments made to certain U.S. Holders on the notes. A U.S. Holder may be subject to backup withholding on the payments that the U.S. Holder receives on the notes unless such U.S. Holder (i) is a corporation or comes within certain other exempt categories and demonstrates this fact, or (ii) provides a correct taxpayer identification number on an IRS Form W-9 (or applicable successor form), certifies as to no loss of exemption from backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amounts withheld under these rules will generally be allowed as a credit against such U.S. Holder’s federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Non-U.S. Holders

A holder or beneficial owner of notes (other than a partnership) that is not a U.S. Holder (a “Non-U.S. Holder”) generally will not be subject to U.S. federal income or withholding tax on interest received on the notes unless the interest is effectively connected with the Non-U.S. Holder’s conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a U.S. permanent establishment). In addition, a Non-U.S. Holder will not be subject to U.S. federal income or withholding tax on gain realized on the sale of notes unless (i) the gain is effectively connected with the Non-U.S. Holder’s conduct of a U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a U.S. permanent establishment) or (ii) in the case of gain realized by an individual Non-U.S. Holder, the Non-U.S. Holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met. Although Non-U.S. Holders generally are exempt from backup withholding and information reporting, a Non-U.S. Holder may, in certain circumstances, be required to comply with certification procedures to prove entitlement to this exemption.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER’S PARTICULAR SITUATION. PROSPECTIVE INVESTORS IN THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

FORM OF NOTES, CLEARING AND SETTLEMENT

Global Notes

The notes were issued in the form of one or more registered notes in global form, without interest coupons (the “global notes”), as follows:

- notes sold to qualified institutional buyers under Rule 144A are represented by a Restricted global note; and
- notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S are represented by a Regulation S global note.

Upon issuance, each of the global notes were deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global note will be limited to persons who have accounts with DTC (“DTC participants”), including Euroclear Bank S.A./N.V. (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”), or persons who hold interests through DTC participants. We expect that under procedures **established by DTC:**

- DTC credited portions of the principal amount of each global note to the accounts of the DTC participants designated by the initial purchasers; and
- ownership of beneficial interests in each global note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note).

Beneficial interests in the Regulation S global note were initially credited within DTC to Euroclear and Clearstream on behalf of the owners of such interests.

Investors may hold their interests in the global notes directly through DTC, Euroclear or Clearstream, if they are participants in those systems, or indirectly through organizations that are participants in those systems.

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form except in the limited circumstances described below.

Each global note and beneficial interests in each global note will be subject to restrictions on transfer as described under “Transfer Restrictions.”

Exchanges Between the Global Notes

Beneficial interests in one global note may generally be exchanged for interests in another global note. Depending on whether the transfer is being made during or after the 40-day period commencing on the original issue date of the notes, and to which global note the transfer is being made, the trustee may require the seller to provide certain written certifications in the form provided in the indenture.

A beneficial interest in a global note that is transferred to a person who takes delivery through another global note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Book-Entry Procedures for the Global Notes

All interests in the global notes will be subject to the operations and procedures of DTC, Euroclear and Clearstream. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we nor the initial purchasers are responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the New York State Banking Law;
- a “banking organization” within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Securities Exchange Act of 1934, as amended.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC’s participants include securities brokers and dealers, including the initial purchasers; banks and trust companies; clearing corporations; and certain other organizations. Indirect access to DTC’s system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC.

So long as DTC or its nominee is the registered owner of a global note, DTC or its nominee will be considered the sole owner or holder of the notes represented by that global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global note:

- will not be entitled to have notes represented by the global note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the registered owners or holders of the notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of DTC to exercise any rights of a holder of notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal, premium, if any, and interest with respect to the notes represented by a global note will be made by the trustee to DTC’s nominee as the registered holder of the global note. Neither we nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global note will be governed by standing instructions and customary practices and will be the responsibility of those participants or indirect participants and not of DTC, its nominee or us.

Transfers between participants in DTC will be effected under DTC’s procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream. To deliver or receive an interest in a global note held in a Euroclear or Clearstream account, an investor must send transfer instructions to Euroclear or Clearstream, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC.

Euroclear and Clearstream participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a global note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the DTC settlement date. Cash received in Euroclear or Clearstream from the sale of an interest in a global note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC, Euroclear and Clearstream have agreed to the above procedures to facilitate transfers of interests in the global notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither we nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

Certificated Notes

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form unless:

- DTC notifies us at any time that it is unwilling or unable to continue as depositary for the global notes and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed within 90 days;
- we, at our option, notify the trustee that we elect to cause the issuance of certificated notes; or
- certain other events provided in the indenture occur, including the occurrence and continuance of an event of default with respect to the notes.

In all cases, certificated notes delivered in exchange for any global note will be registered in the names, and issued in any approved denominations, requested by the depositary and will bear a legend indicating the transfer restrictions of that particular global note.

For information concerning paying agents and transfer agents for any notes in certificated form, see “Description of the Notes—General—Payment of Principal and Interest” and “Description of the Notes—Paying Agents; Transfer Agents; Registrar.”

TRANSFER RESTRICTIONS

The notes are subject to restrictions on transfer as summarized below. By purchasing notes, you will be deemed to have made the following acknowledgements, representations to and agreements with us and the initial purchasers:

(1) You acknowledge that:

- the notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
- the notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and, if applicable, in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:

- you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing the notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the notes to you in reliance on Rule 144A; or
- you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person and you are purchasing notes in an offshore transaction in accordance with Regulation S.

(3) You acknowledge that neither we nor the initial purchasers nor any person representing us or the initial purchasers has made any representation to you with respect to us or the offering of the notes, other than the information contained or incorporated by reference in this Luxembourg Listing Prospectus. You represent that you are relying only on this Luxembourg Listing Prospectus in making your investment decision with respect to the notes. You agree that you have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase notes, including an opportunity to ask questions of and request information from us.

(4) If you are a purchaser of notes pursuant to Rule 144A, you represent that you are purchasing notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act.

(5) You agree, and each subsequent holder of the notes by its acceptance of the notes will agree, that the notes may be offered, sold or otherwise transferred only:

- (i) to a person who the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer or buyers in a transaction meeting the requirements of Rule 144A;
- (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act; or
- (iii) pursuant to an exemption from registration under the Securities Act (if available).

As a condition to registration of transfer of the notes pursuant to the exemption referred to in clause (ii) above, we or the trustee may require delivery of any documents or other evidence that we or the trustee each, in our or its discretion, deems necessary or appropriate to evidence compliance with such exemption, and, in each case, in accordance with the applicable securities laws of the states of the United States and other jurisdictions.

You also acknowledge that:

- the above restrictions on resale are expected to apply from the issue date until the issuer decides to remove the below legend (in the case of Restricted global notes) or 40 days (in the case of Regulation S global notes) after the later of the issue date and the last date that we or any of our affiliates was the owner of the notes or any predecessor of the notes (the “resale restriction period”), and will not apply after the applicable resale restriction period ends; and
- each Restricted global note will contain a legend substantially to the following effect:

NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER OR BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS. AS A CONDITION TO REGISTRATION OF TRANSFER OF THIS GLOBAL NOTE PURSUANT TO CLAUSE (3) ABOVE, COMISIÓN FEDERAL DE ELECTRICIDAD OR THE TRUSTEE MAY REQUIRE DELIVERY OF ANY DOCUMENTS OR OTHER EVIDENCE THAT IT, IN ITS DISCRETION, DEEMS NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH THE EXEMPTION REFERRED TO IN CLAUSE (3). THIS LEGEND MAY BE REMOVED SOLELY IN THE DISCRETION AND AT THE DIRECTION OF COMISIÓN FEDERAL DE ELECTRICIDAD.

- each Regulation S global note will contain a legend substantially to the following effect:

NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, UNLESS THIS GLOBAL NOTE IS REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE. THIS LEGEND MAY BE REMOVED SOLELY IN THE DISCRETION AND AT THE DIRECTION OF COMISIÓN FEDERAL DE ELECTRICIDAD.

The above legend (including the restrictions on resale specified therein) may be removed solely in our discretion and at our direction.

(6) You understand that the notes will be represented by one or more Restricted global notes and one or more Regulation S global notes, and that certification requirements may apply before an interest in one global note may be transferred to a person who takes delivery in the form of an interest in the other global note. See “Form of Notes, Clearing and Settlement—Exchanges Between Global Notes.”

(7) You acknowledge that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of notes is no longer accurate, you will promptly notify us and the initial purchasers. If you are purchasing any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers named below, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of notes set forth opposite its name below.

<u>Initial Purchasers</u>	<u>Principal Amount of Notes</u>
BBVA Securities Inc.....	U.S.\$ 333,333,000
Citigroup Global Markets Inc.	333,334,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	333,333,000
Total	<u>U.S.\$ 1,000,000,000</u>

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement, if any of these notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the several initial purchasers and their controlling persons against certain liabilities in connection with the offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

The initial purchasers had advised us that they proposed to initially offer the notes at the offering price set forth on the cover page of this Luxembourg Listing Prospectus. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Are Not Being Registered

The notes have not been registered under the Securities Act or any state securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of the offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under "Transfer Restrictions."

The information contained in this Luxembourg Listing Prospectus is exclusively our responsibility and has not been reviewed or authorized by the CNBV. The notes have not been nor will otherwise be registered with the *Registro Nacional de Valores* (Mexican National Securities Registry) maintained by the CNBV and therefore the notes may not be publicly offered or sold in Mexico. The notes may be offered in Mexico to investors that satisfy the requirements to be considered institutional or qualified investors under Mexican law, pursuant to the private placement exemption set forth in Article 8 of the *Ley del Mercado de Valores* (Mexican Securities Market Law). As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the notes outside of Mexico, such notice will be delivered to the CNBV to comply with a legal requirement and for information purposes only, and the delivery of such notice to, and the receipt of such notice by, the CNBV, does not imply any certification as to the investment quality of the notes, our solvency, liquidity or credit quality or the accuracy of completeness of the information set forth herein. This Luxembourg Listing Prospectus may not be publicly distributed in Mexico.

New Issue of Notes

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for inclusion of the notes on any automated dealer quotation system other than the Euro MTF Market. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Short Positions

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Sales Outside the United States

The notes may only be offered and sold in the United States and certain jurisdictions outside the United States in which such offer and sale is permitted.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, no offer of notes which are the subject of the offering contemplated by this Luxembourg Listing Prospectus may be made to the public in that Relevant Member State other than:

- (a) to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall result in a requirement for us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for

the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

In the United Kingdom, this Luxembourg Listing Prospectus is being distributed only to, and is directed only at, persons who are “qualified investors” (as defined in the Prospectus Directive) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order or (iii) persons to whom it would otherwise be lawful to distribute it, all such persons together being referred to as “Relevant Persons”. The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the notes will be engaged in only with, Relevant Persons. This Luxembourg Listing Prospectus and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this Luxembourg Listing Prospectus or its contents.

Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

Singapore

This Luxembourg Listing Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Luxembourg Listing Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Switzerland

This Luxembourg Listing Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Luxembourg Listing Prospectus nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Luxembourg Listing Prospectus nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Chile

The notes will not be registered under Law 18,045, as amended, of Chile with the Chilean Securities Commission and, accordingly, they cannot and will not be offered or sold to persons in Chile except in circumstances which have not resulted and will not result in a public offering under Chilean Law.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act, and the notes may not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

Dubai International Financial Centre

This Luxembourg Listing Prospectus relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This Luxembourg Listing Prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Luxembourg Listing Prospectus nor taken steps to verify the information set forth herein and has no responsibility for the Luxembourg Listing Prospectus. The notes to which this Luxembourg Listing Prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence on the notes. If you do not understand the contents of this Luxembourg Listing Prospectus you should consult an authorized financial advisor.

Brazil

The notes have not been, and will not be, registered with the *Comissão de Valores Mobiliários*. The notes may not be offered or sold in Brazil, except in circumstances that do not constitute a public offering or distribution under Brazilian laws and regulations.

France

The notes are being issued and sold outside the Republic of France and, in connection with their initial distribution, the notes have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in the Republic of France, and this Luxembourg Listing Prospectus or any other offering material relating to the notes have not been distributed and will not be distributed or caused to be distributed to the public in the Republic of France, and such offers, sales and distributions have been and will be made in the Republic of France only to qualified investors (*investisseurs qualifiés*) in accordance with Article L.411-2 of the Monetary and Financial Code and décret no. 98 880 dated October 1st, 1998.

Italy

The offering of the notes has not been cleared by Commissione Nazionale per le Società e la Borsa (“CONSOB”) pursuant to Italian securities legislation. Accordingly, none of the notes may be offered, sold or delivered, directly or indirectly, nor may copies of this Luxembourg Listing Prospectus or any other document relating to the notes be distributed in the Republic of Italy, except:

- (i) to qualified investors (*investitori qualificati*), as defined under Article 100 of the Legislative Decree No. 58 of February 24, 1998, as amended (the “Italian Securities Act”), as implemented by Article 26, paragraph 1, letter (d) of CONSOB Regulation No. 16190 of October 27, 2007, as amended (“Regulation 16190”), pursuant to Article 34-ter, paragraph 1, letter (b), of CONSOB Regulation No. 11971 of May 14, 1999, as amended (“Regulation 11971”); or

- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Italian Securities Act and its implementing CONSOB regulations, including Regulation No. 11971.

Any such offer, sale or delivery of the notes or distribution of copies of this Luxembourg Listing Prospectus or any other document relating to the notes in the Republic of Italy must be in compliance with the selling restriction under (i) and (ii) above and:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with the relevant provisions of the Italian Securities Act, Regulation No. 16190 and Legislative Decree No. 385 of September 1, 1993, as amended (the “Italian Banking Act”);
- (b) in compliance with Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or the Bank of Italy or any other Italian authority.

Any investor purchasing the notes is solely responsible for ensuring that any offer or resale of the notes by such investor occurs in compliance with the applicable Italian laws and regulations.

Please note that in accordance with Article 100-bis of the Italian Securities Act, either the subsequent resale on the secondary market in Italy of the notes (which were part of a public offer made pursuant to an exemption from the obligation to publish a prospectus) or the subsequent systematic resale on the secondary market in Italy to investors that are not qualified investors within 12 months of completion of the offer reserved to qualified investors only, constitutes a distinct and autonomous offer that must be made in compliance with the public offer and the prospectus requirement rules provided under the Italian Securities Act and Regulation No. 11971, unless an exemption applies. Failure to comply with such rules may result in the subsequent resale of such notes being declared null and void and in the liability of the intermediary transferring the notes for any damages suffered by the investors.

The Netherlands

This Luxembourg Listing Prospectus has not been and will not be approved by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) in accordance with Article 5:2 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*). The notes will only be offered in The Netherlands to qualified investors (*gekwalficeerde beleggers*) as defined in Article 1:1 of the Dutch Act on Financial Supervision.

Peru

This Luxembourg Listing Prospectus and the notes have not been, and will not be, registered with or approved by the *Superintendencia del Mercado de Valores*, the Lima Stock Exchange or the *Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones*. Accordingly, the notes cannot be offered or sold in Peru, except in compliance with the applicable securities laws and regulations of Peru. This notice is for information purposes only and it does not constitute a public offering of any kind in Peru.

Canada

The notes may be sold only to purchasers purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3 (1) of the Securities Act (Ontario), and are permitted clients, are defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws in Canada.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Luxembourg Listing Prospectus (including any amendment hereto) contains a misrepresentation; *provided* that the remedies for rescission or damages are exercised by the purchaser within the

time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Some of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us for which they received or will receive customary fees and expenses. Affiliates of the initial purchasers are lenders under a number of our loan agreements.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The initial purchasers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Settlement

Delivery of the notes was made to investors on October 18, 2016.

LEGAL MATTERS

The validity of the notes was passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, New York, New York. The validity of the notes was passed upon for the initial purchasers by Simpson Thacher & Bartlett LLP. Certain matters of Mexican law relating to the notes was passed upon for us by White & Case, S.C. Certain matters of Mexican law relating to the notes was passed upon for the initial purchasers by Galicia Abogados, S.C.

INDEPENDENT AUDITORS

As stated in the reports included herein of Gossler, S.C., member Crowe Horwath International, our independent auditors, our consolidated financial statements as of and for the years ended December 31, 2015, 2014 and 2013 have been audited by Gossler, S.C.

With respect to the unaudited condensed consolidated interim financial information as at and for the six month-period ended June 30, 2016, included herein, the independent auditors, KPMG Cárdenas Dosal, S.C., has reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

LISTING AND GENERAL INFORMATION

1. We have applied to have the notes admitted for listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market.

2. The notes have been accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP numbers, ISIN numbers and Common Codes for the notes are as follows:

	<u>CUSIP Number</u>	<u>ISIN Number</u>	<u>Common Code</u>
Restricted Global Note.....	200447 AF7	US200447AF75	150656397
Regulation S Global Note	P29595 AB4	USP29595AB42	150643864

3. We have obtained all necessary consents, approvals and authorizations in Mexico in connection with the issuance of, and performance of our rights and obligations under, the notes, including the registration of the indenture and the form of notes attached to the indenture; *provided* that in connection with each issuance of notes under the indenture, we will register the notes and other necessary documentation with the Ministry of Finance and Public Credit. Resolutions of our Board of Directors, dated July 14, 2015, authorized the total net indebtedness of CFE for 2016.

4. Except as disclosed in this Luxembourg Listing Prospectus, there are no pending actions, suits or proceedings against or affecting us or any of our properties, which, if determined adversely to us would individually or in the aggregate have an adverse effect on our financial condition or would adversely affect our ability to perform our obligations under the notes or which are otherwise material in the context of the issue of the notes, and, to the best of our knowledge, no such actions, suits or proceedings are threatened.

5. Except as disclosed in this Luxembourg Listing Prospectus, since December 31, 2015, there has been no change (or any development or event involving a prospective change of which we are or might reasonably be expected to be aware) which is materially adverse to our financial condition.

6. Gossler, S.C., member Crowe Horwath International, an independent registered public accounting firm, has agreed to the inclusion of its report in this Luxembourg Listing Prospectus in the form and context in which it is included. KPMG Cárdenas Dosal, S.C., an independent auditor, has agreed to the inclusion of its report in this Luxembourg Listing Prospectus in the form and context in which it is included.

7. For so long as any of the notes are outstanding and admitted for listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market, copies of the following items in English will be available free of charge from Deutsche Bank Luxembourg S.A., our Luxembourg listing agent, at its office at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg:

- our audited financial statements as of and for the years ended December 31, 2015 and 2014;
- our audited financial statements as of and for the years ended December 31, 2014 and 2013;
- our unaudited condensed consolidated interim financial information as of June 30, 2016, and for the six-month periods ended June 30, 2016 and 2015;
- our audited consolidated financial statements as of future dates and for future years; and
- any related notes to these items.

For as long as any of the notes are outstanding and admitted for listing on the Official List of on the Luxembourg Stock Exchange and trading on the Euro MTF Market, copies of our current annual financial statements and unaudited condensed consolidated interim financial information may be obtained from our Luxembourg listing agent at its office listed above.

During the same period, the indenture, our by-laws and a copy of the CFE Law which provides for the regulatory framework of CFE will be available for inspection at the offices of our Luxembourg listing agent and the trustee.

We currently publish unaudited condensed consolidated interim financial information on a quarterly basis. These financial statements are available on our website (www.cfe.gob.mx). Information on our website is not a part of this Luxembourg Listing Prospectus.

8. CFE was created in 1937 by presidential decree, and then converted by the Mexican Congress in 1949 into an *organismo público descentralizado de la Administración Pública Federal* (decentralized public entity of the Mexican government). Pursuant to the CFE Law, in accordance with the Energy Reform Decree and Secondary Legislation, CFE was converted into a productive state enterprise (*empresa productiva del Estado*) on October 7, 2014. Our principal executive office is located at Paseo de la Reforma 164, Col. Juárez, 06600 Ciudad de México. Our facsimile number at that address is +1(5255) 5230-9092.

9. The trustee for the notes is Deutsche Bank Trust Company Americas, having its office at 60 Wall Street, New York, New York 10005, United States. The terms and conditions of our appointment of Deutsche Bank Trust Company Americas as trustee, including the terms and conditions under which Deutsche Bank Trust Company Americas may be replaced as trustee, are contained in the indenture available for inspection at the offices of Deutsche Bank Trust Company Americas and Deutsche Bank Luxembourg S.A.

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**COMISION FEDERAL DE ELECTRICIDAD,
STATE-OWNED PRODUCTIVE ENTERPRISE**

and subsidiaries and affiliated companies

Condensed Consolidated Interim Financial Information

June 30, 2016 and 2015, and December 31, 2015



KPMG Cárdenas Dosal, S.C.
Manuel Ávila Camacho 176 P1,
Reforma Social, Miguel Hidalgo,
C.P. 11650, México, D.F.
Teléfono: +01 (55) 5246 8300
kpmg.com.mx

Independent Auditors' Report on review of condensed consolidated interim financial information

The Board of Directors
Comision Federal de Electricidad, State-Owned Productive Enterprise:

Introduction

We have reviewed the accompanying condensed consolidated interim financial information of Comision Federal de Electricidad, State-Owned Productive Enterprise ("the Entity"), which comprises:

- the condensed consolidated statement of financial position as at June 30, 2016;
- the condensed consolidated statements of comprehensive income (loss) for the three-month and six-month periods ended June 30, 2016;
- the condensed consolidated statements of changes in equity for the six-month period ended June 30, 2016;
- the condensed consolidated statements of cash flows for the six-month period ended June 30, 2016; and
- notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying June 30, 2016 condensed consolidated interim financial information, is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

(Continued)

Agua Calientes, Agu.
Cancun, Q. Roo.
Ciudad Juárez, Chih.
Culiacán, Sin.
Chihuahua, Chih.
Guadalajara, Jal.

Hermosillo, Son.
León, Gto.
Mérida, Yuc.
Mexicali, B.C.
México, D.F.
Monterrey, N.L.

Puebla, Pue.
Querétaro, Qro.
Reynosa, Tamps.
Saltillo, Coah.
San Luis Potosí, S.L.P.
Tijuana, B.C.

*Comparative information*

The condensed consolidated statement of financial position of the Entity as at December 31, 2015, have been derived from Entity's annual consolidated financial statements as at and for the year ended December 31, 2015, which were audited by other auditors whose report dated April, 7 2016, expressed an unmodified opinion on those consolidated financial statements.

We have not reviewed the accompanying condensed consolidated statements of comprehensive loss, changes in equity and cash flows of the Entity for the three-month and six-month period ended June 30, 2015, and accordingly do not express a review conclusion on them.

KPMG CARDENAS DOSAL, S. C.

A handwritten signature in black ink, appearing to read 'EPP' with a stylized flourish underneath.

Eduardo Palomino

July 14, 2016



**COMISION FEDERAL DE ELECTRICIDAD, STATE-OWNED PRODUCTIVE COMPANY
AND SUBSIDIARIES AND AFFILIATED COMPANIES**

Unaudited Condensed Consolidated Statement of Financial Position

At June 30, 2016 and December 31, 2015

(In thousands of Mexican Pesos)

	June 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents (note 6)	\$ 51,147,378	\$ 35,597,179
Accounts receivable (note 7)	84,260,924	86,356,231
Operating materials (note 8)	10,972,610	15,531,321
Total current assets	146,380,912	137,484,731
Loans to employees	10,716,006	10,061,390
Plants, facilities and equipment, net (note 9)	1,075,686,853	1,085,937,569
Derivate financial instruments (note 11)	48,726,796	38,240,319
Other assets	15,735,698	19,708,868
Total assets	\$ 1,297,246,265	\$ 1,291,432,877
Liabilities		
Short-term debt (notes 12 and 13)	\$ 66,432,622	\$ 41,725,098
Trade liabilities and accrued liabilities	59,946,059	59,902,457
Taxes and duties payable (note 14)	3,369,263	2,083,279
Total Current liabilities:	129,747,944	103,710,834
Long-term debt (notes 12 and 13)	364,800,216	355,743,341
Employee benefits (note 16)	482,681,000	625,083,572
Other long-term liabilities (note 15)	45,296,612	41,948,809
Derivate financial instruments (note 11)	34,861,282	34,999,664
Long-term liabilities	927,639,110	1,057,775,386
Total liabilities	\$ 1,057,387,054	\$ 1,161,486,220
Federal Government contributions	5,251	5,251
Federal Government contributions in kind	95,004,417	95,004,417
Retained earnings (deficit)	29,024,019	(77,821,615)
Other comprehensive income	115,825,523	112,758,604
Equity (note 17):	239,859,210	129,946,657
Total equity and liabilities	\$ 1,297,246,264	\$ 1,291,432,877

The accompanying notes are an integral part of these condensed interim consolidated financial information.



**COMISION FEDERAL DE ELECTRICIDAD, STATE-OWNED PRODUCTIVE COMPANY
AND SUBSIDIARIES AND AFFILIATED COMPANIES**

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the periods of six and three months ended June 30, 2016 and 2015

(In thousands of Mexican Pesos)

	Six months period ended June 30		Three months period ended June 30	
	2016	2015	2016	2015
Electric power revenue	\$ 141,369,287	\$ 146,090,727	\$ 73,142,705	\$ 73,142,705
Transmission service revenue	52,997	-	52,997	-
Subsidy	12,000,000	-	9,000,000	-
Other income and earnings (note 18)	984,481	2,293,618	879,247	-
Total revenues	154,406,765	148,384,345	83,074,949	73,142,705
Costs	107,881,865	104,276,531	71,799,808	69,842,808
Energy and fuel supplies	62,293,594	64,620,424	30,533,923	30,533,923
Labor obligations cost	26,691,324	26,361,610	30,186,170	30,186,170
Maintenance, materials and general service	12,231,478	12,236,217	6,560,632	6,560,632
Taxes	1,297,833	1,058,280	(848,553)	-
Mexican Wholesale Electrical Market costs	5,367,636	-	5,367,636	-
CENACE fees	1,065,928	-	1,065,928	-
Universal fund	4,301,708	-	4,301,708	-
Income before other costs	46,524,900	44,107,814	11,275,141	3,299,900
Employee benefit (notes 1 and 16)	(125,757,571)	32,177,000	(159,251,530)	32,177,000
Depreciation and amortization	28,000,784	21,640,377	16,488,949	16,488,949
Other expenses	4,648,281	2,720,956	438,269	-
Other costs (income)	(93,108,506)	56,538,333	(142,324,312)	48,665,949
Operating Income (loss)	139,633,406	(12,430,519)	153,599,453	82,865,849
Financing costs	(32,787,772)	(23,161,894)	(26,534,358)	(26,534,358)
Interes cost, net	(12,804,944)	(10,673,163)	(8,236,862)	-
Foreign exchange loss, net	(19,982,828)	(12,488,731)	(18,297,496)	-
Net income (loss)	106,845,634	(35,592,413)	127,065,095	56,331,491
Other comprehensive loss	3,066,919	200,137	2,764,410	-
Comprehensive income (loss)	\$ 109,912,553	\$ (35,392,276)	\$ 129,829,505	\$ 56,331,491

The accompanying notes are an integral part of these condensed interim consolidated financial information.



**COMISION FEDERAL DE ELECTRICIDAD, STATE-OWNED PRODUCTIVE COMPANY
AND SUBSIDIARIES AND AFFILIATED COMPANIES**

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months period ended June 30, 2016 and 2015

(In thousands of Mexican Pesos)

	<u>Federal Government contributions</u>	<u>Federal Government contributions in kind</u>	<u>Accumulated equity</u>	<u>Benefits</u>	<u>Other comprehensive income</u>
Balances as of December 31, 2014	\$ 28,402,300	\$ -	\$ 68,105,752	\$ (31,518,000)	\$ 137,385,980
Transfers from prior year	(28,402,300)	-	(49,947,602)	31,518,000	-
Net comprehensive loss	-	-	-	-	200,137
Balances as of June 30, 2015	-	-	18,158,150	-	137,586,117
Contribution of Federal government	5,251	-	-	-	-
Transfer of resources to CENACE (note 1)	-	-	(2,067,752)	-	-
Contributions received (note 1 and 10)	-	95,004,417	-	-	-
Net comprehensive loss	-	-	-	-	(24,827,513)
Balances as of December 31, 2015	\$ 5,251	\$ 95,004,417	\$ 16,090,398	\$ -	\$ 112,758,604
Transfers from prior year	-	-	(93,912,013)	-	-
Net comprehensive income	-	-	-	-	3,066,919
Balances as of June 30, 2016	\$ 5,251	\$ 95,004,417	\$ (77,821,615)	\$ -	\$ 115,825,523

The accompanying notes are an integral part of these condensed interim consolidated financial information.



**COMISION FEDERAL DE ELECTRICIDAD, STATE-OWNED PRODUCTIVE COMPANY
AND SUBSIDIARIES AND AFFILIATED COMPANIES**

Unaudited Condensed Consolidated Statement of Cash Flows

For the six month- period ended on June 30, 2016 and 2015

(In thousands of Mexican Pesos)

	June 30, 2016	June 30, 2015
Cash flows from operating activities:		
Net Income (loss)	\$ 106,845,634	\$ (35,592,411)
Adjustments for non-cash income and expenses:		
Depreciation and amortization	28,000,784	21,640,377
Employee benefits costs	(125,757,571)	32,177,000
Loss on exchange and rates	25,295,903	17,257,997
Changes in:		
Accounts receivables	2,095,307	(1,235,895)
Operating materials	4,558,711	6,977,604
Taxes and duties payable	1,285,984	(641,017)
Other assets	960,083	(1,668,071)
Accrued liabilities and accrued liabilities	3,391,405	7,430,337
Payments to employee benefits	(16,645,001)	(14,850,488)
Net cash provided by operating activities	30,031,239	31,495,434
Items relating to investing activities:		
Acquisitions of plants, facilities and equipment	(15,391,596)	(20,956,062)
Net cash used in investing activities	(15,391,596)	(20,956,062)
Cash flow financing activities		
Contracting loans obligations	26,852,276	47,862,257
Interest paid	(7,738,627)	(6,471,905)
Receipts of financial instruments	1,172,856	510,356
Payment of financial instruments	(1,653,709)	(844,291)
Payment of debt	(17,722,240)	(13,545,311)
Net cash provided by financing activities	910,556	27,511,106
Net increase in cash and cash equivalents	15,550,199	38,050,477
Cash and cash equivalents at beginning of year	35,597,179	36,319,701
Cash and cash equivalents at the end of period	\$ 51,147,378	\$ 74,370,178

The accompanying notes are an integral part of these condensed interim consolidated financial information.

**COMISION FEDERAL DE ELECTRICIDAD,
STATE-OWNED PRODUCTIVE ENTERPRISE
and subsidiaries and affiliated companies**

**Notes to the Unaudited Condensed Consolidated Interim Financial Information
June 30, 2016 and 2015, and December 31, 2015
(Amount expressed in thousands of Mexican pesos, unless explicitly expressed)**

1. Organization, nature of the State-Owned Productive Company and relevant events.

• **Organization and description of business**

Comision Federal de Electricidad (“the Company” or “CFE”) is a Mexican institution incorporated as a decentralized public entity of the Mexican Government by Decree of the Congress on August 14, 1937, published in the Official Gazette of the Federation on August 24, 1937.

Since its incorporation, the purpose of CFE has been to provide electricity related services in Mexico, mainly consisting of the generation, transformation, distribution, and commercialization of electricity in service of the Mexican consumers.

On August 11, 2014, the Comision Federal de Electricidad Law was published, and came into effect on October 7, 2014. Such law mandates the CFE transformation into a State-owned Productive Enterprise (“Empresa Productiva del Estado - EPS” for its acronym in Spanish).

From the date of this transformation into a State-owned Productive Enterprise, the purpose of CFE was to provide the public service of transmission and distribution of electricity on behalf of the Mexican state. Furthermore, as part of its public purpose, CFE performs activities of generation and commercialization of electricity, as well as importation, exportation, transportation, storage and trading of natural gas, among other activities.

The rates applicable to the sale of electricity in Mexico are determined and authorized by the Federal Government by the Secretaria de Hacienda y Credito Publico (“Revenue of the Ministry of Finance and Public Credit”, SHCP for its acronym in Spanish).

• **Relevant events**

Mexican Wholesale Electricity Market (MEM for its acronym in Spanish)

Due to the start of operations of the Mexican Wholesale Electricity Market (MEM for its acronym in Spanish) and following the attributes given by the third transitory article from the law “Ley de la Industria Electrica” (“Electric Industry Law”, LIE for its acronym in Spanish), the Secretaria de Energia (“Ministry of Energy” - SENER for its acronym in Spanish) extended the term for CFE to continue performing, as it currently is, the independent activities of generation, transmission, distribution, commercialization of electricity to domestic and qualified consumers, and the supply of primary inputs (mainly natural gas), including its participation on the MEM Market to October 31, 2016. The SENER also extended the term until December 31, 2016 for the power generation plants owned by CFE to be included as part of interconnection contracts.

Amendments to the Labor Collective Agreement

On May 19, 2016, there was a review of the terms of the Collective Labor Agreement between CFE and the Sindicato Unico de Trabajadores Electricistas de la Republica Mexicana ("Sole Union of Electricity Workers of the Mexican Republic", SUTERM for its acronym in Spanish).

As a result of this, various clauses of the agreement, mainly impacting pension benefits, were modified causing a reduction in the Company's labor liabilities; therefore, there was an income effect on the results of the year.

Tax Obligations

With the enactment of the Comision Federal de Electricidad Law, the "Public Use Tax" established in the article 46 of the Public Service of Electricity Law (referred as "aprovechamiento" per the regulation) was repealed. Therefore, CFE and its subsidiaries and affiliated companies started complying with their tax obligations in terms of the Title II of the Income Tax Law, which regulates the general regime of legal entities, starting on February 16, 2015.

National Energy Control Center

On August 28, 2014, a decree was published in the Official Gazette of the Federation which created the Centro Nacional de Control de Energia ("National Energy Control Center" - CENACE for its acronym in Spanish) as a Decentralized Public Organism in order to exercise operating control of the Sistema Electrico Nacional ("National Power System") (activity performed by CFE until date), to operate the Wholesale Electric Market, and to provide open and not unduly discriminatory access to the Sistema Nacional de Transmisión y Distribución ("National Transmission and Distribution System").

As result of the establishment of CENACE as an independent legal entity with its own equity, the Company transferred the assets used in the performance of some of the activities now under their function, as well as the resources needed for the fulfillment of such activities.

The transfer had an impact of \$2,067,752 in the Company's equity in 2015. No other transfers were made during the six-month period ended on June 30, 2016.

Public Telecommunications Network Concession

In terms of the provisions set forth in the fifteenth transitory article of the "Decreto por el que se refoman y adicionan diversas disposiciones de los artículos 6, 7, 27, 28, 73, 78, 94, and 105 de la Constitución Política de los Estados Unidos Mexicanos, en material de telecomunicaciones" ("decree that amends and supplements various provisions of Articles 6, 7, 27, 28, 73, 78, 94, and 105 of the Mexican United States Constitution relating to telecommunications matters") published in the Official Daily Gazette on June 11, 2013, the Company transfers to Telecomunicaciones de Mexico (TELECOMM) the total concession to

install, operate and benefit of the public telecommunication network, and as such the Company transferred all of its resources and equipment needed for the operation and used this concession.

CFE will be responsible for optic fiber, rights of way, pole lines, buildings and facilities, guaranteeing TELECOMM an effective shared access to said infrastructure for its efficient use in order to attain an adequate operation and achievement of goals and meeting its objectives. Telecomunicaciones de Mexico will have attributions and resources for promoting access to broadband internet services, plan, design, and execute the construction and growth of a solid telecommunications network with nationwide coverage.

In compliance with the constitutional precept, on December 17, 2014, CFE filed a petition to the Instituto Federal de Telecomunicaciones ("Federal Telecommunications Institute" - IFT for its acronym in Spanish) for the authorization of the transfer of the concession to install, operate, and exploit a public telecommunications network in favor of TELECOMM.

On September 24, 2015 the IFT issued memo 77/2015 by which authorized the transfer of the concession to install, operate and benefit of the public telecommunication network from CFE to TELECOMM.

The IFT issued memo 3/2016 on January 21, 2016 for granting TELECOMM with the Commercial Use Concession as wholesaler shared network of telecommunication services. TELECOMM will hold the rights and obligations inherent to the Concession and shall guarantee the continuity of telecommunication services under the terms and conditions mentioned therein.

Affiliated companies.

On January 20, 2015 CFE International LLC ("CFE LLC") was incorporated in the United States of America, leading this to be the first international affiliated Company of CFE. The deal had an initial contribution of US \$100,000 for 100% of the share capital of the CFE LLC. CFE LLC will actively participate as a competitor in the international fuel market throughout various markets, attracting clients and selling natural gas, coal, and other fuels.

CFENERGIA, S.A. de C.V. ("CFENERGIA") was incorporated on August 11, 2015 by the certificate of incorporation number 29505 registered by Public Notary number 171. CFENERGIA is an affiliate of CFE, who holds 100% of its ownership. The purpose of CFENERGIA is to import, export, and procure transport, storage, trade natural gas, coal and any other fuel, as well as the management of assets and fuel within Mexican territory and abroad.

Assets contributed by the Federal Government.

On October 7, 2015, the Secretaria de la Funcion Publica ("Ministry of Public Administration" – SFP for its acronym in Spanish) through its decentralized body the Instituto de Administracion y Avaluos de Bienes Nacionales ("Institute of Administration and Appraisal of National Assets" - INDAABIN for its acronym in Spanish), decided to conclude the commodatum agreement and contributed the assets as detailed in the corresponding annexes to the agreements by different types of assets.

Accordingly, CFE received legal and physical possession of such assets, included in a global basis in the aforementioned annexes. Procedures to disincorporate such assets from the Federation public domain regime began on that date. These assets are included in the Condensed Consolidated Balance Sheet as of December 31, 2015 for a total value of \$95,004,417 of Mexican pesos, as determined by the Servicio de Administración y Enajenación de Bienes (SAE for its acronym in Spanish), amount which will be adjusted according to the detailed listing for each significant area. Additionally, in May 2016 the entity recognized \$63,000 as automobiles. This activity is still in progress at June 30, 2016.

Strict legal separation

On January 11, 2016, the terms for the strict legal separation that CFE shall observe were published. Such separation allows the entity to independently perform the activities of generation, transmission, distribution, commercialization and supply of primary inputs in the market through each one of the units in which CFE will spin-off, generating economic value and profitability for the Mexican State as its owner.

Incorporation of productive entities subsidiaries of CFE

On March 29, 2016, the Official Gazette of the Federation published the provisions for the incorporation of productive entities subsidiaries of the Company (EPS for its acronym in Spanish), as independent legal entities with their own equity, and with the purpose to generate economic value and profitability for the Mexican State as its owner. Such entities are described below:

- CFE Distribucion, EPS, whose purpose is to perform the necessary activities to provide the public service of electricity distribution, as well as to finance, install, maintain, manage, operate and enhance the necessary infrastructure to provide the public service of distribution, according to the provision on the Comision Federal de Electricidad law, the Electrical Industry Law, the terms for the mandatory legal separation of the Comision Federal de Electricidad and other applicable legal dispositions.
- CFE Transmision, EPS, whose purpose is to perform the necessary activities to provide the public service of electricity transmission, as well as to finance, install, maintain, manage, operate and enhance the necessary infrastructure to provide the public service of transmission, according to the provision on the Comision Federal de Electricidad law, the Electrical Industry Law, the terms for the mandatory legal separation of the Comision Federal de Electricidad and other applicable legal dispositions.
- CFE Generacion I EPS, CFE Generacion II EPS, CFE Generacion III EPS, CFE Generacion IV EPS, CFE Generacion V EPS, and CFE Generacion VI EPS, whose purpose is to generate electricity using any technology available within Mexican territory; as well as to perform the commercialization activities set in article 45 of the Electric Industry Law, except for the supply of electricity. Each one of these entities may fully or partially represent, the power plants under their control in the MEM, including those owned by third parties.

- CFE Suministrador de Servicios Basicos, whose purpose is to provide the Basic Supply, referred to in the Electric Industry Law, to any party requesting it in the terms of such Law.

Such provisions were introduced in order to set the rules for the operations, corporate governance, oversight and monitoring, as well as the responsibilities, transparency and oversight for the subsidiaries productive entities.

2. Basis of preparation of the condensed consolidated financial information

a) Basis of preparation

The accompanying condensed consolidated financial information has been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting" and do not include all of the information required for a complete set of annual financial statements prepared under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

The condensed consolidated financial information has been prepared on a historical cost basis, except for certain derivative financial instruments, which are registered at fair value. Moreover, plants, facilities and equipment has been valued at its assumed value at the transition date and revalued to its fair value, as follows:

During 2014, the property of the Company was revalued at fair value by preparing appraisals with the parametric methodology indicated by the INDAABIN.

b) Reporting currency of the condensed consolidated financial information

The condensed consolidated financial information and its notes are presented in Mexican pesos (reporting currency), which is the same as the local currency and the functional currency.

c) Condensed consolidated statements of comprehensive income

CFE prepared condensed consolidated statements of comprehensive income, and classified costs and expenses based on their nature, pursuant to the specific essence of the type of cost or expense of the Company, as set forth in IAS 1 "Presentation of financial statements".

3. Summary of significant accounting policies

The main accounting policies followed by the Company are described below:

a. Basis of consolidation

The condensed consolidated financial information includes the financial information of CFE and those of its subsidiaries and trusts over which it exercises control.

Ownership in the main subsidiaries, affiliates and trusts as of June 30, 2016 and December 31, 2015 are as follows:

- CFE exercise absolute control over CFE Distribution EPS, CFE Transmission EPS, CFE Generacion I EPS, CFE Generacion II EPS, CFE Generacion III EPS, CFE Generacion IV EPS, CFE Generacion V EPS, CFE Generacion VI EPS, and CFE Suministrador de Servicios Basicos EPS. As of June 30, 2016, the corresponding initial contributions have not been made.
- CFE has absolute control on CFE International LLC. The initial contribution amounts to USD \$100,000 having 100% of ownership.
- CFE has full control of CFENERGIA, S.A. de C.V. The initial contribution amounts to \$1,000,000 having 100% of ownership.

Below is the information related to the trusts on which CFE maintains control:

Trust	Equity of CFE			Type of project
	Trustor	Beneficiary of the trust:	Trustee	
Trust Management and Transfer of Ownership 2030	CFE	Primary beneficiaries: bidders awarded the contracts Secondary beneficiary: CFE	BANOBRAS, S. N. C.	Conditioned investment
Trust for the establishment with of a Revolving Financing Fund for the Housing Thermal Isolation Program of in the Valley of Mexicali, B.C.	CFE	CFE	BANOBRAS, S. N. C.	Power saved
Prior Expenses Trust	CFE	CFE	BANCOMEXT, S. N. C.	Direct investment

b. Basis for the translation of the condensed financial information of foreign subsidiaries and affiliate

The condensed financial information of our foreign subsidiaries are translated from the functional currency and into presentation currency. When local currency is the same as functional currency, the translation is directly from local currency into reporting currency, in accordance to IFRS.

The Company incorporated CFE International LLC, the first international affiliate owned by Comision Federal de Electricidad (CFE) who owns 100% of the initial contribution of USD \$100,000.

c. Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and short-term investments. Investments are presented at acquisition cost plus interest income, such amount is comparable to market value.

d. Inventory of operating materials

Inventories of operating materials are measured at the lower of cost of acquisition and net realizable value. Unit cost is determined using the formula of average cost. Inventories of operating materials is mainly comprised by materials used in the maintenance of power plants, for the installation of transmission and distribution lines, and fuels.

Inventories are reviewed periodically to determine the existence of obsolete material, as well as to evaluate the sufficiency of the allowance or provision. When the case arises, the allowance is increased against income for the year.

e. Plants, facilities and equipment

i. Plants, facilities and equipment (electricity infrastructure).

Plants, facilities and equipment used for generation, transmission and distribution of electricity, are initially recorded at acquisition cost and subsequently revalued to adjust such cost to fair value, net from accumulated depreciation. The Company periodically reviews the fair values of plants, facilities and equipment and evaluates the need to perform appraisals by an independent valuator so that the carrying amount of these assets does not differ significantly from the values the Company would have by using its fair values at end of the reporting period.

Any increase in the revaluation of those assets is recognized as a surplus in other comprehensive income. A decrease in carrying value generated by the revaluation of those assets is recorded in income to the extent it exceeds the surplus, if any.

Borrowing costs incurred in financing of both direct and general construction in progress for a period longer than 6 months are capitalized as part of the cost of such asset.

In addition to the acquisition costs and other costs directly attributable to the process of preparing the assets (so it can operate in the location and conditions foreseen by our technicians), the asset cost also includes estimated retirement and restoration costs.

Depreciation on these assets is calculated over fair value or acquisition cost, as applicable, on the straight-line method over the estimated useful lives of the assets. In case of subsequent sale or retirement of revaluated properties, the revaluation surplus attributable to the revaluation reserve of the remaining properties is transferred directly to retained earnings.

Depreciation rates according to the total useful lives of assets, as determined by the Company's technicians are as follow:

	<u>Annual rate %</u>
Geothermal power generation plant	2.00 - 3.70
Steam power generation plant	1.33 - 2.86
Hydroelectric power generation plant	1.25 - 2.50
Internal combustion power generation plant	1.33 - 3.03
Turbogas and combined cycle power generation Plant	1.33 - 3.03
Nuclear power generation plant	2.50
Substations	1.33 - 2.56
Transmission lines	1.33 - 2.86
Distribution networks	1.67 - 3.33

These components are recorded at acquisition cost. Management periodically evaluates total useful lives, depreciation methods, and residual values of plants, facilities and equipment . In those cases where changes to estimations are deemed necessary, the effects are recognized prospectively.

When the items of these types of assets are comprised by various components with different useful lives, the individually significant components are depreciated within their estimated useful life. Minor repairs and maintenance costs are expensed as incurred.

An element of these assets are retired when sold or when the Company does not expect future economic benefits derived from the continued use of the asset. The gain or loss generated by the sale or retirement of an item of these assets is calculated as the difference between sales proceeds and the carrying value of the asset, and it is recognized in the income statement.

The Company evaluates periodically whether there is an indication of impairment of these assets. The Company did not recognize impairment losses during the 6-month period ended on June 30, 2016 and 2015 and as of December 31, 2015.

II. Plants, facilities and equipment (allocated to offices and general services)

Plants, facilities and equipment allocated to offices and general services are depreciated in accordance with the following rates:

	<u>Annual rate %</u>
Buildings	5
Furniture and office equipment	10
Computer equipment	25
Transportation equipment	25
Other assets	10

Land is not depreciated.

An element of these assets allocated towards offices and general services is disposed of when sold or when it is not expected to obtain future economic benefits derived from the continued use of the asset. The gain or loss generated by the sale or disposal of an item of Plants, facilities and equipment is calculated as the difference between the sales proceedings and the carrying value of the asset, and it is recognized in the interim condensed consolidated Statement of Comprehensive income.

The Company evaluates periodically whether there is an indication of impairment of plants, facilities and equipment allocated to offices and general services. The Company did not recognize impairment losses during the 6-month period ended on June 30, 2016 and as of December 31, 2015.

Conditioned investment

Starting in 2000 and based on the law “Ley del Servicio Publico de Energia Electrica” (“Electricity Power for Public Service Law” - LSPEE for its acronym in Spanish), access to electricity generation related an activities was given to independent power producers, who can only sell the electricity produced to CFE. The Company evaluated that 23 of the total existing contracts with independent power producers contained a lease component over the power generation plants, in accordance with IFRIC 12, “Service Concession Agreements”, which in turn qualified as financial leases, in accordance with IAS 17 “Leases”. Accordingly, they are recorded in a fixed asset account denominated independent power producers, as well as the total liability that applies to the value of the asset.

f. Intangible assets

Intangible assets with definite useful life acquired separately are recorded at acquisition cost and their total useful life is estimated. In the instances where the asset does not have a definite useful life, it is classified as intangible assets with indefinite useful life. Intangible assets with definite useful life are amortized within their estimated useful life.

Amortization is recognized based on the straight-line method over the assets estimated useful life. Estimated useful life, residual value, and amortization method are reviewed every year end, and the effect of any change on the estimate recorded is recognized prospectively.

g. Financial assets and liabilities

Financial assets and liabilities are recorded initially at fair value plus transaction costs that are directly attributable to the acquisition or issuance of a financial asset or liability (other than financial assets and liabilities measured at fair value through gains or losses). Transaction costs directly attributable to a financial asset or liability at fair value with changes in losses or gains are immediately recognized in the Condensed Consolidated Statement of Comprehensive Income.

Financial assets

Financial assets are classified in any of the following categories; fair value through profit or loss, held-to-maturity, available-for-sale, loans and accounts receivable, or hedging derivative financial instruments. The classification is made upon the nature and purpose of the financial asset, and it is determined at the time of initial recognition.

Loans and receivables

Accounts receivable and loans are financial instruments with fixed or determinable payments that are not listed on an active market. Loans and accounts receivable with maturity over a year (including accounts receivable, trade accounts receivable and other receivables) are valued at amortized cost, by using the effective interest method, and they are subject to impairment tests. Interest income is recognized by applying the effective interest rate, except for the short-term receivables when the interest recognition is deemed immaterial.

Items receivable are mainly comprised by public consumers, government consumers, other receivables, power the billing process and loans to employees.

- Financial assets at fair value through profit and loss

Fair value changes in financial assets in this category are recognized through profit and loss, including financial assets held for trading. Derivative financial instruments, including embedded derivatives that qualify to be recognized separately, are classified as held for trading, unless they are designated as hedging instruments.

- Financial assets held-to-maturity

These are investments which are intended to be held to maturity. Acquisition cost are recognized including expenses for purchase, premiums and discounts; and are amortized over the term of the investment based on its outstanding balance net of any impairment. Interest and dividends on these investments are included as part of the net financing cost in interest expense, net in the statement of comprehensive income.

- Financial instruments available-for-sale

Investments in these instruments are recognized at fair value and gains or losses are recognized within "other comprehensive income", net of income tax. Interest and dividends on these instruments are included in the net finance cost line. The fair values of these investments consider their market value. Foreign currency effects on securities on available-for-sale investments are recognized in the statement of comprehensive income in the period they arise.

- Disposal of financial assets

Financial assets, part of a financial asset or part of a group of similar financial assets are derecognized when the rights to receive cash flows from the asset have expired, or have

transferred or have assumed an obligation to pay the cash flows received without a material delay to a third party under a transfer agreement and have transferred substantially all risks and rewards of the asset, or have transferred control of the asset despite having retained substantially all the risks and benefits.

When we do not transfer or retain substantially all the risks and rewards of the asset, or retain control of the transferred asset, we continue to recognize the transferred asset to the extent of continuous involvement we maintain and recognize the associated liability. The assets and corresponding liabilities are measured on the basis that better reflects the rights and obligations that have contracted.

Impairment of financial assets

At the end of each reporting period, an assessment is performed to ascertain whether there is any objective evidence that the value of a financial asset or group of financial assets has suffered any impairment. A financial asset or group of financial assets are considered impaired in value when there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated future cash flows of the investment have been adversely affected.

In the case of financial assets that have been recognized at amortized cost, a preliminary assessment as to whether there is objective evidence of impairment in value individually for assets that are significant by themselves or collectively to those who are not individually important. When there is no such evidence in the case of assets assessed individually, regardless of their importance, the asset in a group of assets is included with similar risk characteristics, and proceeded to make a collective assessment to determine whether its value has suffered impairment. In those cases where we determine that the assets in the individual is impaired, we proceed to the recognition of the loss in value, and exclude the asset of collective testing.

Financial liabilities

Financial liabilities are classified at fair value with changes in losses and gains or as other financial liabilities measured at their amortized cost, by using the effective interest method.

Financial liabilities of the Company include accounts payable to suppliers and contractors, other accounts payable and accrued liabilities, loans, unrealized revenue and derivative financial instruments. Derivative financial instruments are recognized at fair value; debt short and long term and other accounts payable are recognized as financial liabilities measured at amortized cost.

All liabilities are initially recognized at fair value and in the case of debt and accounts payable, net of transaction costs directly attributable.

The subsequent measurement of our financial liabilities is based on the following classification:

- Financial liabilities at fair value through profit or loss

Financial liabilities recognized at fair value with changes in value are reflected in the results, including financial liabilities held for trading and financial liabilities designated upon initial recognition as financial liabilities at fair value through profit and loss.

Financial liabilities are classified as held for trading if contracted for the purpose of trading in the near future. In this category derivative financial instruments that are acquired and designated as non-hedging derivative instruments are included. In the case of the embedded derivatives, these are also classified as held for trading, except for those designated as hedging instruments.

Gains or losses on financial liabilities held for trading are recognized in the statement of comprehensive income.

- External financing

After their initial recognition, external financing facilities accruing interest are subsequently measured at their amortized cost, by using the effective interest rate method. Gains and losses arising are recognized in the condensed consolidated statement of comprehensive income where liabilities are written off, as well as through the amortization process by applying the effective interest rate method.

The amortized cost is calculated taking into account any discount or premium on the issue or acquisition, and the fees and other costs directly attributable that form an integral part of the effective interest rate. Amortization of that rate is recognized as a financial cost in condensed consolidated statement of comprehensive income.

- Write-offs of financial liabilities

A financial liability is written off when the obligation derived from the liability has been paid, charged completely or expired.

When a financial liability is replaced by another financial liability of similar characteristics, or when the terms of the existing liability are substantially modified, the replacement or modification of the financial liability are written off and a new liability is recognized by the Company. Any differences in values are reflected in the condensed consolidated statement of comprehensive income.

- Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when the Company has a legal right to offset the amounts, and there is an intent to settle them on a net basis or realize the asset and settle the liability simultaneously.

Fair value of financial instruments

At each reporting date, the fair value of financial instruments traded in active markets is determined considering quoted market prices, or the prices quoted by brokers, without any deduction of transaction costs.

For financial instruments that are not traded in an active market, fair value is determined using appropriate valuation techniques. Such techniques may include the use of market transactions under the arm's length principle referenced to the current fair value of another financial instrument that is similar, analysis of discounted cash flows or other valuation models.

h. Derivative financial instruments

Derivative financial instruments are recognized at fair value in the statement of financial position. The fair value of derivative financial instruments is determined using generally accepted valuation techniques. In line with the risk strategy entered into, derivative financial instruments are entered into to mitigate foreign exchange rate and interest rate exposure, through contracting interest rate swaps, cross-currency swaps and forward foreign currency.

Policies include formal documentation of all transactions between hedging instruments and hedged positions, the objectives of risk management and strategies to celebrate hedging transactions.

The effectiveness of derivative financial instruments designated as hedging is carried out at the inception of the transaction as well as during the period, which is held at least quarterly. The hedge is not highly effective, hedging ceases to be, hedge accounting is not longer and prospectively applied in respect of financial derivatives.

The effective portion of changes in fair value of derivative financial instruments designated as cash flow hedges, is recognized in equity under the caption of other items of comprehensive income, while the ineffective portion is recognized in income. The effective portion recognized in equity is recycled to results at the time in which the hedged item affects our results and are presented in the same caption item of the statement in which we present the corresponding primary position.

Hedging policies require that derivative financial instruments that do not qualify as hedges, are classified as held for trading instruments, so that changes in fair value are recognized immediately in income.

Derived from the nature of operations, we are exposed to the following risks:

- Interest rate risk

A significant part of our debt accrues interest at variable rates, which is calculated with reference to the TIIE (Interbank Equilibrium Interest Rate) rate in the case of debt denominated in pesos. At June 30, 2016 and December 31, 2015 the covered amount amounted to \$4,480 and \$5,129 million pesos of the total debt denominated in pesos and bearing variable interest rates.

- Risk of foreign exchange rate fluctuations

A significant portion of the debt is denominated in foreign currencies, mainly US dollars, whereas most of our assets and revenues are denominated in pesos. As a result, we are

exposed to the risk of depreciation of the peso against the US dollar. As part of our risk management policy we have contracted cross-currency swaps and forward contracts to mitigate the impact of exchange rate differences. At June 30, 2016 and December 31, 2015 derivative financial instruments to hedge foreign currency debt were held at \$47,445 and \$33,324 million pesos respectively to hedge our foreign currency debt.

Likewise in 2012 a derivative financial instrument was entered into to cover the risk of exchange rate of external debt of \$32 billion yen. To hedge these foreign currency risks, a series of exchange forward contracts were entered to acquire Japanese yen based on a fixed exchange rate of US dollars. We also acquire a call option to purchase of Japanese yen at the end of the transaction. The market value of this transaction at June 30, 2016 and December 31, 2015 was 4'356,075 and \$ 58,158,241 US dollars respectively.

- Commodity price risk

As part of the electricity generation process, commodities we consume commodities such as natural gas therefore, there is exposure over the impact of the potential increases in prices for those commodities. During the period of 6 months ended June 30, 2016, and at year-end 2015, no contracts had been entered into to mitigate these risks.

- Credit risk

The Company is also exposed to the risk that counterparties (customers, financial institutions) do not meet their financial obligations to the Company.

i. Employee benefits

As part of employee benefits offered to the employees, various benefits are granted, which for purposes of the condensed consolidated interim financial information have been classified as direct employees benefits and pension benefits, seniority premiums and termination benefits.

- Direct employee benefits

Such benefits are valued in proportion to the services rendered considering current salaries, and the liability is recognized as accrued. It mainly includes productivity incentives, vacations, vacation premium, bonuses, and recognition of seniority of temporary and permanent workers.

- Employee benefits and other pension.

The Company has a policy of granting retirement pensions, to covering eligible employees. A defined benefit pensions plan is given to employees who started their employment relationship before August 19, 2008, and a defined contribution pensions plans for our employees whose employment started after August 19, 2008.

Employee benefits for termination and others the liability for retirement benefits (seniority bonuses and pensions) and for termination of the employment relationship, is recognized as accrued. The estimated amount of this benefits is calculated by independent actuaries based on the projected unit credit method, by using nominal interest rates; therefore, it is

estimated that the liability recognized at present value will cover the obligation of these benefits at the date of the retirement.

In addition there are plans to defined contribution pension established by the Federal Government and which must make contributions on behalf of workers.

According to the Federal Labor Law, there is a requirement to cover for a seniority premium, as well as to make certain payments to staff to stop providing their services under certain circumstances.

The pension costs for defined contribution are recognized in the Company's results as incurred and are calculated by applying the percentages indicated in the relevant regulations on the amount of wages and eligible wages, and deposited in the fund retirement managers chosen by our employees and the Mexican Social Security Institute.

j. Taxes

- Income tax

The income tax payable for the year are determined in accordance with current tax legislation.

The deferred income tax is determined using the asset and liability method, based on temporary differences between the amounts in the condensed consolidated interim financial information of the Company's assets and liabilities and their respective tax values at the date of the condensed consolidated interim statement of financial position.

In determining the amount of deferred tax use tax we rates in effect in the year in which the Company estimates the asset, will be materialized based on the tax laws and applying the tax rates that are exacted or whose and the liabilities be settled approval to be completed at the date of statement of financial position.

The carrying value of deferred tax assets are reviewed at each reporting date and is reduced to the extent that it is unlikely that sufficient future taxable profits are obtained to allow the materialization of all or a portion of deferred tax assets. Deferred tax assets that are not recognized are assessed at each reporting date and are recognized the extent that it is probable that sufficient future taxable income determine that allow their realization.

Deferred taxes related to items that recognize out of net income, are recognized thereof. The deferred tax attributable to other comprehensive income are part of these items.

- Value-added tax

Revenues from our activities, costs, expenses and assets are recognized excluding the amount of any value added tax, except when:

- (i) The value added tax paid on the acquisition of an asset or provision of a service may not be recoverable, in which case the tax is part of the value of the asset or expense, as appropriate, and

- (ii) Accounts receivable and payable presented in our statement of financial position include the tax.

The net amount of value added tax we expect to recover or pay the tax authority, it is presented as a receivable or payable in the statement of financial position, as applicable, unless the collection or payment be given over a period more than one year, in which case it is presented in the long-term.

k. Revenue recognition

Revenues are recognized in the period in which electricity power services are rendered to customers and to the MEM, consequently, the electricity delivered that is already in the process of being billed is considered as revenue for period, and its amount is based on actual estimated the billing of the two immediately preceding months. In case of the sales of electricity in the MEM, the amount is estimated based on the statement issued by the CENACE.

l. Foreign currency transactions

Foreign currency denominated transactions are recorded at the current exchange rate on the date on which they are carried out. Foreign currency monetary assets and liabilities are valued in the local currency at the exchange rate in effect at the date of the condensed consolidated interim financial information. Foreign exchange fluctuations are recorded in income as part of the net financing cost.

m. Transactions with Federal, State, and Municipal Governments

The main transactions carried out with the Federal Government, State and Municipal Governments and their accounting treatment are as follows:

With the Federal Mexican Government:

Public Use Tax

1) On the assets Contributed to CFE for their operation

As a result of the repeal of the Electricity Energy Public Service Law, since January 1, 2015, CFE is no longer required to pay the “public use tax” to the Mexican government on the assets it use to generate electricity power. The public use tax was annually determined based on the profitability rate established for the state owned entities in each year.

For the year ended December 31, 2014, 9% rate was used and ratified by the SHCP. That rate was applied to the value of the net fixed asset in operation of the next fiscal year. The resulting amount was charged to income for the year.

The public-use tax represented a decrease in profit for CFE since it was a payment to the Federal Government. Consequently, it was as an operating expense recorded in the period. This public-use tax rate was offset against the electricity rates insufficiency in order supplement to electricity rates deficit.

The Regulations of the Public Utilities Service Law (LSPEE, for its acronym in Spanish), defined the concept of "net fixed asset in operation" in greater detail, as the following:

For purposes of Article 46 of the Law, the net fixed asset in operation shall be understood as the fixed asset in operation reduced by:

- I. Accumulated depreciation;
- II. The unamortized debt directly related to such assets; and
- III. The Contributions of the petitioners.

2) Invested equity

The Federal Revenue Law, established that the Ministry of Finance and Public Credit the (SHCP) could impose a public use tax on the invested equity, which, if applicable, should be paid to Federal the Public Treasury, which is recorded as a decrease inequity. Likewise, the Executive can annually determine its reinvestment in entities as equity contribution.

3) Electricity rate insufficiency to supplement revenue

Up to December 31, 2014, this applies to resources granted by the Federal Government to end-users of electricity services through CFE, by setting deficit rates for the sale of electricity and accordance with Article 46 of the LSPEE, the public use tax can be offset against the insufficiency electricity rate insufficiency.

The electricity rate insufficiency offsettable against public use tax represents an increase in profit for CFE; therefore, the unrecoverable surplus of the insufficiency rate is recorded as revenue, and it is recognized and written off in the Company's condensed consolidated interim financial information.

State and Municipal Governments

Contributions are received from State and Municipal Governments to electricity rural populations and low income settlements and for expansions of the distribution network. Contributions are recorded as deferred revenue which will be realized in accordance with the useful life of the asset that is financed in accordance with the IAS 20 "Government Grants".

n. Accounts payable, accrued liabilities and provisions

Accrued liabilities are recognized when there is a present obligation, either legal or assumed and which originated in a past event, is likely to require the use of economic resources to settle the obligation, and it can be estimated reasonably.

In cases where the effect of the value of money over time is important, the amount of the provision is discounted to present value, based on disbursements we estimate will be required to settle the obligation in question. The discount rate is before tax and reflects market conditions at the time of our statement of financial position and, where appropriate, the risks specific to the liability. In the case of contingent liabilities, the Company recognizes the corresponding provision only when it is probable outflow of resources for extinction. In

this case, the increase in the provision is recognized as financing cost.

o. Critical accounting judgments and key sources of estimation uncertainty

In the preparation of the condensed consolidated interim financial information, estimates are made for certain items, some of which are highly uncertain and estimates involve opinions which is reached based on the information we have available.

In the following paragraphs, several issues have been mentioned which the Company has identified, which could materially affect our condensed consolidated interim financial information if they were to use different estimates that reasonably could have used, or if in the future the Company changed its estimates due to changes likely to occur.

Our analysis covers only those estimates that the Company considers most important, taking into account the degree of uncertainty and the likelihood of a significant impact if it were to use a different estimate. There are many other areas in which it has been estimated that matters which are uncertain, but where the Company believes that the effect of changing our estimate would not significantly impact the condensed consolidated interim financial information.

- Fair value of assets and liabilities

The Company has substantial assets and financial liabilities recognized at fair value, which is an estimate of the amount to which the assets and liabilities could be exchanged in a current transaction between parties willing to do so. The methodologies and assumptions used to estimate fair value vary according to the financial instrument as follows:

a) The Company recognizes the cash and cash equivalents, trade accounts receivable and trade accounts payable, and other liabilities at the date of the statement of financial position at their nominal value.

b) The Company recognizes instruments listed on markets at prices on those markets at the date of statement of financial position instruments.

c) Financial instruments not listed on any market, such as bank loans and finance lease obligations are recognized by discounting future cash flows using interest rates for similar instruments.

d) The Company applies various valuation techniques, such as making calculations of present value for derivative financial instruments.

The use of different methodologies or the use of different to calculate the fair value of the Company's financial assets and liabilities assumptions could significantly impact its financial results, as we have reported.

- Useful life of our plants, facilities and equipment.

The Company's plants, facilities and equipment in operation are depreciated considering an estimated useful life of each asset individually.

In determining the useful life, we consider the particular conditions of operation and maintenance of each of our assets and the historical experience with each type of asset, changes in technologies and various factors, including the practices of other energy companies. Annually, the useful lives of the Company's assets are reviewed in order to determine whether or not to modify them. The useful life could be modified by changes in the number of years in which the Company uses the assets, or by changes in technology, market or other factors. Should the life of the Company's assets be shortened, a greater expense for depreciation would be recognized.

- Impairment of long-lived assets

The Company's plants, facilities and equipment represent a significant portion of total assets. The International Financial Reporting Standards have established the requirement to determine the impairment of long-lived assets when circumstances indicate that there is a potential detriment in the value of these assets.

- Deferred taxes

The Company is required to estimate income taxes for the year, as well as to recognize differences between the financial carrying amount of existing assets and liabilities and their respective tax basis, such as depreciation, tax losses and other tax credits.

These points generate deferred tax assets and liabilities, which is included in the Company's statement of financial position. As part of its screening process tax, the Company assesses each fiscal year with respect to the realization of its assets and deferred tax liabilities, and whether or not there is taxable income in those periods to support the recognition of deferred tax assets. This involves the judgment from the Company's administration which impacts the provisions of the income tax payable and the amounts of deferred tax assets and liabilities. If the Company's estimates differ from the results finally obtained, or if the estimates are adjusted in the future, the results and the financial position of the Company could be affected significantly.

- Provisions

Management recognizes provisions for present obligations that result from past events and where settlement is required resulting in an outflow of economic resources so that the amount can be reasonably measured and also that the amount is probable to occur. The amount of the provisions recognized considers the best estimate determined by Management in relation to the amount requires to comply with our obligations, taking into consideration all the available information existing at the date of the condensed consolidated interim financial information, which may comprise expert's opinions, such as legal counsels and other advisors. The provisions are adjusted to properly reflect changes in circumstances for current matters and for the arising of new obligations.

In the cases where it is not possible to reasonably determine the amount of an existing obligation, the Company does not recognize any provision; however, the situation would be clearly disclosed as part of the notes to the condensed interim consolidated information.

The amounts recognized can differ from the actual amount given the existing degree of uncertainty.

- Labor obligations

The amounts for pension and retirement plan obligations and other postretirement obligations recognized as liabilities in the statement of financial position and as expenses in the income statement, are determined based on actuarial computations that considers some assumptions and estimations over the post-retirement benefits. The assumptions that are majorly impacted by such estimations are as follows:

- a) Rate of compensation/salaries increase;
- b) Discount rate to determine the present value of future obligations;
- c) Rate of expected inflation;
- d) Expected return on pension plan assets.

Such estimation are determined by our independent experts who prepares our actuarial computation by using the projected unit credit method.

- Allowance for doubtful accounts

The Company recognizes an allowance for accounts where the probability of recovery is estimated as low, as well as for the amount of the estimated losses due the lack of payments by our customers. For the preparation of such estimations, we consider the individual conditions of each of the sector conforming our customer portfolio. Among other factors, the Company considers the time of payment delay elapsed and the results of the negotiations held with our customers to achieve the recoverability of our receivables. The estimated amount for the doubtful accounts may differ from the actual results.

Reclassifications

Certain figures of the 2015 condensed consolidated interim financial information have been reclassified to conform them to the presentation used for 2016. The effects of this reclassifications were retrospectively applied to the 2015 accompanying financial information.

The costs and expenses presentation used for the preparation of the Statement of Comprehensive Income, is different from that used in the last annual financial statements as the Management considers that the information presented is clear since CFE is a service company.

4. Leases

We consider that the agreements we enter into contains lease component if directly and substantially provides the usage or the rights of usage of an asset.

When we conclude that the agreement in nature contains a lease component, leases are classified as follows:

- a) Operating leases

Lease arrangements in which the lessor does not transfer and maintains a significant part of the risks and benefits associated to the ownership of the leased asset. The payments made under this type of agreements are recognized in the results of operations on straight line basis over the term of the respective contract.

b) Capital leases

Lease arrangements in which the risks and benefits associated to the ownership of the asset are transferred to the Company. For these instances, management recognizes an asset and the corresponding liability at the inception of the contract by considering the lower between its fair value and the present value of the future lease payments. The lease payments reduce proportionately the amount of the related liability and the financial cost attributable to the transaction by obtaining an interest effective rate.

Financial costs are recognized in statement of operations over the term of the corresponding contract.

5. Financial Instruments

a. Fair values

The carrying value amounts and fair values of financial instruments recognized in our condensed consolidated interim financial information are included below:

	<u>30/06/2016</u>	<u>31/12/2015</u>
Financial assets:		
Cash and temporary investments	\$ 51,147,378	\$ 35,597,179
Accounts and notes receivable from customers and other debtors	84,260,924	86,356,231
Loans to employees	10,716,006	10,061,390
Derivative financial instruments	48,726,796	38,240,319
Financial liabilities at amortized cost:		
Documented debt	\$ 213,599,775	\$ 185,381,585
Plants, plants, facilities and equipment under lease agreements and PIDIREGAS	217,633,063	212,086,854
Suppliers and contractors	15,693,775	17,443,697
Deposits from users and contractors	20,238,865	20,042,429

b. Objectives of financial risk management

Part of the Company's financial office function is to implement strategies, coordinate access to domestic and international financial markets, and supervise and manage financial risks

related to the Company's operations through the use of reports about the internal and market risks reports, which analyze the degree and magnitude of the exposure to those risks. These risks include market risk (including currency exchange and interest rate risks), credit risk and liquidity risk.

The Company pursues to mitigate the effects of the debt related risks by using hedge derivative financial instruments.

Treasury department's function is directed by the SHCP's policies for the cash management. Investments made are not long-term and are made in low risk instruments. Status reports are made in a monthly basis to Treasury's Investments Committee.

c. Credit risk management

Credit risk is the risk that one counterparty of a financial instrument causes a financial loss to the other counterparty when fails to meet its contractual obligations. The Company is subject to credit risk mainly for the financial instruments referred to cash and temporary investments, loans and accounts receivables, and derivative financial instruments. In order to mitigate credit risk for cash, temporary investments, and derivative financial instruments, the Company only carries out operations with parties having high solvency, creditworthiness and standing. The Company obtains sufficient guarantees, when appropriate, to mitigate the financial loss risk caused by non-performance.

For credit risk management purposes, loans and accounts receivable from consumers are deemed by the Company to have a limited risk. The Company accounts for an allowance for doubtful accounts under the incurred losses model.

The ageing analysis of the unimpaired non-current financial assets at June 30, 2016 and December 31, 2015 is shown as follows:

	<u>2016</u>	<u>2015</u>
Less than 90 days	\$ 2,637,435	\$ 3,062,960
From 90 to 180 days	3,372,657	3,807,923
More than 180 days	<u>33,604,877</u>	<u>36,448,882</u>
	<u>\$39,614,969</u>	<u>\$ 43,319,765</u>

d. Liquidity risk

Liquidity risk is the risk that a Company faces difficulties in meeting its obligations associated with financial liabilities settled with cash or another financial asset.

The financing obtained by the Company is mainly through debt contracted and the leasing of plants, installations, equipment, and PIDIREGAS. In order to manage liquidity risk, the Company periodically performs cash flow analysis and maintains open credit lines with financial institutions and contractors. In addition, the Company is subject to certain budgetary controls by the Mexican Government, having a net debt ceiling authorized and topped by the Mexican Congress in a yearly basis based on its budgeted revenues.

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The following table shows the contractual principal amount and accrual interest maturities of the Company's financial liabilities:

At June 30, 2016	Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt plants, facilities and equipment under lease agreements and PIDIREGAS Suppliers and contractors	\$ 46,410,137	\$ 29,354,469	\$ 44,402,285	\$ 93,432,884	\$ 213,599,775
Deposits from users and Contractors	20,022,485 15,693,775	35,847,955	28,646,088	133,116,535	217,633,063 15,693,775
	<u>20,238,865</u>				<u>20,238,865</u>
Total	\$ <u>102,365,262</u>	\$ <u>65,202,424</u>	\$ <u>73,048,373</u>	\$ <u>226,549,419</u>	\$ <u>467,165,478</u>

At December 31, 2015	Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt plants, facilities and equipment under lease agreements and PIDIREGAS Suppliers and contractors	\$ 18,954,907	\$ 35,461,814	\$ 24,846,391	\$ 106,118,473	\$ 185,381,585
Deposits from users and contractors	22,770,191 17,443,697	35,287,449	28,687,290	125,341,924	212,086,854 17,443,697
	<u>20,042,429</u>				<u>20,042,429</u>
Total	\$ <u>79,211,224</u>	\$ <u>70,749,263</u>	\$ <u>53,533,681</u>	\$ <u>231,460,397</u>	\$ <u>434,954,565</u>

e. Market Risks

The Company's activities have exposure to foreign currency exchange and interest rate risks.

- Foreign currency exchange risk management

The Company borrows credit preferably in local currency when market conditions are present; therefore, most of the debt is denominated in Mexican pesos.

The Company also carries out foreign currency transactions. Consequently, exposures to foreign currency exchange arises.

The Company primarily uses interest rate and foreign currency exchange swaps and foreign currency exchange forward contracts to manage the exposure to interest rate and foreign currency fluctuations in accordance with its internal policies.

– **Analysis of foreign currency sensitivity**

The Company is mainly exposed to exchange rate variances between the Mexican peso, the US dollar and the Japanese yen.

The following table includes the Company's sensitivity analysis over a 5% increase and decrease in the Mexican peso currency exchange rate against the other relevant foreign currencies. The 5% represents the sensitivity rate used when the exchange risk is internally reported to key management personnel and it further represents Management's evaluation about a fair change in exchange rates.

The sensitivity analysis only includes monetary open items denominated in foreign currency, adjusting its translation by a 5% change in foreign exchange rates at period end. The sensitivity analysis includes external loans, as well as loans derived from foreign operations within the Company, where the loan is in a currency other than the loaner or the borrower currency. A positive amount (as observed in the below table) indicates a gain when the Mexican peso strengthens 5% against the corresponding currency. If a weakening of 5% in the Mexican peso with respect to the corresponding currency occurred, then there would be a loss and the following figures would be negative:

		Thousands of pesos	
		<u>30/06/2016</u>	<u>31/12/2015</u>
Gain or loss	\$	<u>6,634,674</u>	<u>\$ 5,460,940</u>

In Management's views, the impact of the inherent exchange risk affects electricity rates in the long-term due to inflation adjustments and fuel formula adjustments that considers the peso/dollar exchange rate.

– **Interest rate risk management**

The Company is exposed to interest rate risks for loans borrowed at variable interest rates. The Company manages this risk by maintaining an appropriate combination between fixed rate and variable rate loans and by contracting derivative financial instruments designated as interest rate hedge.

– **Interest rate sensitivity analysis**

The following sensitivity analysis has been determined based on the exposure to interest rates for derivative instruments, as well as for non-derivative instruments at the end of the period reported. For variable rate liabilities, an analysis is prepared under the assumption that the amount of the liability reported at the end of the period was the amount in effect throughout the entire year. For reporting the interest rate risk internally to key management personnel, a 0.50 point increase or decrease is used for the Mexican Equilibrium Interbank Interest Rate (EIIIR or TIIE by its acronym in Spanish)

and 0.01 points increase or decrease for the LIBOR. These changes represents Management's evaluation about a fair change in interest rates.

If the EIIR interest rate had been 0.50 points above/below and all other variables remain constant:

- The loss for the period ended June 30, 2016 and December 31, 2015 would increase or decrease by the amount of \$486,299 y \$516,639 respectively. This is mainly attributable to the Company's exposure to interest rates on its variable interest rate loans; and

If the LIBOR interest rate had been 0.01 points above/below and all other variables remain constant:

- The loss for the period ended June 30, 2016 and December 31, 2015 would increase or decrease in the amount of \$11,005 y \$7,966 respectively. This is mainly attributable to the Company's exposure to interest rates on its variable interest rate loans.

f. Fair value of financial instruments

Fair value of financial instruments recorded at amortized cost

The carrying values of the following financial assets and liabilities recognized at amortized cost in the condensed consolidated interim financial information are considered to approximate their fair value, as it is shown below:

	Jun 2016		Dec 2015	
	Carrying Value	Fair value	Carrying value	Fair Value
Documented debt	\$ 213,599,775	\$ 213,599,775	\$ 185,381,585	\$ 185,381,585
Plants, facilities and equipment under lease agreements and PIDIREGAS	217,633,063	217,633,063	212,086,854	212,086,854

Valuation techniques and assumptions applied for determining fair values

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions that are negotiated in active markets are determined by reference of quoted prices on those market.
- The fair value of other financial assets and liabilities (without including derivative financial instruments) is determined in accordance with generally accepted price

determination models, which are based on analysis of discounted cash flows, transaction prices observable on the market and quotes for similar instruments.

- Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) contracts were signed, the counterparties or bank institutions are the appraisers who calculate and inform, in a monthly basis, the Mark-to-Market (which is the monetary valuation of the agreed upon transaction at a given time). CFE monitors this value and if there is any doubt or abnormal variance in the market value, it request a revision from its counterparty.

Valuations at fair value recognized in the statement of financial position

The following table provides an analysis of the financial instruments valued at fair value subsequent to their initial recognition, grouped in levels from 1 to 2, based on the degree at which their fair value is observable:

		<u>Level 1</u>
Available-for-sale financial assets		
Temporary investments	\$	<u>27,326,860</u>
Total	\$	<u>27,326,860</u>

The analysis of the fair value of derivative financial assets grouped in level 2 based on the degree at which their fair value is observable, is included in note 11.

The levels referred to above are considered as follows:

- Level 1 valuations at fair value are those derived from quoted prices (not adjusted) on asset markets for liabilities or identical assets.
- Level 2 valuations at fair value are those derived from indicators other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

6. Cash and temporary investments

As of June 30, 2016 and December 31, 2015, cash and temporary investments are summarized as follows:

		<u>2016</u>		<u>2015</u>
Cash on hand and in banks	\$	23,811,697	\$	18,150,477
Temporary investments		27,326,860		17,437,881
Stock certificates		<u>8,821</u>		<u>8,821</u>
Total	\$	<u>51,147,378</u>	\$	<u>35,597,179</u>

Stock certificates program - With the purpose of refinancing long-term productive infrastructure projects (PIDIREGAS), CFE has implemented structured mechanisms to subscribe stock certificates (CEBURES). This mechanism implies subscribing a credit agreement that is assigned by the creditor bank to a private trust that securitizes the rights on the credit by the issuance of CEBURES. The proceeds from these transactions are invested by the Trustee meanwhile CFE disburses the payments to the contractors for the PIDIREGAS projects upon the agreed delivery terms. Each issuance of CEBURES results in a liability for CFE, and each disbursement to contractors becomes a PIDIREGAS liability

In order to carry out this financing mechanism, the Comision Nacional Bancaria y de Valores ("National Bank Securities Commission" - CNBV for its acronym in Spanish) previously authorizes the CEBURES program, normally at minimal amounts of 6,000 million of pesos and with terms of two or more years, in order to perform the corresponding issuances for the total amount authorized, amount which may be extended upon request.

From the fourth quarter of 2012 to the second quarter of 2016, there has not been either issuances or disbursements of CEBURES, reason why the balance at June 30, 2016 is \$8,821 pesos.

7. Accounts receivable, net

As of June 30, 2016 and December 31, 2015, accounts receivable are summarized as shown below:

	2016	2015
Public consumers	\$ *65,209,682	\$ *66,259,514
Government agencies consumers	20,221,185	22,168,411
Other receivables	15,710,318	15,535,342
	<u>101,141,185</u>	<u>103,963,267</u>
Allowance for doubtful accounts	(16,880,261)	(18,032,594)
	<u>84,260,924</u>	<u>85,930,673</u>
Value added tax recoverable	-	425,558
Total	\$ <u>84,260,924</u>	\$ <u>86,356,231</u>

(*) The amount includes energy in billing process

As of June 30, 2016 and December 31, 2015, the balances and movements of the allowance for doubtful accounts are summarized as follows:

	2016	2015
Opening Balance	\$ 18,032,594	\$ 18,697,261
Increases	5,552,041	5,810,887
Applications	<u>(6,704,374)</u>	<u>(6,475,554)</u>
Ending Balance	\$ <u>16,880,261</u>	\$ <u>18,032,594</u>

8. Materials for operation

As of June 30, 2016 and December 31, 2015, materials for operation are summarized as follows:

	2016	2015
Spare parts and equipment	\$ 1,573,725	\$ 3,802,741
Fuel and lubricants	5,887,892	8,431,973
Nuclear fuel	3,818,546	4,159,020
	11,280,163	16,393,734
Allowance for obsolescence	(307,553)	(862,413)
Total	\$ 10,972,610	15,531,321

9. Plants, facilities and equipment

Net book value of plants, facilities and equipment as of June 30, 2016 and December 31, 2015 are summarized as follows:

Investment as of June 30, 2016

	Plants, facilities and equipment	Capitalized spare parts	Construction- in-progress	Advances and materials for construction	Total
Balances 01/Jan/16	1,806,886,065	7,420,410	22,218,146	10,912,877	1,847,437,498
Acquisitions	15,391,596	-	-	-	15,391,596
Retirements	(8,895,907)	-	-	-	(8,895,907)
Capitalization	538,002	(133,903)	328,227	(732,326)	-
Balances 30/Jun/16	1,813,919,756	7,286,507	22,546,373	10,180,551	1,853,933,187

Accumulated depreciation as of June 30, 2016

	Plants, facilities and equipment	Capitalized spare parts	Construction- in-progress	Advances and materials for construction	Total
Balances 01/Jan/16	(759,650,609)	(1,849,320)	-	-	(761,499,929)
Net Balances 01/Jun/16	1,047,235,456	5,571,090	22,218,146	10,912,877	1,085,937,569
Depreciation of the period	(24,042,656)	(184,932)	-	-	(24,227,588)
Depreciation on retirements	7,481,183	-	-	-	7,481,183
Net Depreciation Balances 30/Jun/16	(16,561,473)	(184,932)	-	-	(16,746,405)
	(776,212,082)	(2,034,252)	-	-	(778,246,334)
Net Balances 30/Jun/16	1,037,707,674	5,252,255	22,546,373	10,180,551	1,075,686,853

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Investment as of December 31, 2015

	Plants, facilities and equipment	Capitalized spare parts	Construction- in-progress	Advances and materials for construction	Total
Balances					
01/Jan/15	1,674,558,948	8,949,003	27,871,114	11,939,475	1,723,318,540
Acquisitions	38,234,511	-	13,932,096	1,094,260	53,260,867
Contributions from Federal Government (former LFC)	95,067,417				95,067,417
Retirements	(12,440,097)	-	-	-	(12,440,097)
Capitalization	11,465,286	(1,528,593)	(19,585,064)	(2,120,858)	(11,769,229)
Balances					
31/Dec/15	1,806,886,065	7,420,410	22,218,146	10,912,877	1,847,437,498

Accumulated depreciation as of December 31, 2015

	Plants, facilities and equipment	Capitalized spare parts	Construction- in-progress	Advances and materials for construction	Total
Balances 01/Jan/15	-723,791,118	-1,479,456	-	-	-725,270,574
Net Balances					
01/Jan/15	950,767,830	7,469,547	27,871,114	11,939,475	998,047,966
Depreciation of the period	-44,882,118	-369,864	-	-	-45,251,982
Depreciation on retirements	9,022,627	-	-	-	9,022,627
Net Depreciation	-35,859,491	-369,864	-	-	-36,229,355
Balances 31/Dec/15	-759,650,609	-1,849,320	-	-	-761,499,929
Net Balances					
31/Dec/15	1,047,235,456	5,571,090	22,218,146	10,912,877	1,085,937,569

Plants, facilities and equipment - The balances of plants, facilities and equipment at June 30, 2016 and December 31, 2015, includes PIDIREGAS equipment, are as shown in the following page.

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	June 30, 2016	December 31, 2015
Plants:		
Steam	\$ 306,308,977	\$ 330,215,571
Hydro electric	207,549,537	210,389,031
Nuclear power	122,288,438	122,125,426
Turbo gas and combined cycle	95,803,258	76,154,461
Geothermal	48,147,952	48,711,951
Internal combustion	1,281,348	2,087,844
Unconventional facilities	2,616,722	2,847,348
Transmission lines and transformation substations	434,741,388	433,715,501
Optical fiber	7,363,298	7,126,663
Networks and distribution substations	423,596,704	415,740,578
Administrative buildings and others	66,005,773	59,545,210
Trusts	32,611	30,816
	<u>1,715,736,006</u>	<u>1,708,690,400</u>
External facilities and producers equipment	97,471,095	97,471,095
Lands in regularization process	384,276	396,191
Retirement of Laguna Verde Nuclear Generation plant	<u>328,379</u>	<u>328,379</u>
	1,813,919,756	1,806,886,065
Less:		
Accumulated depreciation	748,562,845	734,578,597
Accumulated depreciation external facilities and producers equipment	<u>27,649,237</u>	<u>25,072,012</u>
Total	\$ <u>1,037,707,674</u>	\$ <u>1,047,235,456</u>

During the second quarter of 2016 and during the year 2015, financing costs were capitalized in the amount of \$621,791 and \$5,965,953, respectively.

Construction in progress - The balances of construction in progress as of June 30, 2016 and December 31, 2015 are as follows:

Plant:	June 30, 2016	December 31, 2015
Steam	\$ 1,196,835	\$ 424,456
Hydro electric	1,883,843	4,316,364
Nuclear power	859,117	341,051
Turbo gas and combined cycle	388,788	648,714
Geothermal	2,096,765	1,468,241
Internal combustion	108,996	218,379
Transmission lines, networks and substations	14,588,800	14,038,598
Offices and general facilities	<u>1,423,229</u>	<u>762,343</u>
Total	\$ <u>22,546,373</u>	\$ <u>22,218,146</u>

Advances and materials for construction - Balances as of June 30, 2016 and December 31, 2015 are as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Spare parts and equipment	\$ 5,798,756	\$ 8,173,637
Materials held by third parties	2,276,632	1,644,980
Advances for construction	<u>2,105,163</u>	<u>1,094,260</u>
Total	\$ <u>10,180,551</u>	\$ <u>10,912,877</u>

Capitalized spare parts - Balances of capitalized spare parts as of June 30, 2016 and December 31, 2015 are as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Capitalized spare parts	\$ 7,286,507	\$ 7,420,410
Less		
Accumulated depreciation	<u>2,034,252</u>	<u>1,849,320</u>
Total	\$ <u>5,252,255</u>	\$ <u>5,571,090</u>

10. Assets contributed by The Federal Government

On October 11, 2009, a presidential decree declared the dissolution of the Decentralized Organization Luz y Fuerza del Centro and instructed to the Servicio de Administracion y Enajenacion de Bienes ("Administration and transfer of Property Service Office" - SAE for its acronym in Spanish) making all the useful assets available to CFE pertaining energy services power, which by the LSPEE, corresponded to operate this service.

On the same date, SAE and CFE entered into an agreement which ratified, subsequently, on August 11, 2010, that they agreed the effective date of the aforementioned decree, and that the SAE will deliver assets under commodatum gratuitously useful to the electricity service in the Central Zone of the country.

The term of the agreement is three years, beginning October 11, 2009. The contractual terms were automatically extended for another three year period beginning October 11, 2012.

On October 7, 2015, the Ministry of Public Administration (SFP), through INDAABIN determines to conclude the mentioned, and contribute the assets referred with act to delivering that include appendix by different types of assets to the CFE.

Accordingly, CFE received the legal and physical possession of such assets, included in a global basis in the aforementioned annexes. Procedures to disincorporate such assets from

the Federation public domain regime began on that date. These assets are included in the Condensed Consolidated Balance Sheet as of December 31, 2015 for a total value of \$95,004,417 of Mexican pesos, as determined by the SAE, amount which will be adjusted according to the detailed listing for each significant area. Additionally, in May 2016 the entity recognized \$63,000 as automobiles. This activity is still in progress at June 30, 2016.

At the date of issuance of this condensed consolidated interim financial information, appraisals are being initiated to update their fair value.

11. Derivative financial instruments

Balances as of June 30, 2016 and December 31, 2015, derivative financial instruments and interest are as follows:

	June 30, 2016	December 31, 2015
Hedging		
Assets	\$ 42,836,253	\$ 33,604,019
Liabilities	\$ 29,053,118	\$ 29,362,665
Trading		
Assets	\$ 5,890,543	\$ 4,636,300
Liabilities	\$ 5,808,164	\$ 5,636,999
Total Derivative Financial Instruments		
Assets	\$ 48,726,796	\$ 38,240,319
Liabilities	\$ 34,861,282	\$ 34,999,664

- **Financial instruments for trading** - On September 17, 2002, CFE placed a bond in the amount of 32 billion Japanese yen on the Japanese market at an annual 3.83% interest rate, with maturity in September 2032. CFE simultaneously entered into a hedging transaction by which received the amount of 269,474,000 US dollars, equivalent to the 32 billion yen at the spot exchange rate of the date of the operation of 118.7499 yen to the US dollar. The transaction consists of a series of foreign exchange forwards that allow for setting the yen/dollar exchange rate during the term established for the operation at 54.0157 yen per US dollar. As a result of the transaction, CFE pays an annual interest rate equivalent to 8.42% in US dollars. The effect of the valuation of foreign currency forward contracts is recorded as part of the financing costs. A gain / (loss) occurring would offset a loss / (gain) in the underlying liability.

CFE's obligation is to pay Japanese yens to the creditor based on the maturities having a right to receive from the institution with which it contracted the hedge, yens in exchange for certain US dollars as indicated in in the financial instrument contract. The gain / (loss) on the transaction with the institution with which the financial instrument was contracted is as mentioned in the following page.

		Exchange rate (June 30, 2016)	Local currency (thousands of pesos)
Assets to receive (assets)	32,000,000,000 yens	0.1799	\$ 5,756,800
Assets to deliver (liability)	269'474,000 US dollars	18.9113	\$ 5,096,104
Assets to deliver, net			<u>\$ 660,696</u>

Beginning March 17, 2003 until to September 17, 2032, CFE is obliged to make semi-annual payments in the amount of 11,344,855 US dollars equivalent to 612,800,000 Japanese yen, so the total amount that CFE is obliged to deliver in the next 17 years is 374,380,228 US dollars, and the total amount that it will receive is 20,222,400,000 Japanese yen.

Additionally, upon the execution termination of the hedging contract, the parties entered into a purchase agreement of a "European Call" in which CFE had acquired the right to buy Japanese yen to maturity at market price, if the yen/dollar exchange rate quotes fell below 118.7498608401 yen per dollar and the sale by CFE of a "European Call", whereby CFE sell the hedge of a yen/dollar exchange rate appreciation above 27.8000033014 yen per dollar.

If CFE decides to terminate the hedge (exchange forwards) early, it would generate an estimated extraordinary loss as of June 30, 2016 in an amount approximating of 4,356,075 US dollars. The loss was estimated by J. Aron & Company (Calculation agent or broker) based on the fair value of the hedge at the date of the estimate.

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- Derivative financial instruments for hedging as of June 30, 2016 are shown below: (thousands of pesos/ thousands of dollars):

Counterparty	Primary position	Purpose	Notional amount	Underlying	Market value	Hedge reception date	Hedge Termination date
BANAMEX	\$ 1,702,516	Change from floating rate to fixed rate	\$ 1,617,390	Interest rate CETES 182 + 0.25%	\$ (4,300)	December 7, 2007	May 26, 2017
BANAMEX	\$ 368,987	Change from floating rate to fixed rate	\$ 350,538	Interest rate CETES 182 + 0.25%	\$ (2,088)	February 15, 2008	August 4, 2017
BANCOMER	\$ 1,314,758	Change from floating rate to fixed rate	\$ 1,249,020	Interest rate CETES 91 + 0.50%	\$ (2,330)	December 06, 2007	February 23, 2017
BANAMEX	\$ 787,092	Change from floating rate to fixed rate	\$ 787,092	Interest rate CETES 91 + 0.45%	\$ (4,387)	April 24, 2008	January 11, 2018
J.P. MORGAN	\$ 697,928	Change from floating rate to fixed rate	\$ 593,239	Interest rate EIR 28 + 0.45%	\$ (3,121)	March 30, 2012	July 10, 2020
HSBC	\$ 651,004	Change from floating rate to fixed rate	\$ 553,353	Interest rate EIR 28 + 0.45%	\$ (2,703)	March 30, 2012	July 10, 2020
CREDIT AGRICOLE	\$ 590,622	Change from floating rate to fixed rate	\$ 502,029	Interest rate EIR 28 + 0.45%	\$ (2,957)	March 30, 2012	July 10, 2020
BANCOMER	\$ 425,546	Change from floating rate to fixed rate	\$ 372,183	Interest rate EIR 28 + 0.45%	\$ (1,782)	March 30, 2012	July 10, 2020
BNP PARIBAS	\$ 435,552	Change from floating rate to fixed rate	\$ 371,525	Interest rate EIR 28 + 0.45%	\$ (1,983)	March 30, 2012	July 10, 2020
GOLDMAN SACHS	\$ 422,726	Change from floating rate to fixed rate	\$ 370,171	Interest rate EIR 28 + 0.45%	\$ (1,772)	March 30, 2012	July 10, 2020
SANTANDER SERFIN	\$ 547,802	Change from floating rate to fixed rate	\$ 533,627	Interest rate EIR 28 + 0.45%	\$ (2,120)	March 30, 2012	July 10, 2020
CREDIT AGRICOLE	\$ 595,093	Change from floating rate to fixed rate	\$ 532,452	Interest rate EIR 28 + 0.45%	\$ (2,455)	March 30, 2012	July 10, 2020
HSBC	\$ 554,726	Change from floating rate to fixed rate	\$ 532,430	Interest rate EIR 28 + 0.45%	\$ (2,109)	March 30, 2012	July 10, 2020
BANCOMER	\$ 580,614	Change from floating rate to fixed rate	\$ 529,682	Interest rate EIR 28 + 0.45%	\$ (2,044)	March 30, 2012	July 10, 2020
BANAMEX	\$ 576,581	Change from floating rate to fixed rate	\$ 529,264	Interest rate EIR 28 + 0.45%	\$ (2,065)	March 30, 2012	July 10, 2020
GOLDMAN SACHS	\$ 558,268	Change from floating rate to fixed rate	\$ 527,253	Interest rate EIR 28 + 0.45%	\$ (2,158)	March 30, 2012	July 10, 2020
CREDIT AGRICOLE	\$ 468,606	Change from floating rate to fixed rate	\$ 374,884	Interest rate EIR 28 + 1.59%	\$ (532)	July 2, 2012	June 29, 2020
BANAMEX	\$ 459,982	Change from floating rate to fixed rate	\$ 367,985	Interest rate EIR 28 + 1.59%	\$ (235)	July 2, 2012	June 29, 2020
SANTANDER	\$ 450,342	Change from floating rate to fixed rate	\$ 360,274	Interest rate EIR 28 + 1.59%	\$ (302)	July 2, 2012	June 29, 2020
HSBC	\$ 436,070	Change from floating rate to fixed rate	\$ 348,856	Interest rate EIR 28 + 1.59%	\$ (279)	July 2, 2012	June 29, 2020
CREDIT SUISSE	USD 16,788	Change from Dollars to Pesos	USD 12,005	Exchange rate USD/Mexican Peso	\$ 30,361	January 24, 2005	July 24, 2021
CREDIT SUISSE	USD 10,750	Change from Dollars to Pesos	USD 8,311	Exchange rate USD/Mexican Peso	\$ 24,340	February 2, 2005	February 2, 2023
DEUTSCHE BANK	USD 208,188	Change from Dollars to Pesos	USD 171,323	Exchange rate USD/Mexican Peso	\$ 372,026	May 3, 2005	June 21, 2021
GOLDMAN SACHS	USD 49,296	Change from Dollars to Pesos	USD 40,977	Exchange rate USD/Mexican Peso	\$ 102,832	March 26, 2005	March 26, 2022
GOLDMAN SACHS	USD 200,000	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 186,667	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ 583,197	December 15, 2008	December 15, 2036
DEUTSCHE BANK	USD 200,000	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 186,667	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ 545,373	December 15, 2008	December 15, 2036
GOLDMAN SACHS	USD 105,450	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 96,662	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ 258,774	June 15, 2009	December 15, 2036
DEUTSCHE BANK	USD 105,450	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 96,662	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ 241,491	June 15, 2009	December 15, 2036
DEUTSCHE BANK	USD 255,000	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 233,750	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ 639,617	June 15, 2009	December 15, 2036
MORGAN STANLEY	USD 250,000	Change from Dollars to Pesos	USD 250,000	Exchange rate USD/Mexican Peso	\$ 733,193	July 15, 2015	January 15, 2024
BBVA BANCOMER	USD 350,000	Change from Dollars to Pesos	USD 350,000	Exchange rate USD/Mexican Peso	\$ 938,816	July 15, 2015	January 11, 2024
BNP PARIBAS	USD 250,000	Change from Dollars to Pesos	USD 250,000	Exchange rate USD/Mexican Peso	\$ 736,161	July 15, 2015	January 15, 2024
SANTANDER	USD 400,000	Change from Dollars to Pesos	USD 400,000	Exchange rate USD/Mexican Peso	\$ 973,520	July 15, 2015	January 16, 2024
SANTANDER	USD 1,300	Change from Dollars to Pesos	USD 1,300	Exchange rate USD/Mexican Peso	\$ 212	February 25, 2016	December 9, 2016
SANTANDER	USD 48,700	Change from Dollars to Pesos	USD 48,700	Exchange rate USD/Mexican Peso	\$ 8,644	February 26, 2016	December 9, 2016
SANTANDER	USD 50,000	Change from Dollars to Pesos	USD 50,000	Exchange rate USD/Mexican Peso	\$ 9,120	March 1, 2016	December 9, 2016
BANK OF TOKYO-MITSUBISHI	USD 50,000	Change from Dollars to Pesos	USD 50,000	Exchange rate USD/Mexican Peso	\$ 17,552	March 2, 2016	December 9, 2016
BANAMEX	USD 8,000	Change from Dollars to Pesos	USD 8,000	Exchange rate USD/Mexican Peso	\$ 5,088	March 7, 2016	December 9, 2016
BANAMEX	USD 42,000	Change from Dollars to Pesos	USD 42,000	Exchange rate USD/Mexican Peso	\$ 27,472	March 16, 2016	December 9, 2016
BANAMEX	USD 10,000	Change from Dollars to Pesos	USD 10,000	Exchange rate USD/Mexican Peso	\$ 7,551	March 17, 2016	December 9, 2016
BANAMEX	USD 20,000	Change from Dollars to Pesos	USD 20,000	Exchange rate USD/Mexican Peso	\$ 19,325	March 17, 2016	December 9, 2016

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Counterparty	Primary position	Purpose	Notional amount	Underlying	Market value	Hedge reception date	Hedge termination date
BANAMEX	USD 30,000	Change from Dollars to Pesos	USD 30,000	Exchange rate USD/Mexican Peso	\$ 29,781	March 17, 2016	December 9, 2016
CREDIT AGRICOLE	USD 50,000	Change from Dollars to Pesos	USD 50,000	Exchange rate USD/Mexican Peso	\$ 51,057	March 29, 2016	December 9, 2016
CREDIT AGRICOLE	USD 29,381	Change from Dollars to Pesos	USD 29,381	Exchange rate USD/Mexican Peso	\$ 34,353	April 20, 2016	December 9, 2016
CREDIT AGRICOLE	USD 23,500	Change from Dollars to Pesos	USD 23,500	Exchange rate USD/Mexican Peso	\$ 25,500	April 28, 2016	December 9, 2016
CREDIT AGRICOLE	USD 25,000	Change from Dollars to Pesos	USD 25,000	Exchange rate USD/Mexican Peso	\$ 28,144	April 28, 2016	December 9, 2016
BANAMEX	USD 25,000	Change from Dollars to Pesos	USD 25,000	Exchange rate USD/Mexican Peso	\$ 22,833	April 12, 2016	December 9, 2016
BANAMEX	USD 50,000	Change from Dollars to Pesos	USD 50,000	Exchange rate USD/Mexican Peso	\$ 55,674	April 20, 2016	December 9, 2016
BANAMEX	USD 20,619	Change from Dollars to Pesos	USD 20,619	Exchange rate USD/Mexican Peso	\$ 22,960	April 20, 2016	December 9, 2016
BANAMEX	USD 25,000	Change from Dollars to Pesos	USD 25,000	Exchange rate USD/Mexican Peso	\$ 28,175	April 20, 2016	December 9, 2016
BANAMEX	USD 85,000	Change from Dollars to Pesos	USD 85,000	Exchange rate USD/Mexican Peso	\$ 99,721	April 29, 2016	December 9, 2016

- Effectiveness measurement of derivative financial instruments from hedging as of June 30, 2016 (thousands of pesos/ thousands of dollars):

Name of the Hedging in Accordance with the Documentation	Date of Swap	Cash flow Payable on Primary Position	Cash flow from derivative instruments	% Effectiveness	Rate Used to Calculate Cash Flow of Primary Position	Rate Used to Calculate Cash Flow of Derivative Instrument	Surcharge	Base of Calculation for Both Cash Flows	Frequency
BANCOMER BANAMEX	January 4, 2016	\$ 11,405	\$ 11,405	100 %	3.3358 %	3.3358 %	0.45 %	CURRENT 360	Monthly
BONO 24	January 13, 2016	USD 30,469	USD 30,469	100 %	4.8750 %	4.8750 %	0.00 %	30 / 360	Semi-annual
ING IV	January 14, 2016	\$ 1,781	\$ 1,781	100 %	3.1300 %	3.1300 %	0.45 %	CURRENT 360	Quarterly
ICO 4	January 25, 2016	USD 392	USD 392	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Semi-annual
BANCOMER BANAMEX	January 29, 2016	\$ 8,740	\$ 8,740	100 %	3.3110 %	3.3110 %	0.45 %	CURRENT 360	Monthly
ICO 8	February 2, 2016	USD 253	USD 253	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Semi-annual
BANCOMER 2	February 2, 2016	\$ 3,846	\$ 3,846	100 %	3.5475 %	3.5475 %	1.59 %	CURRENT 360	Monthly
BANCOMER 1	February 5, 2016	\$ 1,332	\$ 1,332	100 %	3.3200 %	3.3200 %	0.25 %	CURRENT 360	Semi-annual
ING III	February 25, 2016	\$ 1,834	\$ 1,834	100 %	3.2200 %	3.2200 %	0.50 %	CURRENT 360	Quarterly
BANCOMER BANAMEX	February 26, 2016	\$ 9,820	\$ 9,820	100 %	3.5600 %	3.5600 %	0.45 %	CURRENT 360	Monthly
BANCOMER 2	February 29, 2016	\$ 3,153	\$ 3,153	100 %	3.5570 %	3.5570 %	1.59 %	CURRENT 360	Monthly
ICO 5 6 Y 7	March 28, 2016	USD 1,304	USD 1,304	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Semi-annual
BANCOMER BANAMEX	March 28, 2016	\$ 12,213	\$ 12,213	100 %	4.0547 %	4.0547 %	0.45 %	CURRENT 360	Monthly
BANCOMER 2	March 31, 2016	\$ 3,967	\$ 3,967	100 %	4.0501 %	4.0501 %	1.59 %	CURRENT 360	Monthly
ING IV	April 14, 2016	\$ 1,484	\$ 1,484	100 %	3.2800 %	3.2800 %	0.45 %	CURRENT 360	Quarterly
BANCOMER BANAMEX	April 22, 2016	\$ 9,872	\$ 9,872	100 %	4.0650 %	4.0650 %	0.45 %	CURRENT 360	Monthly
BANCOMER 2	May 2, 2016	\$ 4,106	\$ 4,106	100 %	4.0650 %	4.0650 %	1.59 %	CURRENT 360	Monthly
BANCOMER BANAMEX	May 20, 2016	\$ 11,057	\$ 11,057	100 %	4.0650 %	4.0650 %	0.45 %	CURRENT 360	Monthly
ING III	May 26, 2016	\$ 1,492	\$ 1,492	100 %	3.9900 %	3.9900 %	0.50 %	CURRENT 360	Quarterly
IXE 1	May 27, 2016	\$ 4,777	\$ 4,777	100 %	3.4500 %	3.4500 %	0.25 %	CURRENT 360	Semi-annual
BANCOMER 2	May 31, 2016	\$ 3,721	\$ 3,721	100 %	4.0655 %	4.0655 %	1.59 %	CURRENT 360	Monthly
GOLDMAN SACHS 1 Y 3	June 14, 2016	USD 6,440	USD 6,440	100 %	0.7465 %	0.7465 %	0.4950 %	CURRENT 360	Semi-annual
GOLDMAN SACHS 2 4 Y 5	June 14, 2016	USD 11,817	USD 11,817	100 %	0.7465 %	0.7465 %	0.4950 %	CURRENT 360	Semi-annual
BANCOMER BANAMEX	June 17, 2016	\$ 11,057	\$ 11,057	100 %	4.0650 %	4.0650 %	0.45 %	CURRENT 360	Monthly
ICO 2 Y 3	June 20, 2016	USD 5,552	USD 5,552	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Semi-annual
BANCOMER 2	June 30, 2016	\$ 3,871	\$ 3,871	100 %	4.0970 %	4.0970 %	1.59 %	CURRENT 360	Monthly

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- Effectiveness measurement of the derivate financial instruments Forwards from hedging as of June 30, 2016:

Counterparty	Hedge instrument	Amount in dollar	FX 30/06/2016	FORWARD 09/12/2016	Point variance	(SF-SI)/SI	Clean fair value 30/06/2016	Effective p
SANTANDER	FORWARD SINDICADO DIC 1N	1,300,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% - 145,588.99 -	143,168.8
SANTANDER	FORWARD SINDICADO DIC 2N	48,700,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% - 4,722,639.30 -	4,644,132.7
SANTANDER	FORWARD SINDICADO DIC 3N	50,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% - 4,603,145.44 -	4,526,625.3
BANK OF TOKYO-MITSUBISHI	FORWARD SINDICADO DIC 4N	50,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 3,928,923.67	3,863,611.4
BANAMEX 1606712617	FORWARD SINDICADO DIC 5N	8,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 2,969,501.39	2,920,138.0
BANAMEX 1607611737	FORWARD SINDICADO DIC 6N	42,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 16,942,176.45	16,660,539.0
BANAMEX 1607713218	FORWARD SINDICADO DIC 7N	10,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 4,998,803.42	4,915,706.0
BANAMEX 1607715182	FORWARD SINDICADO DIC 8N	20,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 13,964,488.79	13,732,350.8
BANAMEX 1607713203	FORWARD SINDICADO DIC 9N	30,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 21,691,869.43	21,331,275.7
CREDIT AGRICOLE 3930235	FORWARD SINDICADO DIC 10N	50,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 37,591,796.22	36,966,890.9
CREDIT AGRICOLE 3970127	FORWARD SINDICADO DIC 11N	29,381,020.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 25,556,957.71	25,132,112.9
CREDIT AGRICOLE 3985858	FORWARD SINDICADO DIC 12N	23,500,003.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 18,878,575.63	18,564,748.6
CREDIT AGRICOLE 3985863	FORWARD SINDICADO DIC 13N	25,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 20,834,542.22	20,488,200.3
BANAMEX 1610312781	FORWARD SINDICADO DIC 14N	25,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 16,621,879.83	16,345,566.8
BANAMEX 1611112834	FORWARD SINDICADO DIC 15N	50,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 41,333,697.95	40,646,589.4
BANAMEX 1611112782	FORWARD SINDICADO DIC 16N	20,618,980.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 17,045,897.93	16,762,536.3
BANAMEX 1611110757	FORWARD SINDICADO DIC 17N	25,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 20,929,327.75	20,581,410.1
BANAMEX 1612014046	FORWARD SINDICADO DIC 18N	85,000,000.00	18.9113	19.2257	0.314371	0.01662345	1.6623% 73,767,817.08	72,541,541.6
		593,500,003.00					327,584,881.74	322,139,291.7

Effectiveness Measurement

CFE uses risk management to mitigate exposure to the volatility of interest rates and exchange rates. Therefore, the Company has contracted plain interest rate and foreign currency swaps. With this, variable cash flows on the primary position have been hedged 100% by the cash flows received from the Derivative Financial Instrument.

Effectiveness Measurement Methodology

Effectiveness interest rate swaps and foreign exchange rate hedging swaps

The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the measurement method. In the effectiveness tests performed on the swap flows, effectiveness was 100%.

In addition, the most critical characteristics of each swap were disclosed; date of the swap, the interest rates used for the calculation of the cash flow of both, the primary position, and the derivative financial instrument, the surcharge added to each rate, the basis of calculation for each cash flow, the frequency of periods and date of calculation of both rates.

Accordingly, it can be observed and concluded that the critical characteristics of both the cash flow of the primary position and the cash flow of the derivative financial instrument are equal, and the effectiveness of each Derivative Financial Instrument contracted by the Company is 100%.

Effectiveness forwards from hedging

18 foreign exchange forwards were contracted with maturing on December 19, 2016. The risk management strategy to hire these forwards was to fix the exchange rate for the purchase of 593,500,003 US dollars.

With the above, CFE complies with the policy of risk management to mitigate exposure to the volatility of fuel prices and adverse situations in interest rates and exchange rates, in order to provide the public service of electricity reliable stable and predictable cost.

As mentioned, CFE formally document all hedging relationships, in which describes the objectives and strategies of risk management to undertake derivative transactions. Therefore, the effectiveness of these foreign exchange forward was documented and calculated.

As part of our methodology a synthetic forward was created with a maturity date of December 9, 2016, and was compared against the fix exchange rate at June 30, 2016. With this difference a factor or ratio was obtained, with which calculated the efficient and inefficient derivative part.

The effective portion was recorded in equity within other comprehensive income and the ineffective portion was recorded directly in the income. According to the table of methodology and calculation of effectiveness (see notes to the condensed consolidated interim financial information) this series of forward are efficient by 98.34% and inefficient by 1.66%.

With this these values being considered the forwards are highly effective, as they are within the range of 80% to 125% of variability in accordance with current accounting standard IAS 39 Financial Instruments: Recognition and Measurement.

A stress test was performed on the effectiveness and exchange rates that must be within the range 80-125 is 15.3805 and 24.0320 pesos per dollar. According to this analysis of stress if the dollar exchange rate exceeds these levels, the forwards would become trading derivatives.

Sensitivity analysis

In accordance with IFRS, the Company calculated the sensibility analysis of the variation in the market value of the derivative financial instruments contracted by CFE.

In the case of the transaction of trading currency (forwards), a variation of 0.01 in the exchange rate generates an approximate change in the market value of 0.0529 % or \$3,744, as of June 30, 2016.

In the case of the transaction for hedging currency (forwards), a variation of 0.01 in the exchange rate generates an approximate change in the market value of a 0.0529% or \$ 5.935 on June 30, 2016.

In the case of the transaction for hedging of interest rate and foreign exchange currency (Cross Currency Swaps) a variation of 1% in the exchange rate generates an approximate change in the market value of 0.0529 %, that is, \$19,153, on June 30, 2016.

In the case of the transaction for hedging for interest rate swaps, a variation of one base point in the interest rate generates an approximate change in the market value of 0.1833 % or \$448, on June 30, 2016.

Comments on the Market Value (Mark-to-Market) and the adjustment on the Credit risk and its Level of Hierarchy

The net clean market value of derivative financial instruments for hedging (Mark-to-Market) as of June 30, 2016 amounted to \$6,053,290 which are included in equity and is integrated by \$35,809 due by CFE, included in the value of the liability of financial instruments and \$6,094,545 in favor of CFE included in the value of the asset of financial instruments.

By the terms in which the ISDA ("International Swaps and Derivatives Association") were signed, the counterparties or banking institutions are the appraisers that calculate and send the Mark-to-Market in a monthly basis. CFE monitors the Mark-to-market and if there is any doubt or observes any irregularity in the Mark-to-market trend, it request from the counterparty for a new valuation.

Therefore, the Market Value sent by the agent or counterparty is only an indicative value, since the models used by banks can differ between each other.

Adjustment of Fair Value or Mark-to-Market due on Credit Risk

In accordance with IFRS, fair value or Mark-to-Market (MTM) should reflect the creditworthiness of the Derivative Financial Instrument. Incorporating credit risk into the Mark-to-Market of the Derivative Financial Instruments recognizes the likelihood that one of the counterparties may incur in nonperformance and, therefore, the creditworthiness is reflected of the Derivative Financial Instrument, in accordance with IFRS.

Therefore, CFE adjusted the Fair Values or Mark-to-market that represent a credit risk for the Company.

Methodology to Adjust Fair Value or Mark-to-Market due on Credit Risk

To make the adjustment to fair value of derivative financial instruments under IFRS for credit risks, CFE will adopt the "Credit Value Adjustment" (CVA) concept.

The CVA integrates the concepts of exposure or potential loss, likelihood of nonperformance and rate of recovery. Its formula is as follows:

$$CVA = Exp * q * (1 - r)$$

Where:

Exp = Exposure

q = Likelihood of Nonperformance

r = Recovery Rate

Simplifications:

$$Exp = MTM$$

$$q * (1-r) = \text{Adjustment factor}$$

$$CVA = MTM * \text{Adjustment factor}$$

The exposure will be considered as Mark-to-Market (MTM) of each counterparty, in other words, the sum of all MTMs that we have with the financial institution.

The probability of default by one less the recovery rate will be the adjustment factor of the sum of the market values of each counterparty or exposure.

In order to obtain probability of default (q), the “Credit Default Swaps” (CDS) of the counterparties to its closest term available will be consider, understanding that the adjustment of CVA will be carried out in a monthly basis. The CDS reflects the market perspective about the credit risk, and it is transparent information for the Company.

For CVA’s calculation, the recovery rate (r) will be zero. This rate is totally conservatively, as the standard of the financial market is 40%.

Once CVA is obtained, the adjustment to MTM will be as follow:

$$\text{MTM adjusted} = \text{MTM} - \text{CVA}$$

In case that CFE holds collaterals for warranty deposits, the CVA will not be modified as the recovery rate determined by CFE is zero.

Fair Value Adjustment Methodology

This methodology was approved by Comité Delegado Interinstitucional de Gestión de Riesgos Financieros Asociados a la Posición Financiera y al Precio de los Combustibles Fósiles (“the Interinstitutional Financial Risk Management Delegate Committee Associated to the Financial Position and Price of Fossil Fuel” - CDIGR for its acronym in Spanish) as adjustment methodology to the fair value of Derivative Financial Instruments.

The adjustment to MTM will be performed in a monthly basis, as long as total provision of the exposure of each counterparty is in favor of CFE, in other words, the market valuation is positive for the Company and, consequently, there is a credit risk.

In case that MTM’s position results negative for the Company, an adjustment would not be made, as the credit risk is for the counterparty, not for CFE.

Counterparty	MTM	Adjusted MTM	Adjustment at June 30, 2016
Credit Suisse	54,701	53,948	753
Deutsche Bank	1'798,508	1'772,519	25,989
Morgan Stanley	733,193	730,678	2,515
Santander	989,073	968,075	20,998
BNP Paribas	734,178	724,795	9,383
BBVA Bancomer	932,659	915,881	16,778
Goldman Sachs	1'023,251	1'019,168	4,083
Bank of Tokyo	17,552	17,524	28
Banamex	305,507	304,489	1,018
Credit Agricole	133,110	131,654	1,456
Collateral received			0
Total Cost			83,001

Fair Value hierarchy or Mark-to-Market

In order to increase consistency and comparability of fair value measurements and their disclosures, IFRS set forth a fair value hierarchy that prioritizes on three levels of inputs to valuation techniques used. This hierarchy grants the highest priority to quoted prices (unadjusted) on the active markets for assets and liabilities (level 1) and the lowest priority for unobservable inputs (level 3).

The availability of relevant information and its relative subjectivity may affect the appropriate selection of the valuation technique. However, the fair value hierarchy prioritizes inputs upon valuation techniques.

Level 2 input information

As explained above, and according to the terms in which the ISDA contracts were entered into the counterparties or banking institutions are the appraisers that calculate and send the Mark-to-Market calculation in a monthly basis.

Therefore, the hierarchy level of the Company's Mark-to-Market at June 30, 2016 is level 2:

- a) Inputs other than quoted prices, and it includes level one information which is directly and indirectly observable.
- b) Quoted prices for similar assets and liabilities on active markets.
- c) Inputs other than prices quoted and observable.
- d) Input mainly derived from observable information and correlated through other means.

Management's discussion of the policies of the use of derivative financial instruments

The objective to carry out derivative financial transactions

CFE may carry out any kind of explicit financial hedge, either for interest rates and/or exchange rates, or those strategies that might be necessary to mitigate the financial risk faced by the Company.

2) Instruments used

CFE may buy or sell one or more of the following kinds of instruments individually or collectively, as long as maintains the compliance within the limits and risk management guidelines approved.

- 1. - Futures, forwards and swaps
- 2. - Acquisition of call option
- 3. - Acquisition of put options
- 4. - Acquisition of collars or tunnels
- 5. - Acquisition of equity futures

3) Hedging or trading strategies implemented

CFE cannot sell call options, put options or any other open instrument that exposes CFE to an unlimited risk, not totally offset by a corresponding opposite position.

4) Trading Markets

Domestic and Foreign.

5) Eligible counterparties

Any bank or financial institution with whom CFE has executed an ISDA.

6) Policies for the designation of appraiser for the calculation or valuation.

All ISDA contracts establish that the counterparty is the calculation appraiser.

7) Main contract conditions or terms

ISDA (International Swaps and Derivatives Association) are standard contracts which terms are the same in all cases. Only confirmations have specific terms.

8) Margin Policies

In case that the market value of any operation exceeds to the maintenance level agreed upon the ISDA contracts and its supplements, the counterparty issues a request for deposit of collateral in an off-balance sheet item via fax or e-mail. CFE sends the security deposit to the counterparty. While there is a deposit for the margin call, the market value is daily reviewed by the "calculation agent", defined in the ISDA contract, in order for the Company to be able to request refund of the collateral when the market value returns to levels below the agreed upon maintenance level. These security deposits are considered as a restricted asset in derivative financial instrument trading for CFE, and it is given the pertinent accounting treatment.

As of June 30, 2016, CFE has security deposits or margin calls in an amount of 36.5 million dollars.

9) Collateral and Lines of Credit.

Defined credit lines for deposits of collateral are established in each one of the ISDA contracts executed with each counterparty.

10) Processes and authorization levels required by type of operation (simple hedge, partial hedge, speculation) indicating if derivatives trading were previously approved by the committee or committees engaged to performed corporate practices and audit activities.

The limits on the extension of transactions and derivative financial instruments are set forth based on the general conditions of the primary position and hedged underlying asset.

CFE may contract hedge operations with financial derivate, either to interest rates and/or exchange rates when the conditions are the same as the primary position and the hedged underlying asset.

In addition, CFE is authorized to:

Contract financial derivatives other than those of the primary position and/or the hedged underlying asset.

Liquidation of positions

Any other financial derivative instrument trading advisable for CFE

11) Internal control procedures for managing market risk exposure and liquidity risk exposure in financial instrument position

The Risk Management Division reviews the points mentioned above.

Finally, there is a budget authorized by the Ministry of Finance and Public Credit to meet the commitments already contracted and to be contracted related to derivative financial instruments.

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12. Debt

The balances of the documented debt as of June 30, 2016 and December 31, 2015 are comprised as follows:

Foreign Debt	Type of credit	Weighted Interest rate	Maturities	2016	
				Local currency	Foreign currency (thousands)
In US dollars at the exchange rate	Bilateral	Fixed and variable - 1.26%	Various through 2023	2,929,481	154,3
per dollar of \$18.9113 at June 30, 2016 and	Bonds	Fixed and variable - 5.29%	Various through 2045	73,267,104	3,874,2
\$17.2065 at December 31, 2015	Revolving	Fixed and variable - 1.86%	Various through 2018	2,175,609	115,0
	Syndicated	Fixed and variable - 1.37%	2018	23,639,125	1,250,0
Total US dollars				102,011,319	5,394,2
In euros at exchange rate per euros	Bilateral	Fixed and variable - 1.56%	Various through 2024	53,308	2,5
of \$20.5234 at June 30, 2016 and	Revolving	Fixed and variable - 1.92%	Various through 2018	13,453	6
\$18.7873 at December 31, 2015					
Total euros				66,761	3,2
In Swiss francs at the exchange rate per Swiss franc of \$18.9594 at June 30, 2016 and \$17.2452 at December 31, 2015	Revolving	Fixed and variable - 0.66%	Various through 2021	1,782,907	94,0
Total Swiss francs				1,782,907	94,0
In Japanese yens at the exchange rate per Japanese yen of \$0.1799 at June 30, 2016 and of \$0.1433 at December 31, 2015	Bilateral	Fixed and variable - 1.36%	Various through 2021	1,091,905	6,069,3
				1,091,905	6,069,3
Bond		Fixed - 3.83%	2032	5,756,800	32,000,0
Assets received for financial instruments net (Nota 10b)				(660,696)	
				5,096,104	32,000,0
Total Japanese yen				6,188,009	38,069,3
Total foreign debt				110,048,996	

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Internal debt	Type of credit	Weighted Interest rate	Maturities	2016	
				Local currency	Foreign Currency (thousands)
Local currency	Bank loans	Fixed and variable - 4%	Various through 2023	25,700,000	
	Securities market	Fixed and variable - 6.5%	Various through 2025	66,500,000	
Total Mexican pesos:				<u>92,200,000</u>	
In UDIS: at the exchange rate per UDI of \$5.4152 at June 30, 2016 and \$5.269 at December 31, 2015					
Total UDIS	Securities market	Fixed and variable - 4.37%	Various through 2027	5,059,751	
				<u>5,059,751</u>	
Total internal debt				<u>97,259,751</u>	
Summary					
Total foreign debt				110,048,996	
Total internal debt				<u>97,259,751</u>	
Total documented debt				<u>207,308,747</u>	
Total short-term (1)				40,119,109	
Total long-term				<u>167,189,638</u>	
Total short and long-term				<u>207,308,747</u>	

The short-term liability and long-term funded debt mature as follows:

30-06-2016	Amount
2016	40,119,109
2017	24,783,856
2018	4,570,613
2019	7,921,349
2020	36,480,936
2021 – Subsequent years	<u>93,432,884</u>
TOTAL	<u>207,308,747</u>

(1) Does not include interest for \$ 6,291,028 and \$ 2,392,407 in 2016 and 2015, respectively

Documented debt

The integration of the financing available for the six month period ending June 30, 2016 is shown below:

Internal debt

There has not been disposal of internal debt during this period.

Foreign debt

On January 13, 2016 1,250 MUSD were disposed from syndicated credit at which BBVA Bancomer, S.A. agent, bearing interest at a LIBOR USD rate plus 1.15% and amortized at the end quarter of the year.

During the first quarter 16.6 MUSD were disposed from a credit line signed with the Japanese Bank Cooperation (JBIC).

13. Long-term Productive Infrastructure Projects (PIDIREGAS by its acronym in Spanish)

The balances of direct and conditioned investment as of June 30, 2016 and December 31, 2015 are comprised as follows:

	Direct investment PIDIREGAS	Conditioned investment PEE's	Total 2016	Total 2015
Short-Term	\$ 14,021,281	6,001,204	20,022,485	\$ 22,770,100
<u>Long-Term</u>				
2017	5,435,043	4,889,791	10,324,834	15,583,700
2018	15,598,057	5,158,373	20,756,430	19,703,600
2019	10,357,483	5,746,981	16,104,464	15,041,400
2020	8,312,625	6,408,580	14,721,205	13,645,800
2021	7,307,924	7,477,239	14,785,163	13,252,700
2022	5,778,381	8,480,724	14,259,105	12,597,000

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Subsequent years		27,661,614	78,997,763	106,659,377	99,492,1
Total long-term	\$	80,451,127	117,159,451	197,610,578	\$ 189,316,6
Total	\$	94,472,408	123,160,655	217,633,063	\$ 212,086,8

Direct Investment (PIDIREGAS)

At June 30, 2016 and December 31, 2015, the debt corresponding to the acquisition of plants, facilities PIDIREGAS as follows:

Value of the credit:		Term of the agreement	Balances at June 30, 2016 (Thousands)				Balances at Decem	
			Local currency		Foreign currency		Local currency	
			Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
<u>Foreign Debt</u>								
621.94	Millions of dollars	2016	40,855		2,160		2,479,816	
24.84	Millions of dollars	2017	427,160	1,533,262	22,588	81,076	37,172	37
701.22	Millions of dollars	2019	516,303	5,768,656	27,301	305,037	364,746	1,009
259.36	Millions of dollars	2020	516,528	2,298,998	27,313	121,567	469,760	1,644
491.64	Millions of dollars	2029	84,206	13,017,448	4,453	688,342	469,964	5,983
745.13	Millions of dollars	2032	1,055,016	1,998,748	55,788	105,691	1,036,524	9,500
609.39	Millions of dollars	2036	385,097	1,540,388	20,363	81,453	350,382	7,007
Total foreign debt			3,025,165	26,157,500	159,966	1,383,166	5,208,364	25,181

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		Duration of the contract	2016 Local currency		2015 Local currency	
			Short-term	Long-term	Short-term	Long-term
<u>Value of the credit</u>						
Internal debt						
4,526.37	Millions of pesos	2016	340,105		844,226	
2,265.65	Millions of pesos	2017	88,611	3,892,960	189,909	88,611
14,805.54	Millions of pesos	2018	2,110,210	12,525,745	1,141,629	2,585,745
5,548.74	Millions of pesos	2019	47,381	7,661,140	719,103	2,255,140
7,969.18	Millions of pesos	2020	948,103	6,013,627	803,413	2,772,627
1,147.26	Millions of pesos	2021	73,737	5,267,077	145,502	597,077
15,945.19	Millions of pesos	2022	1,421,214	3,737,535	1,619,343	7,413,535
6,780.49	Millions of pesos	2023	17,493	3,207,674	580,398	4,197,674
19,442.74	Millions of pesos	2024	2,030,202	2,423,520	2,158,027	13,126,520
9,582.34	Millions of pesos	2025	373,681	991,445	963,767	7,647,445
2,491.18	Millions of pesos	2036	1,747,585	5,867,684	83,664	1,673,684
16,048.53	Millions of pesos	2042	449,401	2,696,399	700,193	13,493,399
Total internal debt			<u>9,647,723</u>	<u>54,284,806</u>	<u>9,949,174</u>	<u>55,851,806</u>
Total			<u>12,672,888</u>	<u>80,442,306</u>	<u>15,157,538</u>	<u>81,033,112</u>
CEBURES				8,821		8,821
Total external and internal debt of						
PIDIREGAS and CEBURES				<u>\$ 12,672,888</u>	<u>\$ 15,157,538</u>	<u>\$ 81,042,000</u>
				<u>\$ 80,451,127</u>		

a) As of June 30, 2016, minimum payment commitments for PIDIREGAS amount to:

PIDIREGAS	121,656,619
less:	
Unaccrued interest	<u>28,541,425</u>
Present value of obligations	93,115,194
less:	
Current portion of obligations	<u>12,672,888</u>
Long-term portion of PIDIREGAS	80,442,306
CEBURES	<u>8,821</u>
Total CEBURES and PIDIREGAS	<u>\$80,451,127</u>

Conditioned Investment (Independent Power Producers or “PEE” by its acronym in Spanish)

As of June 30, 2016, 26 contracts had been signed with private investors, denominated independent energy producers, whereas there is an obligation for CFE to pay certain considerations, in exchange of guaranteed electricity power supply service, based on an agreed generation capacity of power generation plants financed and built by those investors.

The future payments obligation of includes: a) rules for quantifying the amount of acquiring the generation plants when a force majeure event occurred in the terms of each contract, from the construction stage of each project up to the termination of the contracts; and b) fixed charges for power generation capacity, as well as variable charges for operation and maintenance of the generation plants, which are determined in accordance with the variable terms set forth in the contracts, applicable from the start-up testing stage up to the termination of the contracts.

a) Classified as lease

The Company has evaluated that 23 of the contracts with independent power producers have lease characteristics of the power generation plant, in accordance with IFRIC 4 "Determination whether an arrangement contains a lease" and IFRIC 12 "Service Concession Agreements". In turn, those leases qualify as financial leases.

The lease agreements have a 25 year duration. The average annual interest rate on those lease agreements is 11.19%.

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	Minimum lease payments			Fair value of lease Payments		
	30/06/16	31/12/15	31/12/14	30/06/16	31/12/15	31/12/14
Short-term	\$30,036,399	\$14,304,540	\$ 13,351,922	\$4,015,241	\$3,851,229	\$ 2,964,984
Between one and five years	120,145,595	64,825,462	60,083,651	38,056,355	20,283,765	20,644,470
More than five years	214,754,514	122,295,964	125,550,129	79,103,096	87,990,858	75,257,663
Final accumulated equity	<u>\$364,936,508</u>	<u>\$201,425,966</u>	<u>\$198,985,702</u>	<u>\$121,174,692</u>	<u>\$112,125,852</u>	<u>\$98,867,117</u>

As of June 30, 2016, the financial lease obligation is comprised as follows:

Name	Commencement date of operations	Historical value of the obligation	Foreign currency		Local currency	
			Short-term	Long-term	Short-term	Long-term
CT MERIDA III	jun-00	242,685	9,846	158,032	186,207	2,988,586
CC HERMOSILLO	oct-01	156,144	5,065	116,823	95,791	2,209,272
CC SALTILLO	nov-01	152,383	5,264	107,269	99,546	2,028,593
TUXPAN II	dic-01	283,133	8,856	213,506	167,479	4,037,678
EL SAUZ BAJIO	mar-02	399,773	11,017	319,744	208,347	6,046,779
CC MONTERREY	mar-02	330,440	12,339	208,999	233,349	3,952,442
CC ALTAMIRA II	may-02	233,234	5,745	193,576	108,637	3,660,777
CC RIO BRAVO II	may-02	232,108	7,874	162,871	148,901	3,080,097
CC CAMPECHE	may-03	196,554	5,972	146,726	112,942	2,774,772
CC TUXPAN III Y IV	may-03	587,064	16,366	458,993	309,499	8,680,150
CC MEXICALI	jul-03	569,345	19,375	387,839	366,405	7,334,540
CC CHIHUAHUA III	sep-03	275,327	9,349	187,315	176,811	3,542,373
CC NACO NOGALES	oct-03	238,016	9,155	133,753	173,132	2,529,444
CC ALTAMIRA III Y IV	dic-03	600,897	18,919	432,377	357,790	8,176,812
RIO BRAVO III	abr-04	312,602	8,172	247,876	154,541	4,687,658
CC LA LAGUNA II	mar-05	367,578	8,831	299,608	167,009	5,665,982
CC RIO BRAVO IV	abr-05	270,697	5,910	226,836	111,768	4,289,756
CC VALLADOLID III	jun-06	288,160	6,923	234,603	130,917	4,436,652
CC TUXPAN V	sep-06	284,997	4,847	251,988	91,656	4,765,412
CC ALTAMIRA V	oct-06	532,113	7,106	486,981	134,376	9,209,449
CC TAMAZUNCHALE	jun-07	482,562	8,533	424,145	161,371	8,021,135
CCC NORTE	ago-10	450,097	9,853	391,221	186,328	7,398,498
CCC NORTE II	ene-14	427,733	7,003	404,129	132,439	7,642,596
Total			212,320	6,195,209	4,015,241	117,159,453

a) Other contracts with independent power producers

There are three contracts in operation with farms private investors, on which unlike the contracts described in the previous note, the obligation established to CFE is to pay only for the wind power energy that was generated and delivered; therefore, this is not considered a financial lease. The contracts are as follows:

C E Oaxaca I
C E Oaxaca II, III y IV
CE La Venta III
CE Sureste I

b) Services providers contracts

Pemex-Valladolid Gas Pipeline
Terminal de Carbon

These service provider contracts are not considered financial leases as their characteristics do not comply with the provisions of IFRS for this particular treatment.

14. Taxes and duties payable

Taxes and payable as of June 30, 2016 and December 31, 2015 are summarized as follows:

	2016	2015
Payable by CFE		
Income tax payable by third parties	\$ 227,315	\$ 279,769
Contributions to the Mexican Institute of Social Security	608,681	715,781
Rights for use and development of national waters	389,503	256,090
Payroll Tax	47,716	42,602
Contributions to INFONAVIT	9,678	12,775
VAT payable	1,313,370	-
Subtotal	<u>\$ 2,596,263</u>	<u>\$ 1,307,017</u>
Withholdings		
Income tax withheld from employees	699,767	651,667
Withholdings of value added tax	35,601	74,754
Income tax on interest paid abroad	24,613	21,802
Income tax on foreign residents	503	2,681
0.5% withholding to contractors	8,536	16,846
Income tax on professional fees and rent to individuals	3,743	8,083
0.2% withholding to contractors	180	345
Others	57	84
Subtotal	<u>773,000</u>	<u>776,262</u>
Total	<u>\$ 3,369,263</u>	<u>\$ 2,083,279</u>

15. Other long-term liabilities

As of June 30, 2016 and December 31, 2015, unrealized income consist of the contributions made by State and Municipal Governments, as well as by private persons for rural and private parties electrification telecommunications service revenues and others, which consist of the following:

	<u>2016</u>	<u>2015</u>
From Governments contributions	\$ 3,013,445	\$ 2,803,877
Contributions from private parties	29,312,272	26,795,807
Contributions from others	<u>1,477,694</u>	<u>1,511,958</u>
	<u>33,803,411</u>	<u>31,111,642</u>
Electricity energy and other related products	1,477	1,552
Unrealized in come proceeds from optical fiber	<u>659,179</u>	<u>684,957</u>
	<u>\$ 34,464,067</u>	<u>\$ 31,798,151</u>

In 2015, the Company updated the technical - economic study over the retirement of the Nuclear Central Laguna Verde, supported by international companies with experience in the dismantlement of similar plants in order to determine the necessary provisions. As a result of that update, a provision amount was determined to be 809.6 million US dollars. This estimate includes the costs for cooling, cleaning, progressive decontamination, transportation, and storage of radioactive waste. Those expenses will be amortized in the period of the remaining useful life of the central, which average of 20.5 years. The present value of the liability for retirement of the Nuclear Central of Laguna Verde as of June 30, 2016 and 2015 the present value amounted to \$9,360,550 and \$9,013,006, respectively. As of June 30, 2016, the Company recognized contingent liability balance of \$ 1,471,995 and \$1,137,652 as of December 31, 2015.

16. Employee benefits

Employee benefit plans have been established relative to the termination of the employee relationship and for retirement due to causes other than restructuring. Retirement benefit plans consider the years of service completed by the employee and the remuneration at the date of retirement. Retirement plan benefits include the seniority bonus that employees are entitled to receive upon termination of the employment relationship, as well as other defined benefits.

On May 19, 2016, the review process on of the conditions of the Collective Labor Agreement between the CFE and SUTERM was concluded.

Derived from this review, some provisions mainly impacting the pension category were modified, resulting such modifications as a reduction of the labor liability of the Company, with a positive effect in the condensed consolidated statement of comprehensive income.

The employees who from the date of the above agreement and during 2016 meet the conditions of age and/or seniority for retirement, in conformity with the Collective Labor Agreement 2014-2016, may elect to exercise the right to retire on the conditions provided by the latter agreement.

Starting on January 1, 2017, any employee having the SUTERM as its representative, may request and obtain its pension considering the 100% average wage of the previous four years worked in the CFE, in accordance with the following criteria: men with 30 years of service and 65 years old, or 40 years of service without age limit; women with 30 years of service and 60 years old, or 35 years of service without age limit.

The net cost as of June 30, 2016 and December 31, 2015, consisted of a liability included in the statements of financial position amounting to \$482,681,000 and \$625,083,572, respectively. A net (income) cost for the period was recorded in the income statement amounting to (\$125,757,571) and \$32,177,000 in June 30, 2016 and 2015, respectively.

a. Collective labor Agreement

On August 18, 2008, the CFE and the SUTERM signed the CFE-SUTERM 20/2008 agreement regarding the retirement pensions regime for employees who join the Company, subsequent such date.

This agreement solves the problem of the long-term labor liability, since it represented a risk for the CFE.

The former pension plan is maintained for active and retired employees, both non- unionized and unionized, hired before August 18, 2008.

The characteristics of the new retirement agreement for newly hired employees are:

- Individual pension's accounts are created.

The employees contributes 5% of his computed salary and CFE contributes 1.5 the amount what is contributed by the employees (7.5%).

- These funds will be managed in the terms agreed upon by the CFE and the SUTERM, in accordance with the provisions issued by the Comision Nacional del Sistema de Ahorro para el Retiro - ("National Retirement Savings System Commission" - CONSAR by its acronym in Spanish).
- In view of the increase of the life expectancy, the time of service at the Company for new employees is increased by five years, except for those life lines that maintain the same number of years of service.

17. Equity

The presentation of the different components of equity as of June 30, 2016 and December 31, 2015, is shown below:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>
Contributions from the Federal Government	5,251	5,251
Contributions in kind (Federal Government)	95,004,417	95,004,417
Retained earnings	29,024,615	(77,821,615)
Other Comprehensive income parties	<u>115,824,927</u>	<u>112,758,604</u>
	<u>\$ 239,859,210</u>	<u>\$ 129,946,657</u>

18. Other income, net

As of June 30, 2016 and 2015, other income, net, is summarized as follows:

	<u>2016</u>	<u>2015</u>
Other income	\$ 5,656,587	\$ 4,372,556
Other expenses	5,090,795	2,384,162
External independent power producers, net	<u>418,689</u>	<u>305,224</u>
Total	<u>\$ 984,481</u>	<u>\$ 2,293,618</u>

19. Income tax

During 2015, CFE transformed itself into a State-Owned Productive Company and stopped being a Decentralized Public Agency, which consequently leads to no longer apply for regime included in Title III of the Income Tax Law (Non-Profit Legal Entities); therefore, the CFE meets the obligations of Title II of the above Law (general regime for legal entities).

As of June 30, 2016 and December 31, 2015, the Company's deferred income tax asset has not been recognized. On the other hand, no taxable income payment was generated for income tax.

20. Transactions with the Federal Government

The main transactions carried out with the Federal Government in the periods ended June 30, 2016 and 2015 were as follows:

	2016	2015
Rate Insufficiency	\$ <u>34,308,213</u>	\$ <u>25,862,167</u>
Rate insufficiency not covered by the Federal Government	(22,308,213)	(25,862,167)
Subsidy Income	<u>(12,000,000)</u>	<u>-</u>
	\$ <u>-</u>	\$ <u>-</u>

Since the CFE ceased to be a Decentralized Public Agency of the Federal Government to start operations as a State-Owned Productive Company, and with the repeal of the LSPEE, the movements that have been recorded as public use taxes, stopped being considered as such beginning January 1, 2015.

21. Comprehensive income (loss)

Comprehensive income (loss) at June 30, 2016 and 2015 is summarized as follows:

	2016	2015
Net Income (loss), net as per consolidated statements of income	\$ 106,845,634	\$ (35,592,413)
	-	-
Transfer of resources to the CENACE	(2,986,967)	68,241
Effect of hedging derivative financial instruments on equity for the period	6,053,886	131,896
	<u>3,066,919</u>	<u>200,137</u>
Comprehensive income (loss)	\$ <u>109,912,553</u>	\$ <u>(35,392,276)</u>

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22. Foreign currency position

As of June 30, 2016 and December 31, 2015, CFE had foreign currencies assets and liabilities denominated

	2016			
	Assets	Liabilities		
		Trade	Internal debt	Leasing of equipment and PIDIREGAS
	Cash and cash equivalents	Payables		
US dollars	338,897	63,189		7,933,707
Euros				3,530
Japanese yen	19,051			6,069,513
Swiss francs				94,038
Swedish krona				0

	2015			
	Assets	Liabilities		
		Trade	Internal debt	Leasing of equipment and PIDIREGAS
	Cash and cash equivalents	Payables		
US dollars	48,214	31,392		8,282,695
Euros				4,043
Japanese yen	455			34,640,053
Swiss francs				110,847
Swedish krona				0

Note: The 32 billion of the bond in yens are included in the external debt of JPY.

Note: The PIDIREGAS dollar debt includes the amount of 6,390,573 million dollars of the financial lease debt with External Producers (as per IFRS)

These foreign currency assets and liabilities were translated into local currency at the exchange rate established by the Banco de Mexico (Bank of Mexico) in the Official Daily Gazette at June 30, 2016 and December 31, 2015, as follows:

Currency		<u>Jun 2016</u>	<u>Dec 2015</u>
US dollars	\$	18.9113	\$ 17.2065
Euros		20.5234	18.7873
Japanese yen		0.1799	0.1433
Swiss francs		18.9594	17.2452
Swedish krona		2.1719	2.0381

23. Contingencies and Commitments

Contingencies

The Company is involved in several lawsuits and claims derived from the normal course of its operations, which were not expected to have a material effect in the financial position and future results as of June 30, 2016 or subsequent to this date up until the issuance of this report.

Commitments

a. Natural gas supply contracts

There are three gas supply contracts:

1. - Natural gas supply contract with delivery points from an storage plant of natural Gas Liquefied (NGL) and/or Natural Gas Continental (NGC) with the supplier IENOVA LNG Marketing Mexico, S. de R. L. de C.V. (formerly Sempra LNG), executed on January 21, 2005 and effective until 2022.

During the second quarter, CFE committed to buy 7,916 Billion Cubic Feet (MMPC) with Firm Base and 2,810 (MMPC) with a Variable Base. At June 30, 2016, 10,726 MMPC were consumed under this contract, which was consistent with the quantity originally programmed.

2. - Services Contract for the Receipt, Storage, and regasification of liquefied natural gas and deliveries of Natural Gas to the Comision Federal de Electricidad in the zone of Manzanillo and Colima, executed with Terminal KMS de GNL, S. de R.L. de C.V., MIT

Investment Manzanillo B.V., Kopgamex Investment Manzanillo B.V., and SAM Investment Manzanillo B. on March 27, 2008.

Contractual commitments consist of receiving and storing up to 300,000 m3 of Liquefied natural gas (NGL), as well as the regasification of NGL and delivery of natural gas (NG) up to 141,584 million daily cubic feet (MMCD) at the delivery points of CFE. For the second quarter of 2016, 35,561,092 MMBtu were consumed. The quantities programmed and consumed are consistent with those originally considered.

3. - Natural gas supply contract at the delivery points of the CCC. Altamira V and the Sistema Nacional de Gasoductos ("National Gas Pipeline System") from a storage plant and regasification in the area of Altamira, Tamaulipas, with the supplier Gas del Litoral, S. de R. L. de C. V., executed for an initial 15 year period on September 30, 2003.

Contractual commitments consist of acquiring the firm daily base quantities of Natural Gas during the supply period for: 500 Million daily cubic feet (MMPCD). For the second quarter of 2016, 12,135,856 MMBtu were consumed, which is consistent with what was considered.

b. Financed public works contracts

As of June 30, 2016, the CFE has signed several financed public works contracts, for which payments start at the moment private investors complete the construction of each of the investment projects and deliver the assets for their operation to the Company. The estimated amounts of these financed public work contracts and the estimated dates of completion of the construction and start-up of operations are as shown on the following page.

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Transmission lines and substations

Project	Capacity		Estimated amount of the contract in millions of		Operation stage
	Km-c	MVA	US dollar	Mexican pesos	
SE 1420 Di stri buci ón Norte F2 (DIST)	1.0	30.0	4.3	81.1	23/12/2015
SE 1321 Di stri buci ón Noreste F5 (DIST)	85.0	-	7.1	133.7	15/01/2016
SE 1322 Di stri buci ón Centro F3 C4 (DIST)	150.0	19.7	23.4	442.5	16/01/2016
SLT 1722 Di stri buci ón Sur F1 (DIST)	3.0	80.0	10.7	202.2	31/01/2016
SE 1903 Subestaci ones Norte- Noreste	-	525.0	15.0	283.7	31/01/2016
SLT 1721 Di stri buci ón Norte F3	64.3	30.0	11.2	211.8	31/01/2016
SLT 1621 Di stri buci ón Norte- Sur F6	6.3	30.0	9.2	174.7	02/02/2016
SLT 1802 Subestaci ones y Líneas de Transmi si ón del Norte F1	13.6	366.6	31.5	596.5	14/02/2016
SLT 1902 Subestaci ones y Compensaci ón del Noroeste F1	-	-	22.5	425.5	14/03/2016
SLT 1921 Reducci ón de Perdi das de Energía en Di stri buci ón F6	-	-	105.9	2003.5	15/03/2016
SE 1211 Noreste- Central F5 C2	129.8	30.0	19.4	367.3	16/03/2016
SLT 1902 Subestaci ones y Compensaci ón del Noroeste F2	-	225.0	8.7	164.9	20/03/2016
SLT 1921 Reducci ón de Perdi das de Energía en Di stri buci ón F4	427.5	102.4	139.9	2645.3	29/03/2016
SLT 1921 Reducci ón de Perdi das de Energi a en Di stri buci ón F7	334.9	111.6	56.5	1067.9	11/04/2016
SLT 2021 Reducci ón de Perdi das de Energi ía en Di stri buci ón F3	-	-	6.6	123.9	15/04/2016
SLT 1804 Subestaci ones y Líneas de Trnas Ori ental - Peni nsul ar F4	-	525.0	14.0	264.8	15/04/2016
LT 1905 Transmi si ón Sureste- Peni nsul ar F1 C2	1.9	100.0	7.9	149.4	19/04/2016
SLT 1921 Reducci ón de Perdi das de Energía en Di stri buci ón F3	462.7	116.6	101.4	1917.4	30/04/2016
SE 1803 Subestaci oens del Occi dente F3	108.4	500.0	35.4	669.5	15/05/2016
SLT 2021 Reducci ón de Perdi das de Energi ía en Di stri buci ón F1	36.6	11.7	11.0	207.5	22/05/2016
SLT 1920 Subestaci ones y Li neas de Di stri buci ón F6	0.2	30.0	4.9	92.5	29/05/2016
SE 1421 Di stri buci ón Sur F2 C2	0.2	30.0	5.4	102.9	31/05/2016
SE 1901 Subestaci ones de Baja Cal í forni a C3	13.9	255.0	17.1	323.4	02/06/2016
SLT 706 Si stemas Norte F3	8.6	60.0	11.9	225.4	13/06/2016
SE 1120 Noroeste F3 (DIST)	27.1	30.0	6.9	129.5	15/06/2016
SLT 1904 Transmi si ón y Transformaci ón de Occi dente F1	27.0	-	11.0	208.0	17/06/2016
LT 1905 Transmi si ón Sureste - Peni nsul ar F2	367.4	-	38.6	730.0	04/07/2016
SE 1212 Sur- Peni nsul ar F9 (DIST)	20.3	20.0	8.2	154.5	10/07/2016
SLT 2021 Reducci ón de Pérdi das de Energía en Di stri buci ón F2 (DIST)	-	-	4.3	81.3	15/07/2016
SE 1701 Subestaci ón Chi mal apa Dos	19.4	500.0	55.4	1047.7	30/07/2016
SLT 1904 Transmi si ón y Transformaci ón de Occi dente F2	5.0	500.0	23.6	446.3	09/08/2016
SE 1210 Norte- Noreste F6 (DIST)	24.5	-	4.1	77.5	13/08/2016
SLT 1902 Subestaci ones y Compensaci ón del Noroeste F3	76.4	500.0	33.3	629.9	21/08/2016
SLT 1201 Transmi si ón y Transformaci ón Baja Cal í forni a F5	31.2	-	12.5	236.4	30/08/2016
LT Red de Transm Asoc CC Norte III (1723)	21.1	-	17.4	329.1	01/09/2016
SLT 1802 Subestaci ones y Líneas de Transmi si ón del Norte F2	158.8	-	35.2	665.7	04/09/2016
SLT 2021 Reducci ón de Perdi das de Energía en Di stri buci ón F4	-	-	32.3	610.5	08/09/2016
SE 1116 Transformaci ón del Noreste F4	97.6	500.0	50.0	945.6	16/08/2016
LT 1805 Líneas de Transmi si ón Huasteca-Monterrey	441.8	-	126.8	2398.5	30/09/2016
SE 1620 Di stri buci ón Val l e de Méxi co F2	26.2	420.0	89.8	1698.2	07/10/2016
SLT 1821 Di vi si ón de Di stri buci ón F4 (DIST)	-	50.0	4.2	78.5	15/10/2016
SE 1210 Norte- Noroeste F9	38.9	30.0	9.4	177.8	01/11/2016
SE 1520 Di stri buci ón Norte F3	1.1	30.0	5.6	105.0	04/12/2016
SE 1521 Di stri buci ón Sur F5 (DIST)	9.0	30.0	8.8	167.2	11/01/2017
SE 1620 Di stri buci ón Val l e de Méxi co F1	16.1	780.0	94.6	1789.0	12/01/2017
SLT 1302 Transmi si ón y Transformaci ón Noroeste F1	25.2	500.0	29.8	563.4	21/01/2017
SLT 2021 Reducci ón de Pérdi das de Energía en Di stri buci ón F7	870.2	309.5	222.7	4212.1	03/03/2017
SLT 2021 Reducci ón de Pérdi das de Energía de Di stri buci ón F6	158.0	62.1	65.9	1245.9	15/03/2017
LT 1911 Red de Transmi si ón Asoci ada al CC Empal me II	118.9	1,750.0	90.0	1702.0	24/03/2017
LT 1811 Red de Transmi si ón Asoci ada al CC Empal me I	425.6	-	86.7	1639.6	26/03/2017
SLT 2021 Reducci ón de Pérdi das de Energía en Di stri buci ón F8	156.0	46.5	85.4	1614.1	25/04/2017
SE 1420 Di stri buci ón Norte F3	0.5	30.0	4.6	87.4	07/05/2017
LT Red de Transmi si ón Asoci ada al CC Noreste	128.1	-	45.9	868.2	08/05/2017
SLT 1820 Di vi si ones de Di stri buci ón del Val l e de Méxi co	5.2	360.0	48.2	910.6	06/07/2017
	5,144.6	9,626.7	2,031.9	38,426.4	

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Generation

Project	Capacity	Estimated amount of the contract expressed in millions		Operation stage
		US dollar	Mexican pesos	
CC Agua Prieta II C2	394.1	251.7	4,760.0	17/09/2015
CC Centro I	642.3	439.8	8,317.2	30/09/2015
Campo Solar al Proyecto 171 CC Agua Prieta II	14.0	46.2	873.7	20/11/2015
CCC Cogeneración Salamanca F1	373.1	319.9	6,049.7	20/11/2015
CCI Guerrero Negro III	11.0	25.3	478.5	01/12/2015
CCI Guerrero Negro IV	7.5	20.6	390.1	22/01/2016
CG Los Humeros III	25.0	43.0	813.0	06/04/2016
CCI Baja California Sur V	46.9	106.9	2,021.6	01/06/2016
CC Baja California III	294.0	215.6	4,077.3	16/08/2016
CC Empalme I	770.2	476.8	9,017.7	06/11/2017
CC Valle de Mexico II	615.2	425.3	8,043.2	07/11/2017
CC Norte III (Juarez) C2	906.7	562.4	10,635.1	13/11/2017
CH Chicoasén II	240.0	386.4	7,307.7	28/04/2018
CC Empalme II	791.2	397.0	7,507.6	15/06/2018
CG Azufres III F2	25.0	51.3	970.0	01/07/2018
CC Noreste	857.2	345.5	6,533.1	
CC Noroeste (Topolobampo II) C2	887.4	334.5	6,325.8	02/07/2018
	6,900.9	4,448.2	84,121.2	

Rehabilitation and Modernization			
Proyecto	Monto estimado del contrato expresado en		Etapa de Operación
	US Dollar	Mexican pesos	
216 RM CCC Poza Rica FI	136.8	2,587.1	30/10/2015
258 RM CT Altamira U1 y 2	379.9	7,184.4	25/04/2017
311 RM CCC Tula Paquetes 1 y 2	323.1	6,110.2	02/09/2017
312 RM CH Temascal Unidades 1 a 4	26.5	501.1	18/09/2018
278 RM CT José López Portillo	214.0	4,047.0	27/02/2019
	1,080.3	20,429.9	

These projects are registered under the PIDIREGAS scheme. (Long-Term Productive Infrastructure Projects).

c. Trust Funds

1 Area of competence.

1.1. CFE currently participates in the capacity of Trustor or Beneficiary in 13 (thirteen) Trust Funds, 2 (two) of which are in the process of extinction.

1.2. In conformity with its purpose and operating characteristics, the trust funds can be categorized in the following groups:

- a. Energy saving
- b. Prepaid expenses
- c. Management contracts
- d. Indirect participation trust funds

a. Energy saving

Those organized to promote energy saving programs.

Trust Fund	Role of CFE		
	Trustor	Trustee	Beneficiary of the trust fund:
Trust fund for Energy Savings (FIDE), created August 14, 1990	Organization: Confederacion de Camaras Industriales (CONCAMIN), Camara Nacional de la Industria de Transformacion (CANACINTRA), Camara Nacional de Manufacturas Electricas (CANAME), Camara Nacional de la Industria de la Construccion (CNIC), Camara Nacional de Empresas de Consultoria (CNEC) and Sindicato Unico de Trabajadores Electricistas de la Republica (SUTERM)	Nacional Financiera, S.N.C.	a. Electric energy consumers who are beneficiaries of the services rendered by the Trust fund. b. CFE, only for the materials that would have formed part of the infrastructure of public energy service.
Mexicali Housing Thermal Isolation Trust (FIPATERM), created on October 19, 1990	CFE	Banco Nacional de Obras y Servicios Publicos, S.N.C.;	CFE

As of June 30, 2016, the Trust fund for Housing Thermal Isolation (FIPATERM) had assets amounting to \$1,349,376 and liabilities amounting to \$30,714.

b. Prepaid expenses

Prepaid expenses relates to expenses in relation to financing and/or covering expenses prior to the execution of projects, subsequently recoverable and charged to whom realizes them to be adjusted to the framework applicable to the type of project.

Trust Fund	Role of CFE			Type of projects
	Trustor	Beneficiary of the trust fund:	Trustee	
CPTT prepaid expense management, organized on August 11, 2003	CFE	CFE	Banco Nacional de Comercio Exterior, S. N. C.:	Direct investment:
Management and transfer of ownership 2030, organized on September 30, 2000	CFE	Primary beneficiary Winners of the contracts. Secondary beneficiary CFE	Banobras, S.N.C.	Conditioned investment

As of June 30, 2016, the Prepaid Expenses Management Trust fund has assets amounting to \$5,881,145 and liabilities amounting to \$5,564,416.

The Trust fund Administration and Transfer Domain 2030 has assets of \$ 374,455.

c. Management of construction contracts

Beginning in the 1990s, the Federal Government implemented several off-budget schemes in order to continue to invest in infrastructure projects. Those schemes were designed under two modalities:

- Turnkey Projects (1990)
- Building, Leasing, and Transferring Projects (CAT) (1996)

Turnkey Projects. - Under this scheme, works were carried out for constructing power generation centrals and installing transmission lines, through an irrevocable management and transfer of ownership trust, linked to a lease agreement. In this modality, the trustee discharges the following duties:

Contracting credits, managing the trust property (assets), receiving the leases payments from CFE, and transferring the asset free to CFE with no charge, once those leases have been covered in a sufficient amount to pay the contracted credits.

CFE participates in the payment of the leases to the trustee, based on the credits contracted by the trust, instructing the trustee to pay the contractors. In exchange, receiving invoices

approved by the construction area, payment of taxes and other charges, including trustee fees.

These trust for managing and transferring of ownership were carried out in accordance with the "Guidelines for the performance of thermoelectric projects with off-budget funds", as well as with "Guidelines for the performance of transmission lines and substations with off-budget funds" issued by the Ministry of Public Administration (SFP formerly known as Ministry of Controlling and Administrative Development).

The Trusts shown below have concluded with their payment commitments; therefore, one of them remains only in process of extinction.

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary	
Topolobampo II (Electrolyser, S. A. de C. V.), formed on November 14, 1991	Bufete Industrial Construcciones, S. A. de C. V. and Electrolyser, S. A. de C. V., with respect to its contribution to the Trust.	Primary Beneficiary: Electrolyser, S. A. de C. V., with respect to its contribution and Secondary Beneficiary: CFE	Santander, S. A.

Building, Leasing and Transferring Projects (CAT, per its acronym in Spanish).- The transition stage to carry out the trusts denominated CAT started in 1996, in which the trustee manages the trust property (assets) and transfers it to CFE once the lease payment have been covered. Credits are contracted directly with a consortium which is a specific purpose entity, existing for these purposes an irrevocable management and transfer of ownership trust.

In this type of trusts, the CFE participates in the realization of the payment of leases based on quarterly amortization tables presented by the consortiums in their bids. Most of these tables include forty quarterly payments. The projects carried out under this modality that are in effect are as follows:

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary of the trust:	
C.C.C. Chihuahua, formed on December 8, 1997	Norelec del Norte, S.A. de C.V. and CFE.	CFE	Nacional Financiera, S.N.C.
C.C.C. Rosarito III (8 and 9), formed on August 22, 1997	CFE and Rosarito Power, S.A. de C.V.	CFE	BANCOMEXT

The only project under this modality is:

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary of the trust:	
C.T. Samalayuca II, formed on May 2, 1996	Compañía Samalayuca II, S. A. de C. V.	Firstly: Foreign bank common agent foreign bank of the debtors; Secondly: Compañía Samalayuca II, S. A. de C. V. Thirdly: CFE	Banco Nacional de México, S. A.

As of June 30, 2016, CFE has fixed assets amounting to \$20,559,336 and liabilities amounting to \$1,315,773, related to the CATs of the trusts referred to above.

Presidente Plutarco Elias Calles Terminal Coal TC

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Presidente Plutarco Elias Calles Terminal Coal TC (Petacalco), formed on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and TechintCompagnia Tecnica Internazionale S.P.A.	Firstly: Carbonser, S.A. de C.V. Secondly: CFE	Banco Nacional de Mexico, S.A, (BANAMEX)

An irrevocable management, guarantee, and transfer of ownership trust agreement number 968001 was entered into in 1996, which, among other considerations, set forth that the trustee will enter into a service contract with CFE.

With the entry into effect of the coal management service contract between CFE and Banco Nacional de Mexico, S. A. (Banamex) as trustee of the Petacalco Trust, comprised by Techint Compagnia Tecnica Internazionale S.P.A., Grupo Mexicano de Desarrollo, S. A. de C. V., and Techint, S. A. signed on November 22, 1996, in accordance with the clause 8.1, CFE will pay the amounts of the invoices related to the fixed charge for capacity.

Facility	Fixed charge for capacity of Jan-Dec 2015
Petacalco	\$56,686

d. Indirect equity participation trusts

Additionally, CFE maintains an indirect relationship since it is not a Trustor, but it participates as a beneficiario in four trusts for guarantee and payment of financing, created by Financial Institutions as Trustors and Beneficiaries of Trusts for the issue of securities linked to credits granted to CFE. The CFE itself is nominated as a Secondary Beneficiary of a Trust, due to the specific eventuality that it may acquire some of the certificates issued and maintain representation of Technical Committees, in conformity with the contractual provisions (see Note 11).

CFE is obliged to reimburse to the Trust in the terms of the "Indemnification Contract", which forms part of the Trust Agreement, the expenses incurred for the issue of securities and their management.

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 194 created on May 3, 2004	Firstly: ING (Mexico), S. A. de C. V. and Casa de Bolsa, ING Grupo Financiero Secondly: Deutsche Securities, S. A. de C. V. and Casa de Bolsa.	Firstly: Each one of the preferred holders of each issue Secondly: CFE	Banamex
Trust No. 290 created on April 7, 2006	Casa de Bolsa BBVA Bancomer, S. A. de C. V., Grupo Financiero BBVA Bancomer, HSBC Casa de Bolsa, S. A. de C. V., Grupo Financiero HSBC and IXE Casa de Bolsa, S. A. de C. V., IXE Grupo Financiero.	Firstly: Each one of the preferred holders of each issue Secondly: CFE	Banamex
Trust No. 232246 created on November 3, 2006	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Firstly: Each one of the preferred holders of each issue Secondly: CFE	HSBC Mexico, S.A., Grupo Financiero HSBC
Trust No. 411 created on August 6, 2009	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Firstly: Each one of the preferred holders of each issue Secondly: CFE	Banamex

As of June 30, 2016, there are available funds in trust No. 232246 for the amount \$8,821.

2 Legal nature.

2.1 In conformity with the Ley Organica de la Administracion Publica Federal ("Federal Public Administration Act"), none of the trusts are considered as Public Trusts with the status of "entity", pursuant to the following:

a. In 10 of them, CFE does not have the capacity of Trustor in their constitution.

- b. The 3 remaining trusts do not have a similar organic structure to the state-owned entities that conform them as "entities" in terms of the Law.

2.2 The SHCP has maintained a record for purposes of the Federal Budget and Financial Responsibility Law, only for 5 (five) of them, due to the assignment of federal funds or the contribution of land owned by CFE where the works took place.

Registry of Trusts with SHCP		
No.	Trusts	Record
1	Mexicali Housing Thermal Isolation Trust, FIPATERM	700018TOQ058
2	Prior Expenses Trust	200318TOQ01345
3	Trust Management and Transfer of Ownership 2030	200318TOQ01050
4	Trust for Power Savings (FIDE)	700018TOQ149
5	C.C.C. Chihuahua*	199818TOQ00857

*The record of this trust is in the process of being retired before the SHCP, due to their recent extinction.

24. Off-balance sheet memorandum accounts

The off-balance sheet items as of June 30, 2016 and December 31, 2015 consisted of the following:

Concept	2016	2015
Off-balance sheet items of management of portfolio of extinguished Luz y Fuerza del Centro		
Assets	\$ -	\$ 5,148,310
Liabilities	\$ -	\$ (5,148,310)
Total off-balance sheets assets accounts	\$ -	\$ 5,148,310
Total off-balance sheets liabilities accountd	\$ -	\$ (5,148,310)

25. Segment information

The Federal Government, through the Secretaria de Comunicaciones y Transporte ("Ministry of Communications and Transportation"- SCT for its acronym in Spanish), granted a concession to CFE to install, operate, and use a public communications network.

This network, which is indispensable for CFE's operation, is converted into an important complement of telecommunications network nationwide; therefore, the agreement No. 33/3006 was issued by the Board of Governors (currently Board of Directors) of CFE on February 28, 2006 and published in the Official Daily Gazette on March 28, 2006. This

agreement amends different sections of the organic bylaws of CFE in order to modify the objective by including the telecommunication service, in terms of the Federal Telecommunications Act.

In order to maximize the use of the optical fiber network and given that this network has the capacity to offer services to third parties, on November 10, 2006, CFE requested and obtained from the Ministry of Communications and Transportation (SCT) "Telecommunications public network concession for rendering services, leasing of network capacity and marketing of the capacity acquired, with respect to networks of other concessionaires originally in 71 localities of the nation", which has been increased nationwide having an initial duration of 15 years extendible.

For purposes of achieving successful operation of the network. For both internal purposes, use by third parties, the former Board of Governors (currently Board of Directors) of CFE authorized the organical structure to be modified by creating two coordinating units. The first unit, the Optical Fiber Coordinating Unit, operates and maintains the optical fiber network. The second unit, the CFE Telecom Coordinating Unit, discharges duties related to the commercialization of the services authorized in the assigned concession.

Currently, 203 contracts have been signed with 148 Customers of the industrial, Business, and Governmental segments.

At December 31, 2015, CFE has a National Optical Fiber Network of 40,737.26 kilometers which are divided into an Internodal Network: 34,780.55 kilometers and Local Access Network of; 5,956.71 Km., developed to increase the safety and reliability of the National Power System and that will allow implementing a long-term solution for voice, data, video services, among other things, gradually replacing the telecommunications services that are currently rendered by third parties.

CFE TELECOM segment includes revenues mainly for rendering services, leasing network capacity services and marketing the capacity acquired, with respect to other concessionaires nationwide with their own and/or leased infrastructure, as well as revenues obtained from modifications and their costs incurred.

In compliance with the constitutional precept, on December 17, 2014, CFE filed a petition with the IFT for the authorization of the transfer of the Concession to install, operate, and exploit a public telecommunications network in favor of TELECOMM.

On September 24, 2015 the IFT issued the memo 77/2015 by which authorized the transfer of the concession to install, operate and exploit the public telecommunication network from CFE to TELECOMM.

The IFT issued the memo 3/2016 on January 21, 2016 for granting TELECOMM with the Commercial Use Concession as wholesaler shared network of telecommunication services. TELECOMM will hold the rights and obligations inherent to the Concession and shall guarantee the continuity of telecommunication services under the terms and conditions mentioned therein.

The CFE retains the optical fiber, rights of way, towers, pole lines, buildings and facilities, thereby guaranteeing TELECOMM effective, shared access to that infrastructure to operate it efficiently, in order to exercise its duties and meet its objectives appropriately.

a. Plants, facilities and equipment by process

Plants, facilities and equipment are included as part of the caption of plants, facilities and equipment, whose net balances are summarized as follows:

	2016	2015
Corporate Headquarters	\$ 3,174,728	\$ 3,307,104
Generation	376,389,976	474,381,349
Distribution	335,318,584	293,513,286
Transmission and Transformation	244,039,951	197,116,705
Optic Fiber	4,819,896	4,797,461
Physical safeguard	2,398,085	0
Construction	1,496,323	1,464,912
	<u>967,637,543</u>	<u>974,580,817</u>
External Producers' Equipment	69,821,858	72,399,083
Retirement of Laguna Verde Nuclear Central	<u>248,273</u>	<u>255,556</u>
Plants, facilities and equipment (net)	\$ <u>1,037,707,674</u>	\$ <u>1,047,235,456</u>

b. Revenues per division (geographical zone)

	2016	2015
Baja California	\$ 7,320,226	\$ 7,452,510
Northwest	8,056,392	8,478,853
North	9,344,037	9,270,675
Northern Gulf	17,754,615	19,361,942
Central West	5,383,871	5,748,989
Central South	5,801,593	6,039,087
East	6,827,262	7,003,196
Southeast	6,702,374	6,273,200
Bajío	14,478,109	14,934,003
Central Gulf	6,346,382	6,363,879
Central East	8,044,869	8,442,373
Peninsular	6,721,314	6,637,682
Jalisco	9,433,489	9,674,268
North Valley of Mexico	7,877,796	8,333,893
Central Valley of Mexico	7,383,209	7,719,831
South Valley of Mexico	7,916,359	8,138,016
Subtotal retail revenue	<u>135,391,897</u>	<u>139,872,397</u>

**COMISION FEDERAL DE ELECTRICIDAD, STATE-OWNED PRODUCTIVE ENTERPRISE
and subsidiaries and affiliated companies**

Export sales	411,943	880,114
Billed energy	135,803,840	140,752,511
Other programs:		
Illegal Uses	2,098,548	1,259,035
Measurement failure	439,736	877,997
Billing error	692,419	1,343,306
	3,230,703	3,480,338
Total Electricity Power	139,034,543	144,232,849
Other revenue	\$ 2,334,744	\$ 1,857,878
Total revenue	141,369,287	146,090,727

As of June 30, income and expense, net from the MEM amounted to \$5,314,639. These amounts are showed in the condensed consolidated statement of comprehensive according to their net effects.

c. Revenues by homogeneous customer groups

Retail revenue	2016	2015
Domestic service	\$ 29,570,139	\$ 29,038,638
Commercial service	18,610,781	18,419,759
Service for public lighting	10,984,830	10,446,116
Agricultural service	3,312,153	2,492,241
Industrial service	72,913,994	79,475,643
Total retail revenue	135,391,897	139,872,397

The Electricity power services segment mainly includes the rendering of the public electricity power service, which consists of generating, conducting, transforming, distributing, and retailing of electricity power to all users of the country, as well as planning and realizing all works and installations, required by the National Power System with respect to its planning, execution, operation and maintenance, with the participation of independent power producers, in terms of the Electricity Power Utilities Law and its regulations.

From the date of this transformation into a State-owned Productive Company, the purpose of CFE is to provide the public service of transmission and distribution of electricity on behalf of the State.

The applicable electricity power rates in the Mexican Republic are defined and authorized by the Federal Government, through the Subministry of Revenue of Ministry of Finance and Public Credit (SHCP).

26. Recently issued financial reporting standards

In order to advance with the updating of International Financial Reporting Standards, the International Accounting Standards Board (IASB) enacted the amendments to the Standards that have an effective date beginning January 1, 2016, which are described below:

IFRS 1 First-time adoption of International Financial Reporting Standards
IFRS 10 Consolidated Financial Statements
IFRS C11 "Joint Control Agreements".
IFRS 16 Property, Plant and Equipment
IFRS 27 Separated Financial Statements
IAS 28 Investments in Associates and Joint Ventures
IAS 38 Intangible Assets
IAS 41 Agriculture

Likewise, the IASB enacted improvements to the Standards that will be effective beginning January 2016, which are described below:

IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations
IFRS 7 Financial Instruments: Information to Disclose
IAS 19 Employee Benefits
IAS 34 Interim Financial Information

The Company is currently evaluating the potential impact that they can have on the condensed consolidated interim financial information.

27. Subsequent events

Dr. Enrique Ochoa Reza resignation as CFE General Director

On July 8, 2016, Dr. Enrique Ochoa Reza present his resignation to the General Direction of Comision Federal de Electricidad (CFE).

The president of the Board Directors and the Energy Secretary, Lic. Pedro Joaquin Codwell informed that in the following days the President of the Republic will appoint a new individual.

Meanwhile the new substitute General Director is, **Dr. Jaime F. Hernández Martínez** – current Finance Director of CFE.

28. Issuance of the condensed consolidated interim financial information

The issuance of the condensed consolidated interim financial statements and their corresponding notes were approved by the Management and the Board of Directors on July 14, 2016. The board of Directors has the power to modify the accompanying condensed consolidated interim financial information. The subsequent events were considered until July 14, 2016.



Consolidated 2015 Financial Statements

Comisión Federal de Electricidad
State-Owned Productive Company

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
December 31, 2015 AND 2014**

Comisión Federal de Electricidad
State-Owned Productive Company

Consolidated financial statements for the years ended December 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

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Consolidated statements of changes in patrimony for the years ended December 31, 2015 and 2014	C
Consolidated statement of Cash Flows for the years ended December 31, 2015 and 2014	D
Notes to the consolidated financial statements at December 31, 2015 and 2014	E

Independent auditors' report**To the Board of Directors of****Comisión Federal de Electricidad
State-Owned Productive Company**

We have audited the accompanying consolidated financial statements of Comisión Federal de Electricidad, State-Owned Productive Company (henceforth "the Company"), which comprise the consolidated statements of financial position at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in patrimony, and consolidated statements of cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

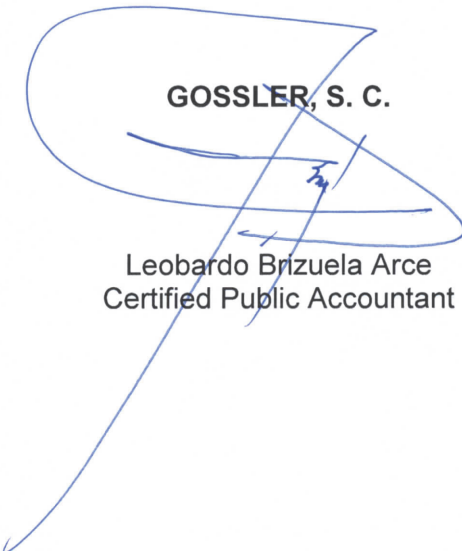
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Comisión Federal de Electricidad, State-Owned Productive Company, at December 31, 2015 and 2014, as well as its consolidated results and consolidated cash flows for the years then ended, in conformity with International Financial Reporting Standards.

Emphasis of Matter

Though the foregoing has no effects on our opinion, we hereby draw attention to the following notes to the consolidated financial statements:

As discussed in Note 1 to the financial statement, the Law of the Comisión Federal de Electricidad was published on August 11, 2014, effective beginning October 7, 2014, which provides the transformation of the Comisión Federal de Electricidad into a State-Owned Productive Company. Note 27 provides that the terms of strict legal separation are issued on January 11, 2016, which should be observed by Company to realize activities, such as Generation, Transmission, Distribution, Commercialization and Supplying of Primary Inputs, as well as for its market share to be independent through each one of the units in which it is separated, thereby generating economic value and profitability for the Mexican State as its owner.



GOSSLER, S. C.

Leobardo Brizuela Arce
Certified Public Accountant

Mexico City
April 7, 2016

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of financial position

At December 31, 2015 and 2014

(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

	2015	2014	
Assets			Liabilities
Current assets:			Short-Term
Cash and cash equivalents (Note 6)	\$ 35,588,358	\$ 36,310,880	Current portion of documented debt (Note 12)
			Current portion of PIDIREGAS (Note 13)
Accounts receivable, net (Note 7)	86,356,231	81,611,112	Suppliers and contractors
			Loans and fees payable (Note 14)
Materials for operation, net (Note 8)	15,531,321	21,279,536	Employee benefits (Note 17)
			Other payables and accrued liabilities
Total current assets	137,475,910	139,201,528	Deposits from users and contractors
			Total short-term liabilities
			Long-term:
Long-term loans to workers	10,061,390	9,233,151	Unrealized proceeds (Note 15)
			Documented debt (Note 12)
			Derivative financial instruments (Note 11)
			PIDIREGAS (Note 13)
			Long-term debt (Note 16)
			Employee benefits (Note 17)
			Total long-term liabilities
Plants, facilities and equipment, net (Notes 9 and 10)	1,085,946,390	998,056,787	Total liabilities
			PATRIMONY (Note 18)
			Movements of the period:
Derivative financial instruments (Note 11)	38,240,319	13,957,858	Contributions from the Federal Government
			Contributions in kind from the Federal Government
			Payment of public use tax
			Accumulated balances:
			Accumulated patrimony
Other assets	19,708,868	15,498,951	Other comprehensive income (loss) items
			Net loss for the period
			Total Patrimony
Total assets	\$ 1,291,432,877	\$ 1,175,948,275	Total liabilities and patrimony

The accompanying notes are an integral part of these financial statements.

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of comprehensive income

For the twelve month period ended December 31, 2015 and 2014

(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

EXHIBIT B

	2015	2014
Revenue on sale of electric power (Note 26)	\$ 306,864,019	\$ 333,397,051
Cost of operation	220,403,175	234,037,359
Gross profit	86,460,844	99,359,692
Depreciation	45,251,982	41,564,905
Administrative expenses	7,998,661	8,151,431
Estimated actuarial cost of labor obligations of the period	68,564,000	55,090,048
Operating income	(35,353,799)	(5,446,692)
Rate insufficiency (note 21)	60,332,140	86,227,484
Public use taxes (Note 21)	-	58,792,164
Net gain or loss on rate insufficiency and public use tax	60,332,140	27,435,320
Write-off of rate insufficiency not covered by public use tax	(60,332,140)	(27,435,320)
	-	-
Financial cost		
Interest payable, net	(21,988,252)	(21,123,009)
Exchange loss, net	(37,369,112)	(22,802,231)
	(59,357,364)	(43,925,240)
Other income - net (Note 19)	799,150	5,031,612
Income before taxes on earnings	(93,912,013)	(44,340,320)
Taxes on earning (Note 20)	-	(2,491,581)
Net loss for the period	<u>\$ (93,912,013)</u>	<u>\$ (46,831,901)</u>
Other comprehensive loss items (Note 22)		
Charge to equity for employee benefits	(24,596,000)	(9,627,144)
Write-off of opening balance of financial instruments in patrimony and others	-	38,950,186
Revaluation of fixed assets	(2,386,410)	766,720
Effect of financial instruments on patrimony	2,355,034	(83,228)
Comprehensive loss for the period	<u>\$ (118,539,389)</u>	<u>\$ (16,825,367)</u>

The accompanying notes are an integral part of these financial statements.

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of changes in patrimony
For the twelve month period ended December 31, 2015 and 2014
(Amounts stated in thousands of Pesos)

	Contributions from Federal Government	Contributions from Federal Government in kind	Retained earnings	Payment of public use tax	Other compreh income item
Balances at December 31, 2013	\$ 23,126,100	\$ -	\$ 113,624,347	\$ (30,600,000.00)	\$ 107,379
Movements inherent to Government Agency decisions					
Appropriation of prior year balances	(23,126,100)		(45,026,254)	30,600,000	
Movements of the period:					
Payment of Public Use Tax Federal Revenue Law				(31,518,000)	
Contributions from the Federal Government	28,402,300				
Fund transfer to CENACE DDP			(492,341)		
Comprehensive loss for the period					30,000
Balances at December 31, 2014	<u>\$ 28,402,300</u>	<u>\$ -</u>	<u>\$ 68,105,752</u>	<u>\$ (31,518,000)</u>	<u>\$ 137,389</u>
Movements inherent to Government Agency decisions					
Appropriation of prior year balances	(28,402,300)		(49,947,601)	31,518,000	
Movements of the period:					
Payment of Public Use Tax Federal Revenue Law				(43,400,000)	
Contributions from the Federal Government	43,405,251				
Fund transfer to CENACE DDP			(2,067,752)		
Contributions received		95,004,417			
Comprehensive loss for the period					(24,627)
Balances at December 31, 2015	<u>\$ 43,405,251</u>	<u>\$ 95,004,417</u>	<u>\$ 16,090,399</u>	<u>\$ (43,400,000)</u>	<u>\$ 112,758</u>

The accompanying notes are an integral part of these financial statements.

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of cash flows

For the twelve month period ended December 31, 2015 and 2014

(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

EXHIBIT D

	2015	2014
Operating activities		
Loss for the period	\$ (93,912,013)	\$ (46,831,901)
Depreciation in the period of plants, facilities and equipment.	45,251,982	41,564,905
Net cost of the period derived from employee benefits	68,564,000	55,090,048
Estimates and allowances	5,666,805	(765,249)
Interest payable	21,988,252	21,123,010
Exchange loss	37,369,112	22,802,231
Accounts receivable and others	(4,152,747)	(1,519,092)
Operating Materials	5,675,998	(1,660,259)
Suppliers and contractors	1,142,320	750,539
Employee benefits paid	(32,128,000)	(28,193,000)
Other payables and accrued expenses	20,502,520	15,101,898
Net cash flows provided by operating activities	75,968,229	77,463,130
Investing activities		
Investment in plants, facilities and equipment	(39,789,534)	(46,822,499)
Other long-lived assets	(28,489,677)	(4,090,229)
Net cash flows used in investing activities	(68,279,211)	(50,912,728)
Financing activities		
Debt contracted	49,201,000	44,199,605
Financing paid debt	(42,443,887)	(45,171,310)
Interest paid	(19,656,700)	(24,275,196)
Contributions received from the Federal Government	43,405,251	28,402,300
Payment of public use tax Federal Revenue Law	(43,400,000)	(31,518,000)
Other long-term debts	4,482,796	2,607,529
Net cash flows from financing activities	(8,411,540)	(25,755,072)
Net increase in cash and cash equivalents	(722,522)	795,330
Cash and cash equivalents at beginning of year	36,310,880	35,515,550
Cash and cash equivalents at end of period	\$ 35,588,358	\$ 36,310,880

The accompanying notes are an integral part of these financial statements.

COMISION FEDERAL DE ELECTRICIDAD
State-Owned Productive Company

Notes to Consolidated Financial Statements
At December 31, 2015 and 2014
(Amounts stated in thousands of pesos)

Exhibit E

1. Organization, nature of the Productive Company and relevant events.

• **Organization and description of Business**

The Comision Federal de Electricidad (henceforth "The Company "CFE" or "we") is a Mexican institution that was created as a State-Owned Productive Company of the Federal Government by Decree of Congress dated August 14, 1937 and published on August 24, 1937 in the Official Daily Gazette.

Since it was created, the purpose of the CFE was to render public electric energy service in Mexico, which consists of generating, transforming, transmitting, distributing, and supplying electric energy to the Mexican population.

Subsequently, the Comision Federal de Electricidad Law, which provides for the transformation of the CFE into a State-Owned Productive Company and was published on August 11, 2014, went into effect on October 7, 2014.

Beginning when it is transformed into a State-Owned Productive Company, the purpose of the CFE is to transmit and distribute electric energy for account and by order of the State.

Toward that end, we will carry out activities such as generation, transformation, transmission, distribution, supply, and marketing of electric energy.

The rates applicable to the sale of electric power in Mexico are defined and authorized by the Federal Government, through the Undersecretary of Revenue of the Ministry of Finance and Public Credit (SHCP).

• **Relevant events**

Tax Obligations

Pursuant to the enactment of the Comision Federal de Electricidad Law, the concept of use provided for in Article 46 of the Public Electric Energy Service Law (repealed) disappears and, therefore, the CFE and its subsidiary companies and affiliates will begin to meet their tax obligations in terms of Title II of the Income Tax Law, which regulates the general regime of legal entities.

National Energy Control Center

The Decree, whereby the National Energy Control Center (CENACE) is created as a Decentralized Public Agency to have operating control of the National Electric System under its responsibility (activity entrusted to the CFE up to that time, as well as operating the Wholesale Electric Market, and open access and not improperly discriminatory to the National

Transmission and General Distribution Networks, was published in the Official Daily Gazette on August 28, 2014.

As a result of the creation of CENACE an entity with juridical personality and equity of its own, we had to transfer the assets that we used to carry out some of the activities that are now under the authority of the CENACE, and other resources that the above center requires for the performance of its duties.

The transfer had an impact on patrimony in the amount of \$ 492,341 in 2014 and \$ 2,067,752 in 2015.

Public Telecommunications Network Concession

In terms of the provisions set forth in Fifth Temporary Statute of the "Decree that reforms and aggregates various provisions of Articles 6, 7, 27, 28, 73, 78, 94, and 105 of the Constitution of the Mexican United States in Telecommunications matters", published in the Official Daily gazette on June 11, 2013, we totally assigned the concession to Telecomunicaciones de Mexico "TELECOMM), which was granted to us for installing, operating, and using a public telecommunications network, and all resources and equipment required will be transferred for operating and using that concession.

We will be responsible for optic fiber, rights of way, pole lines, buildings and facilities, thereby guaranteeing TELECOMM effective, shared access to that infrastructure to use it efficiently and successfully exercise its duties appropriately and meet its objectives. Telecomunicaciones de Mexico will have attributions and resources for promoting access to broad band services, planning, designing, and executing the construction and growth of a solid telecommunications backbone network with nationwide coverage.

In compliance with the constitutional precept, we filed the petition with the Federal Telecommunications Institution (IFT) for authorization to assign its certificate of assignment to install, operate, and exploit a public telecommunications network in favor of TELECOMM on December 17, 2014.

The IFT authorized the terms of the assignment of the certificate of assignment of the concession granted to CFE to install, operate, and use a public telecommunications network in benefit of TELECOMM pursuant to official statement 77/2015 on September 24, 2015.

Pursuant to official statement 3/2016 published on January 21, 2016, the IFT granted the Certification of Concession to TELECOMM for commercial use as shared network wholesale telecommunications services. TELECOMM will be the owner of the inherent Concession rights and obligations, and it should guarantee the continuity of the telecommunications services in the terms and conditions set forth therein.

Affiliates

CFE Internacional, LLC. (henceforth the company) was incorporated in the United States of America on January 20, 2015. It is the first international affiliated company of the Comision Federal de Electricidad (CFE), which holds absolute control with 100 % equity interest. The initial contribution amounts to US 100,000. The company will participate actively as a

competitor on the international fuel market through various markets. It will attract customers and market natural gas, carbon, and other types of fuel.

CFENERGIA, S. A. de C. V. (henceforth the company) was incorporated before registered notary public No. 171, in accordance with articles of incorporation No. 29505, on August 11, 2015. The juridical regime applicable thereto will be the General Corporate Law. The company is an affiliate of CFE, which holds absolute control with 100 % equity interest. It will further import, export, engage transportation, store, buy and sell natural gas, carbon, and any other type of fuel, as well as manage assets and fuel in the territory of the Mexican United States and abroad.

Assets contributed by the Federal Government

On October 7, 2015, the Ministry of Public Office, through its regulatory agency, the Institute of Administration and Appraisals of National Assets (INDAABIN) determines that the gratuitous loan is terminated and the relative assets are delivered with the acceptance certificate to the CFE, which includes exhibits for the different types of assets.

In this same acceptance certificate, the CFE receives the legal and physical ownership of the assets subject matter of the above certificate overall, in accordance with the above certificates. Beginning that same date, the formal procedures were started to carry out the legal dissolution of these assets of the Federal public domain regime. These assets have been included at a value determined by the SAE amounting to \$95,004,417 thousands of pesos in the Consolidated Statements of Financial Position at December 31, 2015, which will undergo adjustments in accordance with their detailed list for each one of the areas of influence.

2. Basis of preparation of the Financial Statements

a) Basis of preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards, its changes and interpretations (IFRS), as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are valued at fair value. Moreover, plants, facilities and equipment are valued at their assumed value at the date of transition, and revalued to their fair value as follows:

The fixed assets that comprise the real property of the Company was revalued by calculating its fair value by preparing appraisals with the parametric methodology indicated by the Institute of Administration and Appraisals of National Assets INDAABIN in 2014.

b) Monetary unit of the consolidated financial statements

The consolidated financial statements and their notes are presented in Mexican pesos, which is our functional and reporting currency.

c) Consolidated statements of comprehensive income

The CFE prepared consolidated statements of comprehensive income, and classified costs and expenses by their nature, pursuant to the specific essence of the type of cost or expense of the entity, as set forth in IAS 1 "Presentation of financial statements".

3. Summary of significant accounting policies

The significant accounting policies followed by the Company are as follows:

a. Basis of consolidation

Our financial statements include the accounts of the CFE and those companies and trusts on which we exercise control. Investments in associates are those in which we have significant influence, and they are recognized by using the equity method.

The shareholdings of the main subsidiaries, affiliates, and trusts at December 31, 2015 and 2014 is the following:

CFE holds absolute control over CFE International LLC. The initial contribution amounts to \$100,000 USD with 100% equity interest.

CFE holds absolute control over CFENERGIA. The initial contribution amounts to \$1,000,000 with 100% equity interest.

Trust	Equity of CFE			Type of project
	Trustor	Beneficiary of the trust:	Trustee	
Trust Management and Transfer of Ownership 2030	CFE	Primary beneficiaries: successful bidders who were awarded the contracts Secondary beneficiary: CFE	BANOBRAS, S. N. C.	Conditioned investment
Trust for the creation of a Revolving Financing Fund for the Housing Thermal Insulation Program of in the Valley of Mexicali, B.C.	CFE	CFE	BANOBRAS, S. N. C.	Power saved
Prior Expenses Trust	CFE	CFE	BANCOMEX, S. N. C	Direct investment:

b. Bases of translation of financial statements of foreign subsidiaries and associates

The financial statements of our foreign based subsidiaries are translated from IFRS into the local currency, which corresponds to a functional currency and finally into our reporting currency. When the local currency is the same as the functional currency, the translation is made directly from the local to the reporting currency, in accordance with IFRS.

CFE International, LLC. was incorporated and it is the first international affiliated company of the Comision Federal de Electricidad (CFE), which holds absolute control with 100 % equity interest. The initial contribution amounts to US\$100,000, as well as the incorporation of CFENERGÍA, S. A. de C. V., an affiliate company of CFE, which holds absolute control with 100% equity interest.

c. Cash and cash equivalents

Cash and cash equivalents are represented by cash, bank deposits, and investments in highly liquid instruments with maturities less than three months. These investments are presented at their cost of acquisition, plus accrued interest. That amount is similar to its market value.

d. Operating Materials

Operating materials inventories are recorded at their acquisition cost, and they are valued by using the average cost method, without exceeding their net realization value. They are further represented mainly by materials used in the maintenance of generating power stations for laying transmission, distribution, and fuel lines.

Inventories are reviewed periodically to determine the existence of obsolete material to evaluate the sufficiency of the allowance for obsolete inventories. When the case arises, the allowance is increased against income for the year.

e. Plants, facilities and equipment

Plants, facilities and equipment are initially recorded at their acquisition cost.

I. Plants, Facilities and Equipment in operation (electric infrastructure)

Plants, facilities and operating equipment used for generating, transmitting and/or distributing electric energy are presented in the statement of financial position at their revalued amounts. They are initially recognized at their acquisition cost and subsequently revalued to adjust their cost to their fair value, net of their accumulated depreciation. We periodically reviewed the fair values of our plants, facilities and operating equipment. We also evaluate the need to perform revaluations every 5 years, so that the carrying value does not differ significantly from what would have been calculated by using fair values at the end of the reporting period.

Any increase in revaluation of those plants, facilities, and operating equipment is recognized as a surplus in other comprehensive income. A decrease in carrying value generated by the revaluation of those plants, facilities, and operating equipment is recorded in income to the degree that it exceeds the balance of the surplus, if any.

Loan costs incurred in financing, both direct and general in constructions in progress with a period exceeding six months, are capitalized as part of the cost of the asset.

Financial costs were capitalized in the amount of \$5,965,953 and \$1,774,575 in 2015 and 2014, respectively.

In addition to the purchase price and costs directly attributable to the process of preparing the asset, in terms of physical location and condition for it to be able to operate in the for contemplated by our technicians, the cost also includes the costs estimated for dismantling and removing the asset, as well as restoring the place where those assets are located.

Clearing and adjusting plants, facilities and operating equipment is calculated on fair value or acquisition cost, as appropriate, by using the straight-line method based on the estimated useful life of assets, beginning the month following that in which they are available for use. In the event of a subsequent sale or retirement of revalued property, the surplus on revaluation attributable to the revaluation allowance of the remaining properties is directly transferred to retained earnings.

Depreciation rates in keeping with the useful live thereof, determined by specialized CFE technicians, are as follows:

	Annual rate %
Geothermal power generating stations	From 2.00 to 3.70
Steam power generating stations	From 1.33 to 2.86
Hydroelectric power generating stations	From 1.25 to 2.50
Internal combustion power generating stations	From 1.33 to 3.03
Turbo gas and combined cycle power generating stations	From 1.33 to 3.03
Nuclear power generating station	From 2.50
Substations	From 1.33 to 2.56
Transmission lines	From 1.33 to 2.86
Distribution networks	From 1.67 to 3.33

II. Property and assets allocated to offices and general services

We periodically evaluate useful lives depreciation methods, and residual values of our plants, facilities and equipment. The effects are recognized prospectively in those cases in which there are modifications to the estimates used.

When items of plants, facilities and equipment consist of diverse components and they have distinct useful lives, significant individual components are depreciated over their estimated useful lives. Maintenance costs and minor repair expenses are recognized in income when incurred.

Real property and assets allocated toward offices and general services are depreciated in accordance with the following rates:

	<u>Annual rate %</u>
Buildings	5
Furniture and office equipment	10
Computer equipment	25
Transportation equipment	25
Other private property	10

Land is not subject to depreciation.

An element of plants, facilities and equipment is retired when it is sold or when it is not expected to obtain future economic benefits derived from the continued use of the asset. The gain or loss generated by the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources that are received from the sale and the carrying value of the asset, and it is recognized in income

The value of plants, facilities and equipment are reviewed annually for impairment indicators in the value of those assets. No impairment losses were recognized in the years ended December 31, 2015 and 2014.

Conditioned investment

Effective 2000 and based on the Electric Power Utilities Law (LSPEE), access was given to independent power generating producers, which can only sell the power produced by them to the CFE. The entity evaluated that 23 of the existing contracts with independent producers have leasing characteristics of the power generating plant, in accordance with Interpretations of IFRIC-12, Concession Service Agreements. In turn, those leases qualify as financial leases, in accordance with IAS 17 Leases. Accordingly, they are recorded in a fixed asset account denominated Independent Producers, as well as the total liability that applies to the value of the asset.

f. Intangible assets

Intangible assets acquired separately are recognized at their acquisition cost, and we estimated the useful life of each intangible. We classified those cases in which no useful life has been defined as indefinite-lived intangible assets. We proceeded to amortize the value of definite-lived intangibles during their estimated useful life.

Amortization is recognized based on the straight-line method on their estimated useful life. Estimated useful life, residual value, and amortization method are reviewed every year end, and the effect of any change on the estimate recorded is recognized prospectively.

g. Financial assets and liabilities

Financial assets and liabilities are recorded initially at the fair value, plus transaction costs are that are directly attributable to their acquisition or issue of a financial asset or liability (other than financial assets and liabilities measured at fair value through gains or losses). Transaction costs directly attributable to a financial asset or liability at fair value with changes in losses or gains are immediately recognized in income.

Financial assets

Financial assets are classified only in any of the following categories: financial assets at fair value, financial assets and liabilities held-to-maturity, financial assets and liabilities available-for-sale, loans and accounts receivable or derivative financial instruments designated as hedges. The classification is dependent upon the nature and purpose of the financial asset, and it is determined at the time of their initial recognition.

Loans and receivables

Accounts receivable and loans are non-derivative financial instruments with fixed or determinable payments that are not listed on an active market. Loans and accounts receivable with credit terms exceeding one year (including accounts receivable, trade accounts receivable, and other receivables) are valued at amortized cost, by using the effective interest method, and they are subject to impairment tests. Interest income is recognized by applying the effective interest rate, except for short-term accounts receivable when recognition of interest would be immaterial.

Items receivable consist mainly of public consumers, government consumers, sundry receivables, and power in the billing process and loans to workers.

- Financial assets at fair value through income (loss)

Financial assets whose changes in fair value are recognized in income include financial assets held for trading. Derivative financial instruments, including embedded derivatives that qualify to be recognized separately, are classified as held-for-trading, unless they are designated as hedging instruments. Financial assets whose changes in fair value are recognized in income. They are recognized and presented in the statement of financial position at their fair value, and changes in fair value are included in income in interest costs and income.

- Financial assets held-to-maturity

This type of investments is those which we have the intent and ability to hold-to-maturity. We recognize them at their acquisition cost including purchase expenses, premiums, and discounts, which are amortized during the investment period based on their unpaid balance, net of any impairment. Interest and dividends generated by these investments are included in interest payable, net in the statement of income.

- Financial instruments available-for-sale financial

Investments in this type of instruments are recognized at their fair value, and the unrealized gains or losses are recognized in "other comprehensive income items", net of taxes on earnings. Interest and dividends generated by these instruments are included on the line of net interest payable. The fair values of these investments are taken at their market value. The exchange effects of securities available-for-sale are recognized in the statement of comprehensive income in the period in which they are generated.

- Financial asset retirements

A financial asset or, if applicable, a part of a financial asset or a part of a group of similar financial assets are retired when the rights to receive cash flows from the asset have expired or we have transferred them or we have assumed an obligation to pay the cash flows received without a material delay to a third party, pursuant to a transfer agreement, and we have substantially transferred the risks and benefits of the asset, or we have transferred control of the asset in spite of having substantially retained all the risks and benefits thereof.

When neither do we transfer nor do we substantially retain all the risks and benefits of the asset, nor do we retain control of the transferred asset, we continue to recognize the transferred to the degree of ongoing involvement that we maintain, and we recognize the associated liability. The corresponding asset and liability are measured based on what best reflects the rights and obligations that we have contracted.

Impairment of financial assets

At the closing of each reporting period, we evaluate if there is any objective indicator that the value of a financial asset or a group of financial assets has experienced any impairment. The value of financial assets is considered impaired when there are objective indicators that, as a result of use or more events occurred after their initial recognition, estimated future cash flows of the investment have been affected adversely.

We first evaluate if there are objective impairment indicators in the value of financial assets that have been recognized at their amortized cost, individually for those assets that are significant in themselves, or correctively for those that are not individually material. When there are no such indicators with respect to assets evaluated individually, irrespective of their importance, we include that asset in a group of assets with similar risk characteristics, and we perform a collective evaluation to determine if their value has experienced any impairment. In those cases in which we determine that any asset has experienced impairment individually, we recognize the loss in value, and we do not include that asset in collective tests.

Financial liabilities

Financial liabilities are classified at fair value or with changes in losses and gains or financial liabilities measured at their amortized cost, by using the effective interest method.

The company's financial assets include trade accounts payable and to contractors, other payables, an accrued liabilities, loans, unrealized proceeds, and derivative financial instruments. Derivative financial instruments are recognized at their fair value, short-term and long-term, and other payables are recognized as financial liabilities measured at their amortized cost.

All liabilities are initially recognized at fair value, and debt and loans and accounts payable are recognized net of directly attributable transaction costs.

The subsequent valuation of our financial liabilities is based on the following classification:

- Financial assets at fair value with changes through income (loss)

Financial assets recognized at their fair value whose changes in value are reflected in income include financial liabilities held for trading, and financial assets designated at the time they are initially recognized as financial liabilities are fair value with changes through income.

Financial liabilities are classified as held for trading if we contract them for the purpose of trading them in the near future. We include derivative financial instruments that we acquire in this category, which we do not designate as hedges. We also classify embedded hedges as held for trading, unless we have designated them as hedge instruments.

The gains or losses on financial liabilities held for trading are recognized in the statement of comprehensive income.

- Debt and loans

After their initial recognition, debt and loans that accrue interest are subsequently measured at their amortized cost, by using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when liabilities are written off, as well as through the amortization process by applying the effective interest rate method.

The amortized cost is calculated taking into account any discount or premium on the issue or acquisition, and the fees and other costs directly attributable that form an integral part of the effective interest rate. Amortization of that rate is recognized as a financial cost in the statement of comprehensive income.

- Financial liability write-offs

A financial liability is written off when the obligation derived from the liability has been paid, charged off or has expired.

When a financial liability is replaced by another financial liability of the same creditor in substantially different terms, or when the terms of the existing liability are modified substantially, we reflect that replacement or modification by writing off the original liability and recognizing a new liability. The difference between the values of those liabilities are reflected in our statement of comprehensive income.

Compensation

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when the Company has a legal right to offset the amounts recognized, and there is the intent to settle them on a net base or realize the assets and settle the liability simultaneously.

Fair value of financial instruments

At each date of presentation of information, the fair value of financial instruments traded on active markets is considered by determining the prices listed on the market or the prices listed by brokers, without any deduction of transaction costs.

Fair value of financial instruments not traded on an active market is determined by using appropriate valuation techniques. Those techniques can include the use of market transactions under the arm's length principle, benchmarked at the current fair value of other similar financial instruments, analysis of discounted cash flows or other valuation models.

h. Derivative Financial Instruments

Derivative financial instruments are recognized at their fair value in the statements of financial position. Fair value of derivative financial instruments contracted is determined pursuant to commonly accepted valuation techniques. In accordance with risk strategy, we enter into derivative financial instrument contracts to mitigate exchange rate and interest rate exposure, by contracting interest rate swaps, cross-currency swaps, and foreign currency forwards.

Policies include formal documentation of all transactions between hedge instruments and hedged positions, risk management objectives, and strategies for carrying out hedge transactions.

The effectiveness of derivative financial instruments designated as hedges is realized prior to designating them, as well as during the hedged period, which is carried out at least quarterly. When the hedge is not highly effective, the hedge is no longer effective, we stop applying the accounting treatment for hedges with respect to derivative financial instruments carried out prospectively.

The effective portion of changes in fair value of derivative financial instruments designated as cash flow hedges is recognized in equity in the item of other comprehensive income items, whereas the ineffective portion is recognized in income. The effective portion recognized in equity is recycled to income at the time at which the hedged item affects our income (loss) and it is presented in the same item of that statement in which we present the corresponding primary position.

Hedging policies set forth that those derivative financial instruments do not qualify to be treated as hedges are classified as instruments held for trading purposes; therefore, changes in their fair value are recognized immediately in income.

Due to the inherent nature of the transactions, we are exposed to the following risks:

- Interest rate risk

A significant part of our debt accrues interest at variable rates, which are calculated in reference to the EIIR rate with respect to debt denominated in pesos. At December 31, 2015 and 2014, we have covered the amounts of \$5 billion 129 and \$6 billion 794 million pesos of our peso denominated debt, which accrues interest at variable rates.

- Exchange rate fluctuation risk

A significant portion of the debt is denominated in a foreign currency, mainly U.S. dollars, whereas most of our assets and revenues are denominated in pesos. Pursuant to the foregoing, we are exposed to the risks of a devaluation of the peso against the dollar. As part of our risk management policy, we have contracted cross-currency swaps to reduce the impact of foreign exchange fluctuations. The effect of these instruments consists of replacing the obligation of paying fixed interest rates in dollars for an obligation to pay a fixed rate in pesos. At December 31, 2015 and 2014, we maintain cross-country swaps to hedge our foreign currency debt amounting to \$33 billion 324 million pesos and \$10 billion 737 million pesos, respectively, to hedge our foreign currency debt.

Likewise, a derivative financial instrument was contracted to hedge the exchange rate risk of our deb amounting to \$32 billion yens in 2012. To hedge the exchange risk of our debt in yens, we entered into a series of foreign exchange forward contracts, under which we acquire Japanese yens based on a U.S. dollar fixed exchange rate. We also acquired a call option to purchase Japanese yens at the end of the transaction. The market value of this transaction amounts to \$58,158,241 and \$64,556,200 U.S. dollars at December 31, 2015 and 2014, respectively.

- Commodities price risk

As part of our generation process, we consume commodities such as natural gas and, therefore, we are exposed to the impact of potential price increases of those commodities. We did not enter into any contract to mitigate this type of risks during the years ended at December 31, 2015 and 2014.

- Credit risk

We are also exposed to risks that our counterparties (customers, financial institutions) should fail to meet the financial obligations they have with our company.

i. Employee benefits

As part of the employee benefits for our employees, we grant them various benefits, which we have classified for tax purposes as direct employee benefits and pension benefits, seniority premiums, and termination benefits.

Direct employee benefits.

Such benefits are valued in proportion to the services rendered considering current salaries, and the liability is recognized as accrued. It mainly includes productivity incentives, vacations, vacation premium, bonuses, and recognition of seniority of temporary and permanent workers.

Employee benefits for pensions and others

We have a policy of granting pensions at retirement that cover our personnel. We have pensions for defined benefits, which were granted to our personnel who started their employment relationship up to August 18, 2008, and a defined contribution pension plan for our workers, whose employment relationship started on August 19, 2008 and thereafter.

There are also defined contribution pension plans established by the Federal Government, on which we must make contributions on behalf of the workers.

These defined contribution plans are calculated by applying the percentages indicated in the regulations corresponding to the amount of eligible salaries and wages, and they are deposited in those pension fund managers chosen by our workers, and the Mexican Institute of Social Security.

In accordance with the Federal Labor Law, we are bound to cover seniority premiums, as well as make certain payments to personnel who no longer render their services under certain circumstances.

The costs of pensions, seniority premiums, and termination benefits are recognized based on calculations made by independent actuaries, pursuant to the projected unit credit method by using nominal financial hypotheses.

The costs of contribution pensions are recognized in our income as incurred.

j. Taxes

- Taxes on earnings

Taxes on earnings due in the year is presented as a short-term liability, net of advance made during the year.

Deferred tax on earnings is determined by using the asset and tax method, based on the temporary differences between the amounts in the financial statements of our assets and liabilities, and their corresponding tax values at the date of the statement of financial position.

In the determination of the amounts of deferred taxes, we use the tax rates that will be in effect in the year in which we estimate that the asset will materialize or the liabilities will be settled, based on tax legislation, and by applying the tax rates that are enacted or whose approval is to be completed at the date of the statement of financial position.

We review the net book value of deferred tax assets on every date that we present our financial information, and we reduce it to the degree in which it is not likely that sufficient taxable income will be obtained to permit all or part of deferred tax assets to materialize. Deferred tax assets that have not been recognized are evaluated on each date on which we present our financial information, and we recognize them to the degree in which it is likely that we will determine sufficient future taxable income that enable us to materialize them.

The deferred taxes related to the items that we recognize outside of net income are recognized outside thereof. Deferred tax items attributable to other comprehensive income items form part of those items.

- Sales tax

We recognize revenues from our activities, costs, expenses, and assets, excluding the amount of any sales tax except when:

- (i) The sales tax paid on the acquisition of any asset or any service rendered that is not recoverable, in which case, that tax forms part of the value of the asset or expense, as appropriate.
- (ii) Accounts receivable and payable presented in our statement of financial position include that tax.

The net amount of the sales tax that we expect to recover or pay to the tax authority is presented as a receivable or payable in the statement of financial position, as appropriate, unless the collection or payment takes place in a period exceeding one year. In such a case, it is presented in the long-term.

k. Segment information

Our segment information is presented in the form that we use to evaluate each activity.

l. Revenue recognition

Revenues are recognized in the period in which electric power services are sold to customers. Consequently, the power already delivered that is in the process of being billed is considered as revenue of the year, and its amount is estimated based on the real billing of the immediately foregoing bimester.

m. Foreign currency transactions

Foreign currency denominated transactions are recorded at the current exchange rate on the date on which they are carried out. Assets and liabilities denominated in that currency are valued in local currency at the current exchange rate at the date of the consolidated financial statements. Exchange fluctuations between the date of carrying out the transactions and that date of its collection or payment are recognized in income as part of the financial cost.

n. Transactions with Federal Government, State, and Municipal Governments

The main transactions carried out with the Federal Government, State and Municipal Governments and their accounting treatment are as follows:

Federal Government:

Public Use Tax

- 1) On the assets contributed to CFE for their operation

The Utilities Public Service Law is repealed for 2015. Consequently, CFE was bound to the payment of a public use tax to the Federal Government on the assets that it used for

rendering the electric power utilities service in 2014. Public use tax was determined based on the profitability rate established by state-owned entities every year.

For the year ended December 31, 2014, a 9% rate was used ratified by the Ministry of Finance and Public Credit (SHCP). That rate is applied to the value of the net fixed asset in operation of the immediately foregoing fiscal year. The resulting amount was charged to income for the year.

The public use tax represented a decrease in profit for CFE due to a payment to the Federal Government. Consequently, it was recorded as an operating expense. This public use tax is offset against the rate insufficiency determined to supplement the rate gaps (revenue).

The Regulations of the Utilities Public Service Law (LSPEE) defines the concept of "net fixed asset in operation", as follows:

For purposes of Article 46 of the Law, the net fixed asset in operation shall be understood as the fixed asset in operation reduced by:

- I. Accumulated depreciation;
- II. The unamortized debt directly related to such assets; and
- III. The contributions of the applicants or petitioners.

2) Invested patrimony

The Federal Revenue Law contemplates that the SHCP can impose a public use tax on the invested patrimony which, if applicable, should be paid to the Federal Public Treasury, which is recorded as a decrease in patrimony. Likewise, the Executive can determine its reinvestment annually in entities as a patrimonial contribution.

3) Rate insufficiency to supplement rate gaps

This applied to the resources granted by the Federal Government to users of electric service through CFE, through various rate gaps in the sale of power.

In accordance with Article 46 of the LSPEE, the public use tax discussed above can be offset against the rate insufficiency up to December 31, 2014.

The rate insufficiency that may be offset against public use tax represented an increase in profit for CFE; therefore, the unrecoverable surplus of the rate insufficiency is recorded as revenue, and it was recognized and written off in the Company's consolidated financial statements. The concept of public use taxes disappears in 2015, and only the rate deficiency is shown. Rate deficiency is presented net of surplus and transfers.

State and Municipal Governments

Contributions. Contributions received from State and Municipal Governments to electrify rural populations and low income settlements for expansions of the distribution network and contributions of another nature are recorded as an unrealized proceed, which will be realized in accordance with the useful life of the asset that finance such contributions.

o. Accounts payable, accrued liabilities and provisions

Liabilities arising from provisions are recognized when there is a present obligation, either legal or assumed, as the result of a past event, it is likely that economic resources will be required to be disbursed to settle that obligation; and the obligation can be estimated reasonably.

In those cases in which the effect of the value of money due to time elapsed is significant, the amount of the provision is discounted at its present value, based on the disbursements that we estimate will be necessary to settle the obligation involved. The discount rate is before taxes and it reflects market conditions at the date of our statement of financial position and, if applicable, the specific risk of the corresponding liability. The increase in the provision is recognized as a financial cost in this case.

We only recognize the corresponding provision for contingent liabilities only when it is likely that funds will be disbursed for their extinction.

p. Critical accounting trials and key sources for the estimate of uncertainties

In the preparation of the financial statements, we make estimates with respect to various items. Some of these items are highly uncertain and the estimates involve opinions on those arrived at based on the information that we have available. We discuss various matters in the following paragraphs, which we have identified that might significantly affect our financial statements in the event that estimates should be used other than those that we might have reasonably used or if we change our estimates in the future, as a consequence of changes that can likely happen.

Our analysis covers only those estimates that we consider of major importance, taking into account the degree of uncertainty and likelihood of a relevant impact should a different estimate be used. There are many other areas in which we make estimates that lead to matters that are uncertain, but in which we consider that the effect of changing our estimate would not significantly impact our financial statements.

- Fair value of assets and liabilities

We have substantial financial assets and liabilities that we recognize at fair value, which is an estimate of the amount at which those assets and liabilities might be exchanged in a current transaction between parties willing to carry it out. The methodologies and hypotheses that we use for estimating fair value vary according to the financial instrument, as follows:

- a) We recognize cash and cash equivalents, trade accounts receivable, and trade accounts payable, in addition to other liabilities at their nominal value at the date of the statement of financial position.

- b) We recognize instruments listed on markets are prices on those markets at the date of the statement of financial position.
- c) Financial instruments not listed on any market such as bank credits and financial lease obligations are recognized by discounting future cash flows, by using interest rates for similar instruments.
- d) We apply various valuation techniques, such as making calculations of present value for derivative financial instruments.

The use of different methodologies or the use of distinct hypotheses for calculating the fair value of our financial assets and liabilities might significantly impact our financial results, as we have reported.

- Useful life of our plants, facilities and equipment

We depreciate our plants, facilities and operating equipment considering an estimated useful life.

In the determination of useful life, we consider particular operating and maintenance conditions of each one of our assets, as well as the historical experience with each type of asset, changes in technologies and various factors, including the practices of other energy companies. We review the useful lives of our assets every year to determine if it is necessary to modify them. The useful life might be modified due to changes in the number of years which we use such assets, or due to changes in technology or on the market or other factors. IF we should reduce the useful life of our assets, we would have a higher depreciation expense.

- Impairment of the value of our long-lived assets.

Our plants, facilities and equipment represent a significant portion of our total assets. International Financial Reporting Standards set forth the requirement of determining the loss of value of long-lived assets when circumstances indicate that there is a potential impairment in the value of this type of assets.

- Deferred taxes

We are bound to calculate income tax for the year, as well as the determination of temporary differences derived from differences in the treatment for tax and financial purposes, certain points such as depreciation, tax losses, and other tax liabilities.

These points generate deferred tax assets and liabilities, which we include in our statement of financial position. As part of our tax projection process, we evaluate the fiscal year with respect to the materialization of our deferred tax assets and liabilities, and if we will have taxable income in those periods to support the recognition of these deferred tax assets. This leads to the judgment of our management, which impacts the provisions for income tax payable and the amounts of deferred tax assets and liabilities. If our estimates differ from the taxable income finally obtained or if we adjust the estimates in the future, our income (loss) and our financial position might be affected significantly.

We recognize deferred tax assets considering the amount that we believe at which it is most likely to materialize. We take into account taxable income of the following years, based on our projections in this estimate, as well as the benefits of our tax payment strategies.

If our estimates of future income and benefits expected from our tax strategies are decreased or changes arise in tax legislation enacted that impose restrictions with respect to the timeliness or scope that we have for using the benefits of tax losses in the future, we would have to decrease the amount of deferred tax assets, and increase in the tax on earnings expense.

- Provisions

We recognize provisions when we have a present obligation derived from past events whose settlement requires the disbursement of funds that we can measure reliably, which we estimate as likely. The amount of provisions that we have recognized is the best estimate that our management has made with respect to the expense that we require to meet obligations, taking into account all the information available at the date of the financial statements, which includes the opinion of external experts such as legal advisors or consultants. Provisions are adjusted to recognize changes in circumstances of current matters and new obligations that have emerged.

In those cases in which we are not able to quantify the obligation reliably, we do not recognize any provision. However, the relative information is included in the notes to the financial statements.

The amounts that we have recognized can be different from expenses that we finally disburse, given the uncertainties inherent thereto.

- Labor obligations

The amounts we have recognized as liabilities in the statement of financial position and expenses in the statement of income related to postretirement premiums, pension plans, and other labor benefits were determined on an actuarial base that involves many hypotheses and calculations for postretirement benefits and for dismissal. The areas that have a major impact on estimates are as follows:

- a) The rate of salary increases that is calculated will be in the following years;
- b) Discount rates used to calculate present value of our future obligations;
- c) The expected rate of return; and
- d) Rate of return on pension plan assets

Those estimates are determined by our independent experts, who draw up our actuarial study by using the projected unit credit method.

- Allowance for doubtful accounts

We have created an allowance for doubtful accounts equal to the amount of estimated losses resulting from the lack of payment by our customers. We take into account the individual conditions of each one of the sectors in which our receivables are divided in creating the

allowances. We very particularly consider the number of days elapsed from the due date of invoices and negotiations that we have carried out with our customers to successfully recover our receivables. The amount of the loss due to the lack of collection of our receivables can differ between the real amount and the amount we have estimated.

Reclassifications

Some of the amounts of the 2014 financial statements have been reclassified to have their presentation conform with that used at 2015. The effects of these reclassifications were applied retrospectively to the accompanying financial information at December 31, 2015, in accordance with IAS 1 "Presentation of Financial Statements".

4. Leases

We consider that the contracts entered into contain a lease if contract performance is attributed to the use of an asset, and if the contract essentially gives us the right to use the asset.

When we conclude that the contracts are in their lease nature, we must classify them in:

a) Operating leases

They are those in which the lessor keeps a significant part of the risks and benefits inherent to the ownership of the asset that we are leasing. The payments we made under this type of contracts are recognized in our income on a lineal basis throughout the duration of the respective contract.

b) Financial leases

They are those in which the risks and benefits inherent to the ownership of the asset are transferred to us. We recognize an asset at the inception of the contract in these cases, and we recognize the corresponding liability at the lower value between its fair value or present value of the agreed upon rents. The rents paid reduce the lease debt proportionately, and the financial cost attributable to that liability with which a consistent interest rate is obtained.

Financial costs are recognized in income during the validity of the respective contract.

5. Derivative Financial Instruments

a. Fair values

The carrying value amounts and fair values of financial instruments recognized in our financial statements are included below:

	12/31/2015	12/31/2014
Financial assets:		
Cash and temporary investments	\$ 35,588,358	\$ 36,310,880
Accounts and Notes Receivable from consumers and other debtors	86,356,231	81,611,112
Long-term loans to workers	10,061,390	9,233,151
Derivative financial instruments	38,240,319	13,957,858

Financial liabilities at amortized cost			
Documented debt	\$	182,989,178	\$ 154,098,157
Plants under lease agreements, facilities, equipment, and PIDIREGAS		208,325,430	193,089,132
Suppliers and contractors		17,443,697	16,301,377
Deposits from users and contractors		20,042,429	18,737,992

b. Objectives of financial risk management

Part of the duties of the Company's Finance Management is to implement strategies and coordinate access to domestic and international markets, as well as supervise and manage financial risks related to the Company's operations through internal risk reports and the market environment, which analyze exposures by degree and magnitude of the risks. These risks include market risk (including exchange risk and interest rate risk), credit and liquidity risk.

The Company seeks to mitigate the effects of the risks of part of the debt by using derivative financial instruments to hedge them.

Treasury's duty is governed by the SHCP's policy of handling cash on hand in which the investments realized are not long-term, and they are made in low risk instruments. Treasury reports to the board of directors every month.

c. Credit risk management

Credit risk is the risk that one of the parties to a financial instrument causes a financial loss to the other party for failure to meet an obligation. The Company is subject to credit risk, mainly due to the financial instruments that refer to cash and temporary investments, loans and accounts receivables, and derivative financial instruments in order to minimize the credit risk in the captions of cash, temporary investments, and derivative financial instruments. The Company only involves itself with solvent parties and recognized reputation and high creditworthiness. The Company further obtains sufficient guarantees, when appropriate, as a way to mitigate the risk of financial loss caused by nonperformances.

For managing credit risk, the Company considers that the risk of loans and consumer receivables is limited. The Company provides for an allowance for doubtful accounts under the incurred loss model.

The aging analysis of consumer accounts and notes receivable, on which it has not considered necessary to realize any provision at December 31, 2015 and 2014, is as follows:

	2015	2014
Less than 90 days	\$ 3,062,960	\$ 3,263,430
90 to 180 days	3,807,923	4,115,040
More than 180 days	36,448,882	37,593,197
	<u>\$43,319,765</u>	<u>\$44,971,667</u>

Energy in billing process is not included in the amount of \$19,901,524 and \$15,988,759, respectively.

d. Liquidity risk

Liquidity risk is the risk that an entity has difficulties in meeting its obligations associated with its financial liabilities, which are liquidated by delivery of cash or another financial asset.

The financing received by the Company is mainly through debt contracted or by the leasing of plants, installations, equipment, and PIDIREGAS. In order to manage liquidity risk, the Company performs cash flow analyses periodically and maintains open lines of credit with financial institutions and suppliers. In addition, the Company is subject to budgetary control by the Federal Government. Accordingly, the net debt ceiling that is authorized by Congress every year, in accordance with its budgeted revenues, cannot be exceeded.

The following table shows the contractual due dates of the entity's financial liabilities, based on payment periods are:

At December 31, 2015	Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt	\$ 16,562,500	\$ 35,461,814	\$ 24,846,391	\$ 106,118,473	\$ 182,989,178
Plants under lease agreements, facilities, equipment, and PIDIREGAS	19,008,767	35,287,449	28,687,290	125,341,924	208,325,430
Suppliers and contractors	17,443,697				17,443,697
Deposits from users and contractors	20,042,429				20,042,429
Total	\$ 73,057,393	\$ 70,749,263	\$ 53,533,681	\$ 231,460,397	\$ 428,800,734

At December 31, 2014	Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt	\$ 14,789,500	\$ 26,109,931	\$ 27,327,622	\$ 85,871,104	\$ 154,098,157
Plants under lease agreements, facilities, equipment, and PIDIREGAS	16,026,662	29,892,169	30,160,988	117,009,313	193,089,132
Suppliers and contractors	16,301,377				16,301,377
Deposits from users and contractors	18,737,992				18,737,992
Total	\$ 65,855,531	\$ 56,002,100	\$ 57,488,610	\$ 202,880,417	\$ 382,226,658

e. Market Risks

The Company's activities mainly expose it to exchange financial risks in exchange rates and interest rates.

Foreign exchange risk management

The Company is funded through credits preferably in local currency when market conditions advise it as such; therefore, the current debt is denominated mostly in Mexican pesos.

The Company realizes foreign currency transactions. Accordingly, exposures are generated to exchange rate fluctuations.

The Company mainly uses interest rate and currency swaps, as well as forward exchange contracts to manage its exposure to interest rate and foreign currency fluctuations, in accordance with its internal policies.

The carrying values of foreign currency denominated assets and liabilities at period end on which the following are reported:

– **Analysis of foreign currency sensitivity**

The Company is mainly exposed to exchange rate variations between the Mexican peso and the US dollar and the Japanese yen.

The following table itemizes the Company's sensitivity to a 5% increase and decrease in the Mexican peso against relevant foreign currencies. The 5% represents the sensitivity rate used when the exchange risk is reported internally to key management personnel. It further represents management's evaluation about the possible fair change in exchange rates.

The sensitivity analysis only includes outstanding foreign currency denominated monetary items, and its translation is adjusted for a 5% change in exchange rates at period end. The sensitivity analysis includes external loans, as well as loans from foreign operations within the Company where the denomination of the loan is in a currency other than the loan currency or the borrower. A positive amount (as observed in the following chart) indicates an increase in income where the Mexican peso is strengthened 5% against the pertinent currency. If a 5% weakening is presented in the Mexican peso with respect to the benchmark currency, then there would be a comparable impact on income and the following balances would be negative:

	<u>2015</u>	<u>2014</u>
Gain or loss	\$ <u>5,460,940</u>	\$ <u>9,588,542</u>

In management's opinion, the impact of the inherent exchange risk is affects electric rates in the long-term through adjustments on inflation and the fuel formula that considers the peso/dollar exchange rate, in addition to inflation.

– **Interest rate risk management**

The Company is exposed to interest rate risks, since it obtains loans at variable interest rates. The Company manages the risk by maintaining an appropriate combination between fixed rate and variable rate loans, as well as managing derivative financial instruments designated as an interest rate hedge.

– **Interest rate sensitivity analysis**

The following sensitivity analyses have been determined based on the exposure to interest rates for derivative instruments, as well as for non-derivative instruments at the end of the period reported. For variable rate liabilities, an analysis is prepared on the assumption that the amount of the current liability at the end of the period reported has been the current liability for all year. At the time of reporting the interest rate risk to key management personnel internally, a 0.50 point increase or decrease is used in the case of the EIIR and 0.01 points in the case of LIBOR, which represents management's evaluation of the possible fair change in interest rates.

If the EIIR interest rate had been 0.50 points above/below and all other variables remain constant:

- The loss for the year ended December 31, 2015 and 2014 would increase or decrease in the amount of \$516,639 and \$474,833, respectively. This is mainly attributable to the Company's exposure to interest rates on its variable rate loans; and

If the LIBOR interest rate had been 0.01 points above/below and all other variables remain constant:

- The loss for the year ended December 31, 2015 and 2014 would increase or decrease in the amount of \$7,966 and \$5,913, respectively. This is mainly attributable to the Company's exposure to interest rates on its variable rate loans.

f. Fair value of financial instruments

Fair value of financial instruments recorded at amortized cost

The carrying values of financial assets and liabilities recognized at amortized cost in the financial statements are considered to approximate their fair value, including the following:

	2015		2014	
	Carrying Value	Fair value	Carrying value	Fair value
Documented debt	\$ 182,989,178	\$ 182,989,178	\$ 154,098,157	\$ 154,098,157
Plants under lease agreements, facilities, equipment, and PIDIREGAS	208,325,430	208,325,430	193,089,132	193,089,132

Valuation techniques and assumptions applied for determining fair value

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions are negotiated on the markets. Liquid assets are determined in reference to the prices quoted on the market.

- The fair value of other financial assets and liabilities (without including derivative instruments) are determined in conformity with generally accepted price determination models, based on the discounted cash flow analysis by using current transaction prices observable on the market and quotes for similar instruments.
- Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month (which is the monetary valuation of breaking the agreed upon transaction at any given time). CFE monitors this value and if there is any doubt or observes any irregularity in market value, it asks the counterparty for a new valuation.

Valuations at fair value recognized in the statement of financial position

The following table provides an analysis of the financial instruments valued subsequent to the initial recognition at fair value, grouped in levels from 1 to 2, based on the degree to which fair value is observable.

		<u>Level 1</u>
Available-for-sale financial assets		
Temporary investments	\$	<u>17,437,881</u>
Total	\$	<u>17,437,881</u>

The analysis of the fair value of derivative financial assets grouped in level 2 based on the degree to which fair value is observable is carried out in Note 11.

The levels referred to above are considered as indicated below:

- Level 1 valuations at fair value are those derived from quoted prices (unadjusted) on asset markets for liabilities or identical assets.
- Level 2 valuations at fair value are those derived from indicators other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

6. Cash and cash equivalents

At December 31, 2015 and 2014, cash and temporary investments are summarized as follows:

	<u>2015</u>	<u>2014</u>
Cash on hand and in banks	\$ 18,150,477	\$ 17,304,955
Temporary investments	<u>17,437,881</u>	<u>19,005,925</u>
Total	<u>\$ 35,588,358</u>	<u>\$ 36,310,880</u>

7. Accounts receivable, net

At December 31, 2015 and 2014, accounts receivable are summarized as follows

	<u>2015</u>	<u>2014</u>
Public consumers	\$ *66,259,514	\$ *69,688,594
Government consumers	22,168,411	18,412,951
Other receivables	<u>200,380</u>	<u>286,660</u>
	88,628,305	88,388,205
Allowance for doubtful accounts	<u>(18,032,594)</u>	<u>(18,697,261)</u>
	70,595,711	69,690,944
Notes receivable, claims to insurance companies and others	15,334,962	11,919,176
Value added tax recoverable	<u>425,558</u>	<u>992</u>
Total	<u>\$ 86,356,231</u>	<u>\$ 81,611,112</u>

(*) It includes energy in billing process.

At December 31, 2015 and 2014, balances and movements of the allowance for doubtful accounts are summarized as follows:

	2015	2014
Opening Balance	\$ 18,697,261	\$ 18,016,513
Increase	5,810,887	6,711,296
Applications	<u>(6,475,554)</u>	<u>(6,030,548)</u>
Final Balance	\$ <u>18,032,594</u>	\$ <u>18,697,261</u>

8. Operating Materials

At December 31, 2015 and 2014, materials for operation summarized as follows:

	2015	2014
Replacement parts and equipment:	\$ 3,802,741	\$ 5,000,300
Fuel and Lubricants	8,431,973	12,908,087
Nuclear fuel	<u>4,159,020</u>	<u>4,209,489</u>
	16,393,734	22,117,876
Allowance for obsolescence	<u>(862,413)</u>	<u>(838,340)</u>
Total	\$ <u>15,531,321</u>	\$ <u>21,279,536</u>

9. Plants, facilities and equipment

Net balances of plants, facilities and equipment at December 31, 2015 and 2014 are summarized as follows:

Investment at December 31, 2015

	Plants, facilities and equipment in operation	Capitalized replacement parts	Construction- in-progress	Construction Materials	Stock exchange certificates available	Total
Bal 01/Jan/15	1,674,558,948	8,949,003	27,871,114	11,939,475	8,821	1,723,327,361
Acquisitions	28,056,875	-	15,026,356	-	-	43,083,231
Contributions from the Federal Government	95,004,417					95,004,417
Retirements	(12,440,097)	-	-	-	-	(12,440,097)
Capitalization	21,705,922	(1,528,593)	(19,585,064)	(2,120,858)	-	(1,528,593)
Bal 31/Dec/15	<u>1,806,886,065</u>	<u>7,420,410</u>	<u>23,312,406</u>	<u>9,818,617</u>	<u>8,821</u>	<u>1,847,446,319</u>

Accumulated depreciation at December 31, 2015

	Plants, facilities and equipment in operation	Capitalized replacement parts	Construction- in-progress	Construction Materials	Stock exchange certificates available	Total
Bal 01/Jan/15	(723,791,118)	(1,479,456)	-	-	-	(725,270,574)
Net Balances 01/Jan/14	950,767,830	7,469,547	27,871,114	11,939,475	8,821	998,056,787
Depreciation for the period	(44,882,118)	(369,864)	-	-	-	(45,251,982)
Depreciation on retirements	9,022,627	-	-	-	-	9,022,627
Net Depreciation	(35,859,491)	(369,864)	-	-	-	(36,229,355)
Balances 31/Dec/15	(759,650,609)	(1,849,320)	-	-	-	(761,499,929)
Net Balances 31/Dec/15	1,047,235,456	5,571,090	23,312,406	9,818,617	8,821	1,085,946,390

Investment at December 31, 2014

	Plants, facilities and equipment in operation	Capitalized replacement parts	Construction- in-progress	Construction Materials	Stock exchange certificates available	Total
Bal 01/Jan/14	\$1,658,152,676	\$9,803,929	\$25,382,051	\$10,693,890	\$8,821	\$1,704,041,367
Acquisitions	38,567,166	-	8,284,328	1,245,585	-	48,097,079
Revaluation of the period (real property)	24,830,757	-	-	-	-	24,830,757
Rectification de revaluation 2013	(44,944,952)	-	-	-	-	(44,944,952)
Retirements	(7,841,964)	-	-	-	-	(7,841,964)
Capitalization	5,795,265	(854,926)	(5,795,265)	-	-	(854,926)
Balances 31/Dec/14	\$1,674,558,948	\$8,949,003	\$27,871,114	\$11,939,475	\$8,821	\$1,723,327,361

Accumulated depreciation at December 31, 2014

	Plants, facilities and equipment in operation	Capitalized replacement parts	Construction- in-progress	Construction Materials	Stock exchange certificates available	Total
Bal 01/Jan/14	(748,685,370)	(1,109,592)	-	-	-	(749,794,962)
Net Balances 01/Jan/14	\$909,467,306	\$8,694,337	\$25,382,051	\$10,693,890	\$8,821	\$954,246,405
Depreciation of the period	(41,195,041)	(369,864)	-	-	-	(41,564,905)
Depreciation on retirements	7,024,912	-	-	-	-	7,024,912
Rectification de reevaluation depreciation 2013	59,064,381	-	-	-	-	59,064,381
Net Depreciation Balances 31/Dec/14	24,894,252	(369,864)	-	-	-	24,524,388
	(723,791,118)	(1,479,456)	-	-	-	(725,270,574)
Net Balances 31/Dec/14	\$950,767,830	\$7,469,547	\$27,871,114	\$11,939,475	\$8,821	\$998,056,787

Plants, facilities and operating equipment - The balances of plants, facilities and equipment, including equipment under PIDIREGAS, at December 31, 2015 and December 31, 2014 are summarized as follows:

	2015	2014
Plants:		
Steam	\$ 330,215,571	\$ 330,775,454
Hydroelectric	210,389,031	206,881,907
Nuclear electric	122,125,426	121,520,039
Turbo gas and combined cycle	76,154,461	75,702,390
Geothermal	48,711,951	42,212,647
Internal combustion	2,087,844	2,027,376
Unconventional facilities	2,847,348	3,014,987
Transmission lines and transformation substations	433,715,501	337,478,138
Optic Fiber	7,126,663	7,002,199
Networks and distribution substations	415,740,578	390,923,625
Administrative and other buildings	59,545,210	58,619,303
Trusts	30,816	30,816
	1,708,690,400	1,576,188,881
External producers' equipment	97,471,095	97,471,095
Plots of land in regularization process	396,191	570,593
Dismounting of Laguna Verde Nuclear Station	328,379	328,379
	1,806,886,065	1,674,558,948
Less:		
Accumulated depreciation	734,578,597	703,873,556
Accumulated depreciation external producers	25,072,012	19,917,562
Total	\$ 1,047,235,456	\$ 950,767,830

Financial costs were capitalized in the amount of \$5,965,953 and \$1,774,575 in 2015 and 2014, respectively.

Works in progress - The balances of constructions-in-progress at December 31, 2015 and 2014 are summarized as follows:

Plant:	2015	2014
Steam	\$ 424,456	\$ 424,456
Hydroelectric	4,316,364	5,345,230
Nuclear electric	341,051	341,051
Turbo gas and combined cycle	648,714	648,714
Geothermal	1,468,241	1,468,241
Internal combustion	218,379	218,379
Lines, networks and substations	14,038,598	17,472,029
Offices and general facilities	762,343	661,281
Advances for construction	1,094,260	1,291,733
Total	\$ 23,312,406	\$ 27,871,114

Materials for construction - The balances of materials for construction at December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Replacement parts and equipment:	\$ 8,173,637	\$ 9,350,905
Materials in possession of third parties	1,644,980	2,588,570
Total	\$ 9,818,617	\$ 11,939,475

Capitalized replacement parts - The balances of capitalized replacement parts at December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Capitalized replacement parts	\$ 7,420,410	\$ 8,949,003
Less		
Accumulated depreciation	1,849,320	1,479,456
Total	\$ 5,571,090	\$ 7,469,547

Securities exchange certificates - The balances of Securities Exchange Certificates at December 31, 2015 and 2014 amounted to \$8,821, since that have been no drawdowns made at this time.

10. Assets contributed by the Federal Government

On October 11, 2009, the Executive Branch decreed the extinction of the Decentralized Agency Luz y Fuerza del Centro, and instructed the Sale of Assets Service (SAE) to place

all the useful assets applicable to electric power services at the disposal of the CFE which, by operation of the Public Electric Power Service, is responsible for operating this service.

On October 11, 2009, the SAE and CFE entered into an agreement where they subsequently ratify it on August 11, 2010, whereby they agree that beginning the effectiveness of the above decree, the SAE delivers the fixed assets to the electric service in the Central Zone of the country as a gratuitous loan.

The duration of the gratuitous loan agreement is three years, counted beginning October 11, 2009. That duration was automatically extended for another three year period on October 11, 2012.

On October 7, 2015, the Ministry of Public Office, through its regulatory agency, the Institute of Administration and Appraisals of National Assets (INDAABIN) determines that the gratuitous loan is terminated and the assets referred to above are delivered with the acceptance certificate to the CFE, which includes exhibits for the different types of assets.

In this same acceptance certificate, the CFE receives the legal and physical ownership of the assets subject matter of the above certificate overall, in accordance with the above certificates. Beginning that same date, the formal procedures were started to carry out the legal dissolution of these assets of the Federal public domain regime. These assets have been included at a value assigned by the SAE amounting to \$95,004,417 in the Consolidated Statements of Financial Position at December 31, 2015, which will undergo adjustments in accordance with their detailed list for each one of the areas of influence.

At the issue date of these Financial Statements, more recent appraisals will be started to restate their fair value.

11. Derivative financial instruments

- At December 31, 2015 and 2014, balances of derivative financial instruments and interest are summarized as follows:

	<u>2015</u>	<u>2014</u>
Designated as hedges		
Assets	\$ 33,604,019	\$ 9,974,406
Liabilities	\$ 29,362,665	\$ 9,621,788
Trading purposes		
Assets	\$ 4,636,300	\$ 3,983,452
Liabilities	\$ 5,636,999	\$ 4,933,590
Total Derivative Financial Instruments		
Assets	\$ 38,240,319	\$ 13,957,858
Liabilities	\$ 34,999,664	\$ 14,555,378

- **Financial instrument held for trading purposes** - On September 17, 2002, CFE placed a bond in the amount of 32 billion Japanese yen on the Japanese market at an annual 3.83% interest rate, due September 2032. CFE simultaneously realized a hedging operation by which it received the amount of 269,474,000 US dollars equivalent to the 32 billion yens at the spot exchange rate of the date of the operation of 118.7499 yens per US dollar. The operation consists of a series of Exchange "Forwards" that allow for setting the yen/dollar exchange rate during the term established for the operation at 54.0157 yens per US dollar. As a result of the operation, CFE pays an annual interest rate equivalent to 8.42% in US dollars. The effect of the evaluation of foreign currency "Forward" contracts is recorded in the Financial Cost; a gain (loss) in that cost offsets a loss (gain) in the underlying liability.

The CFE's tax obligation is to pay Japanese yens based to the creditor on the due dates. It is entitled to receive yens from the institution with which it contracted the hedge, in exchange for certain US dollars set forth in the financial instrument contract. The gain (loss) of the transaction with the institution with which the financial instrument was contracted is as follows:

		Exchange rate (December 2015)	Local currency (thousands of pesos)
Assets receivable (assets)	32,000,000,000 yens	0.1433	\$ 4,585,600
Assets deliverable (liability)	269,474,000 dollars	17.2065	\$ <u>4,636,704</u>
Assets deliverable, net			\$ <u>(51,104)</u>

Beginning March 17, 2003 and up to September 17, 2032, the CFE is bound to realize semester payments in the amount of 11,344,855 US dollars equivalent to 612,800,000 Japanese yens. Accordingly, the total sum that the CFE is bound to deliver in the next 17 years amounts to 385,725,084 US dollars, and the total amount that it will receive will be 20,835,200,000 Japanese yens.

Additionally, upon termination of the hedging contract, the parties entered into a purchase agreement by CFE of a "European Call" by which the CFE acquired the right to buy Japanese yens at market price upon maturity, in the event that the yen/dollar exchange rate is listed below 118.7498608401 yens per dollar and the sale by CFE of a "European Call", by which CFE sells the hedge of a yen/dollar exchange rate appreciation above 27.8000033014 yens per dollar.

In the event that CFE should decide to terminate the hedge (exchange "forwards") early, it would generate an estimated extraordinary loss at December 31, 2015 in an amount approximating 58,158,241 US dollars. The loss was estimated by J. Aron & Company (Calculation agent or broker) based on the fair value of the hedge at the date of the estimate.

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- Derivative financial instruments designated as hedges at December 31, 2015 are listed below:

Counterparty	Primary Position	Purpose	Amount of notional	Underlying asset	Market value	Hedge (fund) inception date	Hedge (fund) termination date
BANAMEX	\$ <u>1,702,516</u>	Change from floating rate to fixed rate	\$ <u>1,617,390</u>	Interest rate CETES 182 + 0.25%	\$ <u>(10,232)</u>	December 7, 2007	May 26, 2017
BANAMEX	\$ <u>368,987</u>	Change from floating rate to fixed rate	\$ <u>350,538</u>	Interest rate CETES 182 + 0.25%	\$ <u>(3,795)</u>	February 15, 2008	August 4, 2017
BANCOMER	\$ <u>1,314,758</u>	Change from floating rate to fixed rate	\$ <u>1,249,020</u>	Interest rate CETES 91 + 0.50%	\$ <u>(6,318)</u>	December 6, 2007	February 23, 2017
BANAMEX	\$ <u>787,092</u>	Change from floating rate to fixed rate	\$ <u>787,092</u>	Interest rate CETES 91 + 0.45%	\$ <u>(8,347)</u>	April 24, 2008	January 11, 2018
J.P. MORGAN	\$ <u>697,928</u>	Change from floating rate to fixed rate	\$ <u>593,239</u>	Interest rate EIR 28 + 0.45%	\$ <u>(6,265)</u>	March 30, 2012	July 10, 2020
HSBC	\$ <u>651,004</u>	Change from floating rate to fixed rate	\$ <u>553,353</u>	Interest rate EIR 28 + 0.45%	\$ <u>(5,954)</u>	March 30, 2012	July 10, 2020
CREDIT AGRICOLE	\$ <u>590,622</u>	Change from floating rate to fixed rate	\$ <u>502,029</u>	Interest rate EIR 28 + 0.45%	\$ <u>(5,273)</u>	March 30, 2012	July 10, 2020
BANCOMER	\$ <u>425,546</u>	Change from floating rate to fixed rate	\$ <u>372,183</u>	Interest rate EIR 28 + 0.45%	\$ <u>(4,057)</u>	March 30, 2012	July 10, 2020
BNP PARIBAS	\$ <u>435,552</u>	Change from floating rate to fixed rate	\$ <u>371,525</u>	Interest rate EIR 28 + 0.45%	\$ <u>(3,945)</u>	March 30, 2012	July 10, 2020
GOLDMAN SACHS	\$ <u>422,726</u>	Change from floating rate to fixed rate	\$ <u>370,171</u>	Interest rate EIR 28 + 0.45%	\$ <u>(3,398)</u>	March 30, 2012	July 10, 2020
SANTANDER SERFIN	\$ <u>547,802</u>	Change from floating rate to fixed rate	\$ <u>533,627</u>	Interest rate EIR 28 + 0.45%	\$ <u>(5,168)</u>	March 30, 2012	July 10, 2020
CREDIT AGRICOLE	\$ <u>595,093</u>	Change from floating rate to fixed rate	\$ <u>532,452</u>	Interest rate EIR 28 + 0.45%	\$ <u>(4,754)</u>	March 30, 2012	July 10, 2020
HSBC	\$ <u>554,726</u>	Change from floating rate to fixed rate	\$ <u>532,430</u>	Interest rate EIR 28 + 0.45%	\$ <u>(5,106)</u>	March 30, 2012	July 10, 2020
BANCOMER	\$ <u>580,614</u>	Change from floating rate to fixed rate	\$ <u>529,682</u>	Interest rate EIR 28 + 0.45%	\$ <u>(5,152)</u>	March 30, 2012	July 10, 2020
BANAMEX	\$ <u>576,581</u>	Change from floating rate to fixed rate	\$ <u>529,264</u>	Interest rate EIR 28 + 0.45%	\$ <u>(5,058)</u>	March 30, 2012	July 10, 2020
GOLDMAN SACHS	\$ <u>558,268</u>	Change from floating rate to fixed rate	\$ <u>527,253</u>	Interest rate EIR 28 + 0.45%	\$ <u>(4,408)</u>	March 30, 2012	July 10, 2020
CREDIT AGRICOLE	\$ <u>468,606</u>	Change from floating rate to fixed rate	\$ <u>374,884</u>	Interest rate EIR 28 + 1.59%	\$ <u>(1,723)</u>	July 2, 2012	June 29, 2020
BANAMEX	\$ <u>459,982</u>	Change from floating rate to fixed rate	\$ <u>367,985</u>	Interest rate EIR 28 + 1.59%	\$ <u>(1,868)</u>	Monday, July 02, 2012	June 29, 2020
SANTANDER	\$ <u>450,342</u>	Change from floating rate to fixed rate	\$ <u>360,274</u>	Interest rate EIR 28 + 1.59%	\$ <u>(1,932)</u>	July 2, 2012	June 29, 2020
HSBC	\$ <u>436,070</u>	Change from floating rate to fixed rate	\$ <u>348,856</u>	Interest rate EIR 28 + 1.59%	\$ <u>(1,822)</u>	July 2, 2012	June 29, 2020
CREDIT SUISSE	USD <u>16,788</u>	Translate Dollars into Pesos	USD <u>12,005</u>	Exchange rate USD/Mexican Peso	\$ <u>23,700</u>	January 24, 2005	July 24, 2021
CREDIT SUISSE	USD <u>10,750</u>	Translate Dollars into Pesos	USD <u>8,311</u>	Exchange rate USD/Mexican Peso	\$ <u>18,327</u>	February 2, 2005	February 02, 2023
DEUTSCHE BANK	USD <u>208,188</u>	Translate Dollars into Pesos	USD <u>171,323</u>	Exchange rate USD/Mexican Peso	\$ <u>314,954</u>	May 3, 2005	June 21, 2021
GOLDMAN SACHS	USD <u>49,296</u>	Translate Dollars into Pesos	USD <u>40,977</u>	Exchange rate USD/Mexican Peso	\$ <u>83,569</u>	March 26, 2005	March 26, 2022
GOLDMAN SACHS	USD <u>200,000</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD <u>186,667</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ <u>446,448</u>	December 15, 2008	December 15, 2036
DEUTSCHE BANK	USD <u>200,000</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD <u>186,667</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ <u>402,326</u>	December 15, 2008	December 15, 2036
GOLDMAN SACHS	USD <u>105,450</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD <u>96,662</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ <u>187,084</u>	June 15, 2009	December 15, 2036
DEUTSCHE BANK	USD <u>105,450</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD <u>96,662</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ <u>166,796</u>	June 15, 2009	December 15, 2036
DEUTSCHE BANK	USD <u>255,000</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD <u>233,750</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ <u>457,359</u>	June 15, 2009	December 15, 2036
MORGAN STANLEY	USD <u>250,000</u>	Translate Dollars into Pesos	USD <u>250,000</u>	Exchange rate USD/Mexican Peso	\$ <u>161,311</u>	July 15, 2015	January 15, 2024
BBVA BANCOMER	USD <u>350,000</u>	Translate Dollars into Pesos	USD <u>350,000</u>	Exchange rate USD/Mexican Peso	\$ <u>239,531</u>	July 15, 2015	January 11, 2024
BNP PARIBAS	USD <u>250,000</u>	Translate Dollars into Pesos	USD <u>250,000</u>	Exchange rate USD/Mexican Peso	\$ <u>157,007</u>	July 15, 2015	January 15, 2024
SANTANDER	USD <u>400,000</u>	Translate Dollars into Pesos	USD <u>400,000</u>	Exchange rate USD/Mexican Peso	\$ <u>171,166</u>	July 15, 2015	January 16, 2024

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- Effectiveness measurement of derivative financial instruments designated as hedges at December 31, 2015

Name of the Hedge in Accordance with the Documentation	Date of Swap	Cash Flow Payable on Primary Position	Cash Flow Receivable on Derivative Instrument	% Effectiveness	Rate used to Calculate Cash Flow of Primary Position	Rate Used to Calculate Cash Flow of Derivative Instrument	Surcharge	Base of Calculation for Both Cash Flows	Frequency
BANCOMER BANAMEX	January 2, 2015	\$ 12,203	\$ 12,203	100 %	3.2875 %	3.2875 %	0.45 %	CURRENT 360	M
ING IV	January 15, 2015	\$ 2,389	\$ 2,389	100 %	2.9800 %	2.9800 %	0.45 %	CURRENT 360	Q
ICO 4	January 26, 2015	USD 397	USD 397	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Se
BANCOMER BANAMEX	January 30, 2015	\$ 11,257	\$ 11,257	100 %	3.3110 %	3.3110 %	0.45 %	CURRENT 360	M
ICO 8	February 3, 2015	USD 256	USD 256	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Se
BANCOMER 2	February 3, 2015	\$ 4,621	\$ 4,621	100 %	3.3110 %	3.3110 %	1.59 %	CURRENT 360	M
BANCOMER 1	February 6, 2015	\$ 1,802	\$ 1,802	100 %	2.9700 %	2.9700 %	0.25 %	CURRENT 360	Se
ING III	February 26, 2015	\$ 2,769	\$ 2,769	100 %	2.8700 %	2.8700 %	0.50 %	CURRENT 360	Q
BANCOMER BANAMEX	February 27, 2015	\$ 11,239	\$ 11,239	100 %	3.3050 %	3.3050 %	0.45 %	CURRENT 360	M
BANCOMER 2	March 2, 2015	\$ 3,657	\$ 3,657	100 %	3.2950 %	3.2950 %	1.59 %	CURRENT 360	M
ING II	March 6, 2015	\$ 3,416	\$ 3,416	100 %	2.8900 %	2.8900 %	0.79 %	CURRENT 360	Q
ICO 5 6 AND 7	March 26, 2015	USD 1,319	USD 1,319	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Se
BANCOMER BANAMEX	March 27, 2015	\$ 11,236	\$ 11,236	100 %	3.3041 %	3.3041 %	0.45 %	CURRENT 360	M
BANCOMER 2	March 31, 2015	\$ 3,931	\$ 3,931	100 %	3.2987 %	3.2987 %	1.59 %	CURRENT 360	M
ING IV	April 16, 2015	\$ 2,000	\$ 2,000	100 %	2.9000 %	2.9000 %	0.45 %	CURRENT 360	Q
BANCOMER BANAMEX	April 24, 2015	\$ 11,246	\$ 11,246	100 %	3.3075 %	3.3075 %	0.45 %	CURRENT 360	M
BANCOMER 2	April 30, 2015	\$ 4,064	\$ 4,064	100 %	3.2955 %	3.2955 %	1.59 %	CURRENT 360	M
BANCOMER BANAMEX	May 22, 2015	\$ 11,203	\$ 11,203	100 %	3.2930 %	3.2930 %	0.45 %	CURRENT 360	M
ING III	May 28, 2015	\$ 2,340	\$ 2,340	100 %	3.0200 %	3.0200 %	0.50 %	CURRENT 360	Q
IXE 1	May 29, 2015	\$ 6,993	\$ 6,993	100 %	3.0000 %	3.0000 %	0.25 %	CURRENT 360	Se
BANCOMER 2	June 1, 2015	\$ 4,337	\$ 4,337	100 %	3.2975 %	3.2975 %	1.59 %	CURRENT 360	M
GOLDMAN SACHS 1, AND	June 12, 2015	USD 6,035	USD 6,035	100 %	0.3384 %	0.3384 %	0.4950 %	CURRENT 360	Se
3									
GOLDMAN SACHS 2, 4,	June 12, 2015	USD 11,072	USD 11,072	100 %	0.3384 %	0.3384 %	0.4950 %	CURRENT 360	Se
AND 5									
ICO 2 AND 3	June 19, 2015	USD 5,592	USD 5,592	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Se
BANCOMER BANAMEX	June 19, 2015	\$ 11,254	\$ 11,254	100 %	3.3100 %	3.3100 %	0.45 %	CURRENT 360	M
BANCOMER 2	June 30, 2015	\$ 3,932	\$ 3,932	100 %	3.3000 %	3.3000 %	1.59 %	CURRENT 360	M
ING IV	July 16, 2015	\$ 2,107	\$ 2,107	100 %	3.0800 %	3.0800 %	0.45 %	CURRENT 360	Q
BANCOMER BANAMEX	July 17, 2015	\$ 11,254	\$ 11,254	100 %	3.3100 %	3.3100 %	0.45 %	CURRENT 360	M
ICO 4	July 24, 2015	USD 393	USD 393	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Se
BANCOMER 2	July 31, 2015	\$ 3,823	\$ 3,823	100 %	3.3025 %	3.3025 %	1.59 %	CURRENT 360	M
ICO 8	August 3, 2015	USD 254	USD 254	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Se
BANCOMER 1	August 7, 2015	\$ 1,530	\$ 1,530	100 %	3.0300 %	3.0300 %	0.25 %	CURRENT 360	Se
BANCOMER BANAMEX	August 14, 2015	\$ 10,229	\$ 10,229	100 %	3.3095 %	3.3095 %	0.45 %	CURRENT 360	M
ING III	August 27, 2015	\$ 2,380	\$ 2,380	100 %	3.0800 %	3.0800 %	0.50 %	CURRENT 360	Q
BANCOMER 2	August 31, 2015	\$ 3,830	\$ 3,830	100 %	3.3112 %	3.3112 %	1.59 %	CURRENT 360	M
BANCOMER BANAMEX	September 11, 2015	\$ 10,224	\$ 10,224	100 %	3.3075 %	3.3075 %	0.45 %	CURRENT 360	M
ICO 5 6 AND 7	September 28, 2015	USD 1,313	USD 1,313	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Se
BANCOMER 2	September 30, 2015	\$ 3,721	\$ 3,721	100 %	3.3300 %	3.3300 %	1.59 %	CURRENT 360	M
BANCOMER BANAMEX	October 9, 2015	\$ 10,319	\$ 10,319	100 %	3.3425 %	3.3425 %	0.45 %	CURRENT 360	M
ING IV	October 15, 2015	\$ 1,776	\$ 1,776	100 %	3.1200 %	3.1200 %	0.45 %	CURRENT 360	Q
BANCOMER 2	November 3, 2015	\$ 4,213	\$ 4,213	100 %	3.3250 %	3.3250 %	1.59 %	CURRENT 360	M
BANCOMER BANAMEX	November 6, 2015	\$ 10,217	\$ 10,217	100 %	3.3050 %	3.3050 %	0.45 %	CURRENT 360	M

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Name of the Hedge in Accordance with the Documentation	Date of Swap	Cash Flow Payable on Primary Position	Cash Flow Receivable on Derivative Instrument	% Effectiveness	Rate used to Calculate Cash Flow of Primary Position	Rate Used to Calculate Cash Flow of Derivative Instrument	Surcharge	Base of Calculation for Both Cash Flows	Frequency
ING III	November 27, 2015	\$ <u>1,991</u>	\$ <u>1,991</u>	100 %	3.4500 %	3.4500 %	0.50 %	CURRENT 360	Quarterly
IXE 1	November 27, 2015	\$ <u>5,922</u>	\$ <u>5,922</u>	100 %	3.1900 %	3.1900 %	0.25 %	CURRENT 360	Quarterly
BANCOMER 2	November 30, 2015	\$ <u>3,330</u>	\$ <u>3,330</u>	100 %	3.3025 %	3.3025 %	1.59 %	CURRENT 360	Monthly
BANCOMER BANAMEX	December 04, 2015	\$ <u>10,205</u>	\$ <u>12,205</u>	100 %	3.3005 %	3.3005 %	0.45 %	CURRENT 360	Monthly
GOLDMAN SACHS 1, AND 3	December 11, 2015	USD <u>6,137</u>	USD <u>6,137</u>	100 %	0.3240 %	0.3240 %	0.4950 %	CURRENT 360	Quarterly
GOLDMAN SACHS 2, 4, AND 5	December 11, 2015	USD <u>11,260</u>	USD <u>11,260</u>	100 %	0.3240 %	0.3240 %	0.4950 %	CURRENT 360	Quarterly
ICO 2 AND 3	December 21, 2015	USD <u>5,653</u>	USD <u>5,653</u>	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Quarterly
BANCOMER 2	December 31, 2015	\$ <u>3,835</u>	\$ <u>3,835</u>	100 %	3.3175 %	3.3175 %	1.59 %	CURRENT 360	Monthly

Effectiveness Measurement.

Comision Federal de Electricidad uses risk management to mitigate exposure to the volatility of interest rates and exchange rates. Pursuant to the foregoing, the Entity has contracted plain vanilla interest rate and foreign currency swaps. With this, variable cash flows on the primary position have been hedged 100% by the cash flows received from the Derivative Financial Instrument.

Effectiveness Measurement Methodology.

The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the measurement method. In the effectiveness measurement tests performed on the swap flows, effectiveness was 100%.

In addition, the most critical characteristics of each swap were disclosed such as the date of the swap, the interest rates used for the calculation of the cash flow of the primary position, as well as the cash flow of the derivative financial instrument, the surcharge added to each calculation rate, the basis of calculation for each cash flow, the frequency of periods and date of the calculation of both rates.

With this, it can be observed and concluded that the critical characteristics of both the cash flow of the primary position and the cash flow of the derivative financial instrument are exactly equal, and the effectiveness of each Derivative Financial Instrument contracted by the Entity is 100%.

Sensitivity tests.

In accordance with IFRS, sensitivity was calculated of the variation in the market value of the derivative financial instruments contracted by NIIF.

The case of the operation of trading currencies (Forward) shows that the variation of one centavo in the exchange rate generates an approximate change in the market value of 0.0581%, that is, \$3,857 by December 31, 2015.

Interest rate and foreign currency hedge trading (Cross Currency Swaps) shows that the variation of one centavo in the exchange rate generates an approximate change in the market value of 0.0581 %, that is, \$19,367 (thousands of pesos), for December 31, 2015.

Interest rate hedging operations (Interest Rate Swaps) show that the variation of one base point in the interest rate generates an approximate change in the market value of 0.1745 %, that is, \$513 for December 31, 2015.

Comments on the Market Value (Mark-to-Market) and the adjustment on the Credit risk and its Level of Hierarchy.

The net clean market value of derivative financial instruments designated as hedges (Mark-to-Market) at December 31, 2015 amounts to \$2,355,034, which are included in patrimony and consist of \$81,085 against CFE, included in the value of the liability of the caption of financial instruments and \$2,436,119 in favor of CFE included in the value of the asset of the caption of financial instruments.

Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month. CFE monitors the Mark-to-market and if there is any doubt or observes any irregularity in the Mark-to-market behavior, it asks the counterparty for a new valuation.

Pursuant to the foregoing, the Market Value sent by the Calculation agent or counterparty is only an indicative value, since the models used by banks can differ between each other.

Adjustment of Fair Value or Mark-to-Market due on Credit Risk

In accordance with IFRS, fair value or Mark-to-Market (MTM) should reflect the creditworthiness of the Derivative Financial Instrument. Incorporating credit risk into the Mark-to-Market of the Derivative Financial Instruments recognizes the likelihood that one of the counterparties may incur in nonperformance and, therefore, the creditworthiness is reflected of the Derivative Financial Instrument, in accordance with IFRS.

Pursuant to the above, the Comision Federal de Electricidad adjusted the Fair Values or Mark-to-market that represent a credit risk for the entity.

Methodology to Adjust Fair Value or Mark-to-Market due on Credit Risk.

In order to adjust the fair value of Derivative Financial Instruments pursuant to IFRS for credit risks, Comision Federal de Electricidad will adopt the Credit Value Adjustment (CVA) concept.

The CVA consists of items of exposure or potential loss, likelihood of nonperformance and rate of recovery. Its formula is:

$$CVA = Exp * q * (1 - r)$$

Where:

Exp = Exposure

q = Likelihood of Nonperformance

r = Recovery Rate

Simplifications:

$$Exp = MTM$$

$$q * (1-r) = \text{Adjustment factor}$$

$$CVA = MTM * \text{Adjustment Factor}$$

Exposure will be considered as total market value (MTM) of each counterparty, that is, the sum of all the MTMs that we have with the financial institution.

The likelihood of nonperformance by one less the recovery rate will be the adjustment to the sum factor of the market values or exposure of each counterparty.

In order to obtain the likelihood of nonperformance (q), the Credit Default Swaps (CDS) of the counterparties are taken to their closest term available, in the understanding that the adjustment of the CVA will be carried out on a month-to-month basis. The CDS are data that reflect the market vision on credit risk, and it is transparent information for all financial entities.

For purposes of the calculation of the CVA, the recovery rate (r) will be zero. This rate is totally conservative, since the standard on the financial standard is 40%.

Once it is obtained, the CVA will proceed to adjust the MTM in the following manner:

$$MTM \text{ adjusted} = MTM - CVA$$

In the event that the CFE should maintain collateral for security deposits, the CVA will not be modified since the recovery rate determined by the CFE is zero.

This mechanism was approved by the Interinstitutional Delegate Committee of Financial Risk Management Associated with the Financial Position and Price of Fossil Fuel (CDIGR) as an adjustment to fair value methodology of Derivative Financial Instruments.

The adjustment to Market Value (MTM) will be realized monthly, provided that the total exposure position of each counterparty is favorable toward CFE, that is, the market valuation is positive for the entity and, consequently, there is a credit risk.

In the event that the total MTM position is negative for the entity, that adjustment will not be made since the credit risk will be for the counterparty, not for CFE.

COUNTERPARTY	MTM	ADJUSTED MTM	ADJUSTMENT AT DECEMBER 31, 2015
Credit Suisse	\$ 42,026	\$ 41,739	\$ 287
Deutsche Bank	1'341,434	1'335,707	5,727
Morgan Stanley	161,311	160,938	373
Santander	164,066	161,625	2,441
BNP Paribas	153,062	152,073	989
BBVA Bancomer	224,004	220,745	3,259
Collateral received			0
Total Cost			\$ 13,076

Hierarchy of Fair Value or Mark-to-Market

In order to increase consistency and comparability of fair value measurements and their disclosures, IFRS set forth a fair value hierarchy that prioritizes on three levels of data in the valuation techniques used. This hierarchy grants the highest priority to quoted prices (unadjusted) on the active markets for assets and liabilities (level 1) and the lowest priority for unobservable data (level 3).

The availability of relevant information and its relative subjectivity can affect the appropriate selection of the valuation technique. However, fair value hierarchy prioritizes data about valuation techniques.

Level 2 Information

As explained above and pursuant to the terms in which the ISDA contracts were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month.

Therefore, it is determined that the hierarchy level of the Entity's Mark-to-Market is **LEVEL 2** at December 31, 2015, pursuant to the following points:

- It is information other than quoted prices, and it includes level one information that is directly and indirectly observable.
- Quoted prices for similar assets and liabilities on active markets.
- Information other than prices quoted that is observable.
- Information that is derived mainly from observable information and correlated through other means.

Management's discussion of the policies of the use of Derivative Financial Instruments

1) The objectives for carrying out derivatives trading

The Comision Federal de Electricidad may realize any type of explicit financial hedge, either at interest rates and/or exchange rates, or those strategies that are necessary to mitigate the financial risk faced by the Entity.

2) Instruments used:

The CFE may buy or sell one or more of the following types of instruments individually or collectively, provided that performance is maintained within approved risk management limits and guidelines.

- a.- Futures, forwards and swaps
- b.- Acquisition of call options
- c.- Acquisition of put options
- d.- Acquisition of collars or tunnels
- e.- Acquisition of equity futures

3) Hedging or trading strategies implemented:

The CFE cannot sell call options, put options or any other open instrument that exposes CFE to unlimited risk that is not totally offset by a corresponding opposite position.

4) Trading Markets

Domestic and Foreign

5) Eligible counterparties

Any Bank or Financial institution with which CFE has signed an ISDA

6) Policies for the designation of calculation or valuation agents

All ISDA contracts define that the counterparty is the calculation agent.

7) Main contract conditions or terms

The ISDA (International Swaps and Derivatives Association) are standardized contracts, and the conditions are the same in all of them. There are special characteristics only in confirmations.

8) Margin Policies

In the event that the market value of any operation should exceed the maintenance level agreed upon in the ISDA contracts and their supplements, the counterparty issues a request for deposit of collateral in an off-balance sheet item via fax or e-mail. CFE sends the security deposit to the counterparty. While there is a deposit for the margin call, the market value is reviewed by the "calculation agent", defined in the ISDA contract every day, in order for the entity to be able to request the refund of the collateral when the market value returns to levels below the agreed upon maintenance level. These security deposits are considered as a restricted asset in derivative financial instrument trading for CFE, and it is given the pertinent accounting treatment.

By December 31, 2015, CFE has security deposits or margin calls in an amount of 36.5 million U.S. dollars.

9) Collateral and Lines of Credit

Defined lines of credit for deposits of collateral are established in each one of the ISDA contracts signed with each counterparty.

Authorization processes and levels required by type of trade (simple hedge, partial hedge, speculation) indicating if derivatives trading was previously approved by the committee or committees that undertake corporate and audit practices.

The limits on the extension of transactions and derivative financial instruments are established based on the general conditions of the primary position and the underlying asset to hedge.

CFE may contract hedge transactions with financial derivatives, either at interest rates and/or exchange rates when the conditions thereof are a mirror of the primary position and underlying asset or liability to be hedged.

In addition, CFE is authorized to:

- a) contract financial derivatives with conditions other than those of the primary position and/or underlying asset to hedge

- b) The liquidation of positions
- c) Any other derivative financial instruments trading that is advisable for CFE

11) Internal control procedures for managing market and liquidity risk exposure in financial instrument positions.

Risk Management Department reviews the points discussed above.

Finally, there is a budget authorized by the Ministry of Finance and Public Credit for dealing with the commitments already contracted and to be contracted related to derivative financial instruments.

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12. Documented debt

Balances of the documented debt at December 31, 2015 and 2014 are summarized as follows:

				2015	
				Local currency	Foreign currency (Thousands)
Foreign Debt	Type of credit	Weighted Interest rate	Due dates		
In US dollars at the exchange rate	Bilateral	Fixed and variable -	Various up to 2023		
per dollar of \$17.206518 at December 2015		4.97%		\$3,264,831	189,744
and of \$14.718 at December 2014.	Bonds	Fixed and variable - -	Various up to 2045	66,735,410	3,878,500
	Revolving	Fixed and variable-	Various up to 2018	2,658,491	154,505
	Syndicated	1.91%	2018	-	-
		Fixed and Variable-0%		72,658,732	4,222,749
Total US dollars					
In euros at exchange rate for euros	Bilateral	Fixed and variable-	Various up to 2024	59,058	3,144
of \$18.7873 at December 2015 and		1.31%			
\$17.8103 at December 2014	Revolving	Fixed and variable-	Various up to 2017	16,902	900
		2.28%		75,960	4,044
Total euros					
In Swiss francs at the exchange rate per	Bilateral	Variable-0%	Various up to 2015	-	-
per Swiss franc of \$17.2452 at December	Revolving	Fixed -0.83%	Various up to 2018	1,911,573	110,847
2015 and of \$14.8122 at December 2014				1,911,573	110,847
Total Swiss francs					
In Swedish kronas at the exchange rate per	Bilateral	Fixed-2.8%	Various up to 2015	-	-
Swedish Krona of \$2.0381 at December				-	-
2015 and of \$1.8882 for December					
2014					
Total Swedish kronas					
In Japanese yens: at the exchange rate per	Bilateral	Fixed and variable -	Various up to 2020	378,320	2,640,053
Japanese yen of \$0.1433 at December		1.71%			
2015 and \$0.1227 at December 2014					
Bond		Fixed-3.83%	2032	4,585,600	32,000,000
Assets received for financial instruments,				51,104	
net (Note 10b)				4,636,704	32,000,000
Total Japanese yens				5,015,024	34,640,053
Total foreign debt				\$79,661,289	

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<u>Internal debt</u>	<u>Type of credit</u>	<u>Weighted Interest rate</u>	<u>Due dates</u>	<u>2015 Local Currency</u>	<u>Foreign Currency (Thousands)</u>
Local currency	Bank loans	Variable—4.15%	Various up to 2023	\$31,800,000	
	Securities market	Fixed and variable - - 6.33%	Various up to 2025	66,500,000	
Total Mexican pesos				<u>98,300,000</u>	
In UDIS at the exchange rate per UDI of \$5.3811 at December 2015 and \$5.269 at December 2014	Securities market	Fixed and variable - - 4.37%	Various up to 2027	5,027,889	
Total internal debt				<u>\$103,327,889</u>	
Summary					
Total foreign debt				79,661,289	
Total internal debt				<u>103,327,889</u>	
Total documented debt				<u>182,989,178</u>	
Total short-term				16,562,500	
Total long-term				<u>166,426,678</u>	
Total short and long-term				<u>\$182,989,178</u>	

At December 31, 2015, the short-term liability and long-term funded debt mature as follows:

Short-Term (2016)	\$ 16,562,500
2017	13,473,304
2018	21,988,511
2019	6,389,439
2020	18,456,953
2021 - Subsequent years	<u>106,118,471</u>
Total Long-term	<u>166,426,678</u>
Total	<u>\$182,989,178</u>

Documented debt

The following credits were obtained for 2015:

Internal debt

2 lines of credit were drawn down in November 2015, one amounting to \$2 billion 500 million pesos at a fixed 7.35% rate is due November 2025. The other credit amounting to \$500 million pesos at an EIIR rate $28 + 0.20$ is due June 2020. Likewise, a third line of credit was drawn down with Indeval amounting to 934 million UDIS at a 4.37% fixed rate, and its last amortization will be made in November 2027.

2 lines of credit were drawn down in June 2015 one amounting to \$9 billion pesos and the other amounting to \$1 billion pesos, the former at a fixed 7.35% rate, due November 2025, and the latter at an EIIR rate $28 + 0.20$, due June 2020.

A credit amounting to \$15 billion pesos was obtained through Cebures in December 2014, consisting of two lines of credit from Indeval at a 7.35% fixed rate amounting to \$9 billion 500 million pesos at an 11 year term, and the other credit amounting to \$5 billion 500 million pesos at an EIIR rate $28 + 0.15$ at an 11 year period. Moreover, payments were made amounting to \$500 million pesos to Banorte and \$1 billion 250 million pesos to BBVA Bancomer, among other things.

A credit was contracted amounting to \$5 billion pesos with Banco HSBC at an EIIR rate $28 + 0.425$ at a 3 year term in November.

In March 2014, a bond was contracted in the amount of \$6 billion 300 million pesos with Banco Santander, S. A. de C. V., at a rate of EIIR 91, less 0.65 % and a term of 4 years.

Foreign Debt

A line of credit was drawn down amounting to \$60 million dollars with Banco Santander at a LIBOR rate $6M + 1.6$ in August 2015, due November 2017. A line of credit was drawn down amounting to 985.8 million yens with Eximbank Japan at a CIR rate in October, due October 2015. A line of credit was drawn down amounting to 226 million Swiss francs at an SERB rate, and its last amortization will be made in October 2019.

A line of credit was drawn down amounting to \$700 million dollars with Deutsche Bank at a 6.125 fixed rate in the second quarter of 2015, and its last amortization will be made in June 2045. Likewise, a line of credit was drawn down amounting to \$29 billion 899 million Swiss francs at an SEBR rate, due October 2019.

A syndicated credit was drawn down amounting to \$1 billion 250 million dollars with BBVA as the agent bank at a LIBOR rate plus 1.15 in the first quarter of 2015, which should be totally settled in December 2015. Moreover, a line of credit was drawn down amounting to \$2.1 Swiss francs with UBS AG at an SEBR rate, and its final amortization will be made in August 2019. Finally, a line of yens was drawn down in the amount of \$19.9 million with Eximbank Japan at a CIR rate.

In 2012, a bond was placed in the amount of 750 million dollars at a 30 year term, with a 5.75% coupon and an oversubscription of 2.8 times. The funds from the placement of this bond served to participate the payment in the same amount, part of the syndicated credit subscribed in the amount of 2 billion dollars in December 2010, due June 2014. This transaction successfully deferred the due date of the original liability from June 2014 to February 2042.

13. Long-term Productive Infrastructure Projects (PIDIREGAS)

The balances of direct and conditioned investment at December 31, 2015 and 2014 are summarized and due as

	Direct investment: PIDIREGAS	Conditioned investment PEE's	Total 2015	Total 2014
Short-Term	\$ 15,157,538	\$ 3,851,229	\$ 19,008,767	\$ 16,026,666
<u>Long-Term</u>				
2016				16,514,000
2017	11,300,946	4,282,839	15,583,785	13,378,166
2018	14,936,479	4,767,186	19,703,665	17,425,411
2019	9,730,283	5,311,157	15,041,440	12,735,571
2020	7,723,267	5,922,583	13,645,850	11,310,400
2021	6,741,837	6,510,908	13,252,745	10,951,271
Subsequent years	30,609,228	81,479,950	112,089,178	94,747,631
Total long-term	\$ 81,042,040	\$ 108,274,623	\$ 189,316,663	\$ 177,062,471
Total	\$ 96,199,578	\$ 112,125,852	\$ 208,325,430	\$ 193,089,131

Direct Investment (PIDIREGAS)

At December 31, 2015 and 2014, the debt applicable to the acquisition of plants, facilities and equipment th
recorded in accordance with International Financial Reporting Standards, as summarized below:

		Term	Balances at December 31, 2015 (Thousands)				Balances at Decem	
		Of the	Local currency		Foreign currency		Local currency	
<u>Value of the credit:</u>		<u>agreement</u>	<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>
<u>Foreign Debt</u>								
354.27	Millions of dollars	2015					345,374	
621.94	Millions of dollars	2016	2,452,341	0	142,524	0	42,656	2,097
24.84	Millions of dollars	2017	64,647	37,172	3,757	2,160	189,585	87
701.22	Millions of dollars	2019	364,746	1,009,107	21,198	58,647	275,793	1,175
259.36	Millions of dollars	2020	469,760	1,644,159	27,301	95,555	401,821	1,808
491.64	Millions of dollars	2029	469,964	5,983,776	27,313	347,763	401,995	5,520
745.13	Millions of dollars	2032	1,036,525	9,500,127	60,242	552,123	886,616	9,012
609.39	Millions of dollars	2036	350,382	7,007,634	20,363	407,267	299,708	6,293
Total foreign debt			5,208,365	25,181,975	302,698	1,463,515	2,843,548	25,995

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			2015		2014	
			Foreign Currency		Foreign Currency	
<u>Value of the credit:</u>	<u>Duration of the contract</u>		<u>Short-term</u>	<u>Long-term</u>	<u>Short-term</u>	<u>Long-term</u>
Internal debt						
4,526.37 Millions of pesos	2015				70,939	
2,265.65 Millions of pesos	2016		880,824	36,598	1,331,121	91,155
14,805.54 Millions of pesos	2017		128,806	54,773	160,023	18,121
5,548.74 Millions of pesos	2018		1,191,133	2,685,275	1,660,044	3,871,121
7,969.18 Millions of pesos	2019		807,327	2,525,385	876,949	3,301,121
1,147.26 Millions of pesos	2020		927,830	3,171,441	956,150	4,091,121
15,945.19 Millions of pesos	2021		145,502	597,548	121,828	74,121
6,780.49 Millions of pesos	2022		1,752,492	8,524,334	1,884,651	10,271,121
19,442.74 Millions of pesos	2023		427,384	2,971,817	467,441	3,061,121
9,582.34 Millions of pesos	2024		1,591,847	10,345,495	1,052,423	7,471,121
5,188.57 Millions of pesos	2025		882,939	7,018,477	305,407	2,121,121
2,491.18 Millions of pesos	2032		429,234	2,752,888	520,546	3,141,121
16,048.53 Millions of pesos	2036		83,664	1,673,288	83,664	1,751,121
4,526.37 Millions of pesos	2042		700,191	13,493,925	726,944	14,191,121
Total internal debt			9,949,173	55,851,244	10,218,130	55,151,121
Total CEBURES			15,157,538	81,033,219	13,061,678	81,151,121
Total external and internal debt of PIDIREGAS and CEBURES			\$ 15,157,538	\$ 81,042,040	\$ 13,061,678	\$ 81,161,121

At December 31, 2015 and December 31, 2014, debts contracted for acquiring plants, facilities, and equipment through PIDIREGAS are included in itemized form as follows:

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
PIDIREGAS										
FOREIGN DEBT										
4 Integral thermoelectric units with a total capacity of 100 MW for the C. G. Cerro Prieto IV	103.34 million U.S. dollars	71.32 million U.S. dollars interest	103.34 million U.S. dollars	<u>Principal</u> \$ 1,444.57 million U.S. dollars <u>Interest</u> \$1,045.92 million U.S. dollars <u>taxes and trustee fees</u> \$82.48 million (5.60 million dollars fees)	Up to the year 2015	\$ 1,520,899				
1 combined cycle type module, with capacity of 423.3 MW of C. C.C. Chihuahua	277.37 million U.S. dollars	157.72 million U.S. dollars interest	277.37 million U.S. dollars	<u>Principal</u> \$3,867.43 million (262.77 million U.S. dollars) <u>Interest</u> \$2,301.99 million (156.41 million U.S. dollars) <u>taxes and trustee fees</u> \$89.95 million (6.11 million U.S. dollars)	Up to the year 2016	\$ 4,082,272	\$ 201,295		\$ 11,699	
One combined cycle type module, with capacity of 497.6 MW of C. C. C. Rosarito III	307.85 million U.S. dollars	338.46 million U.S. dollars interest	307.85 million U.S. dollars	<u>Principal</u> \$2,605.50 million (177.03 million U.S. dollars) <u>Interest</u> \$4,631.13 million (314.66 million U.S. dollars) <u>taxes and trustee fees</u> \$518.24 million (35.21 million U.S. dollars)	Up to the year 2016	\$ 4,530,986	\$ 2,251,046		\$ 130,825	
3 combined cycle type modules, with multi-shaft, with a nominal generation capacity of 168.6 MW each one for C. C. C. Samalayuca II. M - 1, 2, and 3.	701.22 million U.S. dollars	578.47 million U.S. dollars interest	701.22 million U.S. dollars	<u>Principal</u> \$8,869.60 million (602.64 million U.S. dollars) <u>Interest</u> \$8,065.70 million (548.02 million U.S. dollars) <u>taxes and trustee fees</u> \$1,165.25 million (79.17 million U.S. dollars)	Up to the year 2019	\$ 10,320,554	\$ 364,746	\$ 1,009,107	\$ 21,198	\$ 58,641
L. T. 215 Southeast Peninsular	131.22 million U.S. dollars	123.63 million U.S. dollars interest	131.22 million U.S. dollars	<u>Principal</u> \$1,806.06 million (122.71 million U.S. dollars) <u>Interest</u> \$1,813.50 million (123.22 million U.S. dollars) <u>taxes and trustee fees</u> \$235.24 million (15.98 million U.S. dollars)	Up to the year 2015	\$ 1,417,806				
SE 213 SF6 Power AND Distribution	175.18 million U.S. dollars	162.86 million U.S. dollars interest	175.18 million U.S. dollars	<u>Principal</u> \$2,226.89 million (170.30 million U.S. dollars) <u>Interest</u> \$2,126.34 million (162.61 million U.S. dollars)	Up to the year 2015	\$ 921,458				

						Balances at December 31, 2015 (Thousands)				
		Amount of payments agreed upon equivalent to rents			Term for the Contract	Total amount of the project (Thousands)	Local Currency		Foreign Currency	
Type of asset	Value of the credit:	Interest, taxes, others and trustee fees	Principal	Payments up to December 31, 2015			Short-term	Long-term	Short-term	Long-term
		8.16 million U.S. dollars taxes and trustee fees		<u>taxes and trustee fees</u> \$105.86 million (8.10 million U.S. dollars)						
SE 218 SF6 Northwest	50.66 million U.S. dollars	34.29 million U.S. dollars interest	50.66 million U.S. dollars	<u>Principal</u> \$707.89 million (48.10 million U.S. dollars)	Up to the year 2015	\$ 745,568				
				<u>Interest</u> \$502.63 million (34.15 million U.S. dollars)						
		1.29 million U.S. dollars taxes and trustee fees		<u>taxes and trustee fees</u> \$18.57 million (1.26 million U.S. dollars)						
C. H. Manuel Moreno Torres (2nd Stage)	71.09 million U.S. dollars	26.39 million U.S. dollars interest	71.09 million U.S. dollars	<u>Principal</u> \$947.64 million (64.39 million U.S. dollars)	Up to the year 2018	\$ 1,046,238				
				<u>Interest</u> \$383.08 million (26.03 million U.S. dollars)						
		2.90 million U.S. dollars taxes and trustee fees		<u>taxes and trustee fees</u> \$38.84 million (2.64 million U.S. dollars)						
L.T. 406 Network Associated with Tuxpan II, III AND IV	119.47 million U.S. dollars	43.95 million U.S. dollars interest	119.47 million U.S. dollars	<u>Principal</u> \$1,758.33 million (119.47 million U.S. dollars)	Up to the year 2018	\$ 1,562,225				
				<u>Interest</u> \$646.82 million (43.95 million U.S. dollars)						
		0.13 million U.S. dollars taxes and trustee fees		<u>taxes and trustee fees</u> \$1.93 million (0.13 million U.S. dollars)						
CC El Sauz Conversion from T. G. to C. C.	54.49 million U.S. dollars	15.65 million U.S. dollars interest	54.49 million U.S. dollars	<u>Principal</u> \$732.22 million (49.75 million U.S. dollars)	Up to the year 2015	\$ 801,957				
				<u>Interest</u> \$228.06 million (15.50 million U.S. dollars)						
L.T. 414 North - West	63.01 million U.S. dollars	19.49 million U.S. dollars interest	63.01 million U.S. dollars	<u>Principal</u> \$927.40 million (63.01 million U.S. dollars)	Up to the year 2018	\$ 823,963				
				<u>Interest</u> \$286.91 million (19.49 million U.S. dollars)						
L.T. 502 East - North	3.80 million U.S. dollars	1.16 million U.S. dollars interest	3.80 million U.S. dollars	<u>Principal</u> \$53.11 million (3.61 million U.S. dollars)	Up to the year 2015	\$ 55,910				
				<u>Interest</u> \$16.94 million (1.15 million U.S. dollars)						

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
C.C.I. Baja California Sur I	51.91 million U.S. dollars	16.23 million U.S. dollars interest	51.91 million U.S. dollars	<u>Principal</u> \$646.55 million (43.93 million U.S. dollars) <u>Interest</u> \$230.27 million (15.65 million U.S. dollars)	Up to the year 2018	\$ 764,069				
L. T. 610 Transmission Northwest - North	22.17 million U.S. dollars	7.50 million U.S. dollars interest 1.00 million U.S. dollars taxes and trustee fees	22.17 million U.S. dollars	<u>Principal</u> \$308.15 million (20.94 million U.S. dollars) <u>Interest</u> \$109.92 million (7.47 million U.S. dollars) <u>taxes and trustee fees</u> \$14.72 million (1.00 million U.S. dollars)	Up to the year 2018	\$ 326,280				
L. T. 612 Subtransmission North - Northeast	5.01 million U.S. dollars	1.53 million U.S. dollars interest	5.01 million U.S. dollars	<u>Principal</u> \$70.08 million (4.76 million U.S. dollars) <u>Interest</u> \$22.43 million (1.52 million U.S. dollars)	Up to the year 2015	\$ 73,773				
L. T. 613 Subtransmission Western	6.65 million U.S. dollars	2.25 million U.S. dollars interest	6.65 million U.S. dollars	<u>Principal</u> \$92.39 million (6.28 million U.S. dollars) <u>Interest</u> \$33.03 million (2.24 million U.S. dollars)	Up to the year 2018	\$ 97,824				
L. T. 614 Subtransmission Eastern	12.17 million U.S. dollars	3.67 million U.S. dollars interest	12.17 million U.S. dollars	<u>Principal</u> \$170.21 million (11.56 million U.S. dollars) <u>Interest</u> \$53.74 million (3.65 million U.S. dollars)	Up to the year 2015	\$ 179,171				
SE 607 Bajio System - Eastern	4.65 million U.S. dollars	1.27 million U.S. dollars interest	4.65 million U.S. dollars	<u>Principal</u> \$68.45 million (4.65 million U.S. dollars) <u>Interest</u> \$18.62 million (1.27 million U.S. dollars) <u>taxes and trustee fees</u> \$0.07 million 0 million U.S. dollars)	Up to the year 2018	\$ 60,818				
Steam Supply to Cerro Prieto Power Stations	13.12 million U.S. dollars	3.98 million U.S. dollars interest	13.12 million U.S. dollars	<u>Principal</u> \$183.48 million (12.47 million U.S. dollars) <u>Interest</u> \$58.28 million (3.96 million U.S. dollars)	Up to the year 2015	\$ 193,141				
OPF 062 CCE Pacific	259.36 million U.S. dollars	64.81 million U.S. dollars interest	259.36 million U.S. dollars	<u>Principal</u> \$1,607.28 million (109.21 million U.S. dollars)	Up to the year 2020	\$ 3,817,295	\$ 469,760	\$ 1,644,159	\$ 27,301	\$ 95,559

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
				<u>Interest</u> \$603.39 million (41.00 million U.S. dollars)						
		0.03 million U.S. dollars taxes and trustee fees		<u>taxes and trustee fees</u> \$0.49 million (0.03 million U.S. dollars)						
C.H. El Cajon	607.39 million U.S. dollars	130.01 million U.S. dollars interest	607.39 million U.S. dollars	<u>Principal</u> \$2,345.93 million (159.39 million U.S. dollars)	Up to the year 2036	\$ 8,939,492				
				<u>Interest</u> \$1,296.84 million (88.11 million U.S. dollars)						
		26.13 million U.S. dollars taxes and trustee fees		<u>taxes and trustee fees</u> \$384.64 million (26.13 million U.S. dollars)						
L. T. 710 Network Associated to CC Altamira V	12.96 million U.S. dollars	4.03 million U.S. dollars interest	12.96 million U.S. dollars	<u>Principal</u> \$180.12 million (12.24 million U.S. dollars)	Up to the year 2018	\$ 190,712				
				<u>Interest</u> \$58.97 million (4.01 million U.S. dollars)						
RM Botello	5.71 million U.S. dollars	1.84 million U.S. dollars interest	5.71 million U.S. dollars	<u>Principal</u> \$79.42 million (5.40 million U.S. dollars)	Up to the year 2018	\$ 84,087				
				<u>Interest</u> \$26.97 million (1.83 million U.S. dollars)						
RM Carbon II	7.00 million U.S. dollars	2.34 million U.S. dollars interest	7.00 million U.S. dollars	<u>Principal</u> \$97.37 million (6.62 million U.S. dollars)	Up to the year 2018	\$ 103,095				
				<u>Interest</u> \$34.34 million (2.33 million U.S. dollars)						
RM Dos Bocas	12.96 million U.S. dollars	4.29 million U.S. dollars interest	12.96 million U.S. dollars	<u>Principal</u> \$180.19 million (12.24 million U.S. dollars)	Up to the year 2018	\$ 190,793				
				<u>Interest</u> \$62.82 million (4.27 million U.S. dollars)						
RM Gomez Palacio	9.56 million U.S. dollars	2.66 million U.S. dollars interest	9.56 million U.S. dollars	<u>Principal</u> \$ 133.62 million (9.08 million U.S. dollars)	Up to the year 2015	\$ 140,653				
				<u>Interest</u> \$38.90 million (2.64 million U.S. dollars)						
RM Ixtaczoquitlan	0.82 million U.S. dollars	.25 million U.S. dollars interest	0.82 million U.S. dollars	<u>Principal</u> \$11.45 million (0.78 million U.S. dollars)	Up to the year 2018	\$ 12,124				
				<u>Interest</u> \$3.69 million (0.25 million U.S. dollars)						

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
RM Tuxpango	1.74 million U.S. dollars	0.56 million U.S. dollars interest	1.74 million U.S. dollars	<u>Principal</u> \$24.20 million (1.64 million U.S. dollars) <u>Interest</u> 8.22 million (0.56 million U.S. dollars)	Up to the year 2018	\$ 25,623				
RM CT Valle de Mexico	5.79 million U.S. dollars	1.73 million U.S. dollars interest 1.46 million U.S. dollars taxes and trustee fees	5.79 million U.S. dollars	<u>Principal</u> \$80.96 million (5.50 million U.S. dollars) <u>Interest</u> \$25.37 million (1.72 million U.S. dollars) <u>taxes and trustee fees</u> \$21.56 million (1.46 million U.S. dollars)	Up to the year 2015	\$ 85,217				
RM CT Carbon II Units 2 and 4	4.04 million U.S. dollars	1.31 million U.S. dollars interest	4.04 million U.S. dollars	<u>Principal</u> \$56.19 million (3.82 million U.S. dollars) <u>Interest</u> \$19.19 million (1.30 million U.S. dollars)	Up to the year 2018	\$ 59,499				
OPF 026 C.H. Manuel Moreno Torres (2nd Stage)	509.20 million Mexican pesos	237.48 million Mexican pesos	509.20 million Mexican pesos	<u>Principal</u> \$416.60 million	Up to the year 2018	\$ 509,202	\$ 27,475	\$ -	\$ 1,997	
OPF 048 CCI Baja California Sur I	52.88 million Mexican pesos	11.25 million Mexican pesos	52.88 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$2.79 million	Up to the year 2018	\$ 52,878	\$ 37,172	\$ 37,172	\$ 2,160	\$ 2,160
OPF 063 CH El Cajon	2,491.18 million Mexican pesos	3,205.97 million Mexican pesos	2,491.18 million Mexican pesos	<u>Principal</u> \$566.90 million <u>Interest</u> \$1,244.45 million	Up to the year 2036	\$ 2,491,179	\$ 350,382	\$ 7,007,634	\$ 20,363	\$ 407,266
OPF 181 RM CN Laguna Verde	491.64 million U.S. dollars	201.51 million U.S. dollars interest	491.64 million U.S. dollars	<u>Principal</u> \$1,313.56 million (89.25 million U.S. dollars) <u>Interest</u> \$951.76 million (64.67 million U.S. dollars)	Up to the year 2029	\$ 7,235,917	\$ 469,964	\$ 5,983,776	\$ 27,313	\$ 347,766
OPF 222 CCC Repowering CT Manzanillo-1 Y 2	664.98 million U.S. dollars	132.73 million U.S. dollars interest 0.21 million U.S. dollars taxes and trustee fees	664.98 million U.S. dollars	<u>Principal</u> \$1,034.58 million (70.29 million U.S. dollars) <u>Interest</u> \$472.14 million (32.08 million U.S. dollars)	Up to the year 2032	\$ 9,787,131	\$ 959,910	\$ 8,312,597	\$ 55,788	\$ 483,106
OPF 217 RM CCC El Zauz Package 1	80.15 million U.S. dollars	19.15 million U.S. dollars interest	80.15 million U.S. dollars	<u>Principal</u> \$32.77 million (2.23 million U.S. dollars) <u>Interest</u> \$16.58 million (1.13 million U.S. dollars)	Up to the year 2032	\$ 1,179,618	\$ 76,615	\$ 1,187,530	\$ 4,454	\$ 69,019

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
TOTAL FOREIGN DEBT							5,208,365	25,181,975	302,698	1,463,511
OPF 025 CG Los Azufres II and Geothermal Field	890.44 million Mexican pesos	381.04 million Mexican pesos	890.44 million Mexican pesos	Principal \$827.07 million Interest \$371.85 million	Up to the year 2018	\$ 890,438		\$ 63,367		
OPF 026 C.H. Manuel Moreno Torres (2nd Stage)	509.20 million Mexican pesos	237.48 million Mexican pesos	509.20 million Mexican pesos	Principal \$416.60 million Interest \$222.07 million	Up to the year 2018	\$ 509,202		\$ 92,598		
OPF 027 LT 406 Network Associated with Tuxpan II, III and IV	31.43 million Mexican pesos	6.55 million Mexican pesos	31.43 million Mexican pesos	Principal \$0 million Interest \$2.01 million	Up to the year 2018	\$ 31,429		\$ 31,429		
OPF 028 LT 407 Network Associated with Altamira II, III and IV	430.07 million Mexican pesos	175.90 million Mexican pesos	430.07 million Mexican pesos	Principal \$385.65 million Interest \$168.61 million	Up to the year 2018	\$ 430,073		\$ 44,428		
OPF 030 LT 411 National System	527.33 million Mexican pesos	227.33 million Mexican pesos	527.33 million Mexican pesos	Principal \$488.87 million Interest \$219.95 million	Up to the year 2018	\$ 527,335		\$ 38,465		
OPF 031 LT 409 Manuel Moreno Torres Network Associated (2nd Stage)	2,027.16 million Mexican pesos	857.47 million Mexican pesos	2,027.16 million Mexican pesos	Principal \$1,860.77 million Interest \$831.33 million	Up to the year 2018	\$ 2,027,159		\$ 166,384		
OPF 033 SE 402 Eastern - Peninsular	47.33 million Mexican pesos	17.08 million Mexican pesos	47.33 million Mexican pesos	Principal \$44.96 million Interest \$17.06 million	Up to the year 2015	\$ 47,329		\$ -		
OPF 038 CC El Sauz conversion from TG to CC	668.35 million Mexican pesos	274.89 million Mexican pesos	668.35 million Mexican pesos	Principal \$605.80 million Interest \$264.57 million	Up to the year 2018	\$ 668,354		\$ 62,549		
OPF 039 LT 414 North - West	33.89 million Mexican pesos	7.06 million Mexican pesos	33.89 million Mexican pesos	Principal \$0 million Interest \$2.17 million	Up to the year 2018	\$ 33,887		\$ 33,887		
OPF 041 LT 506 Saltillo - Cañada	2,156.81 million Mexican pesos	904.28 million Mexican pesos	2,156.81 million Mexican pesos	Principal \$2,012.08 million Interest \$883.30 million	Up to the year 2018	\$ 2,156,805		\$ 144,724		
OPF 042 LT 715 Network Associated to the Tamanzunc Power Station	1,166.18 million Mexican pesos	430.27 million Mexican pesos	1,166.18 million Mexican pesos	Principal \$904.13 million Interest \$407.26 million	Up to the year 2018	\$ 1,166,182	\$ 81,220	\$ 60,276		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
OPF 043 LT 509 Network Associated to the Rio Bravo Power Station	497.45 million Mexican pesos	223.05 million Mexican pesos	497.45 million Mexican pesos	<u>Principal</u> \$472.58 million <u>Interest</u> \$219.17 million	Up to the year 2018	\$ 497,449		\$ 24,872		
OPF 045 LT 413 Northwest - West	406.93 million Mexican pesos	171.72 million Mexican pesos	406.93 million Mexican pesos	<u>Principal</u> \$371.84 million <u>Interest</u> \$166.58 million	Up to the year 2018	\$ 406,927		\$ 35,090		
OPF 048 CCI Baja California Sur I	52.88 million Mexican pesos	11.25 million Mexican pesos	52.88 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$2.79 million	Up to the year 2018	\$ 52,878		\$ 52,878		
OPF 049 LT 609 Northwest - West Transmission	1,378.65 million Mexican pesos	525.52 million Mexican pesos	1,378.65 million Mexican pesos	<u>Principal</u> \$1,240.79 million <u>Interest</u> \$514.93 million	Up to the year 2018	\$ 1,378,651		\$ 68,933		
OPF 050 LT 610 Northwest - North Transmission	1,455.83 million Mexican pesos	646.80 million Mexican pesos	1,455.83 million Mexican pesos	<u>Principal</u> \$1,259.81 million <u>Interest</u> \$625.54 million	Up to the year 2018	\$ 1,455,827	\$ 26,490	\$ 143,039		
OPF 051 LT 612 North - Northeast Subtransmission	261.41 million Mexican pesos	90.35 million Mexican pesos	261.41 million Mexican pesos	<u>Principal</u> \$229.63 million <u>Interest</u> \$89.27 million	Up to the year 2016	\$ 261,406	\$ 12,096	\$ -		
OPF 052 LT 613 West Subtransmission	237.45 million Mexican pesos	114.60 million Mexican pesos	237.45 million Mexican pesos	<u>Principal</u> \$216.10 million <u>Interest</u> \$110.94 million	Up to the year 2018	\$ 237,452		\$ 21,036		
OPF 053 LT 614 East Subtransmission	48.72 million Mexican pesos	19.31 million Mexican pesos	48.72 million Mexican pesos	<u>Principal</u> \$41.91 million <u>Interest</u> \$18.99 million	Up to the year 2016	\$ 48,715	\$ 84	\$ -		
OPF 054 LT 615 Peninsular Subtransmission	286.27 million Mexican pesos	113.60 million Mexican pesos	286.27 million Mexican pesos	<u>Principal</u> \$242.98 million <u>Interest</u> \$111.53 million	Up to the year 2016	\$ 286,271	\$ 1,954	\$ -		
OPF 057 LT 1012 Transmission Network Associated with CCC Baja California	139.17 million Mexican pesos	34.15 million Mexican pesos	139.17 million Mexican pesos	<u>Principal</u> \$87.90 million <u>Interest</u> \$31.04 million	Up to the year 2018	\$ 139,168	\$ 14,649	\$ 21,974		
OPF 058 SE 607 Bajio System - Eastern	810.22 million Mexican pesos	333.06 million Mexican pesos	810.22 million Mexican pesos	<u>Principal</u> \$766.61 million <u>Interest</u> \$325.29 million	Up to the year 2018	\$ 810,224		\$ 43,613		
OPF 059 LT 611 Baja California Subtransmission Northwest	330.91 million Mexican pesos	112.47 million Mexican pesos	330.91 million Mexican pesos	<u>Principal</u> \$247.06 million <u>Interest</u> \$105.30 million	Up to the year 2016	\$ 330,910	\$ 17,809	\$ -		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract Up to the year 2016	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
OPF 060 SUV Steam Supply to Cerro Prieto Power Stations	1,091.40 million Mexican pesos	393.56 million Mexican pesos	1,091.40 million Mexican pesos	<u>Principal</u> \$894.92 million <u>Interest</u> \$384.29 million		\$ 1,091,405	\$ 23,072	\$ -		
OPF 061 CC Hermosillo conversion from TG to CC	813.96 million Mexican pesos	277.83 million Mexican pesos	813.96 million Mexican pesos	<u>Principal</u> \$728.28 million <u>Interest</u> \$271.24 million	Up to the year 2018	\$ 813,960		\$ 42,840		
OPF 062 CCE Pacific	4 billion 414.02 million Mexican pesos	1 billion 294.24 million Mexican pesos	4 billion 414.02 million Mexican pesos	<u>Principal</u> \$1,630.62 million <u>Interest</u> \$801.80 million	Up to the year 2022	\$ 4,714,993	\$ 561,243	\$ 1,365,238		
OPF 063 CH El Cajon	2 billion 491.18 million Mexican pesos	3 billion 205.97 million Mexican pesos	2 billion 491.18 million Mexican pesos	<u>Principal</u> \$566.90 million <u>Interest</u> \$ 1 billion 244.45 million	Up to the year 2036	\$ 2,491,179	\$ 83,664	\$ 1,673,288		
OPF 064 LT 723 Central Lines	70.93 million Mexican pesos	23.13 million Mexican pesos	70.93 million Mexican pesos	<u>Principal</u> \$ 57.34 million <u>Interest</u> \$22.54 million	Up to the year 2016	\$ 70,935	\$ 1,298	\$ -		
OPF 065 LT 714 Transmission Network Associated with CH El Cajon	747.40 million Mexican pesos	236.64 million Mexican pesos	747.40 million Mexican pesos	<u>Principal</u> \$593.82 million <u>Interest</u> \$225.78 million	Up to the year 2018	\$ 747,404	\$ 38,396	\$ 38,396		
OPF 066 LT 710 Transmission Network Associated with Altamira V	679.57 million Mexican pesos	271.91 million Mexican pesos	679.57 million Mexican pesos	<u>Principal</u> \$507.80 million <u>Interest</u> \$252.97 million	Up to the year 2018	\$ 679,567	\$ 52,794	\$ 52,984		
OPF 068 LT 718 Transmission Network Associated with Pacific	1 billion 206.46 million Mexican pesos	403.53 million Mexican pesos	1 billion 206.46 million Mexican pesos	<u>Principal</u> \$311.65 million <u>Interest</u> \$192.09 million	Up to the year 2023	\$ 1,206,461	\$ 120,985	\$ 528,917		
OPF 070 LT 717 Riviera Maya	422.14 million Mexican pesos	204.78 million Mexican pesos	422.14 million Mexican pesos	<u>Principal</u> \$401.03 million <u>Interest</u> \$201.72 million	Up to the year 2018	\$ 422,139	\$ -	\$ 21,107		
OPF 071 PRR Amata Regulatory Dam	144.42 million Mexican pesos	51.24 million Mexican pesos	144.42 million Mexican pesos	<u>Principal</u> \$137.20 million <u>Interest</u> \$51.18 million	Up to the year 2015	\$ 144,418	\$ -	\$ -		
OPF 072 RM Adolfo Lopez Mateos	329.18 million Mexican pesos	117.10 million Mexican pesos	329.18 million Mexican pesos	<u>Principal</u> \$312.30 million <u>Interest</u> \$116.94 million	Up to the year 2015	\$ 329,182	\$ -	\$ -		
OPF 074 RM Botello	8.28 million Mexican pesos	1.78 million Mexican pesos	8.28 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$0.41 million	Up to the year 2018	\$ 8,277	\$ -	\$ 8,277		
OPF 075 RM Carbon II	52.19 million Mexican pesos	22.93 million Mexican pesos	52.19 million Mexican pesos	<u>Principal</u> \$39.94 million <u>Interest</u> \$20.95 million	Up to the year 2018	\$ 52,191	\$ -	\$ 12,250		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
OPF 076 RM Carlos Rodriguez Rivero	205.00 million Mexican pesos	66.44 million Mexican pesos	205.00 million Mexican pesos	<u>Principal</u> \$173.36 million <u>Interest</u> \$65.57 million	Up to the year 2016	\$ 204,997	\$ 10,546	\$ -		
OPF 077 RM Dos Bocas	18.78 million Mexican pesos	4.03 million Mexican pesos	18.78 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$0.93 million	Up to the year 2018	\$ 18,781	\$ -	\$ 18,781		
OPF 079 RM Francisco Perez Rios	1,385.32 million Mexican pesos	399.62 million Mexican pesos	1,385.32 million Mexican pesos	<u>Principal</u> \$900.46 million <u>Interest</u> \$360.86 million	Up to the year 2018	\$ 1,385,321	\$ 138,532	\$ 207,798		
OPF 080 RM Gomez Palacio	219.77 million Mexican pesos	66.16 million Mexican pesos	219.77 million Mexican pesos	<u>Principal</u> \$185.07 million <u>Interest</u> \$65.20 million	Up to the year 2016	\$ 219,766	\$ 11,567	\$ -		
OPF 082 RM Huinala	6.26 million Mexican pesos	2.02 million Mexican pesos	6.26 million Mexican pesos	<u>Principal</u> \$5.93 million <u>Interest</u> \$2.02 million	Up to the year 2015	\$ 6,264	\$ -	\$ -		
OPF 083 RM Iztaczoquitlan	1.19 million Mexican pesos	0.26 million Mexican pesos	1.19 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$0.06 million	Up to the year 2018	\$ 1,193	\$ -	\$ 1,193		
OPF 084 RM Jose Aceves Pozos (Mazatlan II)	150.12 million Mexican pesos	41.99 million Mexican pesos	150.12 million Mexican pesos	<u>Principal</u> \$126.42 million <u>Interest</u> \$41.17 million	Up to the year 2016	\$ 150,124	\$ 7,901	\$ -		
OPF 087 RM Gral. Manuel Alvarez Moreno (Manzanillo)	525.50 million Mexican pesos	188.45 million Mexican pesos	525.50 million Mexican pesos	<u>Principal</u> \$498.37 million <u>Interest</u> \$188.20 million	Up to the year 2015	\$ 525,495	\$ -	\$ -		
OPF 090 RM Puerto Libertad	142.41 million Mexican pesos	51.40 million Mexican pesos	142.41 million Mexican pesos	<u>Principal</u> \$135.29 million <u>Interest</u> \$51.34 million	Up to the year 2015	\$ 142,408	\$ -	\$ -		
OPF 091 RM Punta Prieta	131.63 million Mexican pesos	43.60 million Mexican pesos	131.63 million Mexican pesos	<u>Principal</u> \$105.31 million <u>Interest</u> \$41.90 million	Up to the year 2018	\$ 131,634	\$ 6,582	\$ 6,582		
OPF 092 RM Salamanca	344.54 million Mexican pesos	121.61 million Mexican pesos	344.54 million Mexican pesos	<u>Principal</u> \$323.39 million <u>Interest</u> \$121.32 million	Up to the year 2016	\$ 344,537	\$ 1,733	\$ -		
OPF 093 RM Tuxpango	168.84 million Mexican pesos	60.64 million Mexican pesos	168.84 million Mexican pesos	<u>Principal</u> \$148.81 million <u>Interest</u> \$58.88 million	Up to the year 2018	\$ 168,844	\$ -	\$ 11,276		
OPF 095 SE 722 North	83.36 million Mexican pesos	30.10 million Mexican pesos	83.36 million Mexican pesos	<u>Principal</u> \$78.97 million	Up to the year	\$ 83,355	\$ -	\$ -		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract 2015	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
				<u>Interest</u> \$30.06 million						
OPF 098 SE 705 Capacitors	37.08 million Mexican pesos	13.11 million Mexican pesos	37.08 million Mexican pesos	<u>Principal</u> \$35.23 million <u>Interest</u> \$13.10 million	Up to the year 2015	\$ 37,081	\$ -	\$ -		
OPF 099 SE 708 East Compensation Dynamics - North	482.20 million Mexican pesos	181.50 million Mexican pesos	482.20 million Mexican pesos	<u>Principal</u> \$433.98 million <u>Interest</u> \$177.80 million	Up to the year 2018	\$ 482,201	\$ -	\$ 24,110		
OPF 100 SLT 701 West - Central	863.33 million Mexican pesos	270.72 million Mexican pesos	863.33 million Mexican pesos	<u>Principal</u> \$619.61 million <u>Interest</u> \$252.33 million	Up to the year 2018	\$ 863,327	\$ 69,937	\$ 84,667		
OPF 101 SLT 702 Southeast - Peninsular	321.31 million Mexican pesos	112.24 million Mexican pesos	321.31 million Mexican pesos	<u>Principal</u> \$223.99 million <u>Interest</u> \$99.34 million	Up to the year 2019	\$ 321,310	\$ 27,506	\$ 37,166		
OPF 102 SLT 703 Northeast - North	210.31 million Mexican pesos	69.36 million Mexican pesos	210.31 million Mexican pesos	<u>Principal</u> \$176.74 million <u>Interest</u> \$67.68 million	Up to the year 2016	\$ 210,312	\$ 12,330	\$ -		
OPF 103 SLT 704 Baja California - Northwest	73.23 million Mexican pesos	26.10 million Mexican pesos	73.23 million Mexican pesos	<u>Principal</u> \$69.38 million <u>Interest</u> \$26.38 million	Up to the year 2015	\$ 73,235	\$ -	\$ -		
OPF 104 SLT 706 North Systems	1 billion 869.57 million Mexican pesos	614.81 million Mexican pesos	1 billion 869.57 million Mexican pesos	<u>Principal</u> \$1,429.50 million <u>Interest</u> \$581.88 million	Up to the year 2018	\$ 1,869,573	\$ 98,100	\$ 196,462		
OPF 105 SLT 709 South Systems	1 billion 074.93 million Mexican pesos	378.04 million Mexican pesos	1 billion 074.93 million Mexican pesos	<u>Principal</u> \$961.78 million <u>Interest</u> \$369.35 million	Up to the year 2018	\$ 1,074,932	\$ -	\$ 56,575		
OPF 106 CC El Encino conversion from TG to CC	809.85 million Mexican pesos	318.16 million Mexican pesos	809.85 million Mexican pesos	<u>Principal</u> \$607.39 million <u>Interest</u> \$299.34 million	Up to the year 2018	\$ 809,849	\$ 80,985	\$ 40,492		
OPF 107 CCI Baja California Sur II	658.77 million Mexican pesos	190.48 million Mexican pesos	658.77 million Mexican pesos	<u>Principal</u> \$512.38 million <u>Interest</u> \$179.87 million	Up to the year 2016	\$ 658,772	\$ 36,598	\$ 36,598		
OPF 108 LT 807 Durango I	370.59 million Mexican pesos	123.36 million Mexican pesos	370.59 million Mexican pesos	<u>Principal</u> \$318.88 million <u>Interest</u> \$121.97 million	Up to the year 2016	\$ 370,591	\$ 16,539	\$ -		
OPF 110 RM CCC Tula	57.43 million Mexican pesos	15.88 million Mexican pesos	57.43 million Mexican pesos	<u>Principal</u> \$48.11 million <u>Interest</u> \$15.55 million	Up to the year 2016	\$ 57,428	\$ 3,106	\$ -		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract Up to the year 2019	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
OPF 111 RM CG Cerro Prieto (US)	413.34 million Mexican pesos	195.86 million Mexican pesos	413.34 million Mexican pesos	<u>Principal</u> \$186.00 million <u>Interest</u> \$142.02 million		\$ 413,338	\$ 41,334	\$ 144,668		
OPF 112 RM CT Carbon II Units 2 and 4	101.99 million Mexican pesos	33.10 million Mexican pesos	101.99 million Mexican pesos	<u>Principal</u> \$86.02 million <u>Interest</u> \$31.35 million	Up to the year 2018	\$ 101,994	\$ -	\$ 10,917		
OPF 113 RM CT Emilio Portes Gil Unit 4	389.24 million Mexican pesos	99.90 million Mexican pesos	389.24 million Mexican pesos	<u>Principal</u> \$320.01 million <u>Interest</u> \$97.22 million	Up to the year 2017	\$ 389,238	\$ 23,948	\$ 2,616		
OPF 114 RM CT Francisco Perez Rios Unit 5	345.18 million Mexican pesos	115.23 million Mexican pesos	345.18 million Mexican pesos	<u>Principal</u> \$276.15 million <u>Interest</u> \$111.31 million	Up to the year 2018	\$ 345,182	\$ 17,259	\$ 17,259		
OPF 117 RM CT Pdte. Adolfo Lopez Mateos Units 3,4, 5, and 6	481.60 million Mexican pesos	141.63 million Mexican pesos	481.60 million Mexican pesos	<u>Principal</u> \$366.40 million <u>Interest</u> \$135.55 million	Up to the year 2017	\$ 481,597	\$ 42,411	\$ 23,988		
OPF 118 RM Plutarco Elias Calles Units 1 and 2	224.01 million Mexican pesos	64.55 million Mexican pesos	224.01 million Mexican pesos	<u>Principal</u> \$177.17 million <u>Interest</u> \$62.30 million	Up to the year 2017	\$ 224,010	\$ 17,513	\$ 5,702		
OPF 122 SE 811 Northwest	120.48 million Mexican pesos	38.90 million Mexican pesos	120.48 million Mexican pesos	<u>Principal</u> \$102.41 million <u>Interest</u> \$38.40 million	Up to the year 2016	\$ 120,480	\$ 6,024	\$ -		
OPF 123 SE 812 North Gulf	57.31 million Mexican pesos	18.19 million Mexican pesos	57.31 million Mexican pesos	<u>Principal</u> \$48.26 million <u>Interest</u> \$17.91 million	Up to the year 2016	\$ 57,305	\$ 3,015	\$ -		
OPF 124 SE 813 Bajio Division	582.59 million Mexican pesos	161.52 million Mexican pesos	582.59 million Mexican pesos	<u>Principal</u> \$406.69 million <u>Interest</u> \$151.49 million	Up to the year 2018	\$ 582,587	\$ 56,291	\$ 60,633		
OPF 126 SLT 801 Plateau	924.70 million Mexican pesos	282.19 million Mexican pesos	924.70 million Mexican pesos	<u>Principal</u> \$714.32 million <u>Interest</u> \$267.43 million	Up to the year 2018	\$ 924,704	\$ 57,715	\$ 57,715		
OPF 127 SLT 802 Tamaulipas	776.33 million Mexican pesos	243.25 million Mexican pesos	776.33 million Mexican pesos	<u>Principal</u> \$543.43 million <u>Interest</u> \$226.30 million	Up to the year 2018	\$ 776,331	\$ 77,633	\$ 77,633		
OPF 128 SLT 803 Noine	721.47 million Mexican pesos	208.70 million Mexican pesos	721.47 million Mexican pesos	<u>Principal</u> \$551.93 million <u>Interest</u> \$199.12 million	Up to the year 2018	\$ 721,468	\$ 61,104	\$ 33,841		
OPF 130 SLT 806 Bajio	1 billion 44.56 million Mexican pesos	340.76 million Mexican pesos	1 billion 44.56 million Mexican pesos	<u>Principal</u> \$681.40 million <u>Interest</u> \$297.44 million	Up to the year 2020	\$ 1,044,564	\$ 52,228	\$ 206,483		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
OPF 132 CE La Venta II	1 billion 178.20 million Mexican pesos	523.93 million Mexican pesos	1 billion 178.20 million Mexican pesos	<u>Principal</u> \$549.83 million <u>Interest</u> \$438.83 million	Up to the year 2022	\$ 1,178,204	\$ 78,547	\$ 471,282		
OPF 136 LT 904 Transmission Network Associated with the CE La Venta II	74.80 million Mexican pesos	29.84 million Mexican pesos	74.80 million Mexican pesos	<u>Principal</u> \$59.84 million <u>Interest</u> \$28.62 million	Up to the year 2016	\$ 74,804	\$ 7,480	\$ -		
OPF 138 SE 911 Northeast	98.36 million Mexican pesos	28.30 million Mexican pesos	98.36 million Mexican pesos	<u>Principal</u> \$73.77 million <u>Interest</u> \$27.25 million	Up to the year 2017	\$ 98,359	\$ 9,836	\$ 4,918		
OPF 139 SE 912 East Division	160.79 million Mexican pesos	53.68 million Mexican pesos	160.79 million Mexican pesos	<u>Principal</u> \$93.01 million <u>Interest</u> \$43.26 million	Up to the year 2019	\$ 160,787	\$ 16,910	\$ 33,960		
OPF 140 SE 914 Central South Division	28.05 million Mexican pesos	8.28 million Mexican pesos	28.05 million Mexican pesos	<u>Principal</u> \$14.02 million <u>Interest</u> \$6.33 million	Up to the year 2019	\$ 28,049	\$ 1,402	\$ 9,817		
OPF 141 SE 915 West	122.00 million Mexican pesos	32.41 million Mexican pesos	122.00 million Mexican pesos	<u>Principal</u> \$79.30 million <u>Interest</u> \$29.82 million	Up to the year 2018	\$ 121,999	\$ 12,200	\$ 18,300		
OPF 142 SLT 901 Pacific	431.09 million Mexican pesos	116.26 million Mexican pesos	431.09 million Mexican pesos	<u>Principal</u> \$256.47 million <u>Interest</u> \$103.63 million	Up to the year 2018	\$ 431,093	\$ 44,647	\$ 85,326		
OPF 143 SLT 902 Isthmus	893.03 million Mexican pesos	271.95 million Mexican pesos	893.03 million Mexican pesos	<u>Principal</u> \$608.47 million <u>Interest</u> \$251.10 million	Up to the year 2018	\$ 893,033	\$ 88,340	\$ 106,789		
OPF 144 SLT 903 Cabo - North	619.45 million Mexican pesos	208.00 million Mexican pesos	619.45 million Mexican pesos	<u>Principal</u> \$484.03 million <u>Interest</u> \$196.84 million	Up to the year 2018	\$ 619,448	\$ 38,294	\$ 32,374		
OPF 146 CH La Yesca	16,048.53 million Mexican pesos	16,343.92 million Mexican pesos	15,261.71 million Mexican pesos	<u>Principal</u> \$1,127.47 million <u>Interest</u> \$1,934.23 million	Up to the year 2042	\$ 15,048,535	\$ 700,191	\$ 13,493,925		
OPF 147 CCC Baja California	1 billion 157.02 million Mexican pesos	517.39 million Mexican pesos	1 billion 157.02 million Mexican pesos	<u>Principal</u> \$636.36 million <u>Interest</u> \$400.91 million	Up to the year 2019	\$ 1,157,020	\$ 115,702	\$ 289,255		
OPF 148 RFO South Optic Fiber Network Project	305.28 million Mexican pesos	85.24 million Mexican pesos	305.28 million Mexican pesos	<u>Principal</u> \$242.08 million <u>Interest</u> \$81.48 million	Up to the year 2019	\$ 305,281	\$ 21,780	\$ 8,707		
OPF 149 RFO Central Optic Fiber Network Project	491.87 million Mexican pesos	229.94 million Mexican pesos	491.87 million Mexican pesos	<u>Principal</u> \$362.43 million <u>Interest</u>	Up to the year 2018	\$ 491,868	\$ 51,776	\$ 25,888		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015 \$214.70 million	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
OPF 150 RFO North Optic Fiber Network Project	512.87 million Mexican pesos	153.99 million Mexican pesos	512.87 million Mexican pesos	<u>Principal</u> \$352.01 million <u>Interest</u> \$142.97 million	Up to the year 2020	\$ 512,871	\$ 51,287	\$ 58,283		
OPF 151 SE 1006 South Central	201.32 million Mexican pesos	77.24 million Mexican pesos	201.32 million Mexican pesos	<u>Principal</u> \$54.46 million <u>Interest</u> \$35.67 million	Up to the year 2022	\$ 201,320	\$ 12,498	\$ 114,230		
OPF 152 SE 1005 Northwest	623.67 million Mexican pesos	151.88 million Mexican pesos	623.67 million Mexican pesos	<u>Principal</u> \$327.52 million <u>Interest</u> \$124.61 million	Up to the year 2020	\$ 623,673	\$ 66,953	\$ 162,248		
OPF 156 RM Infernillo	168.34 million Mexican pesos	40.52 million Mexican pesos	168.34 million Mexican pesos	<u>Principal</u> \$86.91 million <u>Interest</u> \$32.25 million	Up to the year 2020	\$ 168,341	\$ 17,613	\$ 46,210		
OPF 157 RM CT Francisco Perez Rios Units 1 and 2	1 billion 367.95 million Mexican pesos	475.85 million Mexican pesos	1 billion 367.95 million Mexican pesos	<u>Principal</u> \$585.86 million <u>Interest</u> \$345.08 million	Up to the year 2019	\$ 1,367,947	\$ 86,152	\$ 562,618		
OPF 158 RM CT Puerto Libertad Unit 4	142.73 million Mexican pesos	44.16 million Mexican pesos	142.73 million Mexican pesos	<u>Principal</u> \$114.18 million <u>Interest</u> \$43.22 million	Up to the year 2016	\$ 142,728	\$ 14,273	\$ -		
OPF 159 RM CT Valle de Mexico Units 5, 6 and 7	49.79 million Mexican pesos	12.83 million Mexican pesos	49.79 million Mexican pesos	<u>Principal</u> \$41.49 million <u>Interest</u> \$12.54 million	Up to the year 2016	\$ 49,791	\$ 2,766	\$ -		
OPF 160 RM CCC Samalayuca II	11.72 million Mexican pesos	3.32 million Mexican pesos	11.72 million Mexican pesos	<u>Principal</u> \$9.77 million <u>Interest</u> \$3.25 million	Up to the year 2016	\$ 11,718	\$ 651	\$ -		
OPF 161 RM CCC El Zauz	46.16 million Mexican pesos	13.61 million Mexican pesos	46.16 million Mexican pesos	<u>Principal</u> \$31.16 million <u>Interest</u> \$12.56 million	Up to the year 2018	\$ 46,162	\$ 4,616	\$ 5,768		
OPF 162 RM CCC Huinala II	19.66 million Mexican pesos	5.18 million Mexican pesos	19.66 million Mexican pesos	<u>Principal</u> \$11.79 million <u>Interest</u> \$4.62 million	Up to the year 2018	\$ 19,655	\$ 1,966	\$ 3,931		
OPF 163 SE 1004 Aerial Compensation Dynamics Central	171.76 million Mexican pesos	47.31 million Mexican pesos	171.76 million Mexican pesos	<u>Principal</u> \$144.64 million <u>Interest</u> \$46.37 million	Up to the year 2016	\$ 171,756	\$ 9,040	\$ -		
OPF 164 SE 1003 Electric Substations West	477.84 million Mexican pesos	107.31 million Mexican pesos	477.84 million Mexican pesos	<u>Principal</u> \$114.62 million <u>Interest</u> \$56.85 million	Up to the year 2022	\$ 477,840	\$ 70,373	\$ 240,639		
OPF 165 LT 1011 Transmission Network Associated with CCC San Lorenzo	63.38 million Mexican pesos	18.09 million Mexican pesos	63.38 million Mexican pesos	<u>Principal</u> \$41.20 million <u>Interest</u>	Up to the year 2018	\$ 63,382	\$ 6,338	\$ 9,502		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015 \$16.74 million	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
OPF 166 SLT 1002 Compensation and Transmission Northeast - Southeast	700.56 million Mexican pesos	209.49 million Mexican pesos	700.56 million Mexican pesos	<u>Principal</u> \$379.96 million <u>Interest</u> \$174.58 million	Up to the year 2019	\$ 700,557	\$ 56,661	\$ 193,186		
OPF 167 CC San Lorenzo conversion from TG to CC	69.63 million Mexican pesos	16.04 million Mexican pesos	69.63 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$3.03 million	Up to the year 2018	\$ 69,634	\$ -	\$ 69,634		
OPF 168 LT 1001 Baja - Nogales Transmission Network	350.98 million Mexican pesos	105.09 million Mexican pesos	350.98 million Mexican pesos	<u>Principal</u> \$263.23 million <u>Interest</u> \$100.09 million	Up to the year 2017	\$ 350,978	\$ 35,098	\$ 17,549		
OPF 170 LT Transmission Network Associated with the La Yesca CH	1,098.41 million Mexican pesos	285.40 million Mexican pesos	1,098.41 million Mexican pesos	<u>Principal</u> \$286.16 million <u>Interest</u> \$141.65 million	Up to the year 2022	\$ 1,098,410	\$ 109,841	\$ 592,565		
OPF 176 LT Transmission Network Associated with the Agua Prieta CC	458.32 million Mexican pesos	162.17 million Mexican pesos	458.32 million Mexican pesos	<u>Principal</u> \$99.16 million <u>Interest</u> \$56.68 million	Up to the year 2022	\$ 458,318	\$ 23,944	\$ 287,329		
OPF 177 LT Transmission Network Associated with the La Venta III CE	15.36 million Mexican pesos	4.45 million Mexican pesos	15.36 million Mexican pesos	<u>Principal</u> \$7.68 million <u>Interest</u> \$3.39 million	Up to the year 2019	\$ 15,357	\$ 768	\$ 5,375		
OPF 181 RM CN Laguna Verde	1 billion 836.95 million Mexican pesos	399.05 million Mexican pesos	1 billion 836.95 million Mexican pesos	<u>Principal</u> \$237.53 million <u>Interest</u> \$338.76 million	Up to the year 2016	\$ 1,836,950	\$ 680,942	\$ -		
OPF 182 RM CT Puerto Libertad Units 2 and 3	332.70 million Mexican pesos	85.54 million Mexican pesos	332.70 million Mexican pesos	<u>Principal</u> \$213.30 million <u>Interest</u> \$78.29 million	Up to the year 2018	\$ 332,703	\$ 34,116	\$ 51,173		
OPF 183 RM CT Punta Prieta Unit 2	61.56 million Mexican pesos	17.38 million Mexican pesos	61.56 million Mexican pesos	<u>Principal</u> \$36.93 million <u>Interest</u> \$15.63 million	Up to the year 2018	\$ 61,557	\$ 6,156	\$ 12,311		
OPF 185 SE 1110 Capacitive Compensation of the North	292.16 million Mexican pesos	60.87 million Mexican pesos	97.46 million Mexican pesos	<u>Principal</u> \$58.77 million <u>Interest</u> \$19.69 million	Up to the year 2022	\$ 292,164	\$ 37,478	\$ 162,760		
OPF 188 SE 1116 Northeast Transformation	2 billion 153.94 million Mexican pesos	811.31 million Mexican pesos	2 billion 153.94 million Mexican pesos	<u>Principal</u> \$619.22 million <u>Interest</u> \$451.57 million	Up to the year 2022	\$ 2,153,939	\$ 205,101	\$ 1,107,234		
OPF 189 SE 1117 Guaymas Transformation	206.67 million Mexican pesos	53.10 million Mexican pesos	206.67 million Mexican pesos	<u>Principal</u> \$54.43 million <u>Interest</u> \$28.56 million	Up to the year 2022	\$ 206,672	\$ 23,511	\$ 107,510		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
OPF 190 SE 1120 Northwest	515.04 million Mexican pesos	142.31 million Mexican pesos	515.04 million Mexican pesos	<u>Principal</u> \$150.34 million <u>Interest</u> \$84.33 million	Up to the year 2023	\$ 515,042	\$ 63,119	\$ 248,548		
OPF 191 SE 1121 Baja California	29.27 million Mexican pesos	6.02 million Mexican pesos	29.27 million Mexican pesos	<u>Principal</u> \$9.99 million <u>Interest</u> \$3.95 million	Up to the year 2020	\$ 29,270	\$ 4,820	\$ 11,247		
OPF 192 SE 1122 North Gulf	351.40 million Mexican pesos	146.36 million Mexican pesos	351.40 million Mexican pesos	<u>Principal</u> \$110.29 million <u>Interest</u> \$78.55 million	Up to the year 2024	\$ 413,243	\$ 49,954	\$ 240,838		
OPF 193 SE 1123 North	49.51 million Mexican pesos	11.49 million Mexican pesos	49.51 million Mexican pesos	<u>Principal</u> \$19.80 million <u>Interest</u> \$8.30 million	Up to the year 2020	\$ 49,509	\$ 7,426	\$ 17,328		
OPF 194 SE 1124 Bajío Central	481.87 million Mexican pesos	121.23 million Mexican pesos	481.87 million Mexican pesos	<u>Principal</u> \$79.06 million <u>Interest</u> \$47.61 million	Up to the year 2022	\$ 481,872	\$ 66,478	\$ 235,453		
OPF 195 SE 1125 Distribution	1 billion 5.86 million Mexican pesos	321.32 million Mexican pesos	1 billion 5.86 million Mexican pesos	<u>Principal</u> \$278.35 million <u>Interest</u> \$156.55 million	Up to the year 2022	\$ 1,005,857	\$ 104,931	\$ 417,583		
OPF 197 SE 1127 Southeast	194.62 million Mexican pesos	55.11 million Mexican pesos	194.62 million Mexican pesos	<u>Principal</u> \$85.02 million <u>Interest</u> \$38.25 million	Up to the year 2020	\$ 194,615	\$ 12,328	\$ 77,796		
OPF 198 SE 1128 Central South	266.54 million Mexican pesos	66.68 million Mexican pesos	266.54 million Mexican pesos	<u>Principal</u> \$182.42 million <u>Interest</u> \$9.19 million	Up to the year 2023	\$ 266,541	\$ 30,749	\$ 161,122		
OPF 199 SE 1129 Network Compensation	140.91 million Mexican pesos	38.61 million Mexican pesos	140.91 million Mexican pesos	<u>Principal</u> \$72.77 million <u>Interest</u> \$30.15 million	Up to the year 2020	\$ 140,909	\$ 9,851	\$ 43,890		
OPF 200 SLT 1111 Transmission and Transformation of the Central - West	898.00 million Mexican pesos	276.41 million Mexican pesos	834.48 million Mexican pesos	<u>Principal</u> \$105.73 million <u>Interest</u> \$84.94 million	Up to the year 2023	\$ 897,998	\$ 62,159	\$ 638,070		
OPF 201 SLT 1112 Transmission and Transformation of the Northwest	752.33 million Mexican pesos	158.79 million Mexican pesos	24.02 million Mexican pesos	<u>Principal</u> \$38.11 million <u>Interest</u> \$16.80 million	Up to the year 2024	\$ 752,237	\$ 42,331	\$ 595,666		
OPF 202 SLT 1114 Transmission and Transformation of the East	1 billion 408.32 million Mexican pesos	394.78 million Mexican pesos	1 billion 180.74 million Mexican pesos	<u>Principal</u> \$221.60 million <u>Interest</u> \$97.72 million	Up to the year 2025	\$ 1,408,324	\$ 153,245	\$ 1,249,266		
OPF 203 SLT 1118 Transmission and Transformation of the North	237.47 million Mexican pesos	60.21 million Mexican pesos	237.47 million Mexican pesos	<u>Principal</u> \$129.53 million	Up to the year 2018	\$ 237,472	\$ 24,997	\$ 32,949		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
				<u>Interest</u> \$50.47 million						
OPF 204 SLT 1119 Transmission and Transformation of the Southeast	1 billion 339.02 million Mexican pesos	517.51 million Mexican pesos	1 billion 339.02 million Mexican pesos	<u>Principal</u> \$505.62 million <u>Interest</u> \$344.96 million	Up to the year 2020	\$ 1,339,020	\$ 143,616	\$ 545,322		
OPF 205 SUV Supply of 970 T/H to the Power Stations Power Stations	1 billion 499.99 million Mexican pesos	512.81 million Mexican pesos	1 billion 499.99 million Mexican pesos	<u>Principal</u> \$636.48 million <u>Interest</u> \$376.48 million	Up to the year 2020	\$ 1,499,987	\$ 125,459	\$ 586,158		
OPF 206 SE 1206 Conv. To 400 KV of the LT Mazatlan II - La Higuera	564.38 million Mexican pesos	263.67 million Mexican pesos	564.38 million Mexican pesos	<u>Principal</u> \$282.19 million <u>Interest</u> \$201.59 million	Up to the year 2019	\$ 564,381	\$ 56,438	\$ 169,314		
OPF 207 SE 1213 Network Compensation	482.54 million Mexican pesos	162.63 million Mexican pesos	482.54 million Mexican pesos	<u>Principal</u> \$182.41 million <u>Interest</u> \$110.85 million	Up to the year 2020	\$ 482,537	\$ 49,569	\$ 201,927		
OPF 209 SE 1212 South - Peninsular	469.97 million Mexican pesos	128.70 million Mexican pesos	469.97 million Mexican pesos	<u>Principal</u> \$112.57 million <u>Interest</u> \$64.03 million	Up to the year 2025	\$ 469,971	\$ 65,245	\$ 387,748		
OPF 210 SLT 1204 Conversion to 400 KV of the Peninsular Area	1 billion 699.98 million Mexican pesos	408.24 million Mexican pesos	1 billion 699.98 million Mexican pesos	<u>Principal</u> \$679.55 million <u>Interest</u> \$282.17 million	Up to the year 2020	\$ 1,699,983	\$ 210,961	\$ 636,140		
OPF 211 SLT 1203 Transmission and Transformation East - Southeast	2 billion 267.29 million Mexican pesos	573.96 million Mexican pesos	2 billion 143.25 million Mexican pesos	<u>Principal</u> \$805.93 million <u>Interest</u> \$355.11 million	Up to the year 2024	\$ 2,267,287	\$ 287,399	\$ 944,259		
OPF 212 SE 1202 Energy Supply to the Manzanillo Zone	449.76 million Mexican pesos	145.83 million Mexican pesos	449.76 million Mexican pesos	<u>Principal</u> \$159.82 million <u>Interest</u> \$95.01 million	Up to the year 2020	\$ 449,763	\$ 59,632	\$ 181,548		
OPF 213 SE 1211 Northwest - Central	309.55 million Mexican pesos	75.84 million Mexican pesos	309.55 million Mexican pesos	<u>Principal</u> \$70.59 million <u>Interest</u> \$32.78 million	Up to the year 2023	\$ 309,550	\$ 27,913	\$ 180,088		
OPF 214 SE 1210 North - Northwest	1 billion 26.09 million Mexican pesos	284.43 million Mexican pesos	1 billion 26.09 million Mexican pesos	<u>Principal</u> \$303.97 million <u>Interest</u> \$172.95 million	Up to the year 2024	\$ 1,026,089	\$ 160,031	\$ 622,336		
OPF 215 SLT 1201 Transmission and Transformation of Baja California	498.45 million Mexican pesos	196.18 million Mexican pesos	485.96 million Mexican pesos	<u>Principal</u> \$152.45 million <u>Interest</u> \$113.65 million	Up to the year 2024	\$ 498,454	\$ 45,432	\$ 248,971		
OPF 216 RM CCC Poza Rica	178.40 million Mexican pesos	44.03 million Mexican pesos	178.40 million Mexican pesos	<u>Principal</u> \$28.17 million <u>Interest</u> \$15.23 million	Up to the year 2022	\$ 178,404	\$ 18,779	\$ 112,676		
OPF 217 RM CCC El Zauz Package 1 of Baja California	1 billion 30.63 million Mexican pesos	285.01 million Mexican pesos	485.96 million Mexican pesos	<u>Principal</u> \$111.73 million	Up to the year	\$ 1,030,626	\$ 55,864	\$ 751,305		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract 2023	Total amount of the project (Thousands)	Balances at December 31		
		Interest, taxes, others and trustee fees	Principal				Local Currency		
							Short-term	Long-term	
				<u>Interest</u> \$46.95 million					
OPF 218 LT 1220 Transmission Network Associated with Pxy Temp Open and Oax. II, I	488.77 million Mexican pesos	182.91 million Mexican pesos	488.77 million Mexican pesos	<u>Principal</u> \$184.85 million <u>Interest</u> \$120.40 million	Up to the year 2020	\$ 488,773	\$ 53,595	\$ 197,512	
OPF 219 SLT Transmission Network Associated with Manzanillo I U-1 and 2	540.08 million Mexican pesos	140.13 million Mexican pesos	540.08 million Mexican pesos	<u>Principal</u> \$135.02 million <u>Interest</u> \$71.87 million	Up to the year 2021	\$ 540,083	\$ 54,008	\$ 297,046	
OPF 222 CC Repowering CT Manzanillo I U-1 and 2	5 billion 188.57 million Mexican pesos	1 billion 408.26 million Mexican pesos	5 billion 131.79 million Mexican pesos	<u>Principal</u> \$1,527.13 million <u>Interest</u> \$759.048 million	Up to the year 2032	\$ 5,188,570	\$ 429,234	\$ 2,752,888	
OPF 223 LT Transmission Network Associated with the Los Humeros II CC	59.10 million Mexican pesos	11.43 million Mexican pesos	59.10 million Mexican pesos	<u>Principal</u> \$17.76 million <u>Interest</u> \$6.98 million	Up to the year 2020	\$ 59,103	\$ 10,336	\$ 24,118	
OPF 225 LT Transmission Network Associated with the Guerrero Negro II CI	14.86 million Mexican pesos	6.89 million Mexican pesos	14.86 million Mexican pesos	<u>Principal</u> \$3.72 million <u>Interest</u> \$3.32 million	Up to the year 2021	\$ 14,861	\$ 1,486	\$ 6,688	
OPF 227 CG Los Humeros II	1 billion 329.34 million Mexican pesos	319.34 million Mexican pesos	1 billion 329.34 million Mexican pesos	<u>Principal</u> \$209.90 million <u>Interest</u> \$104.75 million	Up to the year 2022	\$ 1,329,341	\$ 139,931	\$ 839,584	
OPF 228 LT Transmission Network Associated with the North II CCC	258.77 million Mexican pesos	67.47 million Mexican pesos	258.77 million Mexican pesos	<u>Principal</u> \$27.08 million <u>Interest</u> \$11.80 million	Up to the year 2023	\$ 258,766	\$ 27,223	\$ 150,020	
OPF 229 CT TG Baja California II	258.77 million Mexican pesos	62.01 million Mexican pesos	258.77 million Mexican pesos	<u>Principal</u> \$54.30 million <u>Interest</u> \$22.75 million	Up to the year 2022	\$ 1,380,543	\$ 117,460	\$ 961,705	
OPF 231 SLT 1304 Transmission and Transformation of the East	80.88 million Mexican pesos	23.70 million Mexican pesos	80.88 million Mexican pesos	<u>Principal</u> \$36.40 million <u>Interest</u> \$17.09 million	Up to the year 2020	\$ 80,879	\$ 4,044	\$ 32,352	
OPF 233 SLT 1303 Transmission and Transformation Baja - Northwest	108.06 million Mexican pesos	31.57 million Mexican pesos	108.06 million Mexican pesos	<u>Principal</u> \$48.63 million <u>Interest</u> \$22.74 million	Up to the year 2020	\$ 108,064	\$ 5,403	\$ 43,225	
OPF 235 CCI Baja California Sur II	1 billion 280.65 million Mexican pesos	276.23 million Mexican pesos	108.06 million Mexican pesos	<u>Principal</u> \$59.52 million <u>Interest</u> \$21.90 million	Up to the year 2024	\$ 1,280,651	\$ 128,540	\$ 964,048	
OPF 236 CCI Baja California Sur III	1 billion 215.68 million Mexican pesos	426.54 million Mexican pesos	1 billion 215.68 million Mexican pesos	<u>Principal</u> \$303.92 million <u>Interest</u> \$162.92 million	Up to the year 2022	\$ 1,215,678	\$ 60,784	\$ 729,407	

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents			Term for the Contract Up to the year 2020	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal	Payments up to December 31, 2015			Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
OPF 242 SE 1323 South Distribution	168.69 million Mexican pesos	35.19 million Mexican pesos	168.69 million Mexican pesos	Principal \$56.23 million Interest \$23.08 million		\$ 166,689	\$ 28,115	\$ 65,601		
OPF 243 SE 1322 Central Distribution	194.22 million Mexican pesos	40.12 million Mexican pesos	61.19 million Mexican pesos	Principal \$26.34 million Interest \$9.94 million	Up to the year 2025	\$ 194,223	\$ 98,540	\$ 732,605		
OPF 244 SE 1321 Northeast Distribution	708.67 million Mexican pesos	159.90 million Mexican pesos	393.73 million Mexican pesos	Principal \$141.63 million Interest \$61.92 million	Up to the year 2024	\$ 708,670	\$ 97,519	\$ 483,449		
OPF 245 SE 1320 Northwest Distribution	420.34 million Mexican pesos	110.78 million Mexican pesos	420.34 million Mexican pesos	Principal \$100.13 million Interest \$45.87 million	Up to the year 2022	\$ 420,341	\$ 43,503	\$ 232,253		
OPF 247 SLT1404 East Substations	244.29 million Mexican pesos	73.90 million Mexican pesos	168.01 million Mexican pesos	Principal \$32.13 million Interest \$16.25 million	Up to the year 2024	\$ 244,292	\$ 17,489	\$ 168,418		
OPF 248 SLT 1401 SES and LTS of the Baja California and Northwest Areas	835.34 million Mexican pesos	256.92 million Mexican pesos	835.34 million Mexican pesos	Principal \$169.84 million Interest \$116.27 million	Up to the year 2022	\$ 835,342	\$ 74,661	\$ 505,739		
OPF 249 SLT 1405 SES and LTS of the South Areas	311.14 million Mexican pesos	65.25 million Mexican pesos	835.34 million Mexican pesos	Principal \$16.27 million Interest \$5.54 million	Up to the year 2025	\$ 311,138	\$ 59,787	\$ 554,142		
OPF 250 SLT 1402 change from tension to LT Culiacan - Los Mochis	592.32 million Mexican pesos	136.10 million Mexican pesos	592.32 million Mexican pesos	Principal \$142.16 million Interest \$78.10 million	Up to the year 2021	\$ 592,316	\$ 90,008	\$ 293,814		
OPF 251 SE 1421 South Distribution	137.14 million Mexican pesos	29.26 million Mexican pesos	80.77 million Mexican pesos	Principal \$14.93 million Interest \$5.13 million	Up to the year 2024	\$ 137,141	\$ 29,359	\$ 219,935		
OPF 252 SE 1403 Capacitive Compensation of the Northwest - North Areas	92.43 million Mexican pesos	19.87 million Mexican pesos	92.43 million Mexican pesos	Principal \$24.32 million Interest \$10.10 million	Up to the year 2020	\$ 92,429	\$ 14,594	\$ 34,053		
OPF 253 SE 1420 North Distribution	65.15 million Mexican pesos	23.04 million Mexican pesos	65.15 million Mexican pesos	Principal \$6.86 million Interest \$3.76 million	Up to the year 2022	\$ 65,150	\$ 3,429	\$ 41,147		
OPF 259 South Distribution	65.15 million Mexican pesos	23.04 million Mexican pesos	65.15 million Mexican pesos	Principal \$6.86 million Interest \$3.76 million	Up to the year 2024	\$ 64,346	\$ 16,270	\$ 139,402		
OPF 260 SE 1520 North Distribution	8.19 million Mexican pesos	1.97 million Mexican pesos	8.19 million Mexican pesos	Principal \$0.41 million Interest \$0.05 million	Up to the year 2023	\$ 8,189	\$ 819	\$ 5,323		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)			
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term
OPF 261 CCC Salamanca Cogeneration Stage I	4,494.13 million Mexican	937.68 Million Mexican	4,494.13 million Mexican	<u>Principal</u> \$280.83 million pesos <u>Interest</u> \$ 134.46 million Mexican	Up to the year 2025		\$ 473,725		3,739,479	
OPF 262 SLT 1601 Transmission and Transformation Northwest - North	206.69 million Mexican pesos	61.99 million Mexican pesos	206.69 million Mexican pesos	<u>Principal</u> \$21.76 million <u>Interest</u> \$7.62 million	Up to the year 2025	\$ 486,431	\$ 30,604	\$ 340,053		
OPF 267 SLT 1604 Ayotla - Chalco Transmission	10.62 million Mexican pesos	2.24 million Mexican pesos	206.69 million Mexican pesos	<u>Principal</u> \$ million <u>Interest</u> \$0.01 million	Up to the year 2023	\$ 10,619	\$ 38,553	\$ 308,424		
OPF 269 LT Transmission Network Associated with the CI Guerrero Negro IV	44.32 million Mexican	8.73 Million Mexican	44.32 million Mexican	<u>Principal</u> \$2.33 million pesos <u>Interest</u> \$.75 million Mexican	Up to the year 2024		\$ 4,665	\$ 37,323		
OPF 273 SE 1621 North - South Distribution	135.59 million Mexican	26.83 Million Mexican	135.59 million Mexican	<u>Principal</u> \$5.04 million pesos <u>Interest</u> \$2.03 million pesos	Up to the year 2024		\$ 14,506		116,044	
OPF 274 SE 1620 Valley of Mexico Distribution	160.07 million Mexican pesos	35.91 million Mexican pesos	11.40 million Mexican pesos	<u>Principal</u> \$6.58 million <u>Interest</u> \$2.96 million	Up to the year 2024	\$ 160,066	\$ 111,433	\$ 969,197		
OPF 275 CG Los Azufres III (Stage I)	1081.15 million Mexican	222.30 Million Mexican	1 billion 81.15 million Me	<u>Principal</u> \$56.90 million pesos <u>Interest</u> \$27.70 million pesos	Up to the year 2024		\$ 113,805		910,439	
OPF 280 SLT 1721 North Distribution	9.42 million Mexican	1.85 Million Mexican	9.42 million Mexican	<u>Principal</u> \$.50 million Mexican <u>Interest</u> \$.15 million Mexican	Up to the year 2024		\$ 992		7,934	
OPF 293 SLT 1703 Conversion to 400 KV of the Riviera Maya	1065.43 million Mexican	213.75 Million Mexican	1 billion 65.43 million Me	<u>Principal</u> \$56.07 million pesos <u>Interest</u> \$22.08 million pesos	Up to the year 2024		\$ 112,139		897,116	
OPF 294 SLT 1702 Baja - California Transmission and Transformation Noine	369.30 million Mexican pesos	75.56 million Mexican pesos	11.40 million Mexican pesos	<u>Principal</u> \$11.21 million <u>Interest</u> \$3.55 million	Up to the year 2024	\$ 369,296	\$ 80,716	\$ 616,778		
OPF 295 SLT 1704 Guerrero Insulated Interconnection Systems Negro Sta.	78.67 million Mexican pesos	17.26 million Mexican pesos	11.40 million Mexican pesos	<u>Principal</u> \$0.45 million <u>Interest</u> \$0.10 million	Up to the year 2024	\$ 78,669	\$ 31,355	\$ 246,150		
OPF 305 SE 1801 Baja - Northwest Substations	47.50 million Mexican pesos	11.71 million Mexican pesos	11.40 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$0 million	Up to the year 2024	\$ 47,497	\$ 12,977	\$ 103,813		
OPF 306 SE 1803 West Substations	32.74 million Mexican	7 Million Mexican	32.74 million Mexican	<u>Principal</u> \$.75 million Mexican	Up to the year 2024		\$ 3,555		28,439	

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to rents		Payments up to December 31, 2015 <u>Interest</u> \$.24 million Mexican	Term for the Contract	Total amount of the project (Thousands)	Balances at December 31, 2015 (Thousands)				
		Interest, taxes, others and trustee fees	Principal				Local Currency		Foreign Currency		
							Short-term	Long-term	Short-term	Long-term	
OPF 308 SLT 1804 Substations and Transmission Lines East - Peninsular	16.98 million Mexican	3.69 Million Mexican	16.98 million Mexican	<u>Principal</u> <u>Interest</u>	Up to the year 2025	\$	1,793		15,184		
OPF 073 RM Altamira	123.98 million UDIS	27.52 million UDIS	123.98 million UDIS	<u>Principal</u> \$326.71 million pesos \$61.99 UDIS <u>Interest</u> \$103.24 million pesos \$19.59 UDIS	Up to the year 2019	\$	653,425	\$	66,715	\$	200,145
OPF 140 SE 914 Central South Division	30.33 million UDIS	11.37 million UDIS	30.33 million UDIS	<u>Principal</u> \$49.60 million pesos \$9.41 UDIS <u>Interest</u> \$30.44 million pesos \$5.78 UDIS	Up to the year 2024	\$	159,834	\$	11,255	\$	90,037
OPF 147 CCC Baja California	285.09 million UDIS	69.14 million UDIS	285.09 million UDIS	<u>Principal</u> \$826.40 million pesos \$156.80 UDIS <u>Interest</u> \$282.38 million pesos \$53.58 UDIS	Up to the year 2019	\$	1,502,552	\$	153,411	\$	383,528
OPF 152 SE 1005 Northwest	47.28 million UDIS	18.48 million UDIS	47.28 million UDIS	<u>Principal</u> \$77.33 million pesos \$14.67 UDIS <u>Interest</u> \$51.40 million pesos \$9.75 UDIS	Up to the year 2024	\$	249,175	\$	17,545	\$	140,363
OPF 156 RM Infernillo	12.59 million UDIS	2.97 million UDIS	12.59 million UDIS	<u>Principal</u> \$33.17 million pesos \$6.29 UDIS <u>Interest</u> \$11.42 million pesos \$2.17 UDIS	Up to the year 2019	\$	66,349	\$	6,774	\$	20,323
OPF 157 RM CT Francisco Perez Rios Units 1 and 2	133.69 million UDIS	31.90 million UDIS	133.69 million UDIS	<u>Principal</u> \$333.75 million pesos \$63.33 UDIS <u>Interest</u> \$120.69 million pesos \$22.90 UDIS	Up to the year 2019	\$	704,589	\$	75,725	\$	227,175
OPF 167 CC San Lorenzo conversion from TG to CC	407.87 million UDIS	159.75 million UDIS	407.87 million UDIS	<u>Principal</u> \$667.14 million pesos \$126.58 UDIS <u>Interest</u> \$445.26 million pesos \$84.48 UDIS	Up to the year 2024	\$	2,149,659	\$	151,366	\$	1,210,930
OPF 191 SE 1121 Baja California	8.47 million UDIS	3.13 million UDIS	8.47 million UDIS	<u>Principal</u> \$14.88 million pesos \$2.82 UDIS <u>Interest</u> \$8.55 million pesos \$1.62 UDIS	Up to the year 2024	\$	44,651	\$	3,039	\$	24,314
OPF 192 SE 1122 North Gulf	8.54 million UDIS	3.02 million UDIS	8.54 million UDIS	<u>Principal</u> \$14.06 million pesos \$2.67 UDIS <u>Interest</u> \$8.24 million pesos \$1.56 UDIS	Up to the year 2024	\$	45,023	\$	3,590	\$	24,429
OPF 195 SE 1125 Distribution	51.69 million UDIS	12.21 million UDIS	51.69 million UDIS	<u>Principal</u>	Up to the	\$	272,422	\$	27,814	\$	83,443

						Balances at December 31, 2015 (Thousands)				
		Amount of payments agreed upon equivalent to rents			Term for the Contract year 2019	Total amount of the project (Thousands)	Local Currency		Foreign Currency	
Type of asset	Value of the credit:	Interest, taxes, others and trustee fees	Principal	Payments up to December 31, 2015			Short-term	Long-term	Short-term	Long-term
				\$136.21 million pesos \$25.84 UDIS <u>Interest</u> \$46.91 million pesos \$8.90 UDIS						
OPF 199 SE 1129 Network Compensation	14.67 million UDIS	5.71 million UDIS	14.67 million UDIS	<u>Principal</u> \$25.76 million pesos \$4.89 UDIS <u>Interest</u> \$16.29 million pesos \$3.09 UDIS	Up to the year 2024	\$ 77,294	\$ 5,261	\$ 42,089		
OPF 201 SLT 1112 Transmission and Transformation of the Northwest	92.22 million UDIS	22.57 million UDIS	92.22 million UDIS	<u>Principal</u> \$230.22 million pesos \$43.68 UDIS <u>Interest</u> \$86.26 million pesos \$16.37 UDIS	Up to the year 2019	\$ 486,025	\$ 52,235	\$ 156,705		
OPF 203 SLT 1118 Transmission and Transformation of the North	40.21 million UDIS	15.45 million UDIS	40.21 million UDIS	<u>Principal</u> \$70.64 million pesos \$13.40 UDIS <u>Interest</u> \$43.62 million pesos \$8.28 UDIS	Up to the year 2024	\$ 211,932	\$ 14,426	\$ 115,405		
OPF 207 SE 1213 Network Compensation	27.23 million UDIS	7.30 million UDIS	27.23 million UDIS	<u>Principal</u> \$59.06 million pesos \$11.21 UDIS <u>Interest</u> \$ 24.32 million pesos \$4.61 UDIS	Up to the year 2024	\$ 143,538	\$ 14,806	\$ 56,636		
OPF 208 SE 1205 East - Peninsular Compensation	28.13 million UDIS	10.81 million UDIS	28.13 million UDIS	<u>Principal</u> \$49.42 million pesos \$ 9.38 UDIS <u>Interest</u> \$30.52 million pesos \$5.79 UDIS	Up to the year 2024	\$ 148,268	\$ 10,092	\$ 80,737		
TOTAL INTERNAL DEBT							9,949,173	55,851,244		
TOTAL EXTERNAL AND INTERNAL DEBT OF PIDIREGAS							\$ 15,157,538	\$ 81,033,219	\$ 302,698	\$ 1,463,511
CEBURES								8,821		
TOTAL INTERNAL AND EXTERNAL DEBT OF PIDIREGAS AND CEBURES							\$ 15,157,538	\$ 81,042,040	\$ 302,698	\$ 1,463,511

a) At December 31, 2015, minimum payment commitments for PIDIREGAS amount to:

PIDIREGAS	\$ 124,475,859
less:	
Unaccrued interest	<u>28,285,102</u>
Present value of obligations	96,190,757
less:	
Current portion of obligations	<u>15,157,538</u>
Long-term portion of PIDIREGAS	81,033,219
CEBURES	<u>8,821</u>
Total CEBURES and PIDIREGAS	<u>\$ 81,042,040</u>

b) Securities Exchange Certificate Program - In order to refinance Financed Public Works projects (PIDIREGAS), the CFE has implemented a structured mechanism by which Securities Exchange Certificates (CEBURES) are issued. This mechanism starts with the signing of a loan agreement, which is granted by the creditor Bank to a private Trust that securitizes the rights on the credit, and issues CEBURES. Funds from those issues are invested by the Trustee, while the CFE disburses them to pay the contractors of the Financed Public Works projects (PIDIREGAS), upon delivery thereof to the satisfaction of the entity. Every issue of CEBURES is a liability for the CFE, and each one of the disbursements becomes a PIDEIREGAS debt.

To be able to carry out this financing mechanism, the National Banking and Securities Commission previously authorizes the CEBURES Programs, normally in minimum amounts of \$ 6 billion pesos, with a duration of two or more years, in order to be able to carry out the issues required up to the total authorized amount, which can be extended upon request.

The issues of the first three tranches of a new CEBURES program was carried out in a total amount of \$ 7 billion 700 million nominal pesos in August 2005. The first tranche in the amount of \$ 2 billion 200 million nominal pesos on March 18, 2005, the second one in the amount of \$ 3 billion nominal pesos on July 1, 2005, and the third one in the amount of \$ 2 billion 500 million nominal pesos on August 19, 2005. Their effective period is approximately 10 years, at a Cetes interest rate at 182 days plus +0.79 percentage points.

At December 31, 2005, of the \$7 billion 700 million issued in that year, only \$6 billion 112 million had been disbursed for payment of the "PIDIREGAS" financed debt, and the remaining balance to be drawn down amounts to \$1 billion 587.8 million. This balance was drawn down in its entirety in 2006.

On January 27, 2006, the fourth tranche was issued in the amount of \$ 2 billion nominal pesos, and the fifth tranche in the amount of \$ 1 billion 750 million nominal pesos on March 9, 2007 with a 10 year term at an interest rate equivalent to Cetes at 91 days plus +0.429 percentage points and 0.345 percentage points, respectively.

On April 24, 2006, the National Banking and Securities Commission authorized a new CEBURES Program, having been issued in the amount of \$ 2 billion nominal pesos in each one of these transactions on April 28, June 9, and October 20, 2006. Furthermore, a fourth issue was realized in the amount of \$1 billion pesos on November 30, 2006.

The effective period of the transactions referred to above is approximately 10 years. The weighted average interest rate is equivalent to Cetes at 91 days +0.42 percentage points of the first three transactions, and it was set at 7.41% for that of the fourth transaction.

At December 31, 2006, of the \$7 billion nominal pesos of the four issues, a total amounting to \$3,631,952 had been disbursed from the Trusts for refinancing Financed Public Work projects.

The National Banking and Securities Commission authorized a new Program, and the first issue was realized in the amount of \$ 1 billion 500 million nominal pesos on November 10, 2006, which would be used for payment to the contractors awarded the tenders of PIDIREGAS projects. This first issue has a 30 year term, and it pays an annual gross interest rate of 8.58% payable every 182 days. The amount of \$ 1 billion 384.7 million pesos were disbursed on February 28, 2007, which were used for the partial payment to the PIDIREGAS project contractor known as "El Cajon".

On August 30, 2007, a second issue was realized at 30 years in the amount of \$ 1 billion pesos to cover the second payment to the PIDIREGAS project contractor "El Cajon".

The following issues were realized at 10 years in fiscal 2007: an issue amounting to 1 billion 750 million nominal pesos at Cetes +0.345% annual on March 9, 2007, another issue also amounting to 1 billion 750 million nominal pesos with a Cetes interest rate +0.25% annual on June 8, a third issue amounted to 1 billion 750 million nominal pesos at Cetes 182+0.25% on August 17, 2007, and finally a last issue amounting to 1 billion 200 million nominal pesos at a cost of Cetes 182 +0.30% on November 23, 2007.

During fiscal 2007, a total amounting to \$9 billion 945.2 million pesos was disbursed from the Trusts for financing various payments on the Financed Public Work projects.

Two issues were realized in 2008, one amounting to 2 billion pesos on January 25, 2008, and the second issue in the amount of 1 billion 700 million on May 23, 2008, both at a CETES rate at 91 days +0.45%.

During fiscal 2008, a total amounting to 4 billion 827 million pesos was disbursed from the Trusts for financing Financed Public Work projects.

The following issues at 10 years were realized in fiscal 2009: Three (3) issues in Investment Units (UDIs): an issue amounting to UDIS 285.1 million at an annual fixed 4.80% rate in UDIS on April 29, 2009, an issue amounting to UDIS 457.0 million at an annual fixed 4.60% rate in UDIS on August 7, 2007, and an issue amounting to UDIS 618.5 million at an annual fixed 5.04% rate in UDIS on October 2, 2009, and Two (2) issues in pesos: the first issue amounting to 2 billion 595 million nominal pesos on April 29, 2009, and the second issue

amounting to 1 billion 467 million pesos on August 7, 2009, both at an annual fixed 8.85% rate.

During fiscal 2009, a total amounting to \$4 billion 618 million pesos and 676.2 UDIS were disbursed from the Trusts for financing various payments on the Financed Public Work projects.

Two issues were realized during fiscal 2010: the first issue in two tranches on March 25, one at a 10 year term for 2 billion 400 million nominal pesos, and interest was paid at an annual fixed 8.05% rate, and the other tranche at a 7 year term for 2 billion 600 million nominal pesos, and interest was paid at an interest rate equivalent to EIIR +0.52% annually. The second issue was carried out on July 23, also in two tranches at a 10 year term in the amount of 3 billion 250 million nominal pesos with an interest rate equivalent to EIIR +0.45% annual, and the second tranche at a 9 year term for 1 billion 750 million nominal pesos, and interest was paid at an annual fixed rate of 7.15%.

On February 19, 2011, 3 billion 800 million pesos were issued to finance Financed Public Works projects at a 9.4 year term, and paying annual EIIR interest + 0.40%.

On September 24, 2012, Securities Exchange Certificates were placed in a total amount of \$ 13 billion 500 million pesos at a 30 year term and a 7.70% annual coupon. The funds of this issue were used to pay the "La Yesca" Financed Public Work project.

Since that date, there have been no issues nor drawdowns of CEBURES; therefore, the balance amounting to 8 billion 821 million consists of an amount to be drawn down that was not yet appropriated to the "La Yesca" project.

Conditioned Investment (Independent energy producers or PEE)

At December 31, 2013, 26 contracts have been signed with private investments, denominated independent energy producers, which set forth the obligation for the CFE to pay various considerations, in exchange for them to guarantee energy supply service, based on a previously established generation capacity, through power generating plants financed and built for account of those investors.

The obligation of future payments for CFE includes: a) rules for quantifying the amount of acquisition of generating plants when a contingent event occurs that is defined as force majeure in the terms of each contract, applicable from the construction stage of each project up to the termination of the contracts; and b) fixed charges for power generation capacity, as well as variable charges for operation and maintenance of the generating plants, which are determined in accordance with the variable terms set forth in the contracts, applicable from the start-up testing stage up to the termination of the contracts.

a) Classified as a lease

The Company has evaluated that 23 of the contracts with independent producers have lease characteristics of the power generating plant, in accordance with CINIIF 4 "Determination if an agreement contains a lease" and CINIIF 12 "Service Concession Agreements". In turn, those leases qualify as financial leases in accordance with IAS 17 "Leases".

The lease agreements have a 25 year duration. The annual interest rate on those lease agreements is 11.19% on the average.

	<u>Minimum lease payments</u>			<u>Present value of lease payments</u>		
	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Short-term	\$14,304,540	\$13,351,922	\$ 11,862,781	\$3,851,229	\$ 2,964,984	\$ 2,291,039
Between one and five years	64,825,462	60,083,651	50,416,820	20,283,765	20,644,470	15,962,156
More than five years	122,295,964	125,550,129	123,410,291	87,990,858	75,257,663	66,373,822
Final accumulated equity	<u>\$201,425,966</u>	<u>\$198,985,702</u>	<u>\$185,689,892</u>	<u>\$112,125,852</u>	<u>\$98,867,117</u>	<u>\$84,627,017</u>

At December 31, 2015, the financial lease obligation is included in itemized form as follows:

Name	Date of inception of operation	Original amount of the obligation	Foreign currency		Local currency	
			Long-term	Short-term	Long-term	Short-term
CT Merida III	June-00	242,685	162,500	10,447	2,796,051	179,763
CC HERMOSILLO	Oct-01	156,144	119,082	5,425	2,048,988	93,354
CC SALTILLO	Nov-01	152,383	109,672	5,566	1,887,075	95,766
TUXPAN II	Dec-01	283,133	217,473	9,464	3,741,958	162,834
EL SAUZ BAJIO	Mar-02	399,773	324,595	11,883	5,585,143	204,468
CC MONTERREY	Mar-02	330,440	214,797	12,832	3,695,899	220,788
CC ALTAMIRA II	May-02	233,234	196,070	6,242	3,373,678	107,409
CC Rio Bravo II	May-02	232,108	166,495	8,287	2,864,794	142,591
CC CAMPECHE	May-03	196,554	149,458	6,308	2,571,641	108,539
CC TUXPAN III Y IV	May-03	587,064	466,370	17,429	8,024,593	299,893
CC MEXICALI	Jul-03	569,345	396,927	20,169	6,829,721	347,040
CC CHIHUAHUA III	Sept-03	275,327	191,711	9,719	3,298,670	167,236
CC NACO NOGALES	Oct-03	238,016	138,208	9,318	2,378,067	160,339
CC ALTAMIRA III Y IV	Dec-03	600,897	441,191	19,774	7,591,358	340,236
RIO BRAVO III	Apr-04	312,602	251,593	8,660	4,329,027	149,003
CC LA LAGUNA II	Mar-05	367,578	303,630	9,351	5,224,414	160,899
CC RIO BRAVO IV	Apr-05	270,697	229,499	6,295	3,948,877	108,311
CC VALLADOLID III	June-06	288,160	237,807	7,264	4,091,820	124,986
CC TUXPAN V	Sept-06	284,997	254,156	5,183	4,373,131	89,181
CC ALTAMIRA V	Oct-06	532,113	490,089	7,691	8,432,722	132,334
CC TAMAZUNCHALE	June-07	482,562	428,013	9,059	7,364,605	155,871
CCC NORTH	Aug-10	450,097	395,889	10,196	6,811,856	175,436
CCC NORTH II	Jan-14	427,733	407,435	7,261	7,010,535	124,952
Total			6,292,660	223,823	108,274,623	3,851,229

a) Other contracts with independent energy producers

Four contracts with aeolian (wind-driven or powered) private investors are in operation. Unlike the contracts described in the above note, they set forth the obligation that CFE should only pay for the aeolian power generated and delivered; therefore, they are not considered as financial leases, which are as follows:

C E Oaxaca I
C E Oaxaca II, III and IV
CE La Venta III
CE Southeast I

b) Service provider contracts.

Pemex Valladolid Gas Pipeline
Terminal de Carbon

These service provider contracts are not considered as financial leases, since their characteristics do not comply with the provisions of IFRS of this particular treatment.

14. Taxes and fees payable

Taxes and fees payable at December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Payable by CFE		
Income Tax, distributable remaining balance	\$ -	\$ 2,487,106
Income tax payable for account of third parties	279,769	273,905
Contributions to the Mexican Institute of Social Security	715,781	653,947
Rights on use and development of national waters	256,090	299,330
Payroll Tax	42,602	47,354
Contributions to INFONAVIT	12,775	12,863
Subtotal	<u>\$1,307,017</u>	<u>\$3,774,505</u>
Withholdings		
Income Tax withheld from employees	651,667	644,071
Value added tax withholdings.	74,754	85,164
Income Tax on interest abroad	21,802	13,213
Income Tax on foreign residents	2,681	43,766
Five to the thousandth to contractors	16,846	15,082
Income tax on fees and leases	8,083	7,379
Two to the thousandth to contractors	345	719
Others	84	277
Subtotal	<u>776,262</u>	<u>809,671</u>
Other Taxes and Fees	<u>\$ 2,083,279</u>	<u>\$ 4,584,176</u>

15. Unrealized proceeds

At December 31, 2015 and 2014, unrealized proceeds consist of contributions made by State and Municipal Governments, as well as private persons for rural electrification and private parties, in addition to telecommunications service revenues and others, which consist of the following:

	2015	2014
Government Contributions	\$ 2,803,877	\$ 2,171,635
Contributions from private persons	26,795,807	22,338,342
Contributions others	1,511,958	1,211,306
	<u>31,111,642</u>	<u>25,721,283</u>
Electric power products and other related products	1,552	11,588
Unrealized proceeds optic fiber	684,957	779,316
	<u>\$ 31,798,151</u>	<u>\$ 26,512,187</u>

16. Other long-term liabilities

In fiscal 2015, the Company upgraded a technical - economic study to realize the dismantling of the Laguna Verde Nuclear Power Station, supported on studies realized by international companies about the dismantling of similar plants in order to determine the necessary provisions. As a result of that that upgrading, a provision was determined in the amount of 809.6 million US dollars. This estimate includes the costs for cooling, cleaning, progressive decontamination, transportation, and storage of radioactive wastes. Those expenses will be amortized in the period of the remaining useful life of the power station, which is an average of 20.5 years. The liability for dismantling the Laguna Verde Nuclear Power Station at December 31, 2015 and 2014 at present value amounts to \$9,013,006 and \$3,843,257, respectively. In addition to the foregoing, a balance for a contingent liability amounting to \$1,137,652 is observed in 2015.

17. Employee benefits

Employee benefit plans have been established relative to the termination of the employer - employee relationship and for retirement due to causes other than restructuring. Retirement benefit plans consider based the years of service completed by the employee and their remuneration at the date of retirement. Retirement plan benefits include the seniority bonus that workers are entitled to receive upon termination of the employer - employee relationship, as well as other defined benefits.

Actuarial valuations of the plan assets and present value of defined benefit obligations were realized by independent actuaries, by using the projected unit credit method.

- a. The economic hypotheses in nominal and real terms used were:

	2015	2014
Discount rate	8.00%	8.00%
Expected rate of return on assets	8.00%	8.00%
Rate of salary increase	6.10%	6.10%

- b. Net cost of the period is summarized as follows:

	2015	2014
Service cost of the year	\$ 14,963,000	\$ 14,898,272
Financial cost	43,925,000	35,472,441
Recognition of prior services	9,676,000	4,719,334
Net cost for the period	<u>\$ 68,564,000</u>	<u>\$ 55,090,048</u>

The net actuarial gain or loss for the period amounting to \$24,596,000 in 2015 and \$9,627,144 in 2014 is due to the variations in the assumptions used by the actuary to determine the labor liability, as a result of the growth of the average salary rate of workers and the increase in retirements.

The amount included as a liability in the statements of financial position in connection with the amount that the Company has with respect to its defined benefit plans is summarized as follows:

	2015	2014
Defined benefit obligations	\$ 630,371,000	\$ 569,360,052
Fair value of plan assets	<u>(5,287,428)</u>	<u>(5,307,459)</u>
Projected net liability	<u>\$ 625,083,572</u>	<u>\$ 564,052,593</u>

- c. Reconciliation between opening and final balances of the present value of the Defined Benefit Obligation (DBO):

	2015	2014
Opening balance: (nominal)	\$ 569,360,052	\$ 532,469,377
Labor cost of present service	14,963,000	14,898,272
Financial cost	43,903,948	35,838,931
Prior service cost	9,676,000	4,719,334
Actuarial gains and losses	24,596,000	9,627,144
Benefits paid	<u>(32,128,000)</u>	<u>(28,193,006)</u>
Defined benefit obligations	<u>\$ 630,371,000</u>	<u>\$ 569,360,052</u>

- d. Reconciliation between opening and final balances of fair value of plan assets.

	2015	2014
Opening balance: (nominal)	\$ 5,307,459	\$ 4,939,822
Return on assets included in plan	(417,000)	26,789
Expected returns	396,969	340,848
Plan assets	\$ 5,287,428	\$ 5,307,459

- e. The most significant assumptions used in the determination of the net cost of the period of the plans are as follows:

	2015	2014
Discount rate	8.00%	8.00%
Expected rate of return on assets	8.00%	8.00%
Rate of salary increase	6.10%	6.10%

- f. Sensitivity analysis

For performing the sensitivity analysis, the amendment of +/- .5 points in the discount rate, so that the scenarios considered contemplate the following financial hypotheses:

Item	Scenario		
	Lower discount rate	Base	Higher discount rate
Long-term inflation	3.5% annual	3.5% annual	3.5% annual
Discount rate	7.5% annual	8.0% annual	8.5% annual
Rate of wage increase	6.1% annual	6.1% annual	6.1% annual
Rate of minimum wage increase	3.5% annual	3.5% annual	3.5% annual

Based on these hypotheses, the following liabilities were determined (amounts in millions of pesos):

Defined Benefit Obligation (DBO)	Scenario		
	Lower discount rate	Base	Higher discount rate
Seniority premium	\$ 30,234	\$ 29,069	\$ 27,982
Indemnifications and compensations	2,417	2,344	2,274
Pensions and retirement	634,511	595,567	560,368
Seniority bonus	3,512	3,391	3,277
Total	\$ 670,674	\$ 630,371	\$ 593,901

The percentage differences of the liabilities determined in the two additional scenarios with respect to the base scenario are shown in the following charts:

Item	Scenario		
	Base	Lower discount rate	Variation
Seniority premium	\$ 29,069	\$ 30,234	4.01%
Indemnifications and compensations	2,344	2,417	3.11%
Pensions and retirements	595,567	634,511	6.54%
Seniority bonus	3,391	3,512	3.57%
Total	\$ 630,371	\$ 670,674	6.39%

Item	Scenario		
	Base	Higher discount rate	Variation
Seniority premium	\$ 29,069	\$ 27,982	-3.74%
Indemnifications and compensations	2,344	2,274	-2.99%
Pensions and retirements	595,567	560,368	-5.91%
Seniority bonus	3,391	3,277	-3.36%
Total	\$ 630,371	\$ 593,901	-5.79%

As can be observed, upon decreasing the discount rate by 0.5%, the amount of the liability increases 6.39% with respect to the Base scenario, whereas there is a -5.79% decrease in comparison with the Optimistic Scenario.

g. Collective bargaining agreement

On August 18, 2008, the CFE and the Sole Union of Electricity Workers of the Mexican Republic (SUTERM) signed the CFE-SUTERM 20/2008 agreement about the pension regime for workers who join the Company, subsequent to the signing thereof.

This agreement solves the problem of the long-term labor liability, since it represented a risk for the CFE.

The rights and benefits of the collective bargaining agreement in effect are maintained without any change.

The prior retirement plan is maintained for active and retired workers, both salaried and unionized, who were contracted up to August 18, 2008.

The characteristics of the new retirement scheme for newly hired workers are:

- Individual retirement accounts are created.

The worker contributes 5% of his computed daily wage and CFE contributes 1.5 times what is contributed by the worker (7.5%).

- These funds will be managed in the terms agreed upon by the CFE and the SUTERM, in accordance with the provisions issued by the National Retirement Savings System Commission (CONSAR).
- In view of the increase in life expectancy, the time of service at the Company for new workers is increased by five years, except for those life lines that maintain the same number of years of service.

18. Patrimony

The restatement of patrimony is distributed among each one of its distinct components, at December 31, 2015 and 2014, as shown below:

	Contributions from Federal Government	Contributions from Federal Government in kind	Retained earnings	Payment of public use tax	Other comprehensive income items	Net loss for the Period	Total
Balances at December 31, 2014	\$ 28,402,300	\$ -	\$ 68,105,752	\$ (31,518,000)	\$ 137,385,979	\$ (46,831,901)	\$ 155,544,130
Movements inherent to Government Agency decisions							
Appropriation of prior year balances	(28,402,300)		(49,947,601)	31,518,000		46,831,901	-
Movements of the period:							
Payment of Public Use Tax Federal Revenue Law				(43,400,000)			(43,400,000)
Contributions from the Federal Government	43,405,251						43,405,251
Fund transfer to CENACE DDP			(2,067,752)				(2,067,752)
Contributions received		95,004,417					95,004,417
Comprehensive loss for the period					(24,627,376)	(93,912,013)	(118,539,389)
	\$ 43,405,251	\$ 95,004,417	\$ 16,090,399	\$ (43,400,000)	\$ 112,758,603	\$ (93,912,013)	\$ 129,946,657

The increase amounting to \$ 95,004,417 is due to the contribution of the Federal Government of the assets that formerly comprised the Loan Agreement with the CFE.

19. Other income, net

At December 31, 2015 and 2014, other net income is summarized as follows:

	2015	2014
Other revenue	\$ 9,351,682	\$ 7,674,513
Other expenses	(6,268,733)	(3,882,570)
External electric power producers, net	(2,283,799)	1,239,669
Total	\$ <u>799,150</u>	\$ <u>5,031,612</u>

20. Taxes on earnings

For fiscal 2015, CFE has transformed itself into a State-Owned Productive Company and stopped being a Decentralized Public Agency, which consequently leads to no longer applying the regime contained in Title III of the Income Tax Law (Non-Profit Legal Entities); therefore, the CFE meets the obligations inherent to Title II of the above Law (Legal Entities). CFE generated a deferred Income Tax asset, for which a 100% allowance was created at December 31, 2015. On the other hand, no base was generated for tax on earnings.

The Company paid taxes in accordance with Title III of the Income Tax Law in 2014; therefore, it was bound to pay a tax on the remaining distributable balances on the items that failed to meet those tax requirements. At December 31, 2014, Income Tax was due on the distributable remaining balance in the amount of \$2,491,581.

Deferred taxes are comprised as follows:

	2015
Deferred tax asset	
Labor obligations	\$ (177,886,629)
Unrealized revenues on third party contributions	(9,539,445)
Advances from customers	(6,010,919)
Allowance for doubtful accounts	(5,409,778)
Provisions and accrued liabilities	(3,287,713)
Allowance for obsolete inventories	(258,724)
	<u>\$ (202,393,208)</u>
Deferred tax liabilities	
Property, machinery and equipment	<u>\$ 173,287,814</u>
Net deferred tax asset	<u>\$ (29,105,395)</u>
Allowance for deferred tax asset	<u>\$ 29,105,395</u>
	<u>\$ -</u>

21. Transactions with the federal government

Transactions carried out with the Federal Government in the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Rate Insufficiency	\$ 60,332,140	\$ 86,227,484
Less: Public us tax payable by CFE by applying a 9% rate on the net fixed assets in operation of the prior year	-	58,792,164
Net gain or loss on insufficiency and Public Use Tax	60,332,140	27,435,320
Less: Charge off of insufficiency not covered by the public use tax	(60,332,140)	(27,435,320)
	\$ -	\$ -

Since the Comision Federal de Electricidad stopped being a Decentralized Public Agency of the Federal Government to start operations as a State-Owned Productive Company, and with the repeal of the Public Electric Energy Service Law, the movements that have been recording as public use taxes stopped being considered as such beginning January 1, 2015.

At December 31, 2014, public use tax determined amounted to \$58,792,164, which was reduced in the same amount for rate insufficiency.

The amount of the public use tax of fiscal 2014 was calculated based on the amendment realized to the Regulations of the LSPEE, which sets forth the concept of "net fixed asset in operation".

22. Comprehensive loss

Comprehensive loss at December 31, 2015 and 2014 is summarized as follows:

	2015	2014
Loss, net as per consolidated statements of income	\$ (93,912,013)	\$ (46,831,901)
Charge to Patrimony for employee benefits	(24,596,000)	(9,627,144)
Revaluation of fixed assets	-	38,950,186
Write-off of opening balance of financial instruments in patrimony and others	(2,386,410)	766,720
Effect of financial instruments on patrimony of the period	2,355,034	(83,228)
Comprehensive loss	\$ (118,539,389)	\$ (16,825,367)

23. Foreign currency position

At December 31, 2015 and 2014, the CFE had foreign currency denominated assets and liabilities as follows:

	2015				
	Assets Cash and cash equivalents	Liabilities			
		Trade Payables	Internal debt	External debt	Leasing of equipment and pidiregas
US dollars	48,214	31,392		4,492,223	8,282,695
Euros				4,043	
Japanese yen	455			34,640,053	
Swiss francs				110,847	
Swedish krona				0	

	2014				
	Assets Cash and cash equivalents	Liabilities			
		Trade Payables	Internal debt	External debt	Leasing of equipment and pidiregas
US dollars	37,972	33,037	-	3,877,440	8,431,203
Euros	-	-	-	9,903	-
Japanese yen	-	-	-	35,387,723	-
Swiss francs	-	-	-	98,844	-
Swedish krona	-	-	-	3,811	-

Note: The 32 billion of the bond in yens are included in the external debt of JPY.

*Interest is included.

Note: The PIDIREGAS dollar debt includes the amount of 6,516,482 million dollars of the financial lease debt with External Producers (as per IFRS).

These foreign currency assets and liabilities were translated into local currency at the exchange rate established by Banco de Mexico in the Official Daily Gazette at December 31, 2015 and 2014, as follows:

Currency	2015	2014
US dollars	\$ 17.2065	\$ 14.7180
Euros	18.7873	17.8103
Japanese yen	0.1433	0.1227
Swiss francs	17.2452	14.8122
Swedish krona	2.0381	1.8882

24. Contingencies and commitments

Contingencies

The Company has identified 28,000 trials and administrative proceedings pending at December 31, 2015, which are considered of a high amount and may materialize; therefore, a contingency was recorded in the amount of \$1,137,652.

Commitments

a. Natural gas supply contracts

To date there are three gas supply contracts:

1.- Natural gas supply contract at the delivery points from a Gas Natural Licuado (GNL) storage plant and / or Gas Natural Continental (GNC) with the supplier IENOVA LNG Marketing Mexico, S. de R. L. de C.V. (formerly Sempra LNG), signed on January 21, 2005 and not due until 2022.

CFE was committed to buying 33 billion 868 Million Annual Cubic Feet (MMPC) on a Set Basis and 11 billion 172 million (MMPC) on a Variable Basis during the year. At December 31, 2015, 45 billion 040 million MMPC were consumed under this contract, which is consistent with what has been programmed.

2.- Service Contract for the Receipt, Storage, and Reclassification of Liquid Natural Gas and deliveries of Natural Gas to the Comision Federal de Electricidad for the Manzanillo, Colima, Mexico Zone, signed with Terminal KMS de GNL, S. de R.L. de C.V., MIT Investment Manzanillo B.V., Kopgamex Investment Manzanillo B.V., and SAM Investment Manzanillo B. on March 27, 2008.

Contractual commitments consist of receiving and storing up to 300,000 m3 of Liquid Natural Gas (GNL), as well as the GNL regassification and delivery of Natural Gas (GN) of up to 141,584 million daily cubic feet (MMCD) at the Comision Federal de Electricidad delivery points. 119,203 MMPC were consumed for 2015. The quantities programmed and consumed concurred with this contract.

3.- Natural gas supply contract at the delivery points of the CCC. Altamira V and the National Gas Pipeline System from a storage plant and reclassification in the Altamira Tamaulipas Mexico Zone, with the supplier Gas del Litoral, S. de R. L. de C. V., signed for an initial 15 year period on September 30, 2003.

Contractual commitments consist of acquiring the firm daily base quantities of Natural Gas during the supply period for: 500 Million daily cubic feet (MMPCD). 87,462 MMPC were consumed for 2015.

b. Financed public works contracts

At December 31, 2015, the CFE has signed various financed public works contracts, whose payment commitment will start on the days on which private investors complete the construction of each one of the investment projects and deliver the assets for their operation to the Company. The estimated amounts of these financed public work contracts and the estimated dates of completion of the construction and start-up of operations are those shown on the following chart:

Transmisión lines and Substations:

Draff	Capability		Estimated contract amount in millions of:		Operation Stage
	Km-c	MVA	Dlls	Pesos	
306 SE 1803 Subestaciones del Occidental F2	36.1	100.0	8.7	150.0	23/12/2015
322 SLT 1921 Reducción de Perdidas de Energía en Dist. F5	0.0	0.0	8.6	147.8	15/01/2016
322 SLT 1921 Reducción de Perdidas de Energía en Dist. F1	0.0	0.0	4.6	78.8	16/01/2016
243 SE 1322 Dist. Ctro. F3 C3	150.0	19.7	3.8	65.7	31/01/2016
209 SE 1212 Sur Peninsular F5	8.1	60.0	10.4	178.1	31/01/2016
243 SE 1322 Dist. Ctro. F5	187.4	80.0	38.1	654.9	31/01/2016
244 SE 1321 Dist. Noreste F5	85.0	0.0	7.1	121.6	02/02/2016
253 SE 1420 Dist. Norte F5	3.7	110.0	15.8	271.0	14/02/2016
215 SLT 1201 Trans. y Transf. Baja Calif. F4	3.0	40.0	7.2	124.4	14/03/2016
237 LT 1313 Red de Trans. asociada a Baja Calif. III C3	18.5	0.0	8.1	139.9	15/03/2016
306 CE 1803 Subestaciones del Occidental F1	0.0	0.0	20.0	343.6	16/03/2016
308 CLT 1804 Subestaciones y Líneas de Trans. Oriental Peninsular F3	68.8	40.0	20.0	343.4	20/03/2016
322 SLT 1921 Reducción de Perdidas de energía de Dist. F2	0.0	0.0	33.9	583.1	29/03/2016
259 SLT 1521 Dist. Sur F3 C3	2.3	110.0	14.4	247.1	11/04/2016
308 SLT 1804 Subestaciones y Líneas de Trans. Oriental Peninsular F2	0.0	0.0	11.6	199.9	15/04/2016
318 SE 1903 Subestaciones Norte Noreste	0.0	525.0	15.0	257.4	15/04/2016
322 SLT 1921 Reducción de perdidas de energía en Dist. F6	0.0	0.0	105.9	1,822.9	19/04/2016
307 SLT 1802 Subestaciones y Líneas de Trans. del Norte F1	13.6	366.6	31.5	542.7	30/04/2016
188 SE 1116 Transf. del Noreste F4	97.6	500.0	50.0	859.5	15/05/2016
253 SE 1420 Dist. Norte F2	1.0	30.0	429.0	7,381.6	22/05/2016
243 SE 1322 Dist. Ctro. F3 C4	140.9	19.9	23.4	402.6	29/05/2016
288 SLT1722 Dist. Sur F1	3.0	80.0	10.7	183.9	31/05/2016
280 SLT 1721 Dist. Norte F3	64.3	30.0	11.2	192.7	02/06/2016
317 SLT 1902 Subestaciones y Compensación del Noroeste F1	0.0	0.0	22.5	386.8	13/06/2016
304 LT 1805 Línea de Trans. Huasteca-Monterrey	441.8	0.0	126.8	2,182.3	15/06/2016
320 LT 1905 Trans. Sureste-Peninsular F1 C2	2.0	100.0	7.9	135.4	17/06/2016
317 SLT 1902 Subestaciones y Compensación del Noroeste F2	0.0	225.0	8.7	150.0	04/07/2016
308 SLT 1804 Subestaciones y Líneas de Trans. Oriental Peninsular F4	0.0	525.0	14.0	240.0	10/07/2016
273 SLT 1621 Dist. Norte-Sur F6	6.3	30.0	9.2	159.0	15/07/2016
274 SE 1620 Dist. Valle de México F2	26.2	420.0	89.8	1,544.3	30/07/2016
316 SE 1901 Subestaciones de Baja Calif. C3	13.9	255.0	17.1	293.9	09/08/2016
213 SE 1211 Noreste-Central (DIST) F5 C2	129.8	30.0	19.4	334.2	13/08/2016
322 SLT 1921 Reducción de Perdidas de Energía en Dist. F4	427.5	102.4	139.9	2,406.8	21/08/2016
292 SE 1701 Subestación Chimalapa Dos	19.4	500.0	55.4	952.4	30/08/2016

322 SLT 1921 Reducción de Perdidas de Energía en Dist. F7	334.9	111.6	56.5	971.7	01/09/2016
104 SLT 706 Sistemas Norte F3	8.6	60.0	11.9	205.1	04/09/2016
339 SLT 2021 Reducción de Perdidas de Energía en Dist. F3	0.0	0.0	6.6	112.7	08/09/2016
322 SLT 1921 Reducción de Perdidas de Energía en Dist. F3 C	462.7	116.6	101.4	1,744.6	16/08/2016
306 SE 1803 Subestaciones del Occidental F3	108.4	500.0	35.4	608.4	30/09/2016
339 SLT 2021 Reducción de Perdidas de Energía en Dist. F1	36.6	11.7	11.0	188.8	07/10/2016
321 SLT 1920 Subestaciones y Líneas de Dist. F6	0.2	30.0	4.9	84.1	15/10/2016
251 SE 1421 Dist. Sur F2 C2	0.2	30.0	5.4	93.6	01/11/2016
190 SE 1120 Noroeste F3 (DIST)	27.1	30.0	6.9	117.9	04/12/2016
283 LT Red de Transm. Asoc. ACC Norte III (1723)	21.1	0.0	17.4	298.5	11/01/2017
kbt3887 6rw3e00x	27.0	0.0	11.0	189.3	12/01/2017
320 LT 1905 Trans. Sureste-Peninsular F2	367.4	0.0	38.6	663.8	21/01/2017
319 SLT 1904 Trans. y Transformación de Occidente F2	5.0	500.0	23.6	405.2	03/03/2017
214 SE 1210 Norte-Noreste F6 (DIST)	24.5	0.0	4.1	70.5	15/03/2017
317 SLT 1902 Subestaciones y Compensación del Noroeste F3	76.4	500.0	33.3	573.1	24/03/2017
215 SLT 1201 Trans. y Transf. Baja Calif. F5	31.2	0.0	12.5	214.7	26/03/2017
307 SLT 1802 Subestaciones y Líneas de Transm. del Norte F2	158.8	0.0	35.2	605.5	25/04/2017
339 SLT 2021 Reducción de Perdidas de Energía en Dist. F4	0.0	0.0	32.3	555.4	07/05/2017
274 SE 1620 Dist. Valle de México F1	16.1	780.0	94.6	1,627.6	08/05/2017
234 SLT 1302 Transm. y Transf. Noroeste F1	25.2	500.0	29.8	512.6	06/07/2017
339 SLT 2021 Reducción de Perdidas de Energía en Distrib. F7	870.2	309.5	222.7	3,832.4	09/07/2017
340 SLT 2021 Reducción de Perdidas de Energía en Distrib. F6	158.0	62.1	65.9	1,133.6	15/07/2017
314 LT 1911 Red de Transm. Asociada al CC Empalme II	118.9	1,750.0	90.0	1,548.2	01/08/2017
297 LT 1811 Red de Transm. Asociada al CC Empalme I	425.6	0.0	86.7	1,491.5	23/08/2017
339 SLT 2021 Reducción de Perdidas de Energía en Distrib. F8	156.0	46.5	85.4	1,468.6	06/09/2017
	5,410.4	9,636.6	2,522.0	43,395.3	

Generating:					
Draff	Capability		Estimated contract amount in millions of:		Operación Stage
	Km-c	MVA	Dlls	Pesos	
261 CCC Cogeneración Salamanca FI		373.1	319.9	5,504.4	17/09/2015
226 CCI Guerrero Negro III		11.0	25.3	435.3	30/09/2015
171 CC Agua Prieta II C2		394.1	251.7	4,330.9	20/11/2015
Campo Solar al Proyecto 171 CC Agua Prieta II		14.0	46.2	794.9	20/11/2015
268 CCI Guerrero Negro IV		6.5	20.6	354.5	01/12/2015
264 CC Centro I		642.3	439.8	7,567.4	22/01/2016
284 CG Los Humeros III Fase A		25.0	43.0	739.9	06/04/2016
286 CCI Baja California Sur V		41.3	106.9	1,839.4	01/06/2016
36 CC Baja California III		294.0	215.6	3,709.7	16/08/2016
296 CC Empalme I		770.2	476.8	8,204.7	06/11/2017
298 CC Valle de México II		615.2	425.3	7,318.1	07/11/2017
38 CC Norte III (Juárez) C2		906.7	562.4	9,676.4	13/11/2017
313 CC Empalme II		791.2	397.0	6,830.8	28/04/2018
327 CG Azufres III F2 (DIST)		25.0	51.3	882.5	15/06/2018
43 CC Noreste		888.8	345.5	5,944.2	01/07/2018
289 CH Chicoasén II		240.0	386.5	6,650.3	02/07/2018
		6,038.4	4,113.8	70,783.4	

Associated infrastructure:

Draff	Capability		Estimated contract amount in millions of:		Operación Stage
	Km-c	MVA	Dlls	Pesos	
Gasoducto Morelos (Tlaxcala Cuautla)		0	175.0	3,011.3	17/08/2015

Rehabilitación and/or Modernización:			
Daff	Estimated contract amount in millions of:		Operación Stage
	Dlls	Pesos	
216 RM CCC Poza Rica FI	136.8	2,353.8	30/10/2015
258 RM CT Altamira U1 y 2	379.9	6,536.7	25/04/2017
311 RM CCC Tula Paquetes 1 y 2	323.1	5,559.4	02/09/2017
312 RM CH Temascal Unidades 1 a 4	26.5	456.0	18/09/2018
278 RM CT José López Portillo	214.0	3,682.2	27/02/2019
	1,080.3	18,588.2	

These projects are recorded under the PIDIREGAS scheme, and CFE applies the accounting policy described in Note 3-e. Long-Term Productive Infrastructure Projects (PIDIREGAS).

c. Trusts

1 Scope of performance

1.1. CFE currently participate in the capacity of Trustor or Beneficiary of a Trust in 14 (fourteen) Trusts, of which 1 (one) is not in the process of extinction.

1.2. In conformity with its purpose and operating characteristics, they can be defined in the following groups:

- a. Power saved
- b. Prior expenses
- c. Construction contract management
- d. Indirect equity participation trusts

a. Power saved

Those organized to execute power savings promotion and savings programs.

Trust	Equity of CFE		
	Trustor	Trustee	Beneficiary of the trust:
Trust for Power Savings (FIDE), created August 14, 1990	Organization: Confederacion de Camaras Industriales (CONCAMIN), Camara Nacional de la Industria de Transformacion (CANACINTRA), Camara Nacional de Manufacturas Electricas (CANAME), Camara Nacional de la Industria de la Construccion (CNIC), Camara Nacional de Empresas de Consultoría (CNEC) and Sindicato Unico de Trabajadores Electricistas de la Republica (SUTERM)	Nacional Financiera, S.N.C.	a. Electric power consumers who are beneficiaries of the services rendered by the Trust. b. CFE only for the materials that would have formed part of the infrastructure of utilities electric power public service.
Mexicali Housing Thermal Insulation Trust (FIPATERM), created on October 19, 1990	CFE	Banco Nacional de Obras y Servicios Publicos, S.N.C.;	CFE

At December 31, 2015, the Trust for Thermal Insulation of Housing (FIPATERM) has assets amounting to \$1,324,681 and liabilities amounting to \$26,941.

b. Prior expenses

Those created for financing and covering expenses prior to the execution of projects, subsequently recoverable and charged to the person who realizes them to be adjusted to the rules applicable to the type of project involved.

Trust	Equity of CFE			Type of projects
	Trustor	Beneficiary of the trust:	Trustee	
CPTT prior expense management, organized on August 11, 2003	CFE	CFE	Banco Nacional de Comercio Exterior, S. N. C.;	Direct investment:
Management and transfer of ownership 2030, organized on September 30, 2000	CFE	Primary beneficiary Winners of the contracts. Secondary beneficiary CFE	Banobras, S.N.C.	Conditioned investment

At December 31, 2015, the Prior Expenses Management Trust has assets amounting to \$4,897,869 and liabilities amounting to \$4,588,974.

At December 31, 2015, the Management and Transfer of Ownership Trust 2030 has assets amounting to \$393,714.

c. Construction contract management

Beginning in the decade of the 90s, the Federal Government implemented various off-budget schemes in order to continue to invest in infrastructure projects. Those schemes were designed under two modalities:

- Turnkey Projects (1990)
- Build, Lease, and Transfer Projects (CAT) (1996)

Turnkey Projects.- Under this scheme, plants works were carried out to generate electric power and transmission lines, through an irrevocable management and transfer of ownership trust, linked to a lease agreement. In this modality, the trustee discharges the following duties:

Contract credits, manage the trust property (assets), receive the rents from CFE, and transfer the asset to CFE gratuitously, once those rents have been covered in a sufficient amount to pay the credits contracted.

The CFE participates in the payment of the rents to the trustee, based on the credits contracted by the trust, and instructs the trustee to pay the contractors. In exchange, it receives invoices approved by the construction area, payment of taxes and other charges, including trustee fees.

These management and transfer of ownership were carried out in accordance with the "Guidelines for the realization of thermoelectric projects with off-budget funds", as well as the "Guidelines for the realization of transmission lines and substations with off-budget funds" issued by the Ministry of Public Office (formerly Ministry of Controllorship and Administrative Development).

Build, Lease and Transfer Projects (CAT).- The transition stage to carry out the trusts denominated CAT started in 1996, in which the trustee manages the trust property (assets) and transfers it to CFE once the rents have been covered. Credits are contracted directly with a Consortium which is a specific purpose company. An irrevocable management and transfer of ownership irrevocable trust exists for these purposes.

In this type of trusts, the CFE participates in the realization of the payment of rents based on quarterly amortization tables presented by the consortiums in their bids. Most of these tables include forty quarterly payments. The projects carried out under this modality and are in effect are as follows:

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
C.C.C. Chihuahua, organized on December 8, 1997	Norelec del Norte, S.A. de C.V. and CFE.	CFE	Nacional Financiera, S.N.C.
C.C.C. Rosarito III (8 and 9), organized on August 22, 1997	CFE and Rosarito Power, S.A. de C.V.	CFE	BANCOMEXT
C.T. Samalayuca II, built on May 2, 1996	Compañía Samalayuca II, S.A. de C.V.	Primary beneficiary The foreign bank common representative of the creditors; Secondary beneficiary: Compañía Samalayuca II, S.A. de C.V. Tertiary beneficiary: CFE	Banco Nacional de Mexico, S.A,

In the last quarter of 2015, the total extinction was carried out of the trust agreement C.G.C. Cerro Prieto IV, created on November 28, 1997

At December 31, 2015, CFE has fixed assets amounting to \$15,434,571 and liabilities in the amount of \$3,826,194, applicable to the CATs of the trusts referred to above.

Terminal de Carbon de CT Presidente Plutarco Elias Calles

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Terminal de Carbon CT Presidente Plutarco Elias Calles (Petacalco), organized on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and TechintCompagnia Tecnica Internazionale S.P.A.	Primary beneficiary Carbonser, S.A. de C.V Secondary beneficiary: CFE	Banco Nacional de Mexico, S.A, (BANAMEX)

An irrevocable management, guaranty, and transfer of ownership trust agreement number 968001 was entered into in 1996, which, among other things, set forth that the trustee will enter into a service contract with CFE.

With the effectiveness of the coal management service contract between CFE and Banco Nacional de Mexico, S. A. (Banamex) as trustee of the Petacalco Trust, consisting of Techint Compagnia Tecnica Internazionale S.P.A., Grupo Mexicano de Desarrollo, S. A. de C. V.,

and Techint, S. A. signed on November 22, 1996, in accordance with the provisions of clause 8.1, Comision will pay the amounts of the invoices related to the fixed charge for capacity.

Expenses	Book entry of a fixed charge for capacity of Jan-Dec 2015
Carbon Petacalco	\$99,845

d. Indirect equity participation trusts

Additionally, it maintains an indirect relationship since it is not a Trustor, but it participates as a borrower with five Deeds of Trust and payment of financing, created by Financial Institutions as Trustors and Beneficiaries of Trusts for the issue of securities linked to credits granted to CFE. The CFE itself is nominated as a Secondary Beneficiary of a Trust, due to the specific eventuality that it may acquire some of the certificates issued and maintain representation of Technical Committees, in conformity with the contractual provisions (see Note 11).

CFE is bound to cover the Trust in the terms of the "Indemnification Contract", which forms part of the Trust Agreement, the expenses therein incurred for the issue of securities and their management.

Trust	Patrimony of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 161 created on October 2, 2003	ING (Mexico), S. A. de C. V., Casa de Bolsa, ING Grupo Financiero	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 194 created on May 3, 2004	Primary beneficiary ING (Mexico), S. A. de C. V. and Casa de Bolsa, ING Grupo Financiero Secondary beneficiary Deutsche Securities, S. A. de C. V. and Casa de Bolsa.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 290 created on April 7, 2006	Casa de Bolsa BBVA Bancomer, S. A. de C. V., Grupo Financiero BBVA Bancomer, HSBC Casa de Bolsa, S. A. de C. V., Grupo Financiero HSBC and IXE Casa de Bolsa, S. A. de C. V., IXE Grupo Financiero.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 232246 created on November 3, 2006	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	HSBC Mexico, S.A., Grupo Financiero HSBC

Trust	Patrimony of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 411 created on August 6, 2009	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex

At December 31, 2015, there are funds available in trust No. 232246 in the amount of \$8,821.

2 Legal nature

2.1 In conformity with the Federal Public Administration Act, none of the trusts are considered as Public Trusts with the status of "Entity", pursuant to the following:

- a. In 10 of them, CFE does not have the capacity of Trustor in their creation.
- b. The 7 remaining trusts do not have an organic structure analogous to that of state-owned entities that comprise them as "entities" in terms of the Law.

2.2 The SHCP has maintained a record for purposes of the Federal Budget and Financial Responsibility Law, only for the case of 7 (seven) of them, for the appropriation of federal funds or the contribution of the usufruct of land owned by CFE where the works will be built.

Registry of Trusts with SHCP		
No.	Trusts	Registry
1	Mexicali Housing Thermal Insulation Trust, FIPATERM	700018TOQ058
2	Prior Expenses Trust	200318TOQ01345
3	Trust Management and Transfer of Ownership 2030	200318TOQ01050
4	Trust for Power Savings (FIDE)	700018TOQ149
5	C. C.C. Chihuahua	199818TOQ00857
6	C. T. Monterrey II*	199818TOQ00850
7	C. G. Cerro Prieto IV*	199818TOQ00860

*The book entry of these trusts are in the process of being retired with the SHCP, due to their recent extinction.

25. Off-balance sheet accounts

The off-balance sheet items at December 31, 2015 and December 31, 2014 consist of the following items:

Item	2015	2014
Off-balance sheet items of management of portfolio of extinguished Luz y Fuerza del Centro Assets	\$ 5,148,310	\$ 5,171,202
Total off-balance sheet items	\$ 5,148,310	\$ 5,171,202

26. Segment information

The Federal Government, through the Ministry of Communications and Transportation (SCT), granted a concession to the CFE to install, operate, and use a public communications network.

This network, indispensable for CFE's operation, is converted into a significant supplement of the telecommunications network of the entire country. Accordingly, agreement No 33/2006 issued by the CFE Board of Directors dated February 28, 2006, was published in the Official Daily Gazette on March 28, 2006, which amends different numerals of the organic bylaws of the CFE to amend the purpose for which telecommunications services are rendered in terms of the Federal Communications Law.

In order to minimize the use of that optic fiber network and given that this network has the capacity to offer services to third parties, the CFE petitioned and obtained a "Telecommunications public network concession for rendering supply services and leasing of network capacity and marketing of the capacity acquired, with respect to networks of other concessionaires originally in 71 localities of the nation" certificate from the Ministry of Communications and Transportation (SCT) on November 10, 2006, which has been increased nationwide with an initial duration of 15 extendible years.

In order to successfully operate the network adequately, for both internal purposes and use by third parties, CFE's Board of Directors authorized its organic structure to be amended by creating two Coordinating Units: the first Unit operates and maintains the optic fiber network, and the second unit, CFE's Telecom Coordinating Unit, discharges duties related to the marketing of the services authorized in the concession certificate.

At present, 203 contracts have been signed with 148 Customers of the industrial, Business, and Governmental segments.

At December 31, 2015, CFE has a National Optic Fiber Network of 40,737.26 kilometers that are divided into an Internodal Network: 34,780.55 kilometers and Access Network and Local

Access; 5,956.71 Km., developed to increase the safety and reliability of the National Electric System that will allow for implementing a long-term solution for voice, data, video technical-administrative communications, among other things, and gradually substitute the telecommunications services that are currently rendered by third parties.

The CFE TELECOM segment described includes revenues mainly from rendering supply and leasing network capacity services and marketing the capacity acquired, with respect to other concessionaires nationwide with their own and/or leased infrastructure, as well as revenues obtained from adjustments and their costs incurred in each caption.

In compliance with the constitutional precept pursuant to the telecommunications reform, the CFE filed the petition with the Federal Telecommunications Institution (IFT) for authorization to assign its certificate of assignment to install, operate, and exploit a public telecommunications network in favor of TELECOMM on December 17, 2014.

The IFT authorized the terms of the assignment of the certificate of assignment of the concession granted to CFE to install, operate, and use a public telecommunications network in benefit of TELECOMM pursuant to official statement 77/2015 on September 24, 2015.

Pursuant to official statement 3/2016 published on January 21, 2016, the IFT granted the Certification of Concession to TELECOMM for commercial use as shared network wholesale telecommunications services. TELECOMM will be the owner of the inherent Concession rights and obligations, and it should guarantee the continuity of the telecommunications services in the terms and conditions set forth therein.

The CFE keeps the optic fiber, rights of way, towers, pole lines, buildings and facilities, thereby guaranteeing TELECOMM effective, shared access to that infrastructure to operate it efficiently, in order to exercise its duties and meet its objectives appropriately.

a. Operating segment information

Item	At December 31, 2015		
	ENERGY	CFE TELECOM	TOTAL
Revenues	\$ 306,864,019	\$ 1,186,403	\$ 308,050,422
Depreciation and amortization	(45,250,958)	(1,024)	(45,251,982)
Financial revenue (cost)	(59,359,444)	2,080	(59,357,364)
Operating income (loss)	(36,027,323)	673,524	(35,353,799)
Investment in productive assets	1,085,929,698	16,692 (*)	1,085,946,390
Total assets	1,291,041,315	391,562	1,291,432,877

Item	At December 31, 2014		
	ENERGY	CFE TELECOM	TOTAL
Revenues	\$ 333,397,051	\$ 1,038,780	\$ 334,435,831
Depreciation and amortization	(41,563,843)	(1,062)	(41,564,905)
Financial revenue (cost)	(43,927,332)	2,092	(43,925,240)
Operating income (loss)	(5,813,642)	366,950	(5,446,692)
Investment in productive assets	998,039,071	17,716 (*)	998,056,787
Total assets	1,175,702,740	245,535	1,175,948,275

Revenues for CFE TELECOM are included in the statement of operations in other revenues, net.

(*) It only considers the cost of the administrative building, furniture and office equipment, and transportation assigned to the personnel of that area. The energy column includes the investment in the optic fiber network with a value at December 31, 2015 and 2015, amounting to \$5,084,722 and \$5,301,639, respectively.

b. Plants, facilities and equipment in operating process

Plants, facilities and operating equipment are included as part of the caption of plants, facilities and equipment, whose net balance is summarized as follows:

		2015	2014
Corporate Headquarters	\$	3,307,104	\$ 3,421,128
Generation		474,381,349	386,769,392
Distribution		293,513,286	279,705,982
Transmission and Transformation		197,116,705	196,593,461
Optic Fiber		4,797,461	4,917,545
Construction		1,464,912	1,536,668
		<u>974,580,817</u>	<u>872,944,176</u>
External Producers' Equipment		72,399,083	77,553,533
Dismounting of Laguna Verde Nuclear Station		<u>255,556</u>	<u>270,121</u>
Total property, plants and equipment (net)	\$	<u>1,047,235,456</u>	\$ <u>950,767,830</u>
Revenues per division (geographical zone)			
		2015	2014
Baja California	\$	17,486,383	\$ 19,481,161
Northwest		19,274,193	21,140,935
North		19,547,554	22,272,054
North Gulf		39,774,467	46,894,681
Central West		11,165,541	13,283,084
South Central		11,708,514	13,152,775
East		14,765,675	16,334,553
Southeast		13,014,045	13,714,983
Bajío		29,135,874	33,204,067
Central Gulf		13,071,851	15,045,982
East Central		16,655,617	19,014,636
Peninsular		13,923,680	14,734,242
Jalisco		19,598,943	21,479,752
North Valley of Mexico		16,416,316	18,462,179
Central Valley of Mexico		15,164,937	16,946,562
South Valley of Mexico		16,029,652	17,915,815
Subtotal retail sales		<u>286,733,242</u>	<u>323,077,461</u>
Block for resale		4,767,340	1,135,618
Other programs:			
Consumption in manufacturing process		3,912,766	706,492
Illegal Uses		3,684,552	2,092,232
Due to measurement failure		1,428,036	1,166,132
Due to billing error		2,226,458	1,863,457
		<u>11,251,812</u>	<u>5,828,313</u>
Other operating proceeds		4,111,625	3,355,659
Total operating proceeds	\$	<u>306,864,019</u>	\$ <u>333,397,051</u>

d. Revenues from homogeneous customer groups

	2015	2014
Retail sales		
Domestic service	\$ 64,658,261	\$ 62,948,688
Commercial service	38,826,636	40,710,415
Service for public lighting	21,233,845	19,892,164
Agricultural service	4,874,494	4,703,419
Industrial service	157,140,006	194,822,775
Total retail sales	286,733,242	323,077,461
Block for resale	4,767,340	1,135,618
Other programs:		
Consumption in manufacturing process	3,912,766	706,492
Illegal Uses	3,684,552	2,092,232
Due to measurement failure	1,428,036	1,166,132
Due to billing error	2,226,458	1,863,457
Total	11,251,812	5,828,313
Other operating proceeds	4,111,625	3,355,659
Total operating proceeds	\$ 306,864,019	\$ 333,397,051

The "Electric power services" segment mainly includes the sale of electric power utilities, which consists of generating, conducting, transforming, distributing, and supplying electric power to all users of the country, as well as planning and realizing all works, installations, and work required by the national electric system with respect to planning, execution, operation, and maintenance, with the participation of independent producers, in terms of the Electric Power Utilities Law and its Regulations.

27. Events After The Reporting Period

The terms of strict legal separation are issued on January 11, 2016, which should be observed by the CFE to realize activities, such as Generation, Transmission, Distribution, Marketing, and Supplying of Primary Inputs, as well as for its market share to be independent through each one of the units in which it is separated, thereby generating economic value and profitability for the Mexican State as its owner.

28. New accounting pronouncements

In order to advance with the updating of International Financial Reporting Standards, the International Accounting Standards Board (IASB) enacted the amendments to the Standards that have an effective date beginning January 1, 2016, which are described below:

IFRS 1 First-time adoption of International Financial Reporting Standards
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Control Agreements
IFRS 12 Information to disclose on Stakeholders in other entities
IAS 16 Property, Plant and Equipment
IAS 27 Separated Financial Statements

IAS 28 Investments in Associates and Joint Ventures
IAS 38 Intangible Assets
IAS 41 Agriculture

Likewise, the IASB enacted improvements to the Standards that go into effective beginning January 2016, which are described below:

IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations
IFRS 7 Financial Instruments: Information to Disclose
IAS 19 Employee Benefits
IAS 34 Interim Financial Information

The Company will value the impact that they can have on the Financial Statements once those Financial Standards go into effect.

29. Issue of consolidated financial statements

These consolidated financial statements were authorized to be issued by Dr. Jaime F. Hernandez Martinez, Director of Finance on April 7, 2016.

The consolidated financial statements and corresponding notes should be approved by the Board of Directors on a subsequent date. These agencies have the power to modify the accompanying financial statements. The subsequent events were considered up to March 31, 2016.



COMISIÓN FEDERAL
DE ELECTRICIDAD



Consolidate 2014 Financial Statements

Comision Federal de Electricidad
State-Owned Productive Company

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated financial statements for the years ended, December 31, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

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Consolidated statements of changes in patrimony for the years ended December 31, 2014 and 2013	C

Consolidated statement of Cash Flows for the years ended December 31, 2014 and 2013	D

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INDEPENDENT AUDITORS' REPORT

To the Ministry of Public Function and the Board of Directors of Comisión Federal de Electricidad State-Owned Productive Company

We have audited the accompanying consolidated financial statements of Comisión Federal de Electricidad (henceforth "the Company"), which comprise the consolidated statements of financial position at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in patrimony, and consolidated statements of cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

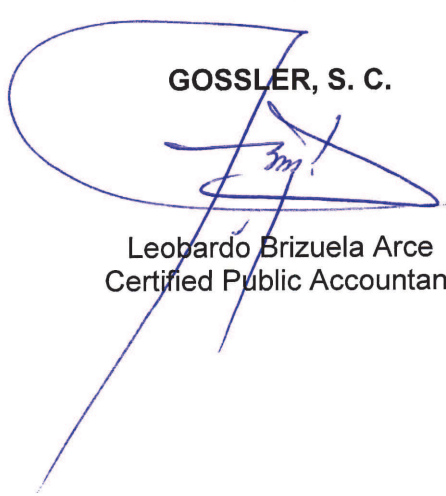
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Comision Federal de Electricidad, at December 31, 2014 and 2013, as well as its consolidated results and consolidated cash flows for the years then ended, in conformity with International Financial Reporting Standards.

Emphasis of Matter

Though the foregoing has no effects on our opinion, we hereby draw attention to the following notes to the consolidated financial statements:

Note 1 sets forth that the Decree, which reforms and aggregates various provisions of the Constitution of the Mexican United States with respect to Energy, was published in the Official Daily Gazette (DOF) on December 20, 2013. The Comision Federal de Electricidad Act, which sets forth that it will go into effect on the day following that on which the Board of Directors of the Comision Federal de Electricidad is designated, was published in the DOF on August 11, 2014. The new Board of Directors was designated on October 13, 2014 and, therefore, the Comision Federal de Electricidad became a State-Owned Productive Company with its own legal personality that will enjoy technical, operative and administrative autonomy.

Note 2 b discloses that beginning January 1, 2013, the Company adopted the revaluation model for assets that make up its electric infrastructure. On the other hand, beginning January 1, 2014, the real property of the Company was revalued by calculating its fair value by preparing appraisals with the parametric methodology indicated by the Institute of Administration and Appraisals of National Assets. The effect of that adoption amounted to \$38,950,186 thousands in 2014, (\$38,950,186 thousands in 2013) which was recognized in comprehensive income and accumulated in the patrimony of the Company.



GOSSLER, S. C.

Leopardo Brizuela Arce
Certified Public Accountant

Mexico City, Mexico
March 31, 2015

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of financial position

At December 31, 2014 and 2013

(Notes 1, 2, and 3)

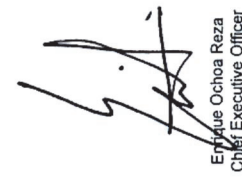
(Amounts stated in thousands of Pesos)

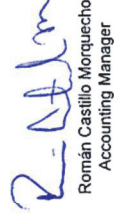
EXHIBIT A

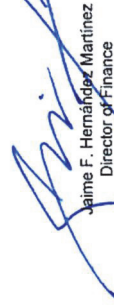
	2014	2013		2014	2013
Assets			Liabilities		
Current assets:			Short-Term		
Cash and cash equivalents (note 5)	\$ 36,310,880	\$ 35,515,550	Current portion of documented debt (note 11)	\$ 14,789,500	\$ 32,540,555
Accounts receivable, net (note 6)	81,611,112	81,694,174	Current portion of PIDIREGAS (note 12 and 13)	16,026,862	15,943,937
Materials for operation, net (note 7)	21,279,536	19,983,869	Suppliers and contractors	16,301,377	15,550,838
Total current assets	139,201,528	137,193,593	Loans and fees payable (note 14)	4,584,176	3,539,998
			Employee benefits (Note 17)	28,513,123	23,267,799
			Other payables and accrued liabilities	24,629,896	21,968,004
			Deposits from users and contractors	18,737,992	16,137,469
			Total short-term liabilities	123,582,726	128,948,500
Long-term loans to workers	9,233,151	8,311,746	Long-term:		
			Unrealized proceeds (note 15)	26,512,187	20,459,855
Plants, facilities and equipment, net (Note 8)	998,056,787	954,246,405	Documented debt (note 11)	139,308,657	112,678,177
			Derivative financial instruments (note 10)	14,555,378	15,036,137
			PIDIREGAS (note 12 and 13)	177,062,470	164,194,095
			Long-term debt (note 16)	3,843,257	3,563,166
			Employee benefits (note 17)	535,539,470	504,260,756
			Total long-term liabilities	896,821,419	820,192,186
			Total liabilities	1,020,404,145	949,140,786
Derivative financial instruments (note 10)	13,957,858	13,989,058	Patrimony:		
			Accumulated patrimony (Note 18)	175,977,538	113,624,347
			Payment of public use tax Federal Revenue Law Federal Government	(31,518,000)	(30,600,000)
			Funds transferred to CENACE OPD	(492,341)	
			Contributions received from the Federal Government	28,402,300	23,126,100
			Derivative financial and other instruments	683,492	(640,887)
			Charge to equity for employee benefits	(9,627,144)	(33,299,708)
			Revaluation surplus	38,950,186	141,320,040
			Net loss for the period	(46,831,901)	(37,552,354)
Other assets	15,498,951	11,377,522	Total Patrimony	155,544,130	175,977,538
Total assets	\$ 1,175,948,275	\$ 1,125,118,324	Total liabilities and patrimony	\$ 1,175,948,275	\$ 1,125,118,324

MEMORANDUM ACCOUNTS (note 25)

	2014	2013
Assets	\$105,865,325	\$110,031,738
Liabilities	\$(105,865,325)	\$(110,031,738)


Enrique Ochoa Reza
Chief Executive Officer


Román Castillo Morquecho
Accounting Manager


Jaime F. Hernández Martínez
Director of Finance

The accompanying notes are an integral part of these financial statements.

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of comprehensive income

For the years ended December 31, 2014 and 2013
(Notes 1, 2, and 3)
(Amounts stated in thousands of Pesos)

"Exhibit B"

	2014	2013
Revenue on sale of electric power (note 26)	\$ 333,397,051	\$ 318,409,598
Rate insufficiency (note 21)	86,227,484	85,770,342
Total proceeds from sales	419,624,535	404,179,940
Cost of operation	234,037,359	243,672,586
Gross profit	185,587,176	160,507,354
Public use taxes (note 21)	58,792,164	46,012,501
Write-off of rate insufficiency not covered by public use taxes (note 21)	27,435,320	39,757,841
Depreciation	41,564,905	36,235,532
Impairment of idle assets	-	1,636,190
Administrative expenses	8,151,431	6,904,022
Estimated actuarial cost of labor obligations of the period (note 17)	55,090,048	48,689,340
Operating income	(5,446,692)	(18,728,072)
Financial cost		
Interest payable, net	(21,123,009)	(21,462,957)
Exchange loss, net	(22,802,231)	(979,467)
	(43,925,240)	(22,442,424)
Other income, net (Note 19)	5,031,612	5,198,651
Income before Income Tax	(44,340,320)	(35,971,845)
Income tax on the distributable remaining balance (note 20)	(2,491,581)	(1,580,509)
Net loss for the period	<u>\$ (46,831,901)</u>	<u>\$ (37,552,354)</u>
Other comprehensive income (loss) items (note 22)		
Charge to equity for employee benefits	(9,627,144)	(30,423,326)
Revaluation of fixed assets	38,950,186	141,320,040
Funds transferred to CENACE OPD	(492,341)	-
Write-off of opening balance of financial instruments in patrimony and others	766,720	1,687,609
Effect of the period of financial instruments on patrimony	(83,228)	(724,746)
Comprehensive (loss) income for the period	<u>\$ (17,317,708)</u>	<u>\$ 74,307,223</u>

Enrique Ochoa Reza
Chief Executive Officer

Jaime F. Hernández Martínez
Director of Finance

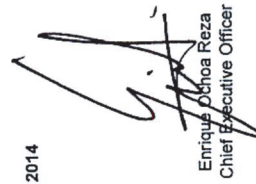
Román Castillo Morquecho
Accounting Manager

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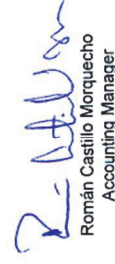
Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of changes in patrimony
For the years ended December 31, 2014 and 2013
(Notes 1, 2, and 3)
(Amounts stated in thousands of Pesos)

	Patrimony effect	Payment of public use tax Federal Revenue Law	Contributions received	Derivative Financial instruments and others	Charge to Patrimony for employee benefits	Surplus on revaluation	Income for the Year	Total
Balances at December 31, 2012	\$ 142,597,161	\$ (24,757,200)	\$ 15,000,000	\$ (1,603,750)	\$ (2,876,382)	\$ -	\$ (19,215,614)	\$ 108,144,215
Appropriation of prior year balances, approved by the Board of Directors	(28,972,814)	24,757,200	(15,000,000)				19,215,614	-
Payment of Public Use Tax Federal Revenue Law		(30,600,000)						(30,600,000)
Contributions from the Federal Government			23,126,100					23,126,100
Comprehensive income				962,863	(30,423,326)	141,320,040	(37,552,354)	74,307,223
Balances at December 31, 2013	113,624,347	(30,600,000)	23,126,100	(640,887)	(33,299,708)	141,320,040	(37,552,354)	175,977,538
Appropriation of prior year balances, approved by the Board of Directors	62,353,191	30,600,000	(23,126,100)	640,887	33,299,708	(141,320,040)	37,552,354	-
Payment of Public Use Tax Federal Revenue Law		(31,518,000)	28,402,300					(3,115,700)
Contributions from the Federal Government								-
Funds transferred to CENACE OPD	(492,341)							(492,341)
Surplus on revaluation for the year						38,950,186		38,950,186
Charge for employee benefits for the year					(9,627,144)			(9,627,144)
Financial instruments in patrimony and others				683,492				683,492
Comprehensive income							(46,831,901)	(46,831,901)
Balances at December 31, 2014	\$ 175,485,197	\$ (31,518,000)	\$ 28,402,300	\$ 683,492	\$ (9,627,144)	\$ 38,950,186	\$ (46,831,901)	\$ 155,544,130


Enrique Ochoa Reza
Chief Executive Officer


Jaime F. Hernández Martínez
Director of Finance


Román Castillo Morquecho
Accounting Manager

The accompanying notes are an integral part of these financial statements.

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of cash flows
For the years ended December 31, 2014 and 2013

(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

EXHIBIT D

	2014	2013
Operating activities		
Loss for the period	\$ (46,831,901)	\$ (37,552,354)
Cash flows from investing activities		
Depreciation in the period of plants, facilities and equipment.	41,564,905	37,871,722
Net cost of the period derived from employee benefits	28,447,917	25,310,149
Estimates and allowances	(765,249)	(5,246,823)
Items in financing activities:		
Interest payable	21,123,009	21,462,957
Exchange loss	22,802,231	979,468
	66,340,912	42,825,119
Accounts receivable and others	(1,519,092)	(959,107)
Operating Materials	(1,660,259)	1,244,551
Suppliers and contractors	750,539	(15,530,598)
Other payables and accrued expenses	15,101,898	4,248,852
Net cash flow from operating activities	12,673,086	(10,996,302)
Investing activities		
Investment in plants, facilities and equipment	(46,822,498)	(37,370,293)
Other long-lived assets	(4,090,229)	31,305
Net cash flows from investing activities	(50,912,727)	(37,338,988)
Net cash provided by financing activities	(38,239,641)	(48,335,290)
Financing activities		
Debt contracted	44,199,605	70,850,075
Financing paid debt	(45,171,310)	(47,130,693)
Interest paid	(24,275,196)	(13,989,577)
Other long-term debts	(2,059,040)	(4,672,458)
Net cash flows from financing activities	(27,305,941)	5,057,347
Net increase (decrease) in cash and temporary investments	795,330	(452,824)
Cash and temporary investments at beginning of year	35,515,550	35,968,373
Cash and temporary investments at end of year	\$ 36,310,880	\$ 35,515,549

Enrique Reza Ochoa
Chief Executive Officer

Jaime F. Hernández Martínez
Director of Finance

Román Castillo Morquecho
Accounting Manager

The accompanying notes are an integral part of these financial statements.

COMISION FEDERAL DE ELECTRICIDAD
State-Owned Productive Company

Notes to Consolidated Financial Statements
At December 31, 2014 and 2013
(Amounts stated in thousands of pesos)

Exhibit E

1. ORGANIZATION, NATURE OF THE STATE-OWNED PRODUCTIVE COMPANY AND RELEVANT EVENTS.

• **Organization and description of business**

On August 11, 2014, The Decree was published in the Official Daily Gazette declaring that the Comision Federal de Electricidad Law (LCFE for its acronym in Spanish), would go into effect the day after the new Board of Directors of the Comision Federal de Electricidad is designated.

On October 13, 2014, the new Board of Directors was designated and, therefore, the Comision Federal de Electricidad (CFE or the Company) became a State-Owned Productive Company with its own legal personality that will enjoy technical, operating, and administrative autonomy.

The Board of Directors (formerly Board of Governors) is the Supreme Administrative Body of the Company and responsible for defining policies, guidelines, and the strategic vision of the CFE, its subsidiary productive companies and affiliate companies.

The Temporary Statute Fourteen of the LCFE sets forth that the special regime provided for therein for the CFE and its subsidiary productive companies and affiliate companies, with respect to the budget, debt, acquisitions, leases, services and works, administrative responsibilities, assets and remunerations will not go into effect until the new Board of Directors (formerly Board of Governors) of the CFE is on duty, and the inspection, transparency, and accountability mechanisms contained therein are in operation.

On February 16, 2015, the Ministry of Energy declared in the Official Daily Gazette that the new Board of Directors (formerly Board of Governors) of the CFE was on duty, and the inspection, transparency and accountability mechanisms provided for in the LCFE are in operation.

Beginning that date, the purpose of the CFE is to develop business, economic, industrial, and commercial activities, as well as generate economic value and profitability for the Mexican State as its owner.

Its purpose is to render public electric energy transmission and distribution service, in terms of the applicable Mexican legislation.

Moreover, in its public purpose, the CFE may carry out the following activities:

I. Generation divided into units and marketing of electric energy and associated products, including the import and export thereof, in accordance with the Electric Industry Law, and in terms of strict legal separation established by the Ministry of Energy;

II. The import, export, transportation, storage, purchase and sale of natural gas, carbon, and any other fuel;

III. The development and execution of engineering projects, research, geological and geophysical activities, supervision, rendering services to third parties, as well as all those related to the generation, transmission, distribution, and marketing of electric energy, and other activities that form part of its purpose;

IV. Research, development, and implementation of sources of energy that enable it to comply with its purpose, in accordance with the applicable provisions;

V. Research and technological development required for the activities realized in the electric industry, marketing of products and technological services resulting from research, as well as the formation of highly specialized human resources;

VI. The use and management of property, industrial property, and technology that arranges and permits any additional services to be rendered or provided illustratively such as construction, leasing, maintenance and telecommunications. The CFE may endorse and furnish guarantees in favor of third parties;

VII. Acquisition, holding or equity in the shareholding structure of companies that have a similar purpose, analogous or compatible with their own purpose; and

VIII. The other activities required for full compliance with its purpose.

The CFE may carry out the activities referred to herein in the country or abroad.

Up to October 13, 2014, CFE was a Decentralized Government Agency of the Federal Government of a technical, industrial, and commercial nature with legal personality and its own patrimony, created by the Legislative Decree dated August 14, 1937, published in the Official Daily Gazette (DOF) on March 24, 1937 (which repealed the Legislative Decree dated December 29, 1933, published in the DOF on January 29, 1934).

The Agency rendered public electric power service throughout Mexican territory, which consisted of generating, conducting, transforming, distributing, and supplying electric power, as well as planning and realizing all works, installations, and work required by the national electric system with respect to planning, execution, operation, and maintenance, with the participation of independent producers, in terms of the Electric Power Utilities Law and its Regulations, the foregoing was repealed with the effectiveness of the LCFE.

Moreover, on February 28, 2006, the Agency amended different provisions of the internal bylaws to amend the Agency's purpose and be able to render telecommunications services in terms of the Federal Telecommunications Law.

The rates applicable to the sale of electric power in Mexico are defined and authorized by the Federal Government, through the Undersecretary of Revenue of the Ministry of Finance and Public Credit (SHCP).

- **Relevant events**

Tax obligations

With the enactment of the LCFE (LCFE-DOF 11/VIII/2014) and the resulting repeal of the Electric Energy Public Service Law, the concept of public use tax provided for in Article 476 of this last body of laws disappears and, therefore, it is assumed that CFE as well as its subsidiary and affiliate companies will start to meet their tax obligations in terms of Title II of the Income Tax Law, which regulates the general regime of legal entities, in accordance with the provisions of Article 4 of the LCFE.

National Energy Control Center

The Decree published in the DOF on December 20, 2014 that amends and aggregates various provisions of the Constitution of the Mexican United States, as well as the Decree published on August 28, 2014 that creates the National Energy Control Center (CENACE) in order to exercise the operating control of the national electric system. On November 28, 2014, CFE transferred material and financial resources to the CENACE. The transfer had a impact amounting to 492,341 thousand of pesos.

Public Telecommunications Network Concession

In terms of the provisions set forth in Temporary Statute of the "Decree that reforms and aggregates various provisions of Articles 6,7, 27, 28, 73, 78, 94, and 105 of the Constitution of the Mexican United States in Telecommunications matters", published in the Official Daily gazette on June 11, 2013, which sets forth that:

Comision Federal de Electricidad will totally assign its concession to Telecomunicaciones de Mexico to install, operate, and exploit a public telecommunications network, and it will transfer all the resources and equipment thereto that are required for operating and exploiting that concession.

The Comision Federal de Electricidad will be responsible for optic fiber, rights of way, pole lines, buildings and facilities, thereby guaranteeing TELECOMM effective, shared access, and meeting its objectives. Telecomunicaciones de Mexico will have attributions and resources for promoting access to broad band services, plan, design, and execute the construction and growth of a solid telecommunications backbone network with nationwide coverage.

In compliance with the constitutional precept, the CFE filed the petition with the Federal Telecommunications Institution (IFT) for authorization to assign its certificate of assignment to install, operate, and exploit a public telecommunications network in favor of TELECOMM on December 17, 2014.

In accordance with Article 110 of the Federal Telecommunications and Broadcasting Act, the IFT has a term of 90 calendar days beginning when CFE delivered the Petition for issuing the corresponding resolution. The term expires on March 17, 2015.

TELECOMM will be the owner of the inherent Concession rights and obligations, and it should guarantee the continuity of the telecommunications services included therein, in the terms and conditions set forth by the IFT in the Concession assignment authorization resolution.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a) Declaration of Compliance

In conformity with the Rules for Public Companies and other Participants of the Mexican Securities Exchange, issued by the National Banking and Securities Commission on January 27, 2009, the CFE is bound to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS), its amendments and interpretations issued by the International Accounting Standard Board (IASB), effective 2012. Consequently, the accompanying consolidated financial statements have been prepared in conformity with IFRS.

b) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for certain derivative financial instruments, which are valued at fair value. Moreover, property, plants, facilities and equipment are valued at their assumed value at the date of transition and revalued to their fair value, as follows:

Up to December 31, 1996, fixed assets other than those acquired under Long-Term productive Infrastructure Project programs (PIDIREGAS) were restated by using capital price indexes of the electric industry, determined by specialized CFE experts. The constructions-in-progress programs continued to be restated by this method up to 1998 year end.

Fixed assets acquired under PIDIREGAS programs were restated up to December 31, 2007, based on the foreign exchange fluctuations of the contracting currency which is equivalent to their specific cost.

Beginning January 1, 1997 and up to December 31, 2007, fixed assets were restated by using the historical cost adjustments on the general price level method derived from the National Consumer Price Index (INPC), based on the replacement values determined at 1996 year end and the acquisition and/or construction values for those acquired beginning that date and up to December 31, 2007.

During fiscal 2013, the fixed assets comprising the electric infrastructure were revalued by calculating their fair value at 2013 year end, as explained in note 3-d.

During fiscal 2014, the fixed assets that form the property of the Company were revalued by calculating their fair value, by preparing appraisals with the parametric methodology indicated by the Administration and Appraisals of National Assets (INDAABIN), as explained in note 3.d.

c) Monetary unit of the consolidated financial statements

The financial statements and their notes include foreign currency transactions, which are translated into pesos at the exchange rate established by the Bank of Mexico and are stated in thousands of pesos.

d) Consolidated statements of comprehensive income

The CFE prepared statements of comprehensive income, and classified costs and expenses by their nature, pursuant to the specific essence of the type of cost or expense of the entity, as set forth in IAS 1 "Presentation of financial statements".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies followed by the Company are as follows:

a. Basis of consolidation

The unaudited financial statements of the three trusts, in which the CFE has control were consolidated in accordance with IFRS 10 "Consolidation of Financial Statements".

Trust	Equity of CFE			Type of project
	Trustor	Beneficiary of the trust:	Trustee	
Trust Management and Transfer of Ownership 2030	CFE	Primary beneficiaries: successful bidders who were awarded the contracts Secondary beneficiary: CFE	BANOBRAS, S. N. C.	Conditioned investment
Trust for the creation of a Revolving Financing Fund for the Housing Thermal Insulation Program of in the Valley of Mexicali, B.C.	CFE	CFE	BANOBRAS, S. N. C.	Power saved
Prior Expenses Trust	CFE	CFE	BANCOMEX, S. N. C	Direct investment

b. Cash and cash equivalents

Cash and cash equivalents are represented by cash, bank deposits and short-term investments. Cash and bank deposits are presented at nominal value, and the yields generated are recognized in income as accrued.

Cash equivalents apply to marketable securities with very short-term maturities are valued at fair value, and they are subject to a low risk of change in their value.

c. Inventory of operating materials and costs of consumption

Inventories of operating materials are recorded at the lower of cost of acquisition or net realizable value, and costs of consumption are recorded at average cost.

Inventories are reviewed periodically to determine the existence of obsolete material, as well as to evaluate the sufficiency of the allowance or provision. When the case arises, the allowance is increased against income for the year. The 0.0004167 (zero point zero zero zero four one six seven) factor on the balance of the month recorded of the accounts of materials of stock on hand, equivalent to 0.5% annual to record the provision of the year.

d. Plants, facilities and equipment

Plants, facilities and equipment are initially recorded at their acquisition cost.

i. Plants, Facilities and Equipment in operation (electric infrastructure)

Plants, facilities and operating equipment, only of electric infrastructure, used for generation, transmission and/or distribution of electric power, are presented in the statement of financial position at their revalued amounts. Fair value is calculated at the revaluation date, less any accumulated depreciation or accumulated impairment losses. The Company will periodically review the fair values of plants, facilities and operating equipment. Further, it will evaluate the need to perform revaluations so that the carrying value does not differ significantly from what would have been calculated by using fair values at the end of the reporting period.

Any increase in the revaluation of those plants, facilities, and operating equipment is recognized in other comprehensive income as a surplus, except if a decrease is reversed in the revaluation of the same asset previously recognized in income. In that case, the increase is credited to income to the degree at which the expense is reduced by the decrease previously carried out. A decrease in carrying value generated by the revaluation of those plants, facilities, and operating equipment is recorded in income to the degree that it exceeds the balance of the surplus, if any.

Depreciation of revalued plants, facilities, and operating equipment is recognized in income. In the event of a subsequent sale or retirement of revalued property, the surplus on revaluation attributable to the revaluation allowance of the remaining properties is directly transferred to retained earnings.

Depreciation rates in keeping with the useful live thereof, determined by specialized CFE technicians, are as follows:

	Annual rate %
Geothermal power generating stations	From 2.00 to 3.70
Steam power generating stations	From 1.33 to 2.86
Hydroelectric power generating stations	From 1.25 to 2.50
Internal combustion power generating stations	From 1.33 to 3.03
Turbo gas and combined cycle power generating stations	From 1.33 to 3.03
Nuclear power generating station	From 1.33 to 2.50
Substations	From 1.33 to 2.56
Transmission lines	From 1.33 to 2.86
Distribution networks	From 1.67 to 3.33

II. Property and assets allocated to offices and general services

Property and allocated to offices and general services are presented at cost less accumulated depreciation and any accrued impairment loss.

Depreciation is recognized and expensed, considering their useful lives by using the straight-line method. Estimated useful life, residual value, and depreciation method are reviewed every year end and the effect of any change on the estimate recorded is recognized prospectively.

Real property and assets allocated toward offices and general services are depreciated in accordance with the following rates:

	Annual rate %
Buildings	5
Furniture and office equipment	10
Computer equipment	25
Transportation equipment	20
Other private property	10

Land is not depreciated.

Properties in the process of construction are recorded at cost less any recognized impairment loss. The cost includes professional fees and, in the event of ratable assets, the costs per capitalized loans in accordance with the Company's accounting policy. Depreciation of these assets, just like in other properties, starts when the assets are ready to go into operation.

An element of plants, facilities and equipment is retired when it is sold or when it is not expected to obtain future economic benefits derived from the continued use of the asset. The gain or loss generated by the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources that are received from the sale and the carrying value of the asset, and it is recognized in income.

Capitalized replacement parts are depreciated from the time at which they are available for use.

III. Long-term Productive Infrastructure Projects (PIDIREGAS)

CFE realizes investment projects to build revenue generating assets under two schemes:

Direct investment:

In order to build electric facility projects that are delivered to the CFE upon completion thereof, at the time when the works are delivered, subject matter of the contract and received to the satisfaction of the CFE, the asset is recorded in a fixed asset account denominated PIDIREGAS, as well as the total liability that applies to the value of the asset.

Assets acquired under the PIDIREGAS scheme, as well as the correlative obligation are recorded at the contracted value of the Project.

Conditioned investment

Effective 2000 and based on the Electric Power Utilities Law (LSPEE), access was given to independent power generating producers, which can only sell the power produced by them to the CFE. The Company evaluated that 23 of the existing contracts with independent producers have leasing characteristics of the power generating plant, in accordance with Interpretations of IFRS 12, "Concession Service Agreements". In turn, those leases qualify as financial leases, in accordance with IAS 17 "Leases". Accordingly, they are recorded in a fixed asset account denominated Independent Producers, as well as the total liability that applies to the value of the asset.

e. Intangible assets

Intangible assets acquired separately are recognized at cost. The Company evaluates if the intangible asset is a definite-lived or an indefinite-lived intangible asset, and in the event that the intangible asset is determined to be indefinite-lived, impairment is tested annually. If the asset is determined to be definite-lived, accumulated amortization is reduced from the value of the asset and, if applicable, the impairment loss.

Amortization is recognized based on the straight-line method on their estimated useful life. Estimated useful life, residual value, and amortization method are reviewed every year end and the effect of any change on the estimate recorded is recognized prospectively.

f. Impairment of long-lived assets in use

The Company reviews the book value of long-lived assets in use, in the face of any indication of impairment that could indicate that the book value thereof might not be recoverable, considering the higher of fair value less the cost of selling it and the value in use. Furthermore, an adjustment is made to the value thereof.

Upon evaluating the value in use, estimated future cash flows are discounted from its present value by using a discount rate before taxes that reflects the current evaluation of the market with respect to the value of money in time and specific risks of the asset. Accordingly, estimates of future cash flows have not been adjusted.

Impairment indicators considered for these purposes are, among other things, operating losses or negative cash flows in the period if they are combined with a record or projection of losses, which in percentage terms, in connection with revenues, are substantially higher than those of prior fiscal years, as well as the effects of obsolescence, competition, and other economic and legal factors.

g. Financial instruments

Financial assets and liabilities are recognized when the Company becomes one of the parties to a financial instrument contract.

Financial assets and liabilities are recorded initially at the fair value. Transaction costs are that are directly attributable to the acquisition or issue of a financial asset or liability (other than financial assets and liabilities measured at fair value through gains or losses) are added or reduced from the fair value of the financial asset or liability upon the initial recognition, as the case may be. Transaction costs directly attributable to a financial asset or liability at fair value with changes in losses or gains are immediately recognized in income.

Financial assets

Financial assets are classified in any of the following categories: Financial assets at fair value with changes through income, held-to-maturity investments, financial assets available-for-sale, as well as loans and accounts receivable. The classification is dependent upon the nature and purpose of the financial asset, and it is determined at the time of the initial recognition.

Loans and receivables

Accounts receivable and loans are financial instruments with fixed or determinable payments that are not listed on an active market. Loans and accounts receivable (including accounts receivable, trade accounts receivable, and other receivables) are valued at amortized cost, by using the effective interest method, and they are subject to impairment tests.

Items receivable consist mainly of public consumers, government consumers, sundry receivables, and power in the billing process and loans to workers.

Impairment of financial assets

Financial assets, other than financial assets at fair value, are evaluated to determine if there are impairment indicators and each period end, and their impairment is expensed. Financial assets are considered impaired when there are objective indicators that, as a result of use or more events occurred after their initial recognition, estimated future cash flows of the investment have been affected.

Classification as a liability or capital

Debt instruments issued by the Company are classified as either liabilities or capital, in accordance with the substance of the contractual agreements and definitions of a financial liability and capital instrument.

Financial liabilities

Financial liabilities are classified at fair value or with changes in losses and gains or as other financial liabilities (including loans), and they are subsequently measured at their amortized cost, by using the effective interest method.

The Company retires a financial asset if, and only if the Company's obligations are met, cancelled or if they expire. The difference between the carrying value of the retired financial asset and the consideration paid and payable is recognized in income for the year and other comprehensive income.

Effective interest method

The effective interest method is a calculation method of the amortized cost of a financial instrument and distribution of the income or only financial throughout the period covered by that instrument. The effective interest rate is the rate that accurately calculates future cash flows that are estimated to be collected or paid (including fees and expenses paid or received that form a comprehensive part of the effective interest rate, transaction costs, and other premiums or discounts) throughout the expected life of the financial instrument or, when appropriate, in a shorter period at the net carrying amount of the financial asset or liability at the date of the initial recognition.

Income or cost is recognized based on effective interest for those financial instruments other than financial assets and liabilities classified at fair value with changes in income.

Compensation

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when the Company has a legal right to offset the amounts, and the purpose thereof is to liquidate them on a net base or realize the asset and liquidate the liability simultaneously.

h. Derivative Financial Instruments

The Company values its derivatives in the balance sheet at fair or market value ("mark-to-market"). When derivatives are designated as hedges, their recognition of fair value depends on whether it is a fair value hedge or a cash flow hedge.

Derivatives designated as hedges recognize changes in fair value as follows: (1) if they are fair value hedges, fluctuations of both the derivative and hedged item are recorded against income; or (2) if they are cash flow hedges, they are temporarily recognized in Other Comprehensive Income (Loss) and reclassified to income when the hedged item affects them. The ineffective portion of the change in fair value is immediately recognized in income in the comprehensive financing result, irrespective of whether the derivative is designated as a fair value hedge or cash flow hedge.

The Company mainly uses interest rate and currency swaps, as well as forward exchange contracts to manage its exposure to interest rate and foreign currency fluctuations. CFE formally documents all hedge ratios where risk management objectives and strategies are described to carry out derivative instrument trading. The Company's policy is not to enter or hold financial derivative instruments for speculative purposes.

Certain derivative financial instruments, although contracted for hedging purposes from an economic perspective, due to changes in accounting standards, are not currently designated as hedges for book purposes, but instead for trading purposes. Changes in fair value of those derivatives are recognized in income on the cost of financing.

Effectiveness tests were conducted on coupon swap cash flows that are carried out during the January - December period of 2014.

The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the measurement method. In addition, the most significant elements of each swap were disclosed such as the date of the swap, the interest rates used for the calculation of the cash flow of the primary position, as well as the cash flow of the derivative financial instrument, the surcharge added to each calculation rate, the basis of calculation for each cash flow, the frequency of periods and date of the calculation of both rates.

i. Obligations associated with the retirement of plants, facilities and equipment.

By operation of a regulatory law, upon completing the operating service of a nuclear facility (upon termination of licenses), this facility must be dismantled due to safety and environmental protection reasons.

CFE has a policy of performing a technical - economical study, which should be updated periodically (every 5 years). This study contemplates the estimated cost for this item, based on the production of power of the Laguna Verde Nuclear Power Generating Station, which is distributed uniformly in the time of its useful life. The acquisition cost of the nuclear facilities increases with the amount of the valuation of the obligation associated with retirement, considering the effect of writing it down to its present value.

j. Employee benefits

Direct employee benefits. Such benefits are valued in proportion to the services rendered considering current salaries, and the liability is recognized as accrued. It mainly includes productivity incentives, vacations, vacation premium, bonuses, and recognition of seniority of temporary and permanent workers.

Employee benefits for termination and others The liability for retirement benefits (seniority bonuses and pensions) and for termination of the employer - employee relationship is recorded as accrued, which is calculated by independent actuaries based on the projected unit credit method, by using nominal interest rates; therefore, it is estimated that the liability recognized at present value will cover the obligation for these benefits at the estimated retirement date of the employees who work at the Company, up to August 18, 2008, in a defined pension plan and retirement benefits.

For workers contracted up to August 18, 2008, the Company continues to apply a defined pension benefit plan. For workers contracted beginning August 19, 2008, the Company established a pension and defined contribution retirement plan

k. Income tax on the distributable remaining balance

In accordance with the applicable tax legislation, the Company is not subject to the encumbrance of Income Tax. However, it should withhold and pay the tax, as well as demand the documentation that meets tax requirements when it makes payments to third parties that are bound thereto, in terms of the Law. The Company is bound to determine, pay, and recognize this tax in its consolidated financial statements on the distributable remaining balance of the items that do not meet tax requirements, pursuant to the second to the last paragraph and second to the last paragraph of Article 79 of the Income Tax Law for fiscal 2014, and Article 95 for fiscal 2013.

Based on the issue described in the above paragraph, the Company determines, values, discloses and records the income tax provision on the distributable balance in its financial statements.

l. Segment information

Since it is a public economic entity, CFE, in accordance with the provisions of IFRS 8, "Operating Segments", distinguishes and discloses segment information, which is presented in the form used by the CFE to evaluate each activity with a managerial approach.

m. Revenue recognition

Revenues are recognized in the period in which electric power services are sold to customers. Consequently, the power already delivered that is in the process of being billed is considered as revenue of the year, and its amount is estimated based on the real billing of the immediately foregoing bimester.

n. Foreign currency transactions

Foreign currency denominated transactions are recorded at the current exchange rate on the date on which they are carried out. Foreign currency monetary assets and liabilities are valued in local currency at the exchange rate in effect at the date of the financial statements. Foreign exchange fluctuations are recorded in income as part of the cost of financing.

o. Transactions with Federal, State, and Municipal Governments

The main transactions carried out with the Federal Government, State and Municipal Governments and their accounting treatment are as follows:

Federal Government:

Public Use Tax

1) On the assets contributed to CFE for their operation

Up to December 31, 2014, in conformity with Article 46 of the Utilities Public Service Law, effective December 28, 1992, CFE is bound to the payment of a public use tax to the Federal Government on the assets that it uses for rendering the electric power utilities service.

The public use tax is determined annually based on the rate of return established for state-run entities in each fiscal year. For the year ended December 31, 2013, a 9% rate was used ratified by the Ministry of Finance and Public Credit (SHCP). That rate is applied to the value of the net fixed asset in operation of the immediately foregoing fiscal year. The resulting amount is charged to income for the year.

The public use tax represents a decrease in profit for CFE due to a payment to the Federal Government. This is why it is recorded as an operating expense. This public use tax is offset against the rate insufficiency determined to supplement the rate gaps (revenue). Consequently, there is no payment to the Federal Public Treasury.

The Regulations of the Utilities Public Service Law, defines the concept of "net fixed asset in operation" in greater detail, as the following:

For purposes of Article 46 of the Law, the net fixed asset in operation shall be understood as the fixed asset in operation reduced by:

- I. Accumulated depreciation;
- II. The unamortized debt directly related to such assets; and
- III. The contributions of the applicants or petitioners.

2) Invested patrimony

In conformity with Article 1 of the Federal Revenue Law, the SHCP can impose a public use tax on the invested patrimony which, if applicable, should be paid to the Federal Public Treasury, which is recorded as a decrease in patrimony. Likewise, the Executive can determine its reinvestment annually in entities as a patrimonial contribution.

3) Rate insufficiency to supplement rate gaps

This applies to the resources granted by the Federal Government to users of electric service through CFE, through various rate gaps in the sale of power. In accordance with Article 46 of the LSPEE, the public use tax discussed above can be offset against the rate insufficiency.

The rate insufficiency that may be offset against public use tax represents an increase in profit for CFE; therefore, the unrecoverable surplus of the rate insufficiency is recorded as revenue, and it is recognized and written off in the Company's consolidated financial statements.

State and Municipal Governments

Contributions. Contributions received from State and Municipal Governments to electrify rural populations and low income settlements for expansions of the distribution network and contributions of another nature are recorded as an unrealized proceed, which will be realized in accordance with the useful life of the asset that finance such contributions.

p. Financial cost

The financial cost includes all revenue and financial expense items, such as interest and foreign exchange gains or losses, as they occur or are accrued.

q. Contingencies and commitments

The obligations associated with contingencies are recognized as a liability when there is a present obligation resulting from past events, and it is likely that the effects will materialize and can be quantified reasonably. Otherwise, they are disclosed in the financial statements. The financial effects of long-term commitments established with third parties, such as the case of supply contracts with suppliers or customers, are recognized in the consolidated financial statements. Relevant commitments are disclosed in the notes to the consolidated financial statements. Revenues, earnings or contingent assets are not recognized.

r. Critical accounting trials and key sources for the estimate of uncertainties

In the application of the Company's accounting policies, CFE Management should make judgments, estimates, and assumptions about the carrying values of the assets and liabilities that do not appear easily in other sources.

The relative estimates and assumptions are based on experience and other factors deemed pertinent. Real results might differ from those estimates.

The underlying estimates and assumptions are reviewed on a regular basis. Reviews of book estimates are recognized in the review period and future periods, if the review affects the current period, as well as subsequent periods.

1) Essential judgments upon applying accounting policies

Agreements with a lease substance

CFE Management has determined that certain service contracts have the economic substance of a lease. Its determination consists of, among other things, having compliance depend upon a specific asset the contract transfer the rights of use of the asset at issue, which requires making the use of judgment.

Lease agreement classification

Certain lease agreements must be classified as capitalized leases. This lease classification is dependent upon the degree to which the risks and benefits inherent to the ownership of the leased asset are transferred to the lessee, considering the substance of the transaction and not the form of the agreements. Based on the terms and conditions of the agreement, the Company has determined that it substantially has all the risks and benefits, with respect to certain assets under lease agreements.

2) Key sources of uncertainty in estimates

Basic assumptions with respect to the future and other key sources of uncertainty in estimates at the end of the period reported that have a significant risk of generating significant adjustments in the carrying values of assets and liabilities during the next year.

I. Allowance for doubtful accounts.

The Company values accounts receivable at their amortized cost less any impairment by using the effective interest method. It recognizes an allowance for doubtful accounts (impairment) when an event is recognized that generates a loss that implies the decrease of recoverability of cash flows (loss incurred).

Objective evidence is considered to exist that an impairment loss has been incurred on the value of accounts receivable at the time at which causes of impairment are identified or events that lead to considering that the recovery of accounts receivable is doubtful, unlikely, and the time elapsed since billing is extended, which is known as the incurred loss method.

In the case of the domestic sector, 75% of the balance is provided for once 330 days have elapsed after the default. In the case of agricultural and service sectors where the experience has shown that negotiations are conducted, providing for 25% of the balance of these sectors is established as a criterion, once 330 days have elapsed after the default.

The methodology for calculating the allowance for doubtful accounts is applied monthly, based on the past due receivables as of the immediately foregoing month. The nonperforming portfolio is determined at December for fiscal year end.

Once commercial and legal collection procedures have been exhausted, uncollectible accounts are written off against the calculated provision.

When this provision calculated in accordance with the above methodology is insufficient for writing off accounts derived from significant, massive, and targeted accounts with some type of generalized problem in any of these sectors (domestic, agricultural or service) and with a practical notorious unlikelihood of collection, they are submitted to the approval of the Board of Directors (formerly Board of Governors).

The carrying value will be reduced by making direct applications to the allowance for doubtful accounts, and the amount of the loss will be recognized as a loss for the year.

II. Useful life and residual value of property, plant and equipment

The Company reviews the estimated useful life of property, plant and equipment at every annual period end. Depreciation rates are described in note 3-d.

III. Asset Impairment

The Company conducts impairment tests when there are indicators. These tests imply the estimate of future cash flows that will be obtained by the Company and the most appropriate discount rate. The Company considers that its estimates in this sense are adequate and congruent with the current market environment, and its discount rates adequately reflect the applicable risks.

The Company considers that all its transactions form part of the same cash generating unit.

IV. Employee benefits

The valuation of employee benefits for pensions and other retirement benefits is supported by actuarial calculations based on assumptions relative to discount rates, salary increase rates, and other actuarial estimates used. Actuarial assumptions are restated annually. The changes in these

assumptions can have a significant effect on the amount of the obligations and results of the Company.

V. Dismounting of the Laguna Verde nuclear plant

The value of the provision for dismounting the nuclear plant is calculated based on cost assumptions, rate of inflation, long-term discount rates, exchange rates, and dates on which disbursements are expected to be made.

The review of this estimate is realized constantly to assure that the amounts provided for apply to the best cost estimate that will eventually be disbursed by the Company. Variations in the assumptions, basis of the estimates, can result in changes in the amounts recorded.

VI. Power sold in the manufacturing process

Revenues are recognized in the period in which electric power services are sold to customers. Consequently, the power already delivered that is in the process of being billed is considered as revenue of the year.

VII. Financial instruments

The Company uses valuation models that incorporate assumptions subject to unpredictable variations in the valuation of these instruments not quoted at their fair value.

The Company considers that the assumptions used at the date of these consolidated financial statements are appropriate and well supported.

VIII. Contributions from customers

Contributions received from customers in order for the entity to render the electric power service to them are recorded by recognizing an asset at its fair value for the properties that are contributed by the customer. In turn, an unrealized proceed is recognized in accordance with CINIIF 18 interpretation "Transfers of assets from customers". The realization period of these proceeds is related to the useful life of the asset.

4. FINANCIAL INSTRUMENTS

a. Risk management

The Company manages its patrimony to assure that it will have the ability to continue as a going concern and comply with the applicable regulations. The Company's patrimonial structure consists of the net debt and patrimony. Additionally, the Company is not subject to any requirement imposed externally for managing its patrimony.

b. Significant accounting policies

The details of the significant accounting policies and methods adopted (including recognition criteria, valuation bases, and revenue and disbursement recognition bases) for each type of financial asset, financial liability, and capital instruments are disclosed in Note 3-i.

c. Categories of financial instruments.

		2014		2013
Financial assets:				
Cash and temporary investments	\$	36,310,880	\$	35,515,550
Accounts and Notes Receivable from consumers and other debtors		81,611,112		81,694,174
Long-term loans to workers		9,233,151		8,311,746
Derivative financial instruments		13,957,858		13,989,058
Financial liabilities at amortized cost				
Documented debt	\$	154,098,157	\$	145,218,732
Plants under lease agreements, facilities, equipment, and PIDIREGAS		193,089,132		180,138,032
Suppliers and contractors		16,301,377		15,550,838
Deposits from users and contractors		18,737,992		16,137,469

d. Objectives of financial risk management

Part of the duties of the Company's Finance Management is to implement strategies and coordinate access to domestic and international markets, as well as supervise and manage financial risks related to the Company's operations through internal risk reports and the market environment, which analyze exposures by degree and magnitude of the risks. These risks include market risk (including exchange risk and interest rate risk), credit and liquidity risk.

The Company seeks to mitigate the effects of the risks of part of the debt by using derivative financial instruments to hedge them. The use of financial derivatives is governed through a policy established by the inter-institutional financial risk management delegate Committee associated with the financial position and the price of fossil fuels (CDIGR) and ratified by the Board of Governors (now Board of Directors), which provides written principles about foreign exchange risk, interest rate risk, counterparty credit risk, and the use of derivative financial instruments.

The Company neither subscribes nor trades financial instruments for speculative purposes.

Treasury's duty is governed by the SHCP's policy of handling cash on hand in which the investments realized are not long-term, and they are made in low risk instruments. Treasury reports to the board of directors every month.

e. Credit risk management

Credit risk is the risk that one of the parties to a financial instrument causes a financial loss to the other party for failure to meet an obligation. The Company is subject to credit risk, mainly due to the financial instruments that refer to cash and temporary investments,

loans and accounts receivables, and derivative financial instruments in order to minimize the credit risk in the captions of cash, temporary investments, and derivative financial instruments. The Company only involves itself with solvent parties and recognized reputation and high creditworthiness.

The Company currently obtains sufficient guarantees, when appropriate, as a way to mitigate the risk of financial loss caused by nonperformances.

In order to manage credit risk, in the case of loans and accounts receivable from consumers, the Company considers that risk is limited. Accordingly, in the event of not receiving payment from the consumer, it adheres to the provisions of the Electric Power Public Service Utilities Law with respect to suspending the power supply. However, as discussed in note 3-r, subsection 2), numeral I, the Company provides for an allowance for doubtful accounts, under the losses incurred model.

The aging analysis of non-current financial assets on which it has not considered necessary to realize any provision at December 31, 2014 and 2013 is as follows:

	2014	2013
Less than 90 days	\$ 3,263,430	\$ 3,512,803
90 to 180 days	4,115,040	4,676,726
More than 180 days	37,593,197	37,476,614
	<u>\$ 44,971,667</u>	<u>\$ 45,666,143</u>

f. Liquidity risk

Liquidity risk is the risk that an entity has difficulties in meeting its obligations associated with its financial liabilities, which are liquidated by delivery of cash or another financial asset.

The financing received by the Company is mainly through debt contracted or by the leasing of plants, installations, equipment, and PIDIREGAS. In order to manage liquidity risk, the Company performs cash flow analyses periodically and maintains open lines of credit with financial institutions and suppliers. Additionally, the Company is subject to budgetary control by the Federal Government. Accordingly, the net debt ceiling that is authorized by Congress every year, in accordance with its budgeted revenues, cannot be exceeded.

The following table shows the contractual due dates of the entity's financial liabilities, based on maturities are:

At December 31, 2014	Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt	\$ 14,789,500	\$ 26,109,931	\$ 27,327,622	\$ 85,871,104	\$ 154,098,157
Plants under lease agreements, facilities, equipment, and PIDIREGAS	16,026,662	29,892,169	30,160,988	117,009,313	193,089,132
Suppliers and contractors	16,301,377	-	-	-	16,301,377
Deposits from users and contractors	18,737,992	-	-	-	18,737,992
Total	\$ 65,855,531	\$ 56,002,100	\$ 57,488,610	\$ 202,880,417	\$ 382,226,658

At December 31, 2013	Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt	\$ 32,540,555	\$ 20,334,044	\$ 2,636,771	\$ 89,707,362	\$ 145,218,732
Plants under lease agreements, facilities, equipment, and PIDIREGAS	15,943,937	28,715,200	15,168,295	120,310,600	180,138,032
Suppliers and contractors	15,550,838	-	-	-	15,550,838
Deposits from users and contractors	16,137,469	-	-	-	16,137,469
Total	\$ 80,172,799	\$ 49,049,244	\$ 17,805,066	\$ 210,017,962	\$ 357,045,071

g. Market Risks

The Company's activities mainly expose it to exchange financial risks in exchange rates and interest rates.

Foreign exchange risk management

The Company is funded through credits preferably in local currency when market conditions advise it as such; therefore, the current debt is denominated mostly in Mexican pesos.

The Company realizes foreign currency transactions. Accordingly, exposures are generated to exchange rate fluctuations.

The Company mainly uses interest rate and currency swaps, as well as forward exchange contracts to manage its exposure to interest rate and foreign currency fluctuations, in accordance with its internal policies.

The carrying values of foreign currency denominated monetary assets and liabilities at the reporting period end are shown through the following analysis:

- Analysis of foreign currency sensitivity

The Company is mainly exposed to exchange rate variations between the Mexican peso and the US dollar and the Japanese yen.

The following table itemizes the Company's sensitivity to a 5% increase and decrease in the Mexican peso against relevant foreign currencies. The 5% represents the sensitivity rate used when the exchange risk is reported internally to key management personnel. It further represents management's evaluation about the possible fair change in exchange rates.

The sensitivity analysis only includes outstanding foreign currency denominated monetary items, and its translation is adjusted for a 5% change in exchange rates at period end. The sensitivity analysis includes external loans, as well as loans from foreign operations within the Company where the denomination of the loan is in a currency other than the loan currency or the borrower. A positive amount (as observed in the following chart) indicates an increase in income where the Mexican peso is strengthened 5% against the pertinent currency. If a 5% weakening is presented in the Mexican peso with respect to the benchmark currency, then there would be a comparable impact on income and the following balances would be negative:

		Thousands of pesos	
		2014	2013
Gain or loss	\$	9,588,542	\$ 8,513,023

In management's opinion, the impact of the inherent exchange risk affects electric rates in the long-term through adjustments on inflation and the fuel formula that considers the peso/dollar exchange rate, in addition to inflation.

– **Interest rate risk management**

The Company is exposed to interest rate risks, since it obtains loans at variable interest rates. The Company manages the risk by maintaining an appropriate combination between fixed rate and variable rate loans, as well as managing derivative financial instruments designated as an interest rate hedge.

– **Interest rate sensitivity analysis**

The following sensitivity analyses have been determined based on the exposure to interest rates for derivative instruments, as well as for non-derivative instruments at the end of the period reported. For variable rate liabilities, an analysis is prepared on the assumption that the amount of the current liability at the end of the period reported has been the current liability for all year. At the time of reporting the interest rate risk to key management personnel internally, a 0.50 point increase or decrease is used in the case of the Equilibrium Interbank Interest Rate (EIIR) and 0.01 points in the case of LIBOR, which represents management's evaluation of the possible fair change in interest rates.

If the EIIR interest rate had been 0.50 points above/below and all other variables remain constant:

- The loss for the year ended December 31, 2014 and 2013 would increase/decrease in the amount of \$474,833 and \$330,077, respectively. This is mainly attributable to the Company's exposure to interest rates on its variable rate loans; and

If the LIBOR interest rate had been 0.01 points above/below and all other variables remain constant:

- The loss for the year ended December 31, 2014 and 2013 would increase/decrease in the amount of \$5,913 and \$5,309, respectively. This is mainly attributable to the Company's exposure to interest rates on its variable rate loans; and

h. Fair value of financial instruments

Fair value of financial instruments

The carrying values of financial assets and liabilities recognized at amortized cost in the consolidated financial statements are considered to approximate their fair value, including the following:

	2014		2013	
	Carrying Value	Fair value	Carrying value	Fair Value
Documented debt	\$ 154,098,157	\$ 154,098,157	\$ 145,218,732	\$ 145,218,732
Plants under lease agreements, facilities, equipment, and PIDIREGAS	193,089,132	193,089,132	180,138,032	180,138,032

Valuation techniques and assumptions applied for determining fair value

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions are negotiated on the markets. Liquid assets are determined in reference to the prices quoted on the market.
- The fair value of other financial assets and liabilities (without including derivative instruments) are determined in conformity with generally accepted price determination models, based on the discounted cash flow analysis by using current transaction prices observable on the market and quotes for similar instruments.
- Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month (which is the monetary valuation of breaking the agreed upon transaction at any given time). CFE monitors this value and if there is any doubt or observes any irregularity in market value, it asks the counterparty for a new valuation.

Valuations at fair value recognized in the statement of financial position

The following table provides an analysis of the financial instruments valued subsequent to the initial recognition at fair value, grouped in levels from 1 to 2, based on the degree to which fair value is observable.

		<u>Level 1</u>
Available-for-sale financial assets		
Temporary investments	\$	<u>19,005,925</u>
Total	\$	<u><u>19,005,925</u></u>

The analysis of the fair value of derivative financial assets grouped in level 2 based on the degree to which fair value is observable is carried out in Note 10.

The levels referred to above are considered as indicated below:

- Level 1 valuations at fair value are those derived from quoted prices (not adjusted) on asset markets for liabilities or identical assets.
- Level 2 valuations at fair value are those derived from indicators other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

5. CASH AND CASH EQUIVALENTS

At December 31, 2014 and 2013, cash and temporary investments are summarized as follows:

	<u>2014</u>		<u>2013</u>
Cash on hand and in banks	\$ 17,304,955	\$	17,852,378
Temporary investments	<u>19,005,925</u>		<u>17,663,172</u>
Total	\$ <u>36,310,880</u>	\$	<u>35,515,550</u>

6. ACCOUNTS RECEIVABLE, NET

At December 31, 2014 and 2013, accounts receivable are summarized as shown below:

	<u>2014</u>	<u>2013</u>
Public consumers	\$ 64,846,550	\$ 66,455,874
Government consumers	18,412,951	16,965,181
Other receivables	<u>286,660</u>	<u>2,886,865</u>
	83,546,161	86,307,920
Allowance for doubtful accounts	<u>(18,697,261)</u>	<u>(18,016,513)</u>
	64,848,900	68,291,407
Notes receivable, claims to insurance companies and others	16,761,220	12,509,952
Value added tax recoverable	<u>992</u>	<u>892,815</u>
Total	<u>\$ 81,611,112</u>	<u>\$ 81,694,174</u>

At December 31, 2014 and 2013, balances and movements of the allowance for doubtful accounts are summarized as follows:

	<u>2014</u>	<u>2013</u>
Opening Balance	\$ 18,016,513	\$ 13,015,536
Increase	6,303,158	9,344,610
Recoveries	408,138	311,879
Applications	<u>(6,030,548)</u>	<u>(4,655,512)</u>
Final Balance	<u>\$ 18,697,261</u>	<u>\$ 18,016,513</u>

7. MATERIALS FOR OPERATION

At December 31, 2014 and 2013, materials for operation summarized as follows:

	<u>2014</u>	<u>2013</u>
Replacement parts and equipment:	\$ 5,000,300	\$ 3,790,748
Fuel and Lubricants	12,908,087	12,591,989
Nuclear fuel	<u>4,209,489</u>	<u>4,074,880</u>
	22,117,876	20,457,617
Allowance for obsolescence	<u>(838,340)</u>	<u>(473,748)</u>
Total	<u>\$ 21,279,536</u>	<u>\$ 19,983,869</u>

8. PLANTS, FACILITIES AND EQUIPMENT

Net balances of plants, facilities and equipment at December 31, 2014 and 2013 are summarized as follows:

Investment

	Plants, facilities and equipment in operation	Capitalized replacement parts	Construction- in-progress	Construction Materials	Stock exchange certificates available	Total
Bal 01/Jan/14	\$1,658,152,676	\$9,803,929	\$25,382,051	\$10,693,890	\$8,821	\$1,704,041,367
Acquisitions	44,362,431	-	8,284,328	1,245,585	-	53,892,345
Revaluation for the period (property)	24,830,757	-	-	-	-	24,830,757
Rectification of 2013 revaluation	(44,944,952)	-	-	-	-	(44,944,952)
Retirements	(7,841,964)	(854,926)	-	-	-	(8,696,890)
Capitalization	-	-	(5,795,265)	-	-	(5,795,265)
Bal 31/Dec/14	\$1,674,558,948	\$8,949,003	\$27,871,114	\$11,939,475	\$8,821	\$1,723,327,361

Accumulated depreciation

	Plants, facilities and equipment in operation	Capitalized replacement parts	Construction-in- progress	Construction Materials	Stock exchange certificates available	Total
Bal 01/Jan/14	(748,685,370)	(1,109,592)	-	-	-	(749,794,962)
Net Bal 01/Jan/14	\$909,467,306	\$ 8,694,337	\$ 25,382,051	\$ 10,693,890	\$ 8,821	\$ 954,246,405
Depreciation of the period	(41,195,041)	(369,864)	-	-	-	(41,564,905)
Depreciation on retirements	7,024,912	-	-	-	-	7,024,912
Rectification of depreciation of the 2013 revaluation	59,064,381	-	-	-	-	59,064,381
Net Depreciation	24,894,252	(369,864)	-	-	-	24,524,388
Balances 31/Dec/14	(723,791,118)	(1,479,456)	-	-	-	(725,270,574)
Net Bal 31/14	\$ 950,767,830	\$ 7,469,547	\$ 27,871,114	\$ 11,939,475	\$ 8,821	\$ 998,056,787

Fair value of plants, facilities, operating equipment and property.

The revaluation for the period amounting to \$24,830,757 corresponds to the fair value measurements of the property of the CFE at December 31, 2014, which were realized by parametric appraisals drawn up by certified appraisers, in accordance with the applicable

guidelines on that subject, established by the Institute of Administration and Appraisals of Assets (INDAABIN).

The rectification of the revaluation in the amount of \$44,944,952 and depreciation of the revaluation amounting to \$59,064,381 is due to the improvement carried out by the Company of various specific factors of the technical appraisals of the plants, facilities, and operating equipment of the electric infrastructure. As a result of an optimization of the restatement of book values. The net effect on patrimony amounted to \$14,119,429.

At December 31, 2014, the total revaluation resulted in a net amount of \$38,950,186, which is reflected in the surplus account of Patrimony.

Plants, facilities and equipment in operation- The balances of plants, facilities and equipment at December 31, 2014 and 2013 including equipment under PIDIREGAS are summarized as follows:

	2014	2013
Plants:		
Steam	\$ 330,775,454	\$ 333,156,052
Hydroelectric	206,881,907	211,863,388
Nuclear electric	121,520,039	121,333,245
Turbo gas and combined cycle	75,702,390	73,201,320
Geothermal	42,212,647	46,076,609
Internal combustion	2,027,377	1,449,679
Unconventional facilities	3,014,988	2,487,514
Transmission lines and transformation substations	337,478,138	328,759,841
Optic Fiber	7,002,199	6,533,003
Networks and distribution substations	390,923,625	384,152,476
Plots of land in regularization process	570,593	480,537
Administrative and other buildings	58,619,303	34,741,265
Trusts	30,816	26,858
	1,576,759,476	1,544,261,787
External producers' equipment	97,471,095	91,793,496
Dismounting of Laguna Verde Nuclear Station	328,379	328,379
	1,674,558,950	1,636,383,662
Less:		
Accumulated depreciation	703,879,558	712,134,319
Accumulated depreciation external producers	19,917,562	14,782,037
Total	\$ 950,767,830	\$ 909,467,306

Works in progress - The balances of constructions-in-progress at December 31, 2014 and 2013 are summarized as follows:

Plant:	2014	2013
Steam	\$ 424,456	\$ 532,551
Hydroelectric	5,345,230	5,369,817
Nuclear electric	341,051	445,243
Turbo gas and combined cycle	648,714	598,480
Geothermal	1,468,241	1,449,011
Internal combustion	218,379	274,295
Lines, networks and substations	17,472,029	13,888,707
Offices and general facilities	661,281	1,767,685
Advances for construction	1,291,733	1,056,262
Total	\$ 27,871,114	\$ 25,382,051

During 2014, the capitalized items in works-in-progress, in accordance with the policy described in Note 3d amounted to \$1,541,272, consisting of administrative expenses amounting to \$1,322,863 and depreciation amounting to \$218,409.

Materials for construction- The balances of materials for construction at December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Replacement parts and equipment:	\$ 9,350,905	\$ 8,469,876
Materials in possession of third parties	2,588,570	2,224,014
Total	\$ 11,939,475	\$ 10,693,890

Capitalized replacement parts- The balances of capitalized replacement parts at December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Capitalized replacement parts	\$ 8,949,003	\$ 9,803,929
Less		
Accumulated depreciation	1,479,456	1,109,592
Total	\$ 7,469,547	\$ 8,694,337

Securities exchange certificates - The balances of securities exchange certificates at December 31, 2014 and 2013 amounted to \$8,821.

9. ASSETS UNDER COMMODATUM AGREEMENT

On October 11, 2009, the Executive Branch decreed the extinction of the Decentralized Company Luz y Fuerza del Centro, and instructed the Sale of Assets Service (SAE) to place all the useful assets applicable to electric power services at the disposal of the CFE which, by operation of the Public Electric Power Service, is responsible for operating this service.

On that same date, the SAE and the CFE entered into an agreement that they subsequently ratified on August 11, 2010, whereby they agree that beginning the effectiveness of the decree referred to above, the SAE will deliver the assets under a contract without valuable consideration, which are useful to the electric service in the Central Zone of the country in order to serve more than 6 million customers. Moreover, it is agreed that beginning October 11, the CFE will be responsible for the revenues and operating costs, conservation, and maintenance of the infrastructure.

The duration of the commodatum agreement is three years, counted beginning October 11, 2009. That duration was automatically extended for another three year period on October 11, 2012.

For purposes of identification and valuation of the assets, subject matter of the bailment contract, the SAE made use of the services of specialized consultants in the practice of assessed physical inventories. The amount of \$106,496,100 was obtained and registered by the CFE in memorandum accounts at 2011 year end. This amount consists of electric infrastructure, as well as real and private property. As of December 31, 2014 and 2013, the balance of these assets amounts to \$100,694,123 and \$104,175,000, respectively.

10. DERIVATIVE FINANCIAL INSTRUMENTS

- Balances at December 31, 2014 and 2013 of derivative financial instruments and interest are summarized as follows:

		<u>2014</u>	<u>2013</u>
Designated as hedges			
Assets	\$	<u>9,974,406</u>	\$ <u>9,952,071</u>
Liabilities	\$	<u>9,621,788</u>	\$ <u>10,647,961</u>
Trading purposes			
Assets	\$	<u>3,983,452</u>	\$ <u>4,036,987</u>
Liabilities	\$	<u>4,933,590</u>	\$ <u>4,388,176</u>
Total Derivative Financial Instruments			
Assets	\$	<u>13,957,858</u>	\$ <u>13,989,058</u>
Liabilities	\$	<u>14,555,378</u>	\$ <u>15,036,137</u>

- Financial instrument held for trading purposes - On September 17, 2002, CFE placed a bond in the amount of 32 billion Japanese yen on the Japanese market at an annual 3.83% interest rate, due September 2032. CFE simultaneously realized a hedging operation by which it received the amount of 269,474,000 US dollars equivalent to the 32 billion yens at the spot exchange rate of the date of the operation of 118.7499 yens per US dollar. The operation consists of a series of Exchange "Forwards" that allow for setting the yen/dollar exchange rate during the term established for the operation at 54.0157 yens per US dollar. As a result of the operation, CFE pays an annual interest rate equivalent to 8.42% in US dollars. The effect of the evaluation of foreign currency "Forward" contracts is recorded in the Financial Cost. A comprehensive gain

or loss on financing. A gain (loss) in that cost offsets a loss (gain) in the underlying liability.

CFE's tax obligation is to pay Japanese yens based to the creditor on the due dates. It is entitled to receive yens from the institution with which it contracted the hedge, in exchange for certain US dollars set forth in the financial instrument contract. The gain (loss) of the transaction with the institution with which the financial instrument was contracted as follows:

		Exchange rate (December 2014)	Local currency (thousands of pesos)
Assets receivable (assets)	32,000,000,000 yens	0.1227	\$ 3,926,400
Assets deliverable (liability)	269,474,000dollars	14.7180	\$ 3,966,118
Assets deliverable, net			<u>\$ (39,718)</u>

Beginning March 17, 2003 and up to September 17, 2032, the CFE is bound to realize semester payments in the amount of 11,344,855.40 US dollars equivalent to 612,800,000 Japanese yens. Accordingly, the total sum that the CFE is bound to deliver in the next 18 years amounts to 442,449,360 US dollars, and the total amount that it will receive will be 23,899,200,000 Japanese yens.

Additionally, upon termination of the hedging contract, the parties entered into a purchase agreement by CFE of a "European Call" by which the CFE acquired the right to buy Japanese yens at market price upon maturity, in the event that the yen/dollar exchange rate is listed below 118.7498608401 yens per dollar and the sale by CFE of a "European Call", by which CFE sells the hedge of a yen/dollar exchange rate appreciation above 27.8000033014 yens per dollar.

In the event that CFE should decide to terminate the hedge (exchange "forwards") early, it would generate an estimated extraordinary loss at December 31, 2014 in an amount approximating 64,556,200 US dollars. The loss was estimated by J. Aron & Company (Calculation agent or broker) based on the fair value of the hedge at the date of the estimate.

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- Derivative financial instruments designated as hedges at December 31, 2014 are itemized below:

Counterparty	Primary Position	Business	Amount of notional	Underlying asset	Market value	Hedge (fund) inception date	Hedge (fund) termination date
ING BANK	\$ 569,363	Change from floating rate to fixed rate	\$ 540,895	Interest rate CETES 91 + 0.79%	\$ (373)	December 16, 2005	March 6, 2015
BANCOMER	\$ 510,638	Change from floating rate to fixed rate	\$ 510,638	Interest rate CETES 91 + 0.79%	\$ (352)	December 16, 2005	March 6, 2015
ING BANK	\$ 894,954	Change from floating rate to fixed rate	\$ 850,206	Interest rate CETES 91 + 0.79%	\$ (574)	December 16, 2005	March 6, 2015
BANCOMER	\$ 839,688	Change from floating rate to fixed rate	\$ 797,703	Interest rate CETES 91 + 0.79%	\$ (538)	December 16, 2005	March 6, 2015
SANTANDER SERFIN	\$ 1,072,519	Change from floating rate to fixed rate	\$ 1,018,623	Interest rate CETES 91 + 0.79%	\$ (702)	February 17, 2006	March 6, 2015
ING BANK	\$ 1,005,343	Change from floating rate to fixed rate	\$ 1,005,343	Interest rate CETES 91 + 0.79%	\$ (689)	December 16, 2005	March 6, 2015
HSBC	\$ 1,251,699	Change from floating rate to fixed rate	\$ 1,215,305	Interest rate CETES 91 + 0.79%	\$ (816)	February 24, 2006	March 6, 2015
HSBC	\$ 1,038,911	Change from floating rate to fixed rate	\$ 1,038,911	Interest rate CETES 91 + 0.79%	\$ (695)	March 1, 2006	March 6, 2015
BANAMEX	\$ 1,702,516	Change from floating rate to fixed rate	\$ 1,617,390	Interest rate CETES 182 + 0.25%	\$ (24,812)	December 7, 2007	May 26, 2017
BANAMEX	\$ 268,987	Change from floating rate to fixed rate	\$ 250,538	Interest rate CETES 182 + 0.25%	\$ (7,723)	February 15, 2008	August 4, 2017
BANCOMER	\$ 1,314,758	Change from floating rate to fixed rate	\$ 1,249,020	Interest rate CETES 91 + 0.50%	\$ (17,723)	December 6, 2007	February 23, 2017
BANAMEX	\$ 787,092	Change from floating rate to fixed rate	\$ 787,092	Interest rate CETES 91 + 0.45%	\$ (15,483)	April 24, 2008	January 11, 2018
J.P. MORGAN	\$ 697,928	Change from floating rate to fixed rate	\$ 593,239	Interest rate EIR 28 + 0.45%	\$ (8,349)	March 30, 2012	July 10, 2020
HSBC	\$ 651,004	Change from floating rate to fixed rate	\$ 553,353	Interest rate EIR 28 + 0.45%	\$ (7,541)	March 30, 2012	July 10, 2020
CREDIT AGRICOLE	\$ 590,622	Change from floating rate to fixed rate	\$ 502,029	Interest rate EIR 28 + 0.45%	\$ (6,759)	March 30, 2012	July 10, 2020
BANCOMER	\$ 425,546	Change from floating rate to fixed rate	\$ 372,183	Interest rate EIR 28 + 0.45%	\$ (5,161)	March 30, 2012	July 10, 2020
BNP PARIBAS	\$ 435,552	Change from floating rate to fixed rate	\$ 371,525	Interest rate EIR 28 + 0.45%	\$ (5,244)	March 30, 2012	July 10, 2020
GOLDMAN SACHS	\$ 422,726	Change from floating rate to fixed rate	\$ 370,171	Interest rate EIR 28 + 0.45%	\$ (4,979)	March 30, 2012	July 10, 2020
SANTANDER SERFIN	\$ 547,802	Change from floating rate to fixed rate	\$ 533,627	Interest rate EIR 28 + 0.45%	\$ (6,386)	March 30, 2012	July 10, 2020
CREDIT AGRICOLE	\$ 595,093	Change from floating rate to fixed rate	\$ 532,452	Interest rate EIR 28 + 0.45%	\$ (5,955)	March 30, 2012	July 10, 2020
HSBC	\$ 554,726	Change from floating rate to fixed rate	\$ 532,430	Interest rate EIR 28 + 0.45%	\$ (6,363)	March 30, 2012	July 10, 2020
BANCOMER	\$ 580,614	Change from floating rate to fixed rate	\$ 529,682	Interest rate EIR 28 + 0.45%	\$ (6,453)	March 30, 2012	July 10, 2020
BANAMEX	\$ 576,581	Change from floating rate to fixed rate	\$ 529,264	Interest rate EIR 28 + 0.45%	\$ (6,337)	March 30, 2012	July 10, 2020
GOLDMAN SACHS	\$ 558,268	Change from floating rate to fixed rate	\$ 527,253	Interest rate EIR 28 + 0.45%	\$ (6,443)	March 30, 2012	July 10, 2020
CREDIT AGRICOLE	\$ 468,606	Change from floating rate to fixed rate	\$ 374,884	Interest rate EIR 28 + 1.59%	\$ (1,894)	July 2, 2012	June 29, 2020
BANAMEX	\$ 459,982	Change from floating rate to fixed rate	\$ 367,985	Interest rate EIR 28 + 1.59%	\$ (2,090)	July 2, 2012	June 29, 2020
SANTANDER	\$ 450,342	Change from floating rate to fixed rate	\$ 360,274	Interest rate EIR 28 + 1.59%	\$ (2,123)	July 2, 2012	June 29, 2020
HSBC	\$ 436,070	Change from floating rate to fixed rate	\$ 348,856	Interest rate EIR 28 + 1.59%	\$ (2,029)	July 2, 2012	June 29, 2020
CREDIT SUISSE	USD 16,788	Translate Dollars into Pesos	USD 12,005	Exchange rate USD/Mexican Peso	\$14,065	January 24, 2005	July 24, 2021

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Counterparty	Primary Position	Business	Amount of notional	Underlying asset	Market value	Hedge (fund) inception date	Hedge (fund) termination date
CREDIT SUISSE	<u>USD 10,750</u>	Translate Dollars into Pesos	<u>USD 8,311</u>	Exchange rate USD/Mexican Peso	<u>\$10,233</u>	February 2, 2005	February 2, 2023
DEUTSCHE BANK	<u>USD 208,188</u>	Translate Dollars into Pesos	<u>USD 171,323</u>	Exchange rate USD/Mexican Peso	<u>\$187,207</u>	May 3, 2005	June 21, 2021
GOLDMAN SACHS	<u>USD 49,296</u>	Translate Dollars into Pesos	<u>USD 40,977</u>	Exchange rate USD/Mexican Peso	<u>\$47,535</u>	March 26, 2005	March 26, 2022
GOLDMAN SACHS	<u>USD 200,000</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	<u>USD 186,667</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	<u>\$(3,443)</u>	December 15, 2008	December 15, 2036
DEUTSCHE BANK	<u>USD 200,000</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	<u>USD 186,667</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	<u>\$(20,336)</u>	December 15, 2008	December 15, 2036
GOLDMAN SACHS	<u>USD 105,450</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	<u>USD 96,662</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	<u>\$(55,339)</u>	June 15, 2009	December 15, 2036
DEUTSCHE BANK	<u>USD 105,450</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	<u>USD 96,662</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	<u>\$(60,559)</u>	June 15, 2009	December 15, 2036
DEUTSCHE BANK	<u>USD 255,000</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	<u>USD 233,750</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	<u>\$(88,023)</u>	June 15, 2009	December 15, 2036

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- Measuring effectiveness of financial derivative instruments for hedging at December 31, 2014.

Name of the Hedge in Accordance with the Documentation	Date of Swap	Cash Flows Payable on Primary Position	Cash Flows Receivable on Derivative Instrument	% Effectiveness	Rate Used to Calculate Cash Flows of Primary Position	Rate Used to Calculate Cash Flowsof Derivative Instrument	Surcharge	Base of Calcula Both Cash F
BANAMEX 2	January 2, 2014	\$ <u>1,401</u>	\$ <u>1,401</u>	100 %	3.97 %	3.97 %	0.65 %	CURRENT
BANCOMER BANAMEX	January 3, 2014	\$ <u>16,143</u>	\$ <u>16,143</u>	100 %	3.7877 %	3.7877 %	0.45 %	CURRENT
ING IV	January 16, 2014	\$ <u>3,501</u>	\$ <u>3,501</u>	100 %	3.46 %	3.46 %	0.45 %	CURRENT
ICO 4	January 24, 2014	USD <u>401</u>	USD <u>401</u>	100 %	1.25 %	1.25 %	0.00 %	CURRENT
BANCOMER 2	January 31, 2014	\$ <u>5,466</u>	\$ <u>5,466</u>	100 %	3.7900 %	3.7900 %	1.59 %	CURRENT
BANCOMER BANAMEX	January 31, 2014	\$ <u>15,016</u>	\$ <u>15,016</u>	100 %	3.7950 %	3.7950 %	0.45 %	CURRENT
ICO 8	February 4, 2014	USD <u>256</u>	USD <u>256</u>	100 %	1.25 %	1.25 %	0.00 %	CURRENT
BANCOMER 1	February 7, 2014	\$ <u>3,126</u>	\$ <u>3,126</u>	100 %	3.94 %	3.94 %	0.25 %	CURRENT
ING III	February 27, 2014	\$ <u>4,602</u>	\$ <u>4,602</u>	100 %	3.50 %	3.50 %	0.50 %	CURRENT
BANCOMER 2	February 28, 2014	\$ <u>4,924</u>	\$ <u>4,924</u>	100 %	3.7761 %	3.7761 %	1.59 %	CURRENT
BANCOMER BANAMEX	February 28, 2014	\$ <u>14,936</u>	\$ <u>14,936</u>	100 %	3.7726 %	3.7726 %	0.45 %	CURRENT
ING II	March 7, 2014	\$ <u>12,003</u>	\$ <u>12,003</u>	100 %	3.52 %	3.52 %	0.79 %	CURRENT
ICO 5 6 Y 7	March 26, 2014	USD <u>1,334</u>	USD <u>1,334</u>	100 %	1.25 %	1.25 %	0.00 %	CURRENT
BANCOMER BANAMEX	March 28, 2014	\$ <u>15,020</u>	\$ <u>15,020</u>	100 %	3.7962 %	3.7962 %	0.45 %	CURRENT
BANCOMER 2	March 31, 2014	\$ <u>5,467</u>	\$ <u>5,467</u>	100 %	3.7917 %	3.7917 %	1.59 %	CURRENT
ING IV	April 16, 2014	\$ <u>2,999</u>	\$ <u>2,999</u>	100 %	3.36 %	3.36 %	0.45 %	CURRENT
BANCOMER BANAMEX	April 25, 2014	\$ <u>15,057</u>	\$ <u>15,057</u>	100 %	3.8067 %	3.8067 %	0.45 %	CURRENT
BANCOMER 2	April 30, 2014	\$ <u>5,311</u>	\$ <u>5,311</u>	100 %	3.8125 %	3.8125 %	1.59 %	CURRENT
BANAMEX 1	May 21, 2014	\$ <u>1,058</u>	\$ <u>1,058</u>	100 %	3.56 %	3.56 %	0.65 %	CURRENT
BANCOMER BANAMEX	May 23, 2014	\$ <u>15,085</u>	\$ <u>15,085</u>	100 %	3.8145 %	3.8145 %	0.45 %	CURRENT
ING III	May 29, 2014	\$ <u>3,829</u>	\$ <u>3,829</u>	100 %	3.34 %	3.34 %	0.50 %	CURRENT
IXE I	May 30, 2014	\$ <u>11,508</u>	\$ <u>11,508</u>	100 %	3.57 %	3.57 %	0.25 %	CURRENT
BANCOMER 2	June 2, 2014	\$ <u>5,824</u>	\$ <u>5,824</u>	100 %	3.7950 %	3.7950 %	1.59 %	CURRENT
ING II	June 6, 2014	\$ <u>7,612</u>	\$ <u>7,612</u>	100 %	3.31 %	3.31 %	0.79 %	CURRENT
GOLDMAN SACHS 1 Y 3	June 13, 2014	USD <u>6,084</u>	USD <u>6,084</u>	100 %	0.3441 %	0.3441 %	0.4950 %	CURRENT
GOLDMAN SACHS 2 4 Y 5	June 13, 2014	USD <u>11,164</u>	USD <u>11,164</u>	100 %	0.3441 %	0.3441 %	0.4950 %	CURRENT
ICO 2 Y 3	June 19, 2014	USD <u>5,684</u>	USD <u>5,684</u>	100 %	1.25 %	1.25 %	0.00 %	CURRENT
BANCOMER BANAMEX	June 20, 2014	\$ <u>15,063</u>	\$ <u>15,063</u>	100 %	3.8085 %	3.8085 %	0.45 %	CURRENT
BANCOMER 2	June 30, 2014	\$ <u>4,926</u>	\$ <u>4,926</u>	100 %	3.7785 %	3.7785 %	1.59 %	CURRENT

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BANAMEX 2	July 2, 2014	<u>\$ 625</u>	<u>\$ 625</u>	100 %	3.54 %	3.54 %	0.65 %	CURRENT
ING IV	July 17, 2014	<u>\$ 3,057</u>	<u>\$ 3,057</u>	100 %	3.35 %	3.35 %	0.45 %	CURRENT
BANCOMER BANAMEX	July 18, 2014	<u>\$ 13,300</u>	<u>\$ 13,300</u>	100 %	3.31 %	3.31 %	0.45 %	CURRENT
ICO 4	July 24, 2014	<u>USD 398</u>	<u>USD 398</u>	100 %	1.25 %	1.25 %	0.00 %	CURRENT
BANCOMER 2	July 31, 2014	<u>\$ 4,590</u>	<u>\$ 4,590</u>	100 %	3.3050 %	3.3050 %	1.59 %	CURRENT
ICO 8	August 4, 2014	<u>USD 257</u>	<u>USD 257</u>	100 %	1.25 %	1.25 %	0.00 %	CURRENT
BANCOMER 1	August 8, 2014	<u>\$ 2,488</u>	<u>\$ 2,488</u>	100 %	3.56 %	3.56 %	0.25 %	CURRENT
BANCOMER BANAMEX	August 15, 2014	<u>\$ 12,234</u>	<u>\$ 12,234</u>	100 %	3.2970 %	3.2970 %	0.45 %	CURRENT
ING III	August 28, 2014	<u>\$ 3,868</u>	<u>\$ 3,868</u>	100 %	3.38 %	3.38 %	0.50 %	CURRENT
BANCOMER 2	September 1, 2014	<u>\$ 4,741</u>	<u>\$ 4,741</u>	100 %	3.3075 %	3.3075 %	1.59 %	CURRENT
ING II	September 5, 2014	<u>\$ 7,779</u>	<u>\$ 7,779</u>	100 %	3.40 %	3.40 %	0.79 %	CURRENT
BANCOMER BANAMEX	September 12, 2014	<u>\$ 12,225</u>	<u>\$ 12,225</u>	100 %	3.2941 %	3.2941 %	0.45 %	CURRENT
ICO 5 6 Y 7	September 26, 2014	<u>USD 1,328</u>	<u>USD 1,328</u>	100 %	1.25 %	1.25 %	0.00 %	CURRENT
BANCOMER 2	September 30, 2014	<u>\$ 4,277</u>	<u>\$ 4,277</u>	100 %	3.2860 %	3.2860 %	1.59 %	CURRENT
BANCOMER BANAMEX	October 10, 2014	<u>\$ 12,185</u>	<u>\$ 12,185</u>	100 %	3.2818 %	3.2818 %	0.45 %	CURRENT
ING IV	October 16, 2014	<u>\$ 2,326</u>	<u>\$ 2,326</u>	100 %	2.8900 %	2.8900 %	0.45 %	CURRENT
BANCOMER 2	October 31, 2014	<u>\$ 4,578</u>	<u>\$ 4,578</u>	100 %	3.2916 %	3.2916 %	1.59 %	CURRENT
BANCOMER BANAMEX	November 7, 2014	<u>\$ 12,236</u>	<u>\$ 12,236</u>	100 %	3.2975 %	3.2975 %	0.45 %	CURRENT
ING III	November 28, 2014	<u>\$ 2,831</u>	<u>\$ 2,831</u>	100 %	2.8700 %	2.8700 %	0.50 %	CURRENT
IXE 1	November 28, 2014	<u>\$ 9,709</u>	<u>\$ 9,709</u>	100 %	3.5100 %	3.5100 %	0.25 %	CURRENT
BANCOMER 2	December 1, 2014	<u>\$ 4,568</u>	<u>\$ 4,568</u>	100 %	3.2810 %	3.2810 %	1.59 %	CURRENT
ING II	December 5, 2014	<u>\$ 3,379</u>	<u>\$ 3,379</u>	100 %	2.8500 %	2.8500 %	0.79 %	CURRENT
BANCOMER BANAMEX	December 5, 2014	<u>\$ 12,164</u>	<u>\$ 12,164</u>	100 %	3.2755 %	3.2755 %	0.45 %	CURRENT
GOLDMAN SACHS 1 Y 3	December 12, 2014	<u>USD 6,039</u>	<u>USD 6,039</u>	100 %	0.3240 %	0.3240 %	0.4950 %	CURRENT
GOLDMAN SACHS 2 4 Y 5	December 12, 2014	<u>USD 11,081</u>	<u>USD 11,081</u>	100 %	0.3240 %	0.3240 %	0.4950 %	CURRENT
ICO 2 Y 3	December 19, 2014	<u>USD 5,653</u>	<u>USD 5,653</u>	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT
BANCOMER 2	December 31, 2014	<u>\$ 4,434</u>	<u>\$ 4,434</u>	100 %	3.2965 %	3.2965 %	1.59 %	CURRENT

Effectiveness Measurement

CFE uses risk management to mitigate exposure to the volatility of interest rates and exchange rates. Pursuant to the foregoing, the Entity has contracted plain vanilla interest rate and foreign currency swaps. With this, variable cash flows on the primary position have been hedged 100% by the cash flows received from the Derivative Financial Instrument.

Effectiveness Measurement Methodology

The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the effectiveness measurement method. In the effectiveness measurement tests performed on the swap flows, effectiveness was 100%.

In addition, the most critical characteristics of each swap were disclosed such as the date of the swap, the interest rates used for the calculation of the cash flow of the primary position, as well as the cash flow of the derivative financial instrument, the surcharge added to each calculation rate, the basis of calculation for each cash flow, the frequency of periods and date of the calculation of both rates.

With this, it can be observed and concluded that the critical characteristics of both the cash flow of the primary position and the cash flow of the derivative financial instrument are exactly equal, and the effectiveness of each Derivative Financial Instrument contracted by the Entity is 100%.

Sensitivity analysis

In accordance with IFRS, sensitivity was calculated of the variation in the market value of the derivative financial instruments contracted by NIIF.

The case of the operation of trading currencies (Forward) shows that the variation of one centavo in the exchange rate generates an approximate change in the market value of 0.0679 %, that is, \$4,084 (thousands of pesos) by December 31, 2014.

Interest rate and foreign currency hedge trading (Cross Currency Swaps) shows that the variation of one centavo in the exchange rate generates an approximate change in the market value of 0.0679 %, that is, \$7,296 (thousands of pesos), for December 31, 2014.

Interest rate hedging operations (Interest Rate Swaps) show that the variation of one base point in the interest rate generates an approximate change in the market value of 0.1806 %, that is, \$679 (thousands of pesos) for September 30, 2014.

Comments on the Market Value (Mark-to-Market) and the adjustment on the Credit risk and its Level of Hierarchy.

The net clean market value of derivative financial instruments designated as hedges (Mark-to-Market) At December 31, 2014 amounts to \$83,228 (thousands of pesos), which are included in patrimony and consist of \$336,168 against CFE, included in the value of the liability of the caption of financial instruments and \$252,940 in favor of CFE included in the value of the asset of the caption of financial instruments.

Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month. CFE monitors the Mark-to-market and if there is any doubt or observes any irregularity in the Mark-to-market behavior, it asks the counterparty for a new valuation.

Pursuant to the foregoing, the Market Value sent by the Calculation agent or counterparty is only an indicative value, since the models used by banks can differ between each other.

Adjustment of Fair Value or Mark-to-Market due on Credit Risk

In accordance with IFRS, fair value or Mark-to-Market (MTM) should reflect the creditworthiness of the Derivative Financial Instrument. Incorporating credit risk into the Mark-to-Market of the Derivative Financial Instruments recognizes the likelihood that one of the counterparties may incur in nonperformance and, therefore, the creditworthiness is reflected of the Derivative Financial Instrument, in accordance with IFRS.

Pursuant to the above, the CFE adjusted the Fair Values or Mark-to-market that represent a credit risk for the entity.

Methodology to Adjust Fair Value or Mark-to-Market due on Credit Risk.

In order to adjust the fair value of Derivative Financial Instruments pursuant to IFRS for credit risks, CFE will adopt the Credit Value Adjustment (CVA) concept.

The CVA consists of items of exposure or potential loss, likelihood of nonperformance and rate of recovery. Its formula is:

$$CVA = \text{Exp} * q * (1 - r)$$

Where:

Exp = Exposure

q = Likelihood of Nonperformance

r = Recovery Rate

Simplifications:

$$\text{Exp} = \text{MTM}$$

$$q * (1-r) = \text{Adjustment factor}$$

$$\text{CVA} = \text{MTM} * \text{Adjustment Factor}$$

Exposure will be considered as total market value (MTM) of each counterparty, that is, the sum of all the MTMs that we have with the financial institution.

The likelihood of nonperformance by one less the recovery rate will be the adjustment to the sum factor of the market values or exposure of each counterparty.

In order to obtain the likelihood of nonperformance (q), the Credit Default Swaps (CDS) of the counterparties will be taken to their closest term available, in the understanding that the adjustment of the CVA will be carried out on a month-to-month basis. The CDS are data that reflect the market vision on credit risk, and it is transparent information for all financial entities.

For purposes of the calculation of the CVA, the recovery rate (r) will be zero. This rate is totally conservative, since the standard on the financial standard is 40%.

Once it is obtained, the CVA will proceed to adjust the MTM in the following manner:

$$\text{MTM adjusted} = \text{MTM} - \text{CVA}$$

In the event that the CFE should maintain collateral for security deposits, the CVA will not be modified since the recovery rate determined by the CFE is zero.

Policies

This mechanism was approved by the Interinstitutional Delegate Committee of Financial Risk Management Associated with the Financial Position and Price of Fossil Fuel (CDIGR) as an adjustment to fair value policy of Derivative Financial Instruments.

The adjustment to Market Value (MTM) will be realized monthly, provided that the total exposure position of each counterparty is favorable toward CFE, that is, the market valuation is positive for the entity and, consequently, there is a credit risk.

In the event that the total MTM position is negative for the entity, that adjustment will not be made since the credit risk will be for the counterparty, not for CFE.

Counterparty	MTM	Adjusted MTM	Adjustment at December 31, 2014
Credit Suisse	24,298	24,025	273
Deutsche Bank	18,289	18,237	52
Collateral received			0
Total Cost (thousands of pesos)			325

Hierarchy of Fair Value or Mark-to-Market

Level 1 and 3 valuation information

In order to increase consistency and comparability of fair value measurements and their disclosures, IFRS set forth a fair value hierarchy that prioritizes on three levels of data in the valuation techniques used. This hierarchy grants the highest priority to quoted prices (unadjusted) on the active markets for assets and liabilities (level 1) and the lowest priority for unobservable data (level 3).

The availability of relevant information and its relative subjectivity can affect the appropriate selection of the valuation technique. However, fair value hierarchy prioritizes data about valuation techniques.

Level 2 valuation information

As explained above and pursuant to the terms in which the ISDA contracts were signed, the counterparties or banking institutions are the appraisers, and they are the institutions who calculate and send the Mark-to-Market every month.

Therefore, it is determined that the hierarchy level of the Entity's Mark-to-Market at December 31, 2014 is level 2 pursuant to the following points:

- a) It is information other than quoted prices, and it includes so much level one information that is directly and indirectly observable.
- b) Quoted prices for similar assets and liabilities on active markets.
- c) Information other than prices quoted that is observable.
- d) Information that is derived mainly from observable information and correlated through other means.

Management's discussion of the policies of the use of Derivative Financial Instruments

- 1) The objective for carrying out derivative financial instruments trading is:

The CFE may realize any type of explicit financial hedge, either at interest rates and/or exchange rates, or those strategies that are necessary to mitigate the financial risk faced by the Entity.

2) Instruments used:

The CFE may buy or sell one or more of the following types of instruments individually or collectively, provided that performance is maintained within approved risk management limits and guidelines.

- 1.- Futures, forwards and swaps
- 2.- Acquisition of call options
- 3.- Acquisition of put options
- 4.- Acquisition of collars or tunnels
- 5.- Acquisition of equity futures

3) Hedging or trading strategies implemented:

The CFE cannot sell call options, put options or any other open instrument that exposes CFE to unlimited risk that is not totally offset by a corresponding opposite position.

4) Trading Markets

Domestic and Foreign

5) Eligible counterparties

Any Bank or Financial institution with which CFE has signed an ISDA

6) Policies for the designation of calculation or valuation agents:

All ISDA contracts define that the counterparty is the calculation agent.

7) Main contract conditions or terms:

The ISDA (International Swaps and Derivatives Association) are standardized contracts, and the conditions are the same in all of them. There are special characteristics only in confirmations.

8) Margin Policies

In the event that the market value of any operation should exceed the maintenance level agreed upon in the ISDA contracts and their supplements, the counterparty issues a request for deposit of collateral in an off-balance sheet item via fax or e-

mail. CFE sends the security deposit to the counterparty. While there is a deposit for the margin call, the market value is reviewed by the "calculation agent", defined in the ISDA contract every day, in order for the Company to be able to request the refund of the collateral when the market value returns to levels below the agreed upon maintenance level. These security deposits are considered as a restricted asset in derivative financial instrument trading for CFE, and it is given the pertinent accounting treatment.

At December 31, 2014, CFE has security deposits or margin calls in an amount of 30.9 million US dollars.

9) Collateral and Lines of Credit

Defined credit lines for deposits of collateral are established in each one of the ISDA contracts signed with each counterparty.

Authorization processes and levels required by type of trade (simple hedge, partial hedge, speculation) indicating if derivatives trading was previously approved by the committee or committees that undertake corporate and audit practices.

The limits on the extension of transactions and derivative financial instruments are established based on the general conditions of the primary position and the underlying asset to hedge.

CFE may contract hedge transactions with financial derivatives, either at interest rates and/or exchange rates when the conditions thereof are a mirror of the primary position and underlying asset or liability to be hedged.

CFE has the Interinstitutional Delegate Committee of Financial Risks Associated with the financial position and Price of Fossil Fuels (CDIGR). When that Committee meets and together with the representatives of the SHCP and BANXICO, the institutions that are part of the CDIGR, may authorize CFE to:

- A) contract financial derivatives with conditions other than those of the primary position and/or underlying asset to hedge
- B) The liquidation of positions;
- C) Any other derivative financial instruments trading that is advisable for CFE

The CDIGR will have the power to modify, reduce or expand the Operating Guidelines of Financial Risk Management of the CFE, in which case it should notify it with the Board of Directors (formerly Board of Governors) to obtain its authorization.

10) Internal control procedures for managing market and liquidity risk exposure in financial instrument positions.

CFE has the Interinstitutional Delegate Committee of Financial Risk Management Associated with the Financial Position and Price of Fossil Fuels (CDIGR) reviews the issues discussed above, and approves the Risk Management Operating Guidelines.

Finally, there is a budget authorized by the Ministry of Finance and Public Credit for dealing with the commitments already contracted and to be contracted related to derivative financial instruments.

11. DEBT

The balances of the documented debt at December 31, 2014 and 2013 are summarized as follows:

Foreign Debt	Type of credit	Weighted Interest rate	Due dates	2014	
				Local currency	Foreign currency (Thousands)
In US dollars at the exchange rate per dollar of \$14.718 at December 2014 and of \$13.0765 at December 2013	Bilateral	Fixed and variable - 1.29%	Various up to 2023	\$ 3,888,330	264,189
	Bonds	Fixed and variable - 5.12%	Various up to 2042	46,906,266	3,187,000
	Revolving	Fixed and variable - 1.79%	Various up to 2017	2,307,448	156,777
	Syndicated	Fixed and Variable - 0%	2018	-	-
Total US dollars				53,102,044	3,607,966
In euros at exchange rate for euros of \$17.8103 at December 2014 and \$18.0195 at December 2013	Bilateral	Fixed and variable - 1.45%	Various up to 2024	142,400	7,995
	Revolving	Fixed and variable - -3.39%	Various up to 2017	33,967	1,907
Total euros				176,367	9,902
In Swiss francs at the exchange rate per per Swiss franc of \$14.8122 at December 2014 and of \$14.7058 at December 2013	Bilateral	Variable - 0%	Various up to 2015	-	-
	Revolving	Fixed - 0.83%	Various up to 2018	1,464,090	98,844
Total Swiss francs				1,464,090	98,844
In Swedish kronas at the exchange rate per Swedish Krona of \$1.8882 at December 2014 and of \$2.0342 for December 2013	Bilateral	Fixed -2.8%	Various up to 2015	7,197	3,811
Total Swedish kronas				7,197	3,811
In Japanese yens at the exchange rate per Japanese yen of \$0.1227 as at December 2014 and \$0.1245 at December 2013	Bilateral	Fixed and variable -1.71%	Various up to 2020	415,674	3,387,723
Bond		Fixed -3.83%	2032	3,926,400	32,000,000
Assets received for financial instruments, net (Note 10b)				39,718	
Total Japanese yens				4,381,792	35,387,723
Total foreign debt				\$ 59,131,490	

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				2014	
<u>Internal debt</u>	<u>Type of credit</u>	<u>Weighted Interest rate</u>	<u>Due dates</u>	<u>Local currency</u>	<u>Foreign Currency (Thousands)</u>
Local currency	Bank loans	Variable - 4.21%	Various up to 2023	\$ 41,466,667	
	Securities market	Fixed and variable - -6.18%	Various up to 2020	53,500,000	
Total Mexican pesos				<u>94,966,667</u>	
Total internal debt				<u>94,966,667</u>	
Summary					
Total foreign debt				59,131,490	
Total internal debt				<u>94,966,667</u>	
Total documented debt				<u>154,098,157</u>	
Total short-term				14,789,500	
Total long-term				<u>139,308,657</u>	
Total short and long-term				<u>\$154,098,157</u>	

The short-term liability and long-term funded debt mature as follows:

Short-Term	\$ 14,789,500
2016	13,518,868
2017	12,591,063
2018	21,261,662
2019	6,065,961
2020 - Subsequent years	<u>85,871,103</u>
Total Long-term	139,308,657
Total	<u>\$ 154,098,157</u>

Debt

The following credits were obtained in Fiscal 2014:

In December, a credit was obtained in the amount of 15 billion pesos through Cebures comprised of two Lines of Indeal Credit at a Fixed Rate of 78.35 in the amount of 9 billion 500 million pesos at an 5 year term. Moreover, payments were made in the amount of \$500 million pesos to Banorte and 1 billion 250 million dollars to BBVA Bancomer, among other things, in the same period.

A credit was contracted in the amount of 5 billion pesos from Banco HSBC at an EIIR 28 + 0.425 and a 3 year term in November.

In March 2014, a Credit was hired in the amount of 6 billion 300 million pesos with Banco Santander, S. A. de C. V., at a rate of EIIR 91, plus 0.65 % for a term of 4 years.

Securities exchange certificates were issued through a direct credit to finance general treasury needs in a total amount of 12 billion nominal pesos in June. A bank credit was obtained in the amount of 2 billion pesos from BBVA Bancomer at an EIIR rate at 182 days, less 0.55 in August. A credit was obtained in the amount of 6 billion pesos from Santander at an EIIR 28 less 0.95 in October. In addition, two securities exchange certificates were issued through Indeal, which amounted to a total of 10 billion pesos (one for 3.25 billion pesos at an EIIR rate less 0.15 and the other in the amount of 6.75 billion pesos at a 7.77% fixed rate) in November. A credit amounting to 3 billion pesos was obtained from HSBC at an EIIR 28 less 0.75, also in November. Finally, a credit amounting to 5 billion pesos was obtained from Banorte at an EIIR rate 182, less 0.75 in December. These loans amount to a total of 38 billion pesos.

Foreign debt

Among other credits contracted, a syndicated loan was obtained in the amount of 1 billion 250 million dollars at a LIBOR rate 6 Months less than 1.0 in September 2013. A bond was issued in the international market in the amount of 1 billion 250 million dollars at a 4.875% fixed rate in October. Those amounts stated in pesos add up to around 34 billion pesos.

In 2012, a bond was placed in the amount of 750 million dollars at a 30 year term, with a 5.755 coupon and an oversubscription of 2.8 times. The funds from the placement of this bond served to participate the payment in the same amount, part of the syndicated credit subscribed in the amount of 2 billion dollars in December 2010, due June 2014. This transaction successfully deferred the due date of the original liability from June 2014 to February 2042.

12. LONG-TERM PRODUCTIVE INFRASTRUCTURE PROJECTS (PIDIREGAS)

The balances of direct and conditioned investment at December 31, 2014 and 2013 are summarized and due as follows:

	Direct investment: PIDIREGAS	Conditioned investment PEE's	Total 2014	Total 2013
Short-Term	\$ 13,061,678	\$ 2,964,984	\$ 16,026,662	\$ 15,943,363
<u>Long-Term</u>				
2015				14,363,363
2016	13,219,764	3,294,242	16,514,006	14,351,363
2017	9,714,732	3,663,431	13,378,163	11,655,363
2018	13,347,688	4,077,729	17,425,417	15,442,363
2019	8,192,543	4,543,028	12,735,571	10,932,363
2020	6,244,380	5,066,026	11,310,406	9,495,363
2021	5,296,920	5,654,351	10,951,271	10,871,363
Subsequent years	25,144,310	69,603,326	94,747,636	77,081,363
Total long-term	\$ 81,160,337	\$ 95,902,133	\$ 177,062,470	\$ 164,194,363
Total	\$ <u>94,222,015</u>	\$ <u>98,867,117</u>	\$ <u>193,089,132</u>	\$ <u>180,138,726</u>

Direct Investment (PIDIREGAS)

At December 31, 2014 and 2013, the debt applicable to the acquisition of plants, facilities and equipment through the use of credit facilities, in accordance with International Financial Reporting Standards, as summarized below:

COMISIÓN FEDERAL DE ELECTRICIDAD
State-Owned Productive Company

Value of the credit:	Term Of the agreement	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2015 (Thousands)	
		Local currency		Foreign currency		Local currency	
		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
<u>Foreign Debt</u>							
	2014					1,218,680	
354.27 Millions of dollars	2015	345,374		23,466		328,630	326,900
585.22 Millions of dollars	2016	42,656	2,097,670	2,898	142,524		1,901,600
197.06 Millions of dollars	2018	189,585	87,094	12,881	5,918	337,155	245,800
701.22 Millions of dollars	2019	275,793	1,175,159	18,739	79,845	216,292	1,289,100
259.36 Millions of dollars	2020	401,821	1,808,192	27,301	122,856	357,005	1,963,500
491.64 Millions of dollars	2029	401,995	5,520,365	27,313	375,076	357,161	5,261,800
745.13 Millions of dollars	2032	886,616	9,012,782	60,240	612,365	641,975	7,776,300
607.39 Millions of dollars	2036	299,708	6,293,858	20,363	427,630	266,281	5,858,100
Total foreign debt		2,843,548	25,995,120	193,201	1,766,214	3,723,179	24,623,400
<u>Internal debt</u>							
1,050.83 Millions of pesos	2014					70,492	
1,388.77 Millions of pesos	2015	70,941	-			141,881	70,900
6,771.70 Millions of pesos	2016	1,331,122	917,423			1,208,397	1,789,300
2,265.65 Millions of pesos	2017	234,620	278,521			234,620	513,100
29,067.44 Millions of pesos	2018	1,585,448	3,781,465			2,167,514	5,390,900
9,006.60 Millions of pesos	2019	878,950	3,302,803			1,395,092	6,553,700
9,232.98 Millions of pesos	2020	956,150	4,099,274			962,949	5,096,200
1,147.26 Millions of pesos	2021	121,828	743,050			132,075	926,400
20,871.14 Millions of pesos	2022	2,013,065	11,038,411			1,537,311	10,889,200
7,030.85 Millions of pesos	2023	725,245	4,818,563			575,230	4,258,100
7,151.72 Millions of pesos	2024	969,608	7,084,924			266,620	2,113,000
5,174.42 Millions of pesos	2032	520,546	3,140,895			514,794	3,606,700
2,491.18 Millions of pesos	2036	83,664	1,756,952			83,664	1,840,600
16,030.26 Millions of pesos	2042	726,944	14,194,116			639,081	14,177,200
Total internal debt		10,218,130	55,156,396			9,929,720	57,225,800
Total		13,061,678	81,151,516			13,652,898	81,849,200
CEBURES			8,821				8,800
Total external and internal debt of PIDIREGAS and CEBURES		\$ 13,061,678	\$ 81,160,337			\$ 13,652,898	\$ 81,858,000

At December 31, 2014 and December 31, 2013, the debts contracted for the acquisition of plants, facilities, and equipment through PIDIREGAS are included in detail as follows:

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)					
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency			
						Short-term	Long-term	Short-term	Long-term		
PIDIREGAS											
FOREIGN DEBT											
4 Geothermal integral units with total capacity of 100 MW for the C. G. Cerro Prieto IV	103.34 Million dollars US	71.32 Million dollars US Interest	<u>Principal</u> \$ 1,444.57 million (98.15 Million US dollars) <u>Interest</u> \$1,045.92 million (71.06 Million dollars dollars) <u>Taxes and trustee fees</u> \$82.48 million (5.60 Million Us dollars)	Up to Year 2015	1,520,899	\$	76,328		5,186	-	
1 combined cycle type module with a capacity of 423.3 MW of the C. C.C. Chihuahua	277.37 Million dollars US	157.72 Million dollars US Interest	<u>Principal</u> \$3,867.43 million (262.77 Million US dollars) <u>Interest</u> \$2,301.99 million (156.41 Million US dollars) <u>Taxes and trustee fees</u> \$89.95 million (6.11 Million US dollars)	Up to Year 2016	4,082,272	\$	42,656	\$	172,183	2,898	11,699
2 combined cycle type modules with a capacity of 437 MW for both, of the C. C. C. Monterrey II	331.09 Million dollars US	275.39 Million dollars US Interest	<u>Principal</u> \$3,562.73 million (272.45 Million US dollars) <u>Interest</u> \$3,577.02 million (273.55 Million US dollars) <u>Taxes and trustee fees</u> \$193.77 million (14.82 Million US dollars)	Up to Year 2014	4,329,458						
One combined cycle type module with a capacity of 497.6 MW of the C. C. C. Rosarito III	307.85 Million dollars US	338.46 Million dollars US Interest	<u>Principal</u> \$2,605.50 million (177.03 Million US dollars) <u>Interest</u> \$4,631.13 million (314.66 Million US dollars) <u>Taxes and trustee fees</u> \$518.24 million (35.21 Million US dollars)	Up to Year 2016	4,530,986		\$	1,925,487		130,825	
3 combined cycle type modules multi-arrow, with a capacity of nominal generation of 168.6 MW each one, for C. C. C. Samalayuca II. M - 1, 2, and 3.	701.22 Million dollars US	578.47 Million dollars US Interest	<u>Principal</u> \$8,869.60 million (602.64 Million US dollars) <u>Interest</u> \$8,065.70 million (548.02 Million US dollars) <u>Taxes and trustee fees</u> \$1,165.25 million (79.17 Million US dollars)	Up to Year 2019	10,320,554	\$	275,793	\$	1,175,159	18,739	79,845
L. T. 215 Southeast Peninsular	131.22 Million dollars US	123.63 Million dollars US Interest	<u>Principal</u> \$1,806.06 million (122.71 Million US dollars) <u>Interest</u> \$1,813.50 million	Up to Year 2015	1,417,806	\$	125,240		8,509		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency		
						Short-term	Long-term	Short-term	Long-term	
			(123.22 Million US dollars) <u>Taxes and trustee fees</u> \$235.24 million (15.98 Million US dollars)							
SE 213 SF6 Power AND Distribution	175.18 Million dollars US	16.20 Million dollars US taxes and trustee fees	<u>Principal</u> \$2,226.89 million (170.30 Million US dollars) <u>Interest</u> \$2,126.34 million (162.61 Million US dollars)	Up to Year 2015	921,458					
		8.16 million dollars US taxes and trustee fees	<u>Taxes and trustee fees</u> \$105.86 million (8.10 Million US dollars)							
SE 218 SF6 Northwest	50.66 Million dollars US	34.29 Million dollars US Interest	<u>Principal</u> \$707.89 million (48.10 Million US dollars) <u>Interest</u> \$502.63 million (34.15 Million US dollars)	Up to Year 2015	745,568	\$	37,678		2,560	
		1.29 million dollars US taxes and trustee fees	<u>Taxes and trustee fees</u> \$18.57 million (1.26 Million US dollars)							
221 Western	72.51 Million dollars US	52.22 Million dollars US Interest	<u>Principal</u> \$759.61 million (58.09 Million US dollars) <u>Interest</u> \$672.48 million (51.43 Million US dollars)	Up to Year 2014	948,190					
		1.37 million dollars US taxes and trustee fees	<u>Taxes and trustee fees</u> \$16.88 million (1.29 Million US dollars)							
CG Los Azufres II AND Geothermal Field	52.33 Million dollars US	15.70 Million dollars US Interest	<u>Principal</u> \$663.81 million (50.76 Million US dollars) <u>Interest</u> \$204.82 million (14.95 Million US dollars)	Up to Year 2014	684,296					
		0 million dollars US taxes and trustee fees	<u>Taxes and trustee fees</u> \$0 million (1.08 Million US dollars)							
C. H. Manuel Moreno Torres (2nd Stage)	71.09 Million dollars US	26.39 million dollars US Interest	<u>Principal</u> \$947.64 million (64.39 Million US dollars) <u>Interest</u> \$383.08 million (26.03 Million US dollars)	Up to Year 2018	1,046,238	\$	75,097	\$	23,501	5,102
		2.90 Million dollars US taxes and trustee fees	<u>Taxes and trustee fees</u> \$38.84 million (2.64 Million US dollars)							1,597
L.T. 406 Network associated with Tuxpan II, III AND IV	119.47 Million dollars US	43.95 Million dollars US Interest	<u>Principal</u> \$1,758.33 million (119.47 Million US dollars) <u>Interest</u> \$646.82 million (43.95 Million US	Up to Year 2018	1,562,225					

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
L.T. 407 Network Associated with Altamira II, III AND IV	295.81 Million dollars US	0.13 Million dollars	dollars) <u>Taxes and trustee fees</u>	Up to Year 2014	3,868,130				
		US	\$1.93 million						
		taxes and trustee fees	(0.13 Million US dollars)						
L.T. 411 National System	84.73 Million dollars US	117.79 Million dollars	<u>Principal</u>	Up to Year 2014	1,107,985				
		US	\$3,844.65 million						
		Interest	(294.01 Million US dollars)						
			<u>Interest</u>						
L.T. 409 Manuel Moreno Torres Associated Network (2nd Stage)	96.77 Million dollars US	0.36 Million dollars	<u>Taxes and trustee fees</u>	Up to Year 2014	1,265,407				
		US	\$4.69 million						
		taxes and trustee fees	(0.36 Million US dollars)						
			<u>Principal</u>						
CC El Sauz Conversion from T. G. to C. C.	54.49 Million dollars US	28.07 Million dollars	<u>Interest</u>	Up to Year 2015	801,957	\$	69,735		4,738
		US	\$1,539.71 million						
		Interest	(117.75 Million US dollars)						
			<u>Taxes and trustee fees</u>						
L. T. 414 North - Western	63.01 Million dollars US	0.03 Million dollars	<u>Taxes and trustee fees</u>	Up to Year 2018	823,963				
		US	\$0.35 million						
		taxes and trustee fees	(0.03 Million US dollars)						
			<u>Principal</u>						
L. T. 502 North - Eastern	3.80 Million dollars US	26.56 Million dollars	<u>Interest</u>	Up to Year 2015	55,910	\$	2,796		190
		US	\$1,198.81 million						
		Interest	(91.68 Million US dollars)						
			<u>Interest</u>						
L. T. 506 Saltillo - Cañada	54.89 Million dollars US	0.03 Million dollars	<u>Taxes and trustee fees</u>	Up to Year 2014	717,763				
		US	\$0 million						
		taxes and trustee fees	(0 Million US dollars)						
			<u>Principal</u>						

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013 (dollars)			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
SE 412 Compensation North	22.00 Million dollars US	5.42 Million dollars US Interest	<u>Principal</u> \$287.64 million (22.00 Million US dollars) <u>Interest</u> \$70.86 million (5.42 Million US dollars)	Up to Year 2013					
SE 413 Northwest - West	21.94 Million dollars US	6.06 Million dollars US Interest	<u>Principal</u> \$271.80 million (20.79 Million US dollars) <u>Interest</u> \$78.87 million (6.03 Million US dollars)	Up to Year 2014	286,905				
503 Eastern	21.40 Million dollars US	5.42 Million dollars US Interest	<u>Principal</u> \$279.86 million (21.40 Million US dollars) <u>Interest</u> \$70.83 million (5.42 Million US dollars)	Up to Year 2013					
504 North - Western	31.71 Million dollars US	8.33 Million dollars US Interest	<u>Principal</u> \$404.80 million (30.96 Million US dollars) <u>Interest</u> \$108.69 million (8.31 Million US dollars)	Up to Year 2014	414,667				
C. C. I. Baja California Sur I	51.91 Million dollars US	16.23 million dollars US Interest	<u>Principal</u> \$646.55 million (43.93 Million US dollars) <u>Interest</u> \$230.27 million (15.65 Million US dollars)	Up to Year 2018	764,069	\$ 53,930	\$ 63,593	3,664	4,321
L. T. 610 Northeast - North Transmission	22.17 Million dollars US	7.50 Million dollars US Interest 1.00 Million dollars US taxes and trustee fees	<u>Principal</u> \$308.15 million (20.94 Million US dollars) <u>Interest</u> \$109.92 million (7.47 Million US dollars) <u>Taxes and trustee fees</u> \$14.72 million (1.00 Million US dollars)	Up to Year 2018	326,280	\$ 18,127	\$ -	1,232	
L. T. 612 Sub-transmission North - Northeast	5.01 Million dollars US	1.53 Million dollars US Interest	<u>Principal</u> \$70.08 million (4.76 Million US dollars) <u>Interest</u> \$22.43 million (1.52 Million US dollars)	Up to Year 2015	73,773	\$ 3,689	\$ -	251	
L. T. 613 Sub-transmission Western	6.65 Million dollars US	2.25 Million dollars US Interest	<u>Principal</u> \$92.39 million (6.28 Million US dollars) <u>Interest</u> \$33.03 million (2.24 Million US dollars)	Up to Year 2018	97,824	\$ 5,435	\$ -	369	
L. T. 614 Sub-transmission Eastern	12.17 Million dollars US	3.67 Million dollars US	<u>Principal</u> \$170.21 million	Up to Year	179,171	\$ 8,959		609	

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement 2015	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest	Interest, taxes, others and trustee fees			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
			Payments up to December 31, 2013						
			(11.56 Million US dollars) <u>Interest</u> \$53.74 million (3.65 Million US dollars)						
L. T. 712 Associated Transmission Network M. of the CCI Baja California Sur	21.18 Million dollars US	5.52 Million dollars US Interest	<u>Principal</u> \$263.10 million (20.12 Million US dollars) <u>Interest</u> \$71.90 million (5.50 Million US dollars)	Up to Year 2014	276,945				
SE 607 Bajio System - Eastern	4.65 Million dollars US	1.27 Million dollars US Interest	<u>Principal</u> \$68.45 million (4.65 Million US dollars) <u>Interest</u> \$18.62 million (1.27 Million US dollars) <u>Taxes and trustee fees</u> \$0.07 million 0 Million dollars	Up to Year 2018	60,818				
Steam Supply to Power Stations of Cerro Prieto	13.12 Million dollars US	3.98 Million dollars US Interest	<u>Principal</u> \$183.48 million (12.47 Million US dollars) <u>Interest</u> \$58.28 million (3.96 Million US dollars)	Up to Year 2015	193,141	\$ 9,657			656
OPF 062 CCE Pacific	259.36 Million dollars US	64.81 Million dollars US Interest	<u>Principal</u> \$1,607.28 million (109.21 Million US dollars) <u>Interest</u> \$603.39 million (41.00 Million US dollars) <u>Taxes and trustee fees</u> \$0.49 million (0.03 Million US dollars)	Up to Year 2020	3,817,295	\$ 401,821	\$ 1,808,192	27,301	122,856
C.H. El Cajon	607.39 Million dollars US	130.01 Million dollars US Interest	<u>Principal</u> \$2,345.93 million (159.39 Million US dollars) <u>Interest</u> \$1,296.84 million (88.11 Million US dollars) <u>Taxes and trustee fees</u> \$384.64 million (26.13 Million US dollars)	Up to Year 2036	8,939,492	\$ 299,708	\$ 6,293,858	20,363	427,630
L. T. 710 Network Associated to CC Altamira V	12.96 Million dollars US	4.03 Million dollars US Interest	<u>Principal</u> \$180.12 million (12.24 million dollars) <u>Interest</u> \$58.97 million (4.01 Million US dollars)	Up to 2018	190,712	\$ 10,595	\$ -		720
RM Botello	5.71 Million dollars US	1.84 Million dollars US Interest	<u>Principal</u> \$79.42 million (5.40 Million US dollars) <u>Interest</u> \$26.97 million (1.83 Million US dollars)	Up to Year 2018	84,087	\$ 4,672			317

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013 (dollars)			Local Currency		Foreign Currency		
						Short-term	Long-term	Short-term	Long-term	
RM Carbon II	7.00 million dollars US	2.34 Million dollars US Interest	<u>Principal</u> \$97.37 million (6.62 Million US dollars) <u>Interest</u> \$34.34 million (2.33 Million US dollars)	Up to Year 2018	103,095	\$	5,728		389	
RM Dos Bocas	12.96 Million dollars US	4.29 Million dollars US Interest	<u>Principal</u> \$180.19 million (12.24 Million US dollars) <u>Interest</u> \$62.82 million (4.27 Million US dollars)	Up to Year 2018	190,793	\$	10,600		720	
RM Gomez Palacio	9.56 Million dollars US	2.66 Million dollars US Interest	<u>Principal</u> \$ 133.62 million (9.08 Million US dollars) <u>Interest</u> \$38.90 million (2.64 Million US dollars)	Up to Year 2015	140,653	\$	7,033		478	
RM Ixtaczoquitlan	0.82 Million dollars US	.25 Million US US Interest	<u>Principal</u> \$11.45 million (0.78 Million US dollars) <u>Interest</u> \$3.69 million (0.25 Million US dollars)	Up to Year 2018	12,124	\$	674	\$ -	46	
RM Tuxpango	1.74 Million dollars US	0.56 Million dollars US Interest	<u>Principal</u> \$24.20 million (1.64 Million US dollars) <u>Interest</u> 8.22 million (0.56 Million US dollars)	Up to Year 2018	25,623	\$	1,424	\$ -	97	
RM CT Valle de Mexico	5.79 Million dollars US	1.73 Million dollars US Interest	<u>Principal</u> \$80.96 million (5.50 Million US dollars) <u>Interest</u> \$25.37 million (1.72 Million US dollars) <u>Taxes and trustee fees</u> \$21.56 million (1.46 Million US dollars)	Up to Year 2015	85,217	\$	4,261	\$ -	290	
RM CT Carbon II Units 2 and 4	4.04 Million dollars US	1.31 Million dollars US Interest	<u>Principal</u> \$56.19 million (3.82 Million US dollars) <u>Interest</u> \$19.19 million (1.30 Million US dollars)	Up to Year 2018	59,499	\$	3,305	\$ -	225	
OPF 181 RM CN Laguna Verde	491.64 Million dollars US	201.51 Million dollars US Interest	<u>Principal</u> \$1,313.56 million (89.25 Million US dollars) <u>Interest</u> \$951.76 million (64.67 Million US dollars)	Up to Year 2029	7,235,917	\$	401,995	\$ 5,520,365	27,313	375,076
OPF 222 CCC Repontetiation CT Manzanillo-1 AND 2	664.98 Million dollars	132.73 Million dollars	<u>Principal</u>	Up to	9,787,131	\$	821,082	\$ 7,931,465	55,788	538,896

Type of asset	Value of the credit: US	Amount of payments agreed upon equivalent to the income		Term for the agreement Year 2032	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)					
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency			
						Short-term	Long-term	Short-term	Long-term		
		US Interest 0.21 Million dollars US taxes and trustee fees	\$1,034.58 million (70.29 Million US dollars) <u>Interest</u> \$472.14 million (32.08 Million US dollars)								
OPF 217 RM CCC El Sauz Package 1	80.15 Million dollars US	19.15 Million dollars US Interest	<u>Principal</u> \$32.77 million (2.23 Million US dollars) <u>Interest</u> \$16.58 million (1.13 Million US dollars)	Up to Year 2032	1,179,618	\$	65,530	\$	1,081,317	4,453	73,469
TOTAL FOREIGN DEBT						\$	2,843,548	\$	25,995,120		
OPF 003 CCI Guerrero Negro II	310.44 million Mexican pesos	154.73 million Mexican pesos	<u>Principal</u> \$294.92 million <u>Interest</u> \$153.98 million	Up to Year	310,444						
OPF 025 CG Los Azufres II and Geothermal Field	890.44 million Mexican pesos	381.04 million Mexican pesos	<u>Principal</u> \$827.07 million <u>Interest</u> \$371.85 million	Up to Year	890,438	\$	-	\$	63,367		
OPF 026 C.H. Manuel Moreno Torres (2nd Stage)	509.20 million Mexican pesos	237.48 million Mexican pesos	<u>Principal</u> \$416.60 million <u>Interest</u> \$222.07 million	Up to Year	509,202	\$	-	\$	92,598		
OPF 027 LT 406 406 Network associated with Tuxpan II, III and IV	31.43 million Mexican pesos	6.55 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$2.01 million	Up to Year	31,429	\$	-	\$	31,429		
OPF 028 LT 407 406 NETWORK associated with Tuxpan II, III and IV	430.07 million Mexican pesos	175.90 million Mexican pesos	<u>Principal</u> \$385.65 million <u>Interest</u> \$168.61 million	Up to Year	430,073	\$	-	\$	44,428		
OPF 030 LT 411 National System	527.33 million Mexican pesos	227.33 million Mexican pesos	<u>Principal</u> \$488.87 million <u>Interest</u> \$219.95 million	Up to Year	527,335	\$	-	\$	38,465		
OPF 031 LT 409 Manuel Moreno Torres Network Associated (2nd Stage)	2,027.16 million Mexican pesos	857.47 million Mexican pesos	<u>Principal</u> \$1,860.77 million <u>Interest</u> \$831.33 million	Up to Year	2,027,159	\$	-	\$	166,384		
OPF 033 SE 402 Eastern - Peninsular	47.33 million Mexican pesos	17.08 million Mexican pesos	<u>Principal</u> \$44.96 million <u>Interest</u> \$17.06 million	Up to Year	47,329	\$	2,366	\$	-		
OPF 038 CC El Sauz Conversion from TG to CC	668.35 million Mexican pesos	274.89 million Mexican pesos	<u>Principal</u> \$605.80 million <u>Interest</u> \$264.57 million	Up to Year	668,354	\$	-	\$	62,549		
OPF 039 LT 414 North - Western	33.89 million Mexican pesos	7.06 million Mexican pesos	<u>Principal</u> \$ 0 million <u>Interest</u> \$2.17 million	Up to Year	33,887	\$	-	\$	33,887		
OPF 040 LT 502 Eastern - North	125.88 million Mexican pesos	57.95 million Mexican pesos	<u>Principal</u> \$113.29 million <u>Interest</u> \$57.20 million	Up to Year	125,880						
OPF 041 LT 506 Saltillo - Cañada	2,156.81 million Mexican pesos	904.28 million Mexican pesos	<u>Principal</u> \$2,012.08 million <u>Interest</u> \$883.30 million	Up to Year	2,156,805	\$	-	\$	144,724		
OPF 042 LT 715 Network Associated with the Power Plant of	1,166.18 million Mexican	430.27 million Mexican	<u>Principal</u>	Up to	1,166,182	\$	120,551	\$	141,496		

Type of asset	Value of the credit: pesos	Amount of payments agreed upon equivalent to the income		Term for the agreement Year	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees pesos	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
Tamanzunchale	pesos	pesos	\$904.13 million <u>Interest</u> \$ 407.26 million						
OPF 043 LT 509 Network Associated with the Power Plant of Rio Bravo III	497.45 million Mexican pesos	223.05 million Mexican pesos	<u>Principal</u> \$472.58 million <u>Interest</u> \$ 219.17 million	Up to Year	497,449	\$ -	\$ 24,872		
OPF 045 SE 413 Northwest - Western	406.93 million Mexican pesos	171.72 million Mexican pesos	<u>Principal</u> \$371.84 million <u>Interest</u> \$ 166.58 million	Up to Year	406,927	\$ -	\$ 35,090		
OPF 048 CCI Baja California Sur I	52.88 million Mexican pesos	11.25 million Mexican pesos	<u>Principal</u> \$ 0 million <u>Interest</u> \$ 2.79 million	Up to Year	52,878	\$ -	\$ 52,878		
OPF 049 LT 609 Transmission Northwest - Western	1,378.65 million Mexican pesos	525.52 million Mexican pesos	<u>Principal</u> \$ 1,240.79 million <u>Interest</u> \$ 514.93 million	Up to Year	1,378,651	\$ 68,933	\$ 68,933		
OPF 050 LT 610 Transmission Northwest - North	1,455.83 million Mexican pesos	646.80 million Mexican pesos	<u>Principal</u> \$ 1,259.81 million <u>Interest</u> \$ 625.54 million	Up to Year	1,455,827	\$ 26,490	\$ 169,529		
OPF 051 LT 612 Sub-transmission North - Northeast	261.41 million Mexican pesos	90.35 million Mexican pesos	<u>Principal</u> \$ 229.63 million <u>Interest</u> \$ 89.27 million	Up to Year	261,406	\$ 19,679	\$ 12,096		
OPF 052 LT 613 Sub-transmission Western	237.45 million Mexican pesos	114.60 million Mexican pesos	<u>Principal</u> \$ 216.10 million <u>Interest</u> \$ 110.94 million	Up to Year	237,452	\$ 316	\$ 21,036		
OPF 053 LT 614 Sub-transmission Eastern	48.72 million Mexican pesos	19.31 million Mexican pesos	<u>Principal</u> \$ 41.91 million <u>Interest</u> \$ 18.99 million	Up to Year	48,715	\$ 1,834	\$ 84		
OPF 054 LT 615 Sub-transmission Peninsular	286.27 million Mexican pesos	113.60 million Mexican pesos	<u>Principal</u> \$242.98 million <u>Interest</u> \$111.53 million	Up to Year	286,271	\$ 12,174	\$ 1,954		
OPF 057 LT 1012 Transmission Network Associated with the Power Plant of CCC Baja California	139.17 million Mexican pesos	34.15 million Mexican pesos	<u>Principal</u> \$87.90 million <u>Interest</u> \$31.04 million	Up to Year	139,168	\$ 14,649	\$ 36,623		
OPF 058 SE 607 Bajio System - Eastern	810.22 million Mexican pesos	333.06 million Mexican pesos	<u>Principal</u> \$766.61 million <u>Interest</u> \$325.29 million	Up to Year	810,224	\$ -	\$ 43,613		
OPF 059 SE 611 Sub-transmission Baja California - Northwest	330.91 million Mexican pesos	112.47 million Mexican pesos	<u>Principal</u> \$247.06 million <u>Interest</u> \$105.30 million	Up to Year	330,910	\$ 31,018	\$ 17,809		
OPF 060 SUV Steam supply to the Power Plants of Cerro Prieto IV	1,091.40 million Mexican pesos	393.56 million Mexican pesos	<u>Principal</u> \$894.92 million <u>Interest</u> \$384.29 million	Up to Year	1,091,405	\$ 62,973	\$ 23,072		
OPF 061 CC Hermosillo Conversion from TG to CC	813.96 million Mexican pesos	277.83 million Mexican pesos	<u>Principal</u> \$728.28 million <u>Interest</u> \$271.24 million	Up to Year	813,960	\$ 42,840	\$ 42,840		
OPF 062 CCE Pacific	4,414.02 million Mexican pesos	1,294.24 million Mexican pesos	<u>Principal</u> \$1,630.62 million <u>Interest</u> \$801.80 million	Up to Year	4,714,993	\$ 578,948	\$ 1,926,481		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
OPF 063 CH El Cajón	2,491.18 million Mexican pesos	3,205.97 million Mexican pesos	<u>Principal</u> \$566.90 million <u>Interest</u> \$1,244.45 million	Up to Year	2,491,179	\$	83,664	\$	1,756,952
OPF 064 LT 723 Lines Central	70.93 million Mexican pesos	23.13 million Mexican pesos	<u>Principal</u> \$57.34 million <u>Interest</u> \$22.54 million	Up to Year	70,935	\$	4,963	\$	1,298
OPF 065 LT 714 Transmission Network Associated with the Power Plant El Cajon	747.40 million Mexican pesos	236.64 million Mexican pesos	<u>Principal</u> \$593.82 million <u>Interest</u> \$225.78 million	Up to Year	747,404	\$	76,792	\$	76,792
OPF 066 LT 710Transmission Network Associated with the Power Plant Altamira V	679.57 million Mexican pesos	271.91 million Mexican pesos	<u>Principal</u> \$507.80 million <u>Interest</u> \$252.97 million	Up to Year	679,567	\$	65,990	\$	105,778
OPF 067 LT 710Transmission Network Associated with the Power Plant La Laguna II	233.12 million Mexican pesos	113.23 million Mexican pesos	<u>Principal</u> \$209.81 million <u>Interest</u> \$111.57 million	Up to Year	233,119				
OPF 068 LT 718 Transmission Network Associated with the Power Plant Pacific	1,206.46 million Mexican pesos	403.53 million Mexican pesos	<u>Principal</u> \$311.65 million <u>Interest</u> \$192.09 million	Up to Year	1,206,461	\$	122,456	\$	649,902
OPF 069 LT 707 North - South connection Pacific	378.59 million Mexican pesos	189.82 million Mexican pesos	<u>Principal</u> \$359.66 million <u>Interest</u> \$188.91 million	Up to Year	378,591				
OPF 070 LT 717 Riviera Maya	422.14 million Mexican pesos	204.78 million Mexican pesos	<u>Principal</u> \$401.03 million <u>Interest</u> \$201.72 million	Up to Year	422,139	\$	-	\$	21,107
OPF 071 PRR Amata Regulatory Dam	144.42 million Mexican pesos	51.24 million Mexican pesos	<u>Principal</u> \$137.20 million <u>Interest</u> \$51.18 million	Up to Year	144,418	\$	7,221	\$	-
OPF 072 RM Adolfo Lopez Mateos	329.18 million Mexican pesos	117.10 million Mexican pesos	<u>Principal</u> \$312.30 million <u>Interest</u> \$116.94 million	Up to Year	329,182	\$	16,882	\$	-
OPF 074 RM Botello	8.28 million Mexican pesos	1.78 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$0.41 million	Up to Year	8,277	\$	-	\$	8,277
OPF 075 RM Carbon II	52.19 million Mexican pesos	22.93 million Mexican pesos	<u>Principal</u> \$39.94 million <u>Interest</u> \$20.95 million	Up to Year	52,191	\$	-	\$	12,250
OPF 076 RM Carlos Rodríguez Rivero	205.00 million Mexican pesos	66.44 million Mexican pesos	<u>Principal</u> \$173.36 million <u>Interest</u> \$65.57 million	Up to Year	204,997	\$	21,091	\$	10,546
OPF 077 RM Dos Bocas	18.78 million Mexican pesos	4.03 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$0.93 million	Up to Year	18,781	\$	-	\$	18,781
OPF 078 RM Emilio Portes Gil	2.80 million Mexican pesos	1.40 million Mexican pesos	<u>Principal</u> \$2.80 million <u>Interest</u> \$1.40 million	Up to Year	2,797				
OPF 079 RM Francisco Perez Rios	1,385.32 million Mexican pesos	399.62 million Mexican pesos	<u>Principal</u> \$900.46 million <u>Interest</u>	Up to Year	1,385,321	\$	138,532	\$	346,330

Type of asset	Amount of payments agreed upon equivalent to the income			Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
	Value of the credit:	Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
			\$360.86 million						
OPF 080 RM Gomez Palacio	219.77 million Mexican pesos	66.16 million Mexican pesos	<u>Principal</u> \$185.07 million <u>Interest</u> \$65.20 million	Up to Year	219,766	\$	23,133	\$	11,567
OPF 082 RM Huinala	6.26 million Mexican pesos	2.02 million Mexican pesos	<u>Principal</u> \$5.93 million <u>Interest</u> \$2.02 million	Up to Year	6,264	\$	330	\$	-
OPF 083 RM Iztaczoquitlan	1.19 million Mexican pesos	0.26 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$0.06 million	Up to Year	1,193	\$	-	\$	1,193
OPF 084 RM Jose Aceves Pozos (Mazatlan II)	150.12 million Mexican pesos	41.99 million Mexican pesos	<u>Principal</u> \$126.42 million <u>Interest</u> \$41.17 million	Up to Year	150,124	\$	15,803	\$	7,901
OPF 087 RM Gral. Manuel Alvarez Moreno (Manzanillo)	525.50 million Mexican pesos	188.45 million Mexican pesos	<u>Principal</u> \$498.57 million <u>Interest</u> \$188.20 million	Up to Year	525,495	\$	26,925	\$	-
OPF 090 RM Puerto Libertad	142.41 million Mexican pesos	51.40 million Mexican pesos	<u>Principal</u> \$135.29 million <u>Interest</u> \$51.34 million	Up to Year	142,408	\$	7,120	\$	-
OPF 091 RM Punta Prieta	131.63 million Mexican pesos	43.60 million Mexican pesos	<u>Principal</u> \$105.31 million <u>Interest</u> \$41.90 million	Up to Year	131,634	\$	13,163	\$	13,163
OPF 092 RM Salamanca	344.54 million Mexican pesos	121.61 million Mexican pesos	<u>Principal</u> \$323.39 million <u>Interest</u> \$121.32 million	Up to Year	344,537	\$	19,409	\$	1,733
OPF 093 RM Tuxpango	168.84 million Mexican pesos	60.64 million Mexican pesos	<u>Principal</u> \$148.81 million <u>Interest</u> \$58.88 million	Up to Year	168,844	\$	8,754	\$	11,276
OPF 095 SE 722 North	83.36 million Mexican pesos	30.10 million Mexican pesos	<u>Principal</u> \$78.97 million <u>Interest</u> \$30.06 million	Up to Year	83,355	\$	4,387	\$	-
OPF 098 SE 705 Condensers	37.08 million Mexican pesos	13.11 million Mexican pesos	<u>Principal</u> \$35.23 million <u>Interest</u> \$13.10 million	Up to Year	37,081	\$	1,854	\$	-
OPF 099 LT 708 Dynamic Compensation Eastern North	482.20 million Mexican pesos	181.50 million Mexican pesos	<u>Principal</u> \$433.98 million <u>Interest</u> \$177.80 million	Up to Year	482,201	\$	24,110	\$	24,110
OPF 100 SLT 701 Western - Central	863.33 million Mexican pesos	270.72 million Mexican pesos	<u>Principal</u> \$619.61 million <u>Interest</u> \$252.33 million	Up to Year	863,327	\$	89,113	\$	154,604
OPF 101 SLT 702 Southeast - Peninsular	321.31 million Mexican pesos	112.24 million Mexican pesos	<u>Principal</u> \$223.99 million <u>Interest</u> \$99.34 million	Up to Year	321,310	\$	32,647	\$	64,672
OPF 102 SLT 703 Northeast - North	210.31 million Mexican pesos	69.36 million Mexican pesos	<u>Principal</u> \$176.74 million <u>Interest</u> \$67.68 million	Up to Year	210,312	\$	21,242	\$	12,330
OPF 103 SLT 704 Baja California - Northwest	73.23 million Mexican pesos	26.10 million Mexican pesos	<u>Principal</u> \$69.38 million	Up to Year	73,235	\$	3,854	\$	-

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		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
			<u>Interest</u> \$26.38 million						
OPF 104 SLT 706 Systems - North	1869.57 million Mexican pesos	614.81 million Mexican pesos	<u>Principal</u> \$1,429.50 million <u>Interest</u> \$581.88 million	Up to Year	1,869,573	\$	145,516	\$	294,562
OPF 105 SLT 709 Systems - south	1074.93 million Mexican pesos	378.04 million Mexican pesos	<u>Principal</u> \$961.78 million <u>Interest</u> \$369.35 million	Up to Year	1,074,932	\$	56,575	\$	56,575
OPF 106 CC El Encino Conversion from TG to CC	809.85 million Mexican pesos	318.16 million Mexican pesos	<u>Principal</u> \$607.39 million <u>Interest</u> \$299.34 million	Up to Year	809,849	\$	80,985	\$	121,477
OPF 107 CCI Baja California Sur II	658.77 million Mexican pesos	190.48 million Mexican pesos	<u>Principal</u> \$512.38 million <u>Interest</u> \$179.87 million	Up to Year 2016	658,772	\$	73,197	\$	73,197
OPF 108 LT 807 Durango I	370.59 million Mexican pesos	123.36 million Mexican pesos	<u>Principal</u> \$318.88 million <u>Interest</u> \$121.97 million	Up to Year 2016	370,591	\$	35,173	\$	16,539
OPF 110 RM CCC Tula	57.43 million Mexican pesos	15.88 million Mexican pesos	<u>Principal</u> \$48.11 million <u>Interest</u> \$15.55 million	Up to Year 2016	57,428	\$	6,212	\$	3,106
OPF 111 RM CG Cerro Prieto (US)	413.34 million Mexican pesos	195.86 million Mexican pesos	<u>Principal</u> \$186.00 million <u>Interest</u> \$142.02 million	Up to Year 2019	413,338	\$	41,334	\$	186,002
OPF 112RM CT Carbon II Units 2 and 4	101.99 million Mexican pesos	33.10 million Mexican pesos	<u>Principal</u> \$86.02 million <u>Interest</u> \$31.35 million	Up to Year 2018	101,994	\$	5,060	\$	10,917
OPF 113 RM Emilio Portes Gil Unit 4	389.24 million Mexican pesos	99.90 million Mexican pesos	<u>Principal</u> \$320.01 million <u>Interest</u> \$97.22 million	Up to Year 2017	389,238	\$	42,668	\$	26,562
OPF 114 RM Francisco Perez Rios Unit 5	345.18 million Mexican pesos	115.23 million Mexican pesos	<u>Principal</u> \$276.15 million <u>Interest</u> \$111.31 million	Up to Year 2018	345,182	\$	34,518	\$	34,518
OPF 117 RM CT Pdte. Adolfo Lopez Mateos Units 3,4, 5, and 6	481.60 million Mexican pesos	141.63 million Mexican pesos	<u>Principal</u> \$366.40 million <u>Interest</u> \$135.55 million	Up to Year 2017	481,597	\$	48,798	\$	66,398
OPF 118 RM Plutarco Elías Calles Units 1 and 2	224.01 million Mexican pesos	64.55 million Mexican pesos	<u>Principal</u> \$177.17 million <u>Interest</u> \$62.30 million	Up to Year 2017	224,010	\$	23,623	\$	23,215

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						Short-term	Long-term	Short-term	Long-term
OPF 122 SE 811 Northwest	120.48 million Mexican pesos	38.90 million Mexican pesos	<u>Principal</u> \$102.41 million <u>Interest</u> \$38.40 million	Up to Year 2016	120,480	\$	12,048	\$	6,024
OPF 123 SE 812 North Gulf	57.31 million Mexican pesos	18.19 million Mexican pesos	<u>Principal</u> \$48.26 million <u>Interest</u> \$17.91 million	Up to Year 2016	57,305	\$	6,030	\$	3,015
OPF 124 SE 813 Bajio Division	582.59 million Mexican pesos	161.52 million Mexican pesos	<u>Principal</u> \$406.69 million <u>Interest</u> \$151.49 million	Up to Year 2018	582,587	\$	58,975	\$	116,924
OPF 126 SE 801 High Plateau	924.70 million Mexican pesos	282.19 million Mexican pesos	<u>Principal</u> \$714.32 million <u>Interest</u> \$267.43 million	Up to Year 2018	924,704	\$	94,957	\$	115,430
OPF 127 SLT 802 Tamaulipas	776.33 million Mexican pesos	243.25 million Mexican pesos	<u>Principal</u> \$543.43 million <u>Interest</u> \$226.30 million	Up to Year 2018	776,331	\$	77,633	\$	155,266
OPF 128 SLT 803 Noine	721.47 million Mexican pesos	208.70 million Mexican pesos	<u>Principal</u> \$551.93 million <u>Interest</u> \$199.12 million	Up to Year 2017	721,468	\$	74,597	\$	94,945
OPF 130 SLT 806 Bajio	1,044.56 million Mexican pesos	340.76 million Mexican pesos	<u>Principal</u> \$681.40 million <u>Interest</u> \$297.44 million	Up to Year 2020	1,044,564	\$	104,456	\$	258,711
OPF 132 CE La Venta II	1,178.20 million Mexican pesos	523.93 million Mexican pesos	<u>Principal</u> \$549.83 million <u>Interest</u> \$438.83 million	Up to Year 2022	1,178,204	\$	78,547	\$	549,829
OPF 136 LT 904 Transmission Network Associated with the CE La Venta II	74.80 million Mexican pesos	29.84 million Mexican pesos	<u>Principal</u> \$59.84 million <u>Interest</u> \$28.62 million	Up to Year 2016	74,804	\$	7,480	\$	7,480
OPF 138 SE 911 Northeast	98.36 million Mexican pesos	28.30 million Mexican pesos	<u>Principal</u> \$73.77 million <u>Interest</u> \$27.25 million	Up to Year 2017	98,359	\$	9,836	\$	14,754
OPF 139 SE 912 Eastern Division	160.79 million Mexican pesos	53.68 million Mexican pesos	<u>Principal</u> \$93.01 million <u>Interest</u> \$43.26 million	Up to Year 2019	160,787	\$	16,910	\$	50,870
OPF 140 LT 914 Central - South Division	28.05 million Mexican pesos	8.28 million Mexican pesos	<u>Principal</u> \$14.02 million <u>Interest</u> \$6.33 million	Up to Year 2019	28,049	\$	2,805	\$	11,219
OPF 141 SE 915 Western	122.00 million Mexican pesos	32.41 million Mexican pesos	<u>Principal</u> \$79.30 million <u>Interest</u>	Up to Year 2018	121,999	\$	12,200	\$	30,500

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						Short-term	Long-term	Short-term	Long-term
OPF 142 SLT 901 Pacific	431.09 million Mexican pesos	116.26 million Mexican pesos	<u>Principal</u> \$256.47 million <u>Interest</u> \$103.63 million	Up to Year 2018	431,093	\$	44,647	\$	129,973
OPF 143 SLT 902 Isthmus	893.03 million Mexican pesos	271.95 million Mexican pesos	<u>Principal</u> \$608.47 million <u>Interest</u> \$251.10 million	Up to Year 2018	893,033	\$	89,434	\$	195,129
OPF 144 SLT 903 Cabo - North	619.45 million Mexican pesos	208.00 million Mexican pesos	<u>Principal</u> \$484.03 million <u>Interest</u> \$196.84 million	Up to Year 2018	619,448	\$	64,749	\$	70,668
OPF 146 CH La Yesca	16,048.53 million Mexican pesos	16,343.92 million Mexican pesos	<u>Principal</u> \$1,127.47 million <u>Interest</u> \$1,934.23 million	Up to Year 2042	15,048,535	\$	726,944	\$	14,194,116
OPF 147 CCC Baja California	1,157.02 million Mexican pesos	517.39 million Mexican pesos	<u>Principal</u> \$636.36 million <u>Interest</u> \$400.91 million	Up to Year 2019	1,157,020	\$	115,702	\$	404,957
OPF 148 RFO Optic Fiber Network South Project	305.28 million Mexican pesos	85.24 million Mexican pesos	<u>Principal</u> \$242.08 million <u>Interest</u> \$81.48 million	Up to Year 2019	305,281	\$	32,715	\$	30,488
OPF 149 RFO Optic Fiber Network Central Project	491.87 million Mexican pesos	229.94 million Mexican pesos	<u>Principal</u> \$362.43 million <u>Interest</u> \$214.70 million	Up to Year 2018	491,868	\$	51,776	\$	77,663
OPF 150 RFO Optic Fiber Network North Project	512.87 million Mexican pesos	153.99 million Mexican pesos	<u>Principal</u> \$352.01 million <u>Interest</u> \$142.97 million	Up to Year 2020	512,871	\$	51,287	\$	109,570
OPF 151 SE 1006 Central South	201.32 million Mexican pesos	77.24 million Mexican pesos	<u>Principal</u> \$54.46 million <u>Interest</u> \$35.67 million	Up to Year 2022	201,320	\$	20,132	\$	126,728
OPF 152 SE 1005 Northwest	623.67 million Mexican pesos	151.88 million Mexican pesos	<u>Principal</u> \$327.52 million <u>Interest</u> \$124.61 million	Up to Year 2020	623,673	\$	66,953	\$	229,201
OPF 156 RM Infernillo	168.34 million Mexican pesos	40.52 million Mexican pesos	<u>Principal</u> \$86.91 million <u>Interest</u> \$32.25 million	Up to Year 2020	168,341	\$	17,604	\$	63,823
OPF 157 RM CT Francisco Perez Rios Unit 1 and 2	1,367.95 million Mexican pesos	475.85 million Mexican pesos	<u>Principal</u> \$585.86 million <u>Interest</u> \$345.08 million	Up to Year 2019	1,367,947	\$	133,313	\$	648,770
OPF 158 RM Puerto Libertad Unit 4	142.73 million Mexican pesos	44.16 million Mexican pesos	<u>Principal</u> \$114.18 million <u>Interest</u>	Up to Year 2016	142,728	\$	14,273	\$	14,273

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						Short-term	Long-term	Short-term	Long-term
OPF 159 RM CT Valle de Mexico Units 5, 6 and 7	49.79 million Mexican pesos	12.83 million Mexican pesos	<u>Principal</u> \$41.49 million <u>Interest</u> \$12.54 million	Up to Year 2016	49,791	\$	5,532	\$	2,766
OPF 160 RM CCC Samalayuca II	11.72 million Mexican pesos	3.32 million Mexican pesos	<u>Principal</u> \$9.77 million <u>Interest</u> \$3.25 million	Up to Year 2016	11,718	\$	1,302	\$	651
OPF 161 RM CCC El Sauz	46.16 million Mexican pesos	13.61 million Mexican pesos	<u>Principal</u> \$31.16 million <u>Interest</u> \$12.56 million	Up to Year 2018	46,162	\$	4,616	\$	10,385
OPF 162 RM CCC Huinala II	19.66 million Mexican pesos	5.18 million Mexican pesos	<u>Principal</u> \$11.79 million <u>Interest</u> \$4.62 million	Up to Year 2018	19,655	\$	1,966	\$	5,897
OPF 163 SE 1004 Dynamic Air Compensation Power stations:	171.76 million Mexican pesos	47.31 million Mexican pesos	<u>Principal</u> \$144.64 million <u>Interest</u> \$46.37 million	Up to Year 2016	171,756	\$	18,080	\$	9,040
OPF 164 SE 1003 Electric Substations of West	477.84 million Mexican pesos	107.31 million Mexican pesos	<u>Principal</u> \$114.62 million <u>Interest</u> \$56.85 million	Up to Year 2022	477,840	\$	52,213	\$	311,012
OPF 165 LT 1011 Transmission Network Associated with the Power Pla CCC San Lorenzo	63.38 million Mexican pesos	18.09 million Mexican pesos	<u>Principal</u> \$41.20 million <u>Interest</u> \$16.74 million	Up to Year 2018	63,382	\$	6,338	\$	15,840
OPF 166 SLT 1002 Compensation and Transmission Northeast - Southeast	700.56 million Mexican pesos	209.49 million Mexican pesos	<u>Principal</u> \$379.96 million <u>Interest</u> \$174.58 million	Up to Year 2019	700,557	\$	70,747	\$	249,847
OPF 167 CC San Lorenzo Conversion from TG to CC	69.63 million Mexican pesos	16.04 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$3.03 million	Up to Year 2018	69,634	\$	-	\$	69,634
OPF 168 SLT 1001 Transmission Network Baja - Nogales	350.98 million Mexican pesos	105.09 million Mexican pesos	<u>Principal</u> \$263.23 million <u>Interest</u> \$100.09 million	Up to Year 2017	350,978	\$	35,098	\$	52,647
OPF 170 LT 904 Transmission Network Associated with the CH La Yesca	1,098.41 million Mexican pesos	285.40 million Mexican pesos	<u>Principal</u> \$286.16 million <u>Interest</u> \$141.65 million	Up to Year 2022	1,098,410	\$	109,841	\$	702,406
OPF 176 LT 904 Transmission Network Associated with the CC Agua Prieta II	458.32 million Mexican pesos	162.17 million Mexican pesos	<u>Principal</u> \$99.16 million <u>Interest</u> \$56.68 million	Up to Year 2022	458,318	\$	47,888	\$	311,273
OPF 177 LT Transmission Network Associated with the CE La Venta III	15.36 million Mexican pesos	4.45 million Mexican pesos	<u>Principal</u> \$7.68 million <u>Interest</u>	Up to Year 2019	15,357	\$	1,536	\$	6,143

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
OPF 181 RM CN Laguna Verde	1,836.95 million Mexican pesos	399.05 million Mexican pesos	<u>Principal</u> \$237.53 million <u>Interest</u> \$338.76 million	Up to Year 2016	1,836,950	\$	918,475	\$	680,942
OPF 182 RM CT Puerto Libertad Unit 2 and 3	332.70 million Mexican pesos	85.54 million Mexican pesos	<u>Principal</u> \$213.30 million <u>Interest</u> \$78.29 million	Up to Year 2018	332,703	\$	34,116	\$	85,289
OPF 183 RM CT Puerto Libertad Unit 2	61.56 million Mexican pesos	17.38 million Mexican pesos	<u>Principal</u> \$36.93 million <u>Interest</u> \$15.63 million	Up to Year 2018	61,557	\$	6,156	\$	18,467
OPF 185 SE 1110 Capacitative Compensation North	292.16 million Mexican pesos	60.87 million Mexican pesos	<u>Principal</u> \$58.77 million <u>Interest</u> \$19.69 million	Up to Year 2021	292,164	\$	33,154	\$	200,238
OPF 188 SE 1116 Northeast	2,153.94 million Mexican pesos	811.31 million Mexican pesos	<u>Principal</u> \$619.22 million <u>Interest</u> \$451.57 million	Up to Year 2022	2,153,939	\$	222,383	\$	1,312,334
OPF 189 SE 1117 Transformation of Guaymas	206.67 million Mexican pesos	53.10 million Mexican pesos	<u>Principal</u> \$54.43 million <u>Interest</u> \$28.56 million	Up to Year 2022	206,672	\$	21,216	\$	131,021
OPF 190 SE 1120 Northwest	515.04 million Mexican pesos	142.31 million Mexican pesos	<u>Principal</u> \$150.34 million <u>Interest</u> \$84.33 million	Up to Year 2023	515,042	\$	53,033	\$	311,667
OPF 191 SE 1121 Baja California	29.27 million Mexican pesos	6.02 million Mexican pesos	<u>Principal</u> \$9.99 million <u>Interest</u> \$3.95 million	Up to Year 2020	29,270	\$	3,213	\$	16,067
OPF 192 SE 1122 North Gulf	351.40 million Mexican pesos	146.36 million Mexican pesos	<u>Principal</u> \$110.29 million <u>Interest</u> \$78.55 million	Up to Year 2019	413,243	\$	42,947	\$	223,242
OPF 193 SE 1123 North	49.51 million Mexican pesos	11.49 million Mexican pesos	<u>Principal</u> \$19.80 million <u>Interest</u> \$8.30 million	Up to Year 2020	49,509	\$	4,951	\$	24,754
OPF 194 SE 1124 Bajio Central	481.87 million Mexican pesos	121.23 million Mexican pesos	<u>Principal</u> \$79.06 million <u>Interest</u> \$47.61 million	Up to Year 2022	481,872	\$	50,441	\$	301,931
OPF 195 SE 1125 Distribution	1005.86 million Mexican pesos	321.32 million Mexican pesos	<u>Principal</u> \$278.35 million	Up to Year 2022	1,005,857	\$	102,498	\$	522,513

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
			<u>Interest</u> \$156.55 million						
OPF 197 SE 1127 Southeast	194.62 million Mexican pesos	55.11 million Mexican pesos	<u>Principal</u> \$85.02 million <u>Interest</u> \$38.25 million	Up to Year 2020	194,615	\$	19,470	\$	90,124
OPF 198 SE 1128 Central South	266.54 million Mexican pesos	66.68 million Mexican pesos	<u>Principal</u> \$182.42 million <u>Interest</u> \$9.19 million	Up to Year 2023	266,541	\$	28,125	\$	191,871
OPF 199 SE 1129 Network Compensation	140.91 million Mexican pesos	38.61 million Mexican pesos	<u>Principal</u> \$72.77 million <u>Interest</u> \$30.15 million	Up to Year 2020	140,909	\$	14,397	\$	53,742
OPF 200 SLT 1111 Transmission and Transformation of the Central - West	898.00 million Mexican pesos	276.41 million Mexican pesos	<u>Principal</u> \$105.73 million <u>Interest</u> \$84.94 million	Up to Year 2023	897,998	\$	92,039	\$	700,229
OPF 201 SLT 1112 Transmission and Transformation of the Northwest	752.33 million Mexican pesos	158.79 million Mexican pesos	<u>Principal</u> \$38.11 million <u>Interest</u> \$16.80 million	Up to Year 2018	752,237	\$	76,220	\$	637,997
OPF 202 SLT 1114 Transmission and Transformation of the Eastern	1,408.32 million Mexican pesos	394.78 million Mexican pesos	<u>Principal</u> \$221.60 million <u>Interest</u> \$97.72 million	Up to Year 2023	1,408,324	\$	152,558	\$	1,034,170
OPF 203 SLT 1118 Transmission and Transformation of the North	237.47 million Mexican pesos	60.21 million Mexican pesos	<u>Principal</u> \$129.53 million <u>Interest</u> \$50.47 million	Up to Year 2018	237,472	\$	24,997	\$	57,945
OPF 204 SLT 1119 Transmission and Transformation of the Southeast	1,339.02 million Mexican pesos	517.51 million Mexican pesos	<u>Principal</u> \$505.62 million <u>Interest</u> \$344.96 million	Up to Year 2020	1,339,020	\$	144,463	\$	688,938
OPF 205 SUV Supply of 970 T/H to the Power Plants of Cerro Prieto	1,499.99 million Mexican pesos	512.81 million Mexican pesos	<u>Principal</u> \$636.48 million <u>Interest</u> \$376.48 million	Up to Year 2020	1,499,987	\$	151,554	\$	711,616
OPF 206 SE 1206 Conv. To 400 KV of the LT Mazatlan II La Higuera	564.38 million Mexican pesos	263.67 million Mexican pesos	<u>Principal</u> \$282.19 million <u>Interest</u> \$201.59 million	Up to Year 2019	564,381	\$	56,438	\$	225,753
OPF 207 SE 1213 Network Compensation	482.54 million Mexican pesos	162.63 million Mexican pesos	<u>Principal</u> \$182.41 million <u>Interest</u> \$110.85 million	Up to Year 2020	482,537	\$	48,634	\$	251,496

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
OPF 209 SE 1212 South - Peninsular	469.97 million Mexican pesos	128.70 million Mexican pesos	<u>Principal</u> \$112.57 million <u>Interest</u> \$64.03 million	Up to Year 2023	469,971	\$	47,822	\$	309,582
OPF 210 SLT 1204 Conversion to 400 KV of the Peninsular Area	1,699.98 million Mexican pesos	408.24 million Mexican pesos	<u>Principal</u> \$679.55 million <u>Interest</u> \$282.17 million	Up to Year 2020	1,699,983	\$	173,330	\$	847,102
OPF 211 SLT 1203 Transmission and Transformation Eastern - Southeast	2,267.29 million Mexican pesos	573.96 million Mexican pesos	<u>Principal</u> \$805.93 million <u>Interest</u> \$355.11 million	Up to Year 2024	2,267,287	\$	229,702	\$	1,231,657
OPF 212 SE 1202 Energy Supply to the Zone Manzanillo	449.76 million Mexican pesos	145.83 million Mexican pesos	<u>Principal</u> \$159.82 million <u>Interest</u> \$95.01 million	Up to Year 2020	449,763	\$	48,766	\$	241,181
OPF 213 SE 1211 Northwest - Central	309.55 million Mexican pesos	75.84 million Mexican pesos	<u>Principal</u> \$70.59 million <u>Interest</u> \$32.78 million	Up to Year 2023	309,550	\$	30,955	\$	208,001
OPF 214 SE 1210 North - Northwest	1,026.09 million Mexican pesos	284.43 million Mexican pesos	<u>Principal</u> \$303.97 million <u>Interest</u> \$172.95 million	Up to Year 2022	1,026,089	\$	107,421	\$	614,698
OPF 215 SLT 1201 Transmission and Transformation Baja California	498.45 million Mexican pesos	196.18 million Mexican pesos	<u>Principal</u> \$152.45 million <u>Interest</u> \$113.65 million	Up to Year 2022	498,454	\$	51,599	\$	294,404
OPF 216 RM CCC Poza Rica	178.40 million Mexican pesos	44.03 million Mexican pesos	<u>Principal</u> \$28.17 million <u>Interest</u> \$15.23 million	Up to Year 2022	178,404	\$	18,779	\$	131,455
OPF 217 RM CCC El Sauz Package 1 Baja California	1,030.63 million Mexican pesos	285.01 million Mexican pesos	<u>Principal</u> \$111.73 million <u>Interest</u> \$46.95 million	Up to Year 2023	1,030,626	\$	111,729	\$	807,169
OPF 218 LT 1220 Transmission Network associated with Weather Fore Open and Oax. II, I	488.77 million Mexican pesos	182.91 million Mexican pesos	<u>Principal</u> \$184.85 million <u>Interest</u> \$120.40 million	Up to Year 2020	488,773	\$	52,815	\$	251,107
OPF 219 LT Transmission Network Associated with Manzanillo I U-1 and 2	540.08 million Mexican pesos	140.13 million Mexican pesos	<u>Principal</u> \$135.02 million <u>Interest</u> \$71.87 million	Up to Year 2021	540,083	\$	54,008	\$	351,054
OPF 222 CCC Reponetiation CT Manzanillo-1 U-1 AND 2	5,188.57 million Mexican pesos	1,408.26 million Mexican pesos	<u>Principal</u> \$1,527.13 million	Up to Year	5,188,570	\$	520,546	\$	3,140,895

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement 2032	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
			<u>Interest</u> \$759.048 million						
OPF 223 LT Transmission Network Associated with the CG Los Humeros II	59.10 million Mexican pesos	11.43 million Mexican pesos	<u>Principal</u> \$17.76 million <u>Interest</u> \$6.98 million	Up to Year 2020	59,103	\$ 6,891	\$ 34,454		
OPF 225 LT Transmission Network Associated with the CI Guerrero Negro II	14.86 million Mexican pesos	6.89 million Mexican pesos	<u>Principal</u> \$3.72 million <u>Interest</u> \$3.32 million	Up to Year 2021	14,861	\$ 1,486	\$ 8,174		
OPF 227 CG Los Humeros II	1,329.34 million Mexican pesos	319.34 million Mexican pesos	<u>Principal</u> \$209.90 million <u>Interest</u> \$104.75 million	Up to Year 2022	1,329,341	\$ 139,931	\$ 979,514		
OPF 228 LT Transmission Network Associated with the CCC North II	258.77 million Mexican pesos	67.47 million Mexican pesos	<u>Principal</u> \$27.08 million <u>Interest</u> \$11.80 million	Up to Year 2023	258,766	\$ 27,223	\$ 177,243		
OPF 229 CT TG Baja California II	258.77 million Mexican pesos	62.01 million Mexican pesos	<u>Principal</u> \$54.30 million <u>Interest</u> \$22.75 million	Up to Year 2022	1,380,543	\$ 150,689	\$ 1,079,165		
OPF 231 SLT 1304 Transmission and Transformation of the Eastern	80.88 million Mexican pesos	23.70 million Mexican pesos	<u>Principal</u> \$36.40 million <u>Interest</u> \$17.09 million	Up to Year 2020	80,879	\$ 8,088	\$ 36,396		
OPF 233 SLT 1303 Transmission and Transformation Baja - Northwest	108.06 million Mexican pesos	31.57 million Mexican pesos	<u>Principal</u> \$48.63 million <u>Interest</u> \$22.74 million	Up to Year 2020	108,064	\$ 10,806	\$ 48,629		
OPF 235 CCI Baja California Sur IV	1,280.65 million Mexican pesos	276.23 million Mexican pesos	<u>Principal</u> \$59.52 million <u>Interest</u> \$21.90 million	Up to Year 2024	1,280,651	\$ 128,540	\$ 1,092,588		
OPF 236 CCI Baja California Sur III	1,215.68 million Mexican pesos	426.54 million Mexican pesos	<u>Principal</u> \$303.92 million <u>Interest</u> \$162.92 million	Up to Year 2022	1,215,678	\$ 121,568	\$ 790,191		
OPF 242 SE 1323 Distribution South	168.69 million Mexican pesos	35.19 million Mexican pesos	<u>Principal</u> \$56.23 million <u>Interest</u> \$23.08 million	Up to Year 2020	168,689	\$ 18,743	\$ 93,716		
OPF 243 SE 1322 Distribution Central	194.22 million Mexican pesos	40.12 million Mexican pesos	<u>Principal</u> \$26.34 million <u>Interest</u> \$9.94 million	Up to Year 2020	194,223	\$ 20,994	\$ 146,889		
OPF 244 SE 1321 Distribution Northeast	708.67 million Mexican pesos	159.90 million Mexican pesos	<u>Principal</u> \$141.63 million	Up to Year 2023	708,670	\$ 72,146	\$ 494,893		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
			<u>Interest</u> \$61.92 million						
OPF 245 SE 1320 Distribution Northwest	420.34 million Mexican pesos	110.78 million Mexican pesos	<u>Principal</u> \$100.13 million	Up to Year 2022	420,341	\$	44,459	\$	275,757
			<u>Interest</u> \$45.87 million						
OPF 247 SLT 247 East Substations	244.29 million Mexican pesos	73.90 million Mexican pesos	<u>Principal</u> \$32.13 million	Up to Year 2022	244,292	\$	26,254	\$	185,907
			<u>Interest</u> \$16.25 million						
OPF 248 SLT 1401 SES and LTS of the Baja California and Northwest areas	835.34 million Mexican pesos	256.92 million Mexican pesos	<u>Principal</u> \$169.84 million	Up to Year 2022	835,342	\$	85,106	\$	580,400
			<u>Interest</u> \$116.27 million						
OPF 249 SLT 1405 SES and LTS of transmission of the South Areas	311.14 million Mexican pesos	65.25 million Mexican pesos	<u>Principal</u> \$16.27 million	Up to Year 2024	311,138	\$	32,511	\$	262,352
			<u>Interest</u> \$5.54 million						
OPF 250 SLT 1402 change of Tension of the LT Culiacan - Los Mochis	592.32 million Mexican pesos	136.10 million Mexican pesos	<u>Principal</u> \$142.16 million	Up to Year 2021	592,316	\$	66,334	\$	383,826
			<u>Interest</u> \$78.10 million						
OPF 251 SE 1421 Distribution South	137.14 million Mexican pesos	29.26 million Mexican pesos	<u>Principal</u> \$14.93 million	Up to Year 2024	137,141	\$	13,714	\$	108,493
			<u>Interest</u> \$5.13 million						
OPF 252 SE 1403 Capacitative Compensation of the Northwest - North Areas	92.43 million Mexican pesos	19.87 million Mexican pesos	<u>Principal</u> \$24.32 million	Up to Year 2020	92,429	\$	9,729	\$	48,647
			<u>Interest</u> \$10.10 million						
OPF 253 SE 1420 Distribution North	65.15 million Mexican pesos	23.04 million Mexican pesos	<u>Principal</u> \$6.86 million	Up to Year 2022	65,150	\$	6,858	\$	44,576
			<u>Interest</u> \$3.76 million						
SLT 259 Distribution South F1	65.15 million Mexican pesos	23.04 million Mexican pesos	<u>Principal</u> \$6.86 million	Up to Year 2023	64,346	\$	6,964	\$	51,930
			<u>Interest</u> \$3.76 million						
OPF 260 SE 1520 Distribution North	8.19 million Mexican pesos	1.97 million Mexican pesos	<u>Principal</u> \$0.41 million	Up to Year 2023	8,189	\$	819	\$	6,142
			<u>Interest</u> \$0.05 million						
OPF 262 SLT 1601 Transmission and Transformation North Areas	206.69 million Mexican pesos	61.99 million Mexican pesos	<u>Principal</u> \$21.76 million	Up to Year 2023	486,431	\$	51,522	\$	370,657
			<u>Interest</u> \$7.62 million						
OPF 267 SLT 1604 Transmission Ayotla - Chalco	10.62 million Mexican pesos	2.24 million Mexican pesos	<u>Principal</u> \$ million	Up to Year 2024	10,619	\$	1,062	\$	9,557
			<u>Interest</u> \$0.01 million						
OPF 274 SE 1620 Distribution Valle de Mexico	160.07 million Mexican pesos	35.91 million Mexican pesos	<u>Principal</u> \$6.58 million	Up to Year 2024	160,066	\$	16,549	\$	136,937

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
			<u>Interest</u> \$2.96 million						
OPF 294 SLT 1702 Transmission and Transformation Baja - California Noine	369.30 million Mexican pesos	75.56 million Mexican pesos	<u>Principal</u> \$11.21 million <u>Interest</u> \$3.55 million	Up to Year 2024	369,296	\$	38,705	\$	319,381
OPF 295 SLT 1704 Systems Interconnection Aislados Guerrero (Isolatec Negro Sta.	78.67 million Mexican pesos	17.26 million Mexican pesos	<u>Principal</u> \$0.45 million <u>Interest</u> \$0.10 million	Up to Year 2024	78,669	\$	8,291	\$	69,927
OPF 305 SE 1801 Substations Baja - Northwest	47.50 million Mexican pesos	11.71 million Mexican pesos	<u>Principal</u> \$0 million <u>Interest</u> \$0 million	Up to Year 2024	47,497	\$	4,750	\$	42,747
OPF 073 RM Altamira	123.98 million UDIS	27.52 million UDIS	<u>Principal</u> \$326.71 million Mexican \$61.99 UDIS <u>Interest</u> \$103.24 million Mexican \$19.59 UDIS	Up to Year 2019	653,425	\$	63,342	\$	261,370
OPF 140 SE 914 Central South Division	30.33 million UDIS	11.37 million UDIS	<u>Principal</u> \$49.60 million Mexican \$9.41 UDIS <u>Interest</u> \$30.44 million Mexican \$5.78 UDIS	Up to Year 2024	159,834	\$	11,023	\$	99,208
OPF 147 CCC Baja California	285.09 million UDIS	69.14 million UDIS	<u>Principal</u> \$826.40 million Mexican \$156.80 UDIS <u>Interest</u> \$282.38 million Mexican \$53.58 UDIS	Up to Year 2019	1,502,552	\$	150,255	\$	525,893
OPF 152 SE 1005 Northwest	47.28 million UDIS	18.48 million UDIS	<u>Principal</u> \$77.33 million Mexican \$14.67 UDIS <u>Interest</u> \$51.40 million Mexican \$9.75 UDIS	Up to Year 2024	249,175	\$	17,184	\$	154,660
OPF 156 RM Infernillo	12.59 million UDIS	2.97 million UDIS	<u>Principal</u> \$33.17 million Mexican \$6.29 UDIS <u>Interest</u> \$11.42 million Mexican \$2.17 UDIS	Up to Year 2019	66,349	\$	6,635	\$	26,539
OPF 157 RM CT Francisco Perez Rios Units 1 and 2	133.69 million UDIS	31.90 million UDIS	<u>Principal</u> \$333.75 million Mexican \$63.33 UDIS <u>Interest</u> \$120.69 million Mexican \$22.90 UDIS	Up to Year 2019	704,589	\$	74,167	\$	296,669
OPF 167 CC San Lorenzo Conversion from TG to CC	407.87 million UDIS	159.75 million UDIS	<u>Principal</u> \$667.14 million Mexican \$126.58 UDIS <u>Interest</u> \$445.26 million Mexican \$84.48 UDIS	Up to Year 2024	2,149,659	\$	148,252	\$	1,334,271
OPF 191 SE 1121 Baja California	8.47 million UDIS	3.13 million UDIS	<u>Principal</u> \$14.88 million Mexican	Up to Year	44,651	\$	2,977	\$	26,791

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income		Term for the agreement 2024	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)			
		Interest, taxes, others and trustee fees	Payments up to December 31, 2013			Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term
			\$2.82 UDIS						
			<u>Interest</u> \$8.55 million Mexican \$1.62 UDIS						
OPF 192 SE 1122 North Gulf	8.54 million UDIS	3.02 million UDIS	<u>Principal</u> \$14.06 million Mexican \$2.67 UDIS	Up to Year 2024	45,023	\$	3,516	\$	27,442
			<u>Interest</u> \$8.24 million Mexican \$1.56 UDIS						
OPF 195 SE 1125 Distribution	51.69 million UDIS	12.21 million UDIS	<u>Principal</u> \$136.21 million Mexican \$25.84 UDIS	Up to Year 2019	272,422	\$	27,242	\$	108,969
			<u>Interest</u> \$46.91 million Mexican \$8.90 UDIS						
OPF 199 SE 1129 Network Compensation	14.67 million UDIS	5.71 million UDIS	<u>Principal</u> \$25.76 million Mexican \$4.89 UDIS	Up to Year 2024	77,294	\$	5,153	\$	46,376
			<u>Interest</u> \$16.29 million Mexican \$3.09 UDIS						
OPF 201 SLT 1112 Transmission and Transformation of the Northwest	92.22 million UDIS	22.57 million UDIS	<u>Principal</u> \$230.22 million Mexican \$43.68 UDIS	Up to Year 2019	486,025	\$	51,161	\$	204,642
			<u>Interest</u> \$86.26 million Mexican \$16.37 UDIS						
OPF 203 SLT 1118 Transmission and Transformation of the North	40.21 million UDIS	15.45 million UDIS	<u>Principal</u> \$70.64 million Mexican \$13.40 UDIS	Up to Year 2024	211,932	\$	16,130	\$	127,159
			<u>Interest</u> \$43.62 million Mexican \$8.28 UDIS						
OPF 207 SE 1213 Network Compensation	27.23 million UDIS	7.30 million UDIS	<u>Principal</u> \$59.06 million Mexican \$11.21 UDIS	Up to Year 2024	143,538	\$	14,501	\$	69,973
			<u>Interest</u> \$24.32 million Mexican \$ 4.61 UDIS						
OPF 208 SE 1205 Compensation Eastern - Peninsular	28.13 million UDIS	10.81 million UDIS	<u>Principal</u> \$49.42 million Mexican \$9.38 UDIS	Up to Year 2024	148,268	\$	9,885	\$	88,961
			<u>Interest</u> \$30.52 million Mexican \$5.79 UDIS						
TOTAL INTERNAL DEBT							10,218,130		55,156,396
TOTAL INTERNAL AND EXTERNAL DEBT OF PIDIREGAS						\$	13,061,678	\$	81,151,516
CEBURES									8,821
TOTAL INTERNAL AND EXTERNAL DEBT OF PIDIREGAS AND CEBURES						\$	13,061,678	\$	81,160,337

a) At December 31, 2014, minimum payment commitments for PIDIREGAS are as follows:

PIDIREGAS	\$	124,279,847
less:		
Unaccrued interest		<u>(30,066,653)</u>
Present value of obligations		94,213,194
less:		
Current value of obligations		<u>(13,061,678)</u>
Long-term portion of PIDIREGAS		81,151,516
CEBURES		<u>8,821</u>
Total internal and external debt of PIDIREGAS and CEBURES	\$	<u><u>81,160,337</u></u>

b) Securities Exchange Certificate Program - In order to refinance Financed Public Works projects (PIDIREGAS), the CFE has implemented a structured mechanism by which Securities Exchange Certificates (CEBURES) are issued. This mechanism starts with the signing of a loan agreement, which is granted by the creditor Bank to a private Trust that securitizes the rights on the credit, and issues CEBURES. Funds from those issues are invested by the Trustee, while the CFE disburses them to pay the contractors of the Financed Public Works projects (PIDIREGAS), upon delivery thereof to the satisfaction of the entity. Every issue of CEBURES is a liability for the CFE, and each one of the disbursements becomes a PIDEIREGAS debt.

To be able to carry out this financing mechanism, the National Banking and Securities Commission previously authorizes the CEBURES Programs, normally in minimum amounts of 6 billion pesos, with a duration of two or more years, in order to be able to carry out the issues required up to the total authorized amount, which can be extended upon request.

During fiscal 2003, the first issues of CEBURES were carried out with three tranches in an accumulated amount of 6 billion nominal pesos. The first two tranches were in the amount of 2 billion 600 million nominal pesos each one, and they were carried out on October 6 and November 7, 2003, respectively. The third tranche was realized in the amount of 800 million nominal pesos on December 11, 2003.

The fourth tranche of this issue was issued in the amount of 665 million notional pesos on March 5, 2004.

The effective period of all these transactions is approximately 10 years, at a Federal Treasury Certificates ("Cetes") interest rate at 182 days plus 0.85 percentage points

For the four tranches referred to above, the amortization of the principal will be approximately every 182 days, and the calculation of interest will include protection against inflation (inflation floor), that is, for each interest period that applies, if applicable, the rate will be adjusted as the result of a comparison of the percentage increase in the value of the investment unit ("UDI") during the interest period at issue, with the annual gross interest rate payable with respect to the CEBURES for that interest period.

The issues of the first three tranches of a new CEBURES program was carried out in a total amount of 7 billion 700 million nominal pesos in August 2005. The first tranche in the amount of 2 billion 200 million nominal pesos on March 18, 2005, the second one in the amount of 3 billion nominal pesos on July 1, 2005, and the third one in the amount of 2 billion 500 million nominal pesos on August 19, 2005. Their effective period is approximately 10 years, at a Cetes interest rate at 182 days plus 0.79 percentage points.

At December 31, 2005, of the 7 billion 700 million issued in that year, only 6 billion 112 million 196 thousand pesos had been disbursed for payment of the "PIDIREGAS" financed debt, and the remaining balance to be drawn down amounts to 1 billion 587 million 804 thousand pesos. This balance was drawn down in its entirety in 2006.

On January 27, 2006, the fourth tranche was issued in the amount of 2 billion nominal pesos, and the fifth tranche in the amount of 1 billion 750 million nominal pesos on March 9, 2007 with a 10 year term at an interest rate equivalent to Cetes at 91 days plus 0.429 percentage points and 0.345 percentage points, respectively.

On April 24, 2006, the National Banking and Securities Commission authorized a new CEBURES Program, having been issued in the amount of 2 billion nominal pesos in each one of these transactions on April 28, June 9, and October 20, 2006. Furthermore, a fourth issue was realized in the amount of 1 billion pesos on November 30, 2006.

The effective period of the transactions referred to above is approximately 10 years. The weighted average interest rate is equivalent to Cetes at 91 days plus 0.42 percentage points of the first three transactions, and it was set at 7.41% for that of the fourth transaction.

At December 31, 2006, of the 7 billion nominal pesos of the four issues, a total amounting to 3 billion 631 million 952 thousand pesos had been disbursed from the Trusts for refinancing Financed Public Work projects.

The National Banking and Securities Commission authorized a new Program, and the first issue was realized in the amount of 1 billion 500 million nominal pesos on November 10, 2006, which would be used for payment to the contractors awarded the tenders of PIDIREGAS projects. This first issue has a 30 year term, and it pays an annual gross interest rate of 8.58% payable every 182 days. The amount of 1 billion 384.7 million pesos were disbursed on February 28, 2007, which were used for the partial payment to the PIDIREGAS project contractor known as "El Cajon".

On August 30, 2007, a second issue was realized at 30 years in the amount of 1 billion pesos to cover the second payment to the PIDIREGAS project contractor "El Cajon".

The following issues were realized at 10 years in fiscal 2007: an issue amounting to 1 billion 750 million nominal pesos at Cetes plus 0.345% annual on March 9, 2007, another issue also amounting to 1 billion 750 million nominal pesos with a Cetes interest rate plus 0.25% annual on June 8, a third issue amounted to 1 billion 750.0 pesos at Cetes plus 0.25% on August 17, 2007, and finally a last issue amounting to 1 billion 200 million pesos at a cost of Cetes 182 plus 0.30% on November 23, 2007.

During fiscal year 2007, a total of 9 billion 945.2 million pesos was disbursed from the Trusts for financing various payments on the Financed Public Work projects.

Two issues were realized in 2008, one of 2 billion pesos on January 25, 2008, and the second issue of 1 billion 700 million on May 23, 2008, both at a CETES rate at 91 days plus 0.45%.

During fiscal 2008, a total of 4 billion 827.3 million pesos was disbursed from the Trusts for financing various Financed Public Work projects.

The following issues at 10 years were realized in fiscal 2009: Three (3) issues in Investment Units (UDIs): an issue of UDIS 285.1 million at an annual fixed 4.80% rate in UDIS on April 29, 2009, an issue of UDIS 457.0 million at an annual fixed 4.60% rate in UDIS on August 7, 2007, and an issue of UDIS 618.5 million at an annual fixed 5.04% rate in UDIS on October 2, 2009, and Two (2) issues in pesos: the first issue of 2 billion 594.6 million nominal pesos on April 29, 2009, and the second issue of 1 billion 466.7 million pesos on August 7, 2009, both at an annual fixed 8.85% rate.

During fiscal year 2009, a total amounting to 4 billion 618.3 million pesos and 676.2 UDIS were disbursed from the Trusts for financing various payments on the Financed Public Work projects.

Two issues were realized during fiscal 2010: the first issue in two tranches on March 25, one at a 10 year term for 2 billion 400 million nominal pesos, and interest was paid at an annual fixed 8.05% rate, and the other tranche at a 7 year term for 2 billion 600 million nominal pesos, and interest was paid at an interest rate equivalent to EIIR plus 0.52% annually. The second issue was carried out on July 23, also in two tranches one at a 10 year term for 3 billion 250 million with an interest rate equivalent to EIIR plus 0.45% annual, and the second tranche at a 9 year term for 1 billion 750 million nominal pesos, and interest was paid at an annual fixed rate of 7.15%.

On February 19, 2011, 3 billion 800 million pesos were issued to finance Financed Public Works projects at a 9.4 year term, and paying annual EIIR interest + 0.40%.

On September 24, 2012, Securities Exchange Certificates were placed in a total amount of 13 billion 500 million pesos at a 30 year term and a 7.70% annual coupon. The funds of this issue were used to pay the "La Yesca" Financed Public Work project.

There were no issues nor drawdowns of CEBURES in the last quarter of 2013; therefore, the balance amounting to 8 billion 821 million consists of a balance to be drawn down that was not appropriated to the "La Yesca" project.

There were neither issues nor drawdowns of CEBURES in fiscal 2014; therefore, the balance continues to amount to 8 million 821 thousands pesos at December 31, 2014.

13. CONDITIONED INVESTMENT (INDEPENDENT ENERGY PRODUCERS OR PEE)

At December 31, 2014, 26 contracts have been signed with private investments, denominated independent energy producers, which set forth the obligation for the CFE to pay various considerations, in exchange for them to guarantee energy supply service, based on a previously established generation capacity, through power generating plants financed and built for account of those investors.

The obligation of future payments for CFE includes: a) rules for quantifying the amount of acquisition of generating plants when a contingent event occurs that is defined as force majeure in the terms of each contract, applicable from the construction stage of each project up to the termination of the contracts; and b) fixed charges for power generation capacity, as well as variable charges for operation and maintenance of the generating plants, which are determined in accordance with the variable terms set forth in the contracts, applicable from the start-up testing stage up to the termination of the contracts.

a) Classified as a lease

The Company has evaluated that 23 of the contracts with independent producers have lease characteristics of the power generating plant, in accordance with CINIIF 4 "Determination if an agreement contains a lease" and CINIIF 12 "Service Concession Agreements". In turn, those leases qualify as financial leases in accordance with IAS 17 "Leases".

The lease agreements have a 25 year duration. The annual interest rate on those lease agreements is 11.19% on the average.

	<u>Minimum lease payments</u>			<u>Present value of lease payments</u>		
	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>12/31/2012</u>
Short-term	\$ 13,351,922	\$ 11,862,781	\$ 11,802,544	\$ 2,964,984	\$ 2,291,039	\$ 2,053,048
Between one and five years	60,083,651	50,416,820	59,012,721	20,644,470	15,962,156	14,262,059
More than five years	125,550,129	123,410,291	122,783,637	75,257,663	66,373,822	69,935,238
Final accumulated equity	<u>\$198,985,702</u>	<u>\$185,689,892</u>	<u>\$193,598,902</u>	<u>\$98,867,117</u>	<u>\$84,627,017</u>	<u>\$86,250,345</u>

At December 31, 2014, the financial lease obligation is itemized as follows:

Name	Date of inception of operation	Original amount of the obligation	Foreign currency		Local currency	
			Long-term	Short-term	Long-term	Short-term
CT Merida III	June-00	242,685	172,947	9,280	\$2,545,435	\$136,581
CC HERMOSILLO	Oct-01	156,144	124,508	4,729	1,832,504	69,601
CC SALTILLO	Nov-01	152,383	115,238	4,978	1,696,072	73,271
TUXPAN II	Dec-01	283,133	226,937	8,288	3,340,059	121,976
EL SAUZ BAJIO	Mar-02	399,773	336,478	10,214	4,952,285	150,330
CC MONTERREY	Mar-02	330,440	227,628	11,865	3,350,234	174,636
CC ALTAMIRA II	May-02	233,234	202,312	5,286	2,977,633	77,806
CC Rio Bravo II	May-02	232,108	174,782	7,481	2,572,440	110,104
CC CAMPECHE	May-03	196,554	155,766	5,654	2,292,558	83,220
CC TUXPAN III Y IV	May-03	587,064	483,799	15,367	7,120,553	226,177
CC MEXICALI	July-03	569,345	417,096	18,612	6,138,819	273,930
CC CHIHUAHUA III	Sept-03	275,327	201,430	8,994	2,964,647	132,369
CC NACO NOGALES	Oct-03	238,016	147,526	8,994	2,171,287	132,378
CC ALTAMIRA III Y IV	Dec-03	600,897	460,965	18,102	6,784,483	266,425
RIO BRAVO III	Apr-04	312,602	260,252	7,712	3,830,393	113,499
CC LA LAGUNA II	Mar-05	367,578	312,981	8,340	4,606,460	122,751
CC RIO BRAVO IV	Apr-05	270,697	235,794	5,549	3,470,414	81,670
CC VALLADOLID III	June-06	288,160	245,070	6,598	3,606,947	97,103
CC TUXPAN V	Sept-06	284,997	259,339	4,532	3,816,947	66,703
CC ALTAMIRA V	Oct-06	532,113	497,780	6,565	7,326,329	96,622
CC TAMAZUNCHALE	June-07	482,562	437,072	8,037	6,432,829	118,294
CCC NORTH	Aug-10	450,097	406,084	9,521	5,976,750	140,132
CCC NORTH II	Jan-14	427,733	414,190	6,754	6,096,055	99,406
Total			6,515,974	201,452	\$95,902,133	\$2,964,984

b) Other contracts with independent energy producers

Three contracts with aeolian (wind-driven or powered) private investors are in operation. Unlike the contracts described in the above note, they set forth the obligation that CFE should only pay for the aeolian power generated and delivered; therefore, they are not considered as financial leases, which are as follows:

C E Oaxaca I
C E Oaxaca II, III and IV
CE La Venta III

c) Service provider contracts

Pemex-Valladolid Gas Pipeline
Terminal de Carbon

These service provider contracts are not considered as financial leases, since their characteristics do not comply with the provisions of IFRS of this particular treatment.

14. TAXES AND FEES PAYABLE

Taxes payable At December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Payable by CFE		
Income tax on the distributable remaining balance	\$2,487,106	\$1,574,530
Income tax payable for account of third parties	273,905	242,999
Contributions to the Mexican Institute of Social Security	653,947	620,068
Rights on use and development of national waters	299,331	363,449
Payroll tax	47,354	39,334
Contributions to the Institute of the Workers' National Housing Fund	12,862	11,025
Subtotal	<u>3,774,505</u>	<u>2,851,405</u>
Withholdings		
Income Tax withheld from employees	644,071	522,922
Value added tax withholdings.	85,164	123,672
Income Tax on interest abroad	13,213	4,800
Income Tax on foreign residents	43,766	1,883
Five to the thousandth to contractors	15,082	24,738
Income tax on fees and leases	7,379	8,930
Two to the thousandth to contractors	719	1,535
Others	277	113
	<u>809,671</u>	<u>688,593</u>
Total taxes and fees	<u><u>\$4,584,176</u></u>	<u><u>\$3,539,998</u></u>

15. UNREALIZED PROCEEDS

At December 31, 2014 and 2013, unrealized proceeds consist of the contributions made by State and Municipal Governments, as well as private persons for rural electrification and private parties, in addition to telecommunications service revenues and others, which consist of the following:

	2014	2013
Government Contributions	\$ 2,171,635	\$ 1,447,646
Contributions from private persons	22,338,342	16,993,870
Contributions Others	1,211,306	1,097,096
	<u>25,721,283</u>	<u>19,538,612</u>
Electric power products and other related products	11,588	11,738
Unrealized proceeds optic fiber	779,316	909,505
	<u>\$ 26,512,187</u>	<u>\$ 20,459,855</u>

16. OTHER LONG-TERM LIABILITIES

In fiscal 2010, the entity upgraded a technical - economic study to realize the dismantling of the Laguna Verde Nuclear Power Station, supported on studies realized by international companies about the dismantling of similar plants in order to determine the necessary provisions. As a result of that that upgrading, a provision was determined in the amount of 809.6 million US dollars. This estimate includes the costs for cooling, cleaning, progressive decontamination, transportation, and storage of radioactive wastes. Those expenses will be amortized in the period of the remaining useful life of the power station, which is an average of 20.5 years. The liability for dismantling the Laguna Verde Nuclear Power Station at December 31, 2014 and 2013 at present value amounts to \$3,843,257 and \$3,563,166, respectively.

17. EMPLOYEE BENEFITS

Employee benefit plans have been established relative to the termination of the employer - employee relationship and for retirement due to causes other than restructuring. Retirement benefit plans consider based the years of service completed by the employee and their remuneration at the date of retirement. Retirement plan benefits include the seniority bonus that workers are entitled to receive upon termination of the employer - employee relationship, as well as other defined benefits.

Actuarial valuations of the plan assets and present value of defined benefit obligations were realized by independent actuaries, by using the projected unit credit method.

a. The economic hypotheses in nominal and real terms used were:

	2014	2013
Discount rate	8.00%	6.90%
Expected rate of return on assets	8.00%	4.40%
Rate of salary increase	6.10%	3.50%

b. Net cost of the period is summarized as follows:

	<u>2014</u>	<u>2013</u>
Service cost of the year	\$ 14,898,272	\$ 13,827,071
Financial cost	35,472,441	31,716,269
Recognition of prior services	4,719,334	3,146,000
Net actuarial gain or loss of the period	<u>9,627,144</u>	<u>30,423,327</u>
Net cost for the period	<u>\$ 64,717,191</u>	<u>\$ 79,112,667</u>

The net actuarial gain or loss for the period amounting to \$9,627.44 in 2014 is due to the variations in the assumptions used by the actuary to determine the labor liability, as a result of the growth of the average salary rate of workers and the increase in retirements.

The amount included as a liability in the statements of financial position in connection with the amount that the Company has with respect to its defined benefit plans is summarized as follows:

	<u>2014</u>	<u>2013</u>
Defined benefit obligations	\$ 569,360,052	\$ 532,468,377
Fair value of plan assets	<u>(5,307,459)</u>	<u>(4,939,822)</u>
Projected net liability	<u>\$ 564,052,593</u>	<u>\$ 527,528,555</u>

c. Reconciliation between opening and final balances of the present value of the Defined Benefit Obligation (DBO).

	<u>2014</u>	<u>2013</u>
Opening balance: (nominal)	\$ 532,469,377	\$ 477,025,496
Labor cost of present service	14,898,272	13,831,071
Financial cost	35,838,931	32,086,289
Prior service cost	4,719,334	-
Actuarial gains and losses	9,627,144	32,776,519
Benefits paid	<u>(28,193,006)</u>	<u>(23,250,998)</u>
Defined benefit obligations	<u>\$ 569,360,052</u>	<u>\$ 532,468,777</u>

d. Reconciliation between opening and final balances of fair value of plan assets.

	<u>2014</u>	<u>2013</u>
Opening balance: (nominal)	\$ 4,939,822	\$ 5,362,609
Return on assets included in plan	26,789	(792,807)
Expected returns	<u>340,848</u>	<u>370,020</u>
Plan assets	<u>\$ 5,307,459</u>	<u>\$ 4,939,822</u>

e. The most significant assumptions used in the determination of the net cost of the period of the plans are as follows:

	2014	2013
Discount rate	8.00%	6.90%
Expected rate of return on assets	8.00%	6.90%
Rate of salary increase	6.10%	4.40%

f. Sensitivity analysis

For performing the sensitivity analysis, the amendment of +/- .5 points in the discount rate, so that the scenarios considered contemplate the following financial hypotheses:

Item	Base		
	Lower discount rate	Scenario	Higher discount rate
Long-term inflation	3.5% annual	3.5% annual	3.5% annual
Discount rate	7.5% annual	8.0% annual	7.4% annual
Salary increase rate	6.1% annual	6.1% annual	4.4% annual
Minimum wage increase rate	3.5% annual	3.5% annual	3.5% annual

Based on these hypotheses, the following liabilities were determined (amounts in millions of pesos):

Defined Benefit Obligation (DBO)	Lower discount rate	Base Scenario	Higher discount rate
Seniority premium	\$ 27,183	\$ 26,408	\$ 25,698
Indemnifications and compensations	2,024	1,964	1,907
Pensions and retirements	579,928	537,776	513,242
Seniority bonus	3,324	3,214	3,176
Total	\$ 612,459	\$ 569,361	\$ 544,022

The percentage differences of the liabilities determined in the two additional scenarios with respect to the base scenario are shown in the following charts:

Item	Scenario		
	Base	Higher discount rate	Variation
Seniority premium	\$ 26,408	\$ 25,698	-2.69%
Indemnifications and compensations	1,964	1,907	-2.90%
Pensions and retirements	537,776	513,242	-4.56%
Seniority bonus	3,214	3,176	-1.20%
Total	\$ 569,361	\$ 544,022	-4.45%

As can be observed, upon reducing the discount rate by 0.5%, the amount of the liability increases 7.57% with respect to the Base scenario, whereas there is a -4.45% decrease upon increasing the discount rate by 0.5%.

g. Collective bargaining agreement

On August 18, 2008, the CFE and the Sole Union of Electricity Workers of the Mexican Republic (SUTERM) signed the CFE-SUTERM 20/2008 agreement about the pension regime for workers who joined the Company, subsequent to the signing thereof.

This agreement solves the problem of the long-term labor liability, since it represented a risk for the CFE.

The rights and benefits of the collective bargaining agreement in effect are maintained without any change.

The prior retirement plan is maintained for active and retired workers, both salaried and unionized, who were contracted up to August 18, 2008.

The characteristics of the new retirement scheme for newly hired workers are:

- Individual retirement accounts are created.

The worker contributes 5% of his computed daily wage and CFE contributes one and a half times what is contributed by the worker (7.5%).

- These funds will be managed in the terms agreed upon by the CFE and the SUTERM, in accordance with the provisions issued by the National Retirement Savings System Commission (CONSAR).
- In view of the increase in life expectancy, the time of service at the company for new workers at the Company is increased by five years, except for those life lines that maintain the same number of years of service.

18. PATRIMONY

The restatement of equity is distributed among each one of its distinct components, as shown below

	2014			2013
	Par value	Restatement	Total	Total
Accumulated patrimony	\$ (63,265,538)	\$ 239,243,076	\$ 175,977,538	\$ 113,624,347
Revaluation surplus		38,950,186	38,950,186	141,320,040
Payment of public use tax Federal Revenue Law of the Federal Government	(31,518,000)	-	(31,518,000)	(30,600,000)
Contributions received from the Federal Government	28,402,300	-	28,402,300	23,126,100
Charge to Patrimony for employee benefits	(9,627,144)	-	(9,627,144)	(33,299,708)
Funds transferred to CENACE	(492,341)	-	(492,341)	-
Effect of financial instruments on patrimony	(83,228)	-	(83,228)	(724,746)
Other changes in Patrimony, net	766,720	-	766,720	83,859
Net income for the period	(46,831,901)	-	(46,831,901)	(37,552,354)
	<u>\$ (122,649,132)</u>	<u>\$ 278 193,262</u>	<u>\$ 155,544,130</u>	<u>\$ 175,977,538</u>

19. OTHER (EXPENSES) INCOME, NET

At December 31, 2014 and 2013, other net (expenses) income are summarized as follows:

	2014	2013
Other revenue	\$ 7,674,513	\$ 7,955,348
Other expenses	(3,882,570)	(3,138,984)
External electric power producers, net	1,239,669	382,287
Total	<u>\$ 5,031,612</u>	<u>\$ 5,198,651</u>

20. INCOME TAX ON THE DISTRIBUTABLE REMAINING BALANCE

In accordance with the provisions of the Income Tax Law, the Company does not pay taxes in accordance with the General Regime (Title II). However, it must withhold and pay the tax, as well as require the documentation that meets tax requirements when making payments to third parties and are bound thereto in terms of the Law. In accordance with Title III, it is bound to pay a tax on the distributable remaining balance of the items that do not meet those tax requirements.

During the periods ended December 31, 2014 and 2013, the Company was subject to Income Tax on the distributable remaining balance in the amount of \$2,491,581 and \$1,580,509, respectively, which were determined in accordance with Articles 79 and 86 for 2014 and 95 and 102 for 2013, last paragraph of the Income Tax Law.

21. TRANSACTIONS WITH THE FEDERAL GOVERNMENT

The main transactions carried out with the Federal Government in the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Rate Insufficiency	\$ 86,227,484	\$ 85,770,342
Less: Public use taxes payable by CFE by applying a 9% rate on the net fixed assets in operation of the prior year	<u>(58,792,164)</u>	<u>(46,012,501)</u>
Net gain or loss on insufficiency and public use taxes	27,435,320	39,757,841
Less: Write-off of insufficiency not covered by public use taxes	<u>(27,435,320)</u>	<u>(39,757,841)</u>
	\$ <u>-</u>	\$ <u>-</u>

22. COMPREHENSIVE (LOSS) INCOME

Comprehensive income and loss at December 31, 2014 and 2013, respectively, is summarized as follows:

	<u>2014</u>	<u>2013</u>
Net loss as per consolidated statements of income	\$ (46,831,901)	\$ (37,552,354)
Actuarial gains (losses) – employee benefits	(9,627,144)	(30,423,326)
Revaluation of fixed assets	38,950,186	141,320,040
Funds transferred to CENACE	(492,341)	-
Write-off of opening balance of financial instruments in patrimony and others	766,720	1,687,609
Effect of the period of financial instruments on patrimony	<u>(83,228)</u>	<u>(724,746)</u>
	29,514,193	111,859,577
Comprehensive (Loss) income	\$ <u>(17,317,708)</u>	\$ <u>74,307,223</u>

23. FOREIGN CURRENCY POSITION

At December 31, 2014 and 2013, the CFE had US dollar denominated assets and liabilities as follows:

	2014				
	Assets cash and cash equivalents	Liabilities			Leasing of equipmen and PIDIREGAS
		Trade Payables	Internal debt	External debt	
US dollars	37,972-	33,037	-	3,877,440	8,431,200
Euros	-	-	-	9,903	
Japanese yen	-	-	-	35,387,723	
Swiss francs	-	-	-	98,844	
Swedish krona	-	-	-	3,811	

	2013				
	Assets cash and cash equivalents	Liabilities			Leasing of equipmen and PIDIREGAS
		Trade Payables	Internal debt	External debt	
US dollars	24,007	33,060	-	3,918,545	8,639,400
Euros	-	-	-	18,436	
Japanese yen	39,795	-	-	36,741,767	
Swiss francs	-	-	-	61,642	
Swedish krona	-	-	-	7,623	

Note:

1) The 32 billion of the bond in yens are included in the external debt of JPY.

The PIDIREGAS dollar debt includes the amount of 6,471,687 million dollars of the financial lease debt with External Producers (as per IFRS).

These foreign currency assets and liabilities were translated into local currency at the exchange rate established by Banco de Mexico in the Official Daily Gazette at December 31, 2014 and 2013.

Currency	2014	2013
US dollars	14.7180	13.0765
Euros	17.8103	18.0194
Japanese yen	0.1227	0.1245
Swiss francs	14.8122	14.7058
Swedish krona	1.8882	2.0342

24. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company has approximately 27,642 lawsuits and administrative proceedings pending At December 31, 2014, whose economic effects are varied. The contingent amounts claimed against the Company that may materialize are not determinable, since lawsuits are pending. Accordingly, the responsible juridical area considers that the evaluation of the possibility of an unfavorable ruling handed down is not possible to establish, nor is it possible to be quantified.

Commitments

a. Natural gas supply contracts

To date there are three gas supply contracts:

1.- Natural gas supply contract at the delivery points from a storage plant of a Natural Liquid Gas (GNL) and/or and / or Continental Natural Gas with the supplier Semptra LNG Marketing Mexico, S. de R. L. de C. V., signed on January 21, 2005, and does not expire until 2022.

The CFE is committed to buying 38,692 Million Annual Cubic Feet (MMPCA). For fiscal 2014, 47,974 MMPCA were consumed which coincides with what has been programmed.

2.- Service Contract for the Receipt, Storage, and Reclassification of Liquid Natural Gas and deliveries of Natural Gas to the CFE for the Manzanillo, Colima, Mexico Zone, signed on March 27, 2008, with Terminal KMS de GNL, S. de R.L. de C.V. MIT

Investment Manzanillo B.V., Kogamex Investment Manzanillo B.V., and SAM Investment Manzanillo B.V. for a 20 year period.

The contractual commitments consist of receiving and storing up to 300,000 m3 of Liquid Natural Gas (GNL), as well as the regassification of GNL and the delivery of Natural Gas (NG) up to 14,1584 million daily cubic meters (MMCD) at the delivery points of the CFE. For fiscal 2014, 3,548 MMC were consumed which coincides with what has been programmed.

3.- Natural gas supply contract at the delivery points of the CCC. Altamira V and the National Gas Pipeline System from a storage plant and reclassification in the Altamira Tamaulipas Mexico Zone, with the supplier Gas del Litoral, S. de R. L. de C. V., signed on September 30, 2003 for a beginning period of 15 years.

Contractual commitments consist of acquiring the firm daily base quantities of natural gas during the supply period for: 500 Million daily cubic feet (MMPCD). For fiscal 2014, only 144, 410 MMPCA were consumed due to the delays and ships of Gas del Litoral. It was incurring in a deficit of delivery of Gas on an average of 3,840 MMPC / month. Consequently, consumption does not concur with what has been programmed.

b. Financed public works contracts

At December 31, 2014, the CFE has signed various financed public works contracts, whose payment commitment will start on the days on which private investors complete the construction of each one of the investment projects and deliver the assets for their operation to the Company. The estimated amounts of these financed public work contracts and the estimated dates of completion of the construction and start-up of operations are those shown on the following chart:

Transmission lines and substations:

Project	Capacity		Estimated amount of the contract stated in millions of		Operating stage
	Km-c	MVA	US dollars	Pesos	
294 SLT 1702 Transmission and Transformation Baja-Northwest F1	119.8	200.0	21.70	319.38	October 2014
293 SLT 1703 Conversion to 400 KV of the Riviera Maya	15.0	1000.0	65.72	967.27	December 2014
251 SLT 1421 Distribution South F3	3.0	40.0	9.59	141.15	December 2014
273 SLT 1621 Distribution North-South F1		140.0	8.70	250.65	December 2014
244 SE 1321 Distribution Northeast F2	29.9	30.0	10.97	161.45	January 2015
295 SLT 1704 Isolated Inter. Systems Guerrero Negro-Santa Rosalia	136.9		18.63	274.19	January 2015
294 SLT 1702 Transmission and Transformation Baja-Northwest F2	40.8	300.0	24.49	360.44	January 2015

Project	Capacity		Estimated amount of the contract stated in millions of		Operating stage
	Km-c	MVA	US dollars	Pesos	
215 215 SLT 1201 Transmission and Transformation Baja California F1	3.0	40.0	7.23	106.41	January 2015
274 SE 1620 Distribution Valley of Mexico F1	16.1	780.0	94.59	1392.18	February 2015
192 SE 1122 North Gulf Distrib. F2	19.5	30.0	8.09	119.07	February 2015
267 SLT 1604 Ayotla Chalco	9.9	133.3	23.30	342.93	February 2015
269 SLT 1510 Transm. Network Asoc. TO CCI Guerrero Negro III	42.2		2.84	41.80	March 2015
249 SLT 1405 SEs and LTs Southeast Areas C2	64.0	300.0	31.55	464.35	May 2015
214 SE 1210 North Northwest (DIST) F8	0.8	90.0	9.78	143.94	June 2015
Project	Capacity		Estimated amount of the contract stated in millions of		Operating stage
	Km-c	MVA	US dollars	Pesos	
305 SE 1801 Substations Baja - Northwest F2		225.0	4.80	70.65	June 2015
243 SE 1322 Distribution Central F2	7.0	30.0	5.16	75.94	June 2015
274 SE 1620 Distribution Valley of Mexico F2	26.2	420.0	89.75	1320.94	June 2015
202 215 SLT 1114 Transmission and Transformation of eastern F2	28.4	300.0	18.89	278.23	August 2015
209 SE 1212 South Peninsular (Dist) F5	8.1	60.0	1.35	19.86	September 2015
308 SLT 1804 Substations and Eastern Trans. Lines .F1		100.0	4.80	70.65	September 2015
306 SE 1803 Substations Western F2	36.1	100.0	8.72	128.34	October 2015
288 SLT 1722 Distrib. South F1	3.0	80.0	10.69	157.33	December 2015
243 SE 1322 Distribution Central F5	187.4	80.0	38.06	560.16	December 2015
307 SLT 1802 Substations and Trans. Lines North F1	13.6	366.0	31.54	464.20	December 2015
308 SLT 1804 Substations and Eastern Trans. Lines .F2			11.62	171.02	December 2015
243 SE 1322 Distrib. Central F3 C3	150.0	19.7	3.82	56.22	January 2015

Power stations:

Project	Capacity		Estimated amount of the contract stated in millions of		Operating stage
	Km-c	MVA	US dollars	Pesos	
188 SE 1116 Northwest Trans. F4	97.6	500.0	49.95	735.16	March 2016
322 SLT 1921 Energy Loss Reduction Dist F2			33.88	498.65	March 2016
318SE 1903 Substation North - Northwest		525.0	14.96	220.18	April 2016
259 SLT 1521 Distribution South C3	2.3	110.0	14.36	211.35	April 2016
308 LT 1805 Transmission Line Huasteca Monterrey	441.8		126.83	1866.68	April 2016
322 SLT 1921 Energy Loss Reduction Dist F6			105.94	1559.22	April 2016

Rehabilitation and/or Modernization Projects

Stage	Estimated amount of the contract stated in thousands of		Project. transaction
	US dollars	Pesos	
216 RM CCC Poza Rica F1	136.8	2,013.42	01-Feb-15
258 RM CT Altamira U1 y 2	379.9	5,591.37	25-Apr-17
311 RM CCC Tula Packages 1 and 2	323.0	4,753.91	02-Sept-17
278 RM Jose Lopez Portillo	214.0	3,149.65	20-Feb-19

These projects are recorded under the PIDIREGAS scheme, and CFE applies the accounting policy described in Note 3-e. Long-Term Productive Infrastructure Projects (PIDIREGAS).

c. Trusts

1. Scope of performance

- 1.1 CFE currently participate in the capacity of Trustor or Beneficiary of a Trust in 19 (nineteen) Trusts, of which 3 (three) are not in the process of extinction.
- 1.2 In conformity with its purpose and operating characteristics, they can be defined in the following groups:

- a. Power saved
- b. Prior expenses
- c. Construction contract management
- d. Indirect equity participation trusts

a. Power saved

Those organized to execute power savings promotion and savings programs.

Trust	Equity of CFE		Beneficiary of the trust:
	Trustor	Trustee	
Trust for Power Savings (FIDE), created August 14, 1990	Organization: Confederacion de Camaras Industriales (CONCAMIN), Camara Nacional de la Industria de Transformacion (CANACINTRA), Camara Nacional de Manufacturas Electricas (CANAME), Camara Nacional de la Industria de la Construcción (CNIC), Camara Nacional de Empresas de Consultoría (CNEC) and Sindicato Unico de Trabajadores Electricistas de la Republica (SUTERM)	Nacional Financiera, S.N.C.	a. Electric power consumers who are beneficiaries of the services rendered by the Trust. b. CFE only for the materials that would have formed part of the infrastructure of utilities electric power public service.
Mexicali Housing Thermal Insulation Trust (FIPATERM), created on October 19, 1990	CFE	Banco Nacional de Obras y Servicios Publicos, S.N.C.;	CFE

At December 31, 2014, the Trust for Thermal Insulation of Housing (FIPATERM) has assets amounting to \$1,302,021 and liabilities amounting to \$23,027.

b. Prior expenses

Those created for financing and covering expenses prior to the execution of projects, subsequently recoverable and charged to the person who realizes them to be adjusted to the rules applicable to the type of project involved.

Trust	Equity of CFE		Type of projects
	Trustor	Beneficiary of the trust:	
CPTT prior expense management, organized on August 11, 2003	CFE	CFE	Direct investment:
		Banco Nacional de Comercio Exterior, S.N.C.	

Trust	Equity of CFE		Trustee	Type of projects
	Trustor	Beneficiary of the trust:		
Management and transfer of ownership 20930, organized on Saturday, September 30, 2000	CFE	Primary beneficiary Winners of the contracts. Secondary beneficiary CFE	Banobras, S.N.C.	Conditioned investment

At December 31, 2014, the Prior Expenses Management Trust has assets amounting to \$3,887,193 and liabilities amounting to \$3,556,246.

The Management and Transfer of Ownership Trust 2030 has assets amounting to \$388,128 at December 31, 2014.

c. Construction contract management

Beginning in the decade of the 90s, the Federal Government implemented various off-budget schemes in order to continue to invest in infrastructure projects. Those schemes were designed under two modalities:

- Turnkey Projects (1990)
- Build, Lease, and Transfer Projects (CAT) (1996)

Turnkey Projects.- Under this scheme, plants works were carried out to generate electric power and transmission lines, through an irrevocable management and transfer of ownership trust, linked to a lease agreement. In this modality, the trustee discharges the following duties:

Contract credits, manage the trust property (assets), receive the rents from CFE, and transfer the asset to CFE gratuitously, once those rents have been covered in a sufficient amount to pay the credits contracted.

The CFE participates in the payment of the rents to the trustee, based on the credits contracted by the trust, and instructs the trustee to pay the contractors. In exchange, it receives invoices approved by the construction area, payment of taxes and other charges, including trustee fees.

These management and transfer of ownership were carried out in accordance with the "Guidelines for the realization of thermoelectric projects with off-budget funds", as well as the "Guidelines for the realization of transmission lines and substations with off-budget funds" issued by the Ministry of Public Office (formerly Ministry of Controllorship and Administrative Development).

The Trusts shown below have concluded with their payment commitments; therefore, they are only in the process of extinction.

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
**Topolobampo II (Electrolyser, S. A. de C. V.), organized on November 14, 1991 SE 221 Western, organized on November 7, 1997 C.C.C. Monterrey II, built on October 17, 1997	Bufete Industrial Construcciones, S. A. de C. V. and Electrolyser, S. A. de C. V., with respect to their contribution to the Trust.	Primary beneficiary Primary Beneficiary: Electrolyser, S. A. de C. V., with respect to its contribution and Secondary beneficiary: CFE	Santander, S. A.
	SPE Subestaciones AEG, S. A. de C. V.	CFE	Nacional Financiera, S.N.C.
	Monterrey Power, S.A. de C. V. and CFE.	CFE	Nacional Financiera, S.N.C.

Build, Lease and Transfer Projects (CAT).- The transition stage to carry out the trusts denominated CAT started in 1996, in which the trustee manages the trust property (assets) and transfers it to CFE once the rents have been covered. Credits are contracted directly with a Consortium which is a specific purpose company. An irrevocable management and transfer of ownership irrevocable trust exists for these purposes.

In this type of trusts, the CFE participates in the realization of the payment of rents based on quarterly amortization tables presented by the consortiums in their bids. Most of these tables include forty quarterly payments. The projects carried out under this modality and are in effect are as follows:

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
C.G. Cerro Prieto IV, built on November 28, 1997	Constructora Geotermo-Eléctrica del Pacífico, S.A. de C.V. and CFE.	CFE	BANCOMEXT
C.C.C. Chihuahua, organized on December 8, 1997	Norelec del Norte, S.A. de C.V. and CFE.	CFE	Nacional Financiera, S.N.C.
C.C.C. Rosarito III (8 and 9), organized on August 22, 1997	CFE and Rosarito Power, S.A. de C.V.	CFE	BANCOMEXT
C.T. Samalayuca II, built on May 2, 1996	Compañía Samalayuca II, S.A. de C.V.	Primary beneficiary The foreign bank common representative of the creditors; Secondary beneficiary: Compañía Samalayuca II, S.A. de C.V. Tertiary beneficiary: CFE	Banco Nacional de México, S.A.

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
LT 215 Alstom CEGICA, built on December 5, 1997	CEGICA, S. A. de C. V.	CFE	BANCOMEXT
SE 218 Northwest, organized on December 5, 1997	Dragados y CYMI, S. A. de C. V.	CFE	BANCOMEXT

At December 31, 2014, CFE has fixed assets amounting to \$18,076,106 and liabilities amounting to \$3,830,523, applicable to the CATs of the trusts referred to above.

Terminal de Carbon de CT Presidente Plutarco Elias Calles

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Terminal de Carbon CT Presidente Plutarco Elias Calles (Petacalco), organized on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and TechintCompagnia Tecnica Internazionale S.P.A.	Primary beneficiary Carbonser, S.A. de C.V. Secondary beneficiary: CFE	Banco Nacional de Mexico, S.A, (BANAMEX)

An irrevocable management, guaranty, and transfer of ownership trust agreement number 968001 was entered into in 1996, which, among other things, set forth that the trustee will enter into a service contract with CFE.

With the effectiveness of the coal management service contract between CFE and Banco Nacional de Mexico, S. A. (Banamex) as trustee of the Petacalco Trust, consisting of Techint Compagnia Tecnica Internazionale S.P.A., Grupo Mexicano de Desarrollo, S. A. de C. V., and Techint, S. A. signed on November 22, 1996, in accordance with the provisions of clause 8.1, Comision will pay the amounts of the invoices related to the fixed charge for capacity.

Expenses	Book entry of a fixed charge for capacity of Jan-Dec 2014
Carbon Petacalco	\$83,652

d. Indirect equity participation trusts

Additionally, it maintains an indirect relationship since it is not a Trustor, but it participates as a borrower with five Deeds of Trust and payment of financing, created by Financial Institutions as Trustors and Beneficiaries of Trusts for the issue of securities linked to credits granted to CFE. The CFE itself is nominated as a Secondary Beneficiary of a Trust, due to the specific eventuality that it may acquire some of the certificates issued and maintain representation of Technical Committees, in conformity with the contractual provisions (see Note 11).

CFE is bound to cover the Trust in the terms of the "Indemnification Contract", which forms part of the Trust Agreement, the expenses therein incurred for the issue of securities and their management.

Trust	Patrimony of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 161 created on October 2, 2003	ING (Mexico), S. A. de C. V., Casa de Bolsa, ING Grupo Financiero	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 194 created on Monday, May 03, 2004	Primary beneficiary ING (Mexico), S. A. de C. V. and Casa de Bolsa, ING Grupo Financiero Secondary beneficiary Deutsche Securities, S. A. de C. V. and Casa de Bolsa.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 290 created on Friday, April 07, 2006	Casa de Bolsa BBVA Bancomer, S. A. de C. V., Grupo Financiero BBVA Bancomer, HSBC Casa de Bolsa, S. A. de C. V., Grupo Financiero HSBC and IXE Casa de Bolsa, S. A. de C. V., IXE Grupo Financiero.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 232246 created on Friday, November 03, 2006	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	HSBC Mexico, S.A., Grupo Financiero HSBC
Trust No. 411 created on Thursday, August 06, 2009	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex

At December 31, 2014, there are funds available in trust No. 232246 amounting to \$8,821.

2. Legal nature

2.1 In conformity with the Federal Public Administration Act, none of the trusts are considered as Public Trusts with the status of "Entity", pursuant to the following:

- In 12 of them, CFE does not have the capacity of Trustor in their creation.
- The 7 remaining trusts do not have an organic structure analogous to that of state-owned entities that comprise them as "entities" in terms of the Law.

2.2 The SHCP has maintained a record for purposes of the Federal Budget and Financial Responsibility Law, only for the case of 7 (seven) of them, for the appropriation of federal

funds or the contribution of the usufruct of land owned by CFE where the works will be built.

Registry of Trusts with SHCP		
No.	Trusts	Registry
1	Mexicali Housing Thermal Insulation Trust, FIPATERM	700018TOQ058
2	Prior Expenses Trust	200318TOQ01345
3	Trust Management and Transfer of Ownership 2030	200318TOQ01050
4	Trust for Power Savings (FIDE)	700018TOQ149
5	C. C.C. Chihuahua	199818TOQ00857
6	C. T. Monterrey II	199818TOQ00850
7	C. G. Cerro Prieto IV	199818TOQ00860

25. MEMORANDUM ACCOUNTS

The memorandum accounts presented in the consolidated statement of financial position at December 31, 2014 and 2013 consist of the following items:

Item	2014	2013
Memorandum accounts of assets under commodatum agreement		
Assets	\$ 100,694,123	\$ 104,175,000
Liabilities	\$ (100,694,123)	\$ (104,175,000)
Memorandum accounts of management of portfolio of extinguished Luz y Fuerza del Centro		
Assets	\$ 5,171,202	\$ 5,856,738
Liabilities	\$ (5,171,202)	\$ (5,856,738)
Total memorandum accounts	\$ 105,865,325	\$ 110,031,738
Total memorandum accounts liabilities	\$ (105,865,325)	\$ (110,031,738)

26. SEGMENT INFORMATION

The Federal Government, through the Ministry of Communications and Transportation (SCT), granted a concession to the CFE to install, operate, and use a public communications network.

This network, indispensable for CFE's operation, is converted into a significant supplement of the telecommunications network of the entire country. Accordingly, agreement No 33/2006 issued by the CFE Board of Directors dated February 28, 2006, was published in the Official

Daily Gazette on March 28, 2006, which amends different numerals of the organic bylaws of the CFE to amend the purpose for which telecommunications services are rendered in terms of the Federal Communications Law.

In order to minimize the use of that optic fiber network and given that this network has the capacity to offer services to third parties, the CFE petitioned and obtained a "Telecommunications public network concession for rendering supply services and leasing of network capacity and marketing of the capacity acquired, with respect to networks of other concessionaires originally in 71 localities of the nation" certificate from the Ministry of Communications and Transportation (SCT), which has been increased nationwide with an initial duration of 15 extendable years.

In order to successfully operate the network adequately, for both internal purposes and use by third parties, CFE's Board of Directors has authorized its organic structure to be amended by creating two Coordinating Units: the first Unit operates and maintains the optic fiber network, and the second unit, CFE's Telecom Coordinating Unit, discharges duties related to the marketing of the services authorized in the concession certificate.

At present, 192 contracts have been signed with 136 Customers of the industrial, Business, and Governmental segments.

At December 31, 2014, CFE has a National Optic Fiber Network of 39,788.50 kilometers that are divided into an Inter nodal Network: 37,295.73 Kilometers and Access Network and Local Access; 2,492.77 Km., developed to increase the safety and reliability of the National Electric System that will allow for implementing a long-term solution for voice, data, video technical-administrative communications, among other things, and gradually substitute the telecommunications services that are currently rendered by third parties.

The CFE TELECOM segment described includes revenues mainly from rendering supply and leasing network capacity services and marketing the capacity acquired, with respect to other concessionaires nationwide with their own and/or leased infrastructure, as well as revenues obtained from adjustments and their costs incurred in each caption.

As a result of the telecommunications reform, it is foreseen that CFE will assign its concession to Telecomunicaciones de Mexico to install, operate, and exploit a public telecommunications network, and it will transfer all the resources and equipment thereto that are required for operating and exploiting that network. In accordance with this reform, CFE retains the optic fiber network, indispensable for rendering electric service and, together with the operation, it will transfer the necessary resources for exploiting that network, in order to guarantee coverage of telecommunications services to all Mexicans.

a. Operating segment information

At December 31, 2014			
Item	ENERGY	CFE TELECOM	TOTAL
Revenues	\$ 333,397,051	\$ 1,038,780	\$ 334,435,831
Depreciation and amortization	41,563,843	1,062	41,564,905
Financial cost	(43,927,332)	2,092	(43,925,240)
Operating loss	(5,813,642)	366,950	(5,446,692)
Investment in productive assets	998,039,071	17,716 (*)	998,056,787
Total assets	1,175,702,740	245,535	1,175,948,275

At December 31, 2013			
Item	ENERGY	CFE TELECOM	TOTAL
Revenues	\$ 318,409,598	\$ 830,315	\$ 319,239,913
Depreciation and amortization	36,234,508	1,024	36,235,532
Financial Cost	22,447,390	(4,966)	22,442,424
Operating loss	19,041,614	(313,542)	18,728,072
Investment in productive assets	954,227,581	18,824 (*)	954,246,405
Total assets	1,124,778,311	340,013	1,125,118,324

Revenues for CFE TELECOM are included in the statement of operations in other revenues, net.

(*) It only considers the cost of the administrative building, furniture and office equipment, and transportation assigned to the personnel of that area. The energy column includes the investment in the optic fiber network with a value at December 31, 2014 and 2013 amounting to \$5,301,639 and \$4,983,705, respectively.

b. Plants, facilities and equipment in operating process

Plants, facilities and equipment in operation are included as part of the caption of plants, facilities and equipment, whose net balance is summarized as follows:

		2014		2013
Corporate Headquarters	\$	3,421,128	\$	992,069
Generation		386,769,392		378,516,841
Distribution		279,705,982		260,770,827
Transmission and Transformation		196,593,461		185,246,013
Optic Fiber		4,917,545		4,832,329
Control		-		550,886
Construction		1,536,668		1,262,197
		872,944,176		832,171,162
External Producers' Equipment		77,553,533		77,011,459
Dismounting of Laguna Verde Nuclear Station		270,121		284,685
Total property, plants and equipment (net)	\$	950,767,830	\$	909,467,306

c. Revenues per division (geographical zone)

		2014		2013
Baja California	\$	19,481,161	\$	18,167,707
Northwest		21,140,935		21,326,632
North		22,272,054		21,384,571
North Gulf		46,894,681		44,013,072
Central West		13,283,084		13,056,054
South Central		13,152,775		12,403,625
East		16,334,553		15,967,705
Southeast		13,714,983		13,125,346
Bajío		33,204,067		30,883,314
Central Gulf		15,045,982		14,478,764
East Central		19,014,636		18,298,539
Peninsular		14,734,242		13,782,851
Jalisco		21,479,752		20,579,046
North Valley of Mexico		18,462,179		17,948,100
Central Valley of Mexico		16,946,562		16,453,368
South Valley of Mexico		17,915,815		17,036,376
Subtotal retail sales		323,077,461		308,905,070
Block for resale		1,135,618		962,661
Other programs:				
Consumption in manufacturing process		706,492		364,614
Illegal Uses		2,092,232		1,258,191
Due to measurement failure		1,166,132		861,581
Due to billing error		1,863,457		3,136,992
		5,828,313		5,621,378
Other operating proceeds		3,355,659		2,920,489
Total operating proceeds	\$	333,397,051	\$	318,409,598

d. Revenues from homogeneous customer groups

	2014	2013
Retail sales		
Domestic service	\$ 62,948,688	\$ 59,382,988
Commercial service	40,710,415	39,286,398
Service for public lighting	19,892,164	18,586,006
Agricultural service	4,703,419	5,466,253
Industrial service	194,822,775	186,183,425
Total retail sales	323,077,461	308,905,070
Block for resale	1,135,618	962,661
Other programs:		
Consumption in manufacturing process	706,492	364,614
Illegal Uses	2,092,232	1,258,191
Due to measurement failure	1,166,132	861,581
Due to billing error	1,863,457	3,136,992
Total	5,828,313	5,621,378
Other operating proceeds	3,355,659	2,920,489
Total operating proceeds	\$ 333,397,051	\$ 318,409,598

The "Electric power services" segment mainly includes the sale of electric power utilities, which consists of generating, conducting, transforming, distributing, and supplying electric power to all users of the country, as well as planning and realizing all works, installations, and work required by the national electric system with respect to planning, execution, operation, and maintenance, with the participation of independent producers, in terms of the Electric Power Utilities Law and its Regulations.

27.- NEW ACCOUNTING PRONOUNCEMENTS

In order to advance with the updating of International Financial Reporting Standards, the International Accounting Standards Board (IASB) enacted the amendments to the Standards that have an effective date beginning January 1, 2016, which are described below:

IFRS 1 "First-time adoption of International Financial Reporting Standards"

IFRS 10 "Consolidated Financial Statements"

IFRS C11 "Joint Control Agreements"

IFRS 12 "Information to disclose on participants in other entities"

IAS 16 "Property, Plant and Equipment"

IAS 38 "Intangible Assets"

IAS 41 "Agriculture"

IFRS 27 "Separated Financial Statements"

IAS 28 "Investments in Associates and Joint Ventures"

Likewise, the IASB enacted improvements to Standards that go into effect beginning January 2016, which are described below:

IFRS 5 Non-Commercial Assets held-for-sale and Discontinued Operations
IFRS 7 Financial Instruments: Information to disclose
IAS 19 Employee benefits
IAS 34 Interim Financial Information

The Company will assess the impact that the effectiveness of those new Financial Standards can have on the Financial Statements.

28. ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by Enrique Ochoa Reza, Chief Executive Officer; Jaime F. Hernandez Martinez, Director of Finance and Ramon Castillo Morquecho, Accounting Manager, the persons responsible for the Company's financial information on March 15, 2015



Enrique Ochoa Reza
Chief Executive Officer



Jaime F. Hernández Martínez
Director of Finance



Román Castillo Morquecho
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