

U.S.\$1,250,000,000



Comisión Federal de Electricidad

Comisión Federal de Electricidad

(a Decentralized Public Entity of the Federal Government of the United Mexican States)

4.875% Notes due 2024

We made an offer of U.S.\$ 1,250,000,000 aggregate principal amount of our 4.875% notes due 2024. The notes will mature on January 15, 2024. Interest on the notes began to accrue on October 24, 2013 and will be payable on January 15 and July 15 of each year, beginning on January 15, 2014.

The notes rank equally in right of payment with all of our other unsecured and unsubordinated public external indebtedness.

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 which we may amend or obtain waivers of the payment provisions of the notes and certain other terms with the consent of holders of 75% of the aggregate principal amount of the outstanding notes. See “Description of the Notes—Defaults, Remedies and Waiver of Defaults” and “Description of the Notes—Modification and Waiver.”

Investing in the notes involves risks. See “Risk Factors” beginning on page 11.

ISSUE PRICE: 99.427%, PLUS ACCRUED INTEREST, IF ANY, FROM OCTOBER 24, 2013

THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM 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 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 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 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 OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN. THIS OFFERING MEMORANDUM MAY NOT BE PUBLICLY DISTRIBUTED IN MEXICO. THE ACQUISITION OF THE NOTES BY AN INVESTOR OF MEXICAN NATIONALITY WILL BE MADE UNDER ITS OWN RESPONSIBILITY.

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 offering memorandum can only be used for the purposes for which it has been published.

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 24, 2013 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

Barclays

Citigroup

Goldman, Sachs & Co.

October 28, 2013

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You should carefully review the entire offering memorandum before making an investment decision. We have not authorized anyone to provide you with different information. We are offering to sell, and are seeking offers to buy, the notes only in jurisdictions where offers and sales are permitted. This offering memorandum 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 offering memorandum nor any sale made under it implies that there has been no change in our affairs or that the information in this offering memorandum is correct as of any date after the date of this offering memorandum.

In connection with this 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 offering memorandum 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 this offering or the accuracy or adequacy of this offering memorandum. 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 offering memorandum 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 offering memorandum;
- 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 offering memorandum 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 this 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 offering memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this offering memorandum, 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 offering memorandum misleading in any material respect, in light of the circumstances existing as of the date of this offering memorandum. 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 offering memorandum. You should not rely upon the information set forth in this offering memorandum, as a promise or representation, whether as to the past or the future. The initial purchasers have not independently verified any of that information and assume no responsibility for its accuracy or completeness.

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 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 offering memorandum, and you must obtain all applicable consents and approvals. None of us and the initial purchasers shall have any responsibility for any of the foregoing legal requirements.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

ENFORCEABILITY OF CIVIL LIABILITIES

We are an *organismo descentralizado de la Administración Pública Federal* (decentralized public entity of the Mexican federal government). Accordingly, holders of notes may not be able to obtain a judgment in a U.S. court against us unless the U.S. court determines that we are not entitled to sovereign immunity with respect to that action. 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, 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 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 offering memorandum, 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 the United Mexican States (“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 decentralized public entity of the Mexican federal government (the “Mexican government”), we are not subject to the *Ley de Concursos Mercantiles* (Commercial Bankruptcy Act) and thus cannot be declared bankrupt (*concurso mercantil*). Under applicable Mexican law, we may be liquidated and dissolved by the Mexican government if we cease to fulfill the purpose for which we were created or if our operations cease to benefit the Mexican economy or public interest. In the event that we are liquidated and dissolved by the Mexican government, it is uncertain whether or to what extent the rights of holders of the notes would be honored.

Under the *Ley General de Bienes Nacionales* (National Assets General Act), the assets that we use to provide electric energy to Mexico are considered assets for the public service and, therefore, cannot be attached. As a result, a Mexican court would not recognize an attachment order against such assets. In addition, Article 4 of the *Código Federal de Procedimientos Civiles* (Federal Code of Civil Procedure of Mexico, the “Code of Civil Procedure”) does not allow attachment prior to judgment or attachment in aid of execution upon a judgment by Mexican courts upon any of our assets. As a result, the ability to enforce judgments against us in the courts of Mexico may be limited. We also do not know whether Mexican courts would enforce judgments of U.S. courts based on the civil liability provisions of the U.S. federal securities laws. Therefore, even if a U.S. judgment against us were obtained, a holder of notes may not be able to obtain a judgment in Mexico that is based on that U.S. 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. Finally, 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 Official Gazette 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 in both Spanish and English, and quarterly summary financial information in Spanish. This information is available on our website (www.cfe.gob.mx). In addition, we are required to file certain annual, quarterly and special reports and other information with the *Bolsa Mexicana de Valores, S.A.B. de C.V.* (the “BMV”) with respect to our debt securities sold in the Mexican market. You may inspect and copy these reports and other information at the offices of the BMV located at Paseo de la Reforma 255, Colonia Cuauhtémoc, Delegación Cuauhtémoc, 54124 México, D.F. Our BMV filings are available to you on the BMV’s website (www.bmv.com.mx).

We are not including the information provided on, or linked to or from, our website, the BMV’s website or *Banco de México*’s website (www.banxico.org.mx) as part of, and are not incorporating such information by reference in, this offering memorandum.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

This offering memorandum includes our audited financial statements as of and for the years ended December 31, 2012 and 2011, as audited by Gossler, S.C., member Crowe Horwath International, in the manner described in the paragraph below, and our unaudited financial statements as of June 30, 2013 and for the six-month periods ended June 30, 2013 and 2012, which have been subject to limited review procedures by Gossler, S.C. (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. Our date of transition to IFRS was January 1, 2011 and our adoption of IFRS became effective on January 1, 2012.

Gossler, S.C. audited (i) our financial statements as of and for the year ended December 31, 2012 in accordance with IFRS, as adopted by the International Accounting Standards Board and (ii) our financial statements as of and for the year ended December 31, 2011 (the “2011 financial statements”) that were originally prepared in accordance with *Normas de Información Financiera Mexicanas* (Mexican Financial Reporting Standards, or “MFRS”). In addition, following the reissuance of our 2011 financial statements in accordance with IFRS, which are included in this offering memorandum, Gossler, S.C. reviewed the adjustments we made to transition from MFRS to IFRS as described in more detail below.

Our financial statements as of and for the years ended December 31, 2012 and 2011 are our first financial statements prepared in accordance with IFRS. IFRS 1, “First-Time Adoption of International Financial Reporting Standards” has been applied in preparing these financial statements. IFRS generally requires the retrospective application of the standards and interpretations applicable at the date of the first financial statements prepared in accordance with IFRS. However, IFRS permits certain exceptions in the retrospective application of IFRS standards and interpretations in order to facilitate the transition process, some of which were adopted by us. Our 2011 financial statements were originally prepared in accordance with MFRS. As a result of our adoption of IFRS on January 1, 2012, the 2011 financial statements were reissued in accordance with IFRS to make them comparable to our audited financial statements as of and for the year ended December 31, 2012. Pursuant to this transition process, we adjusted certain amounts reported previously in our 2011 financial statements prepared in accordance with MFRS to comply with IFRS. Note 29 to our financial statements as of and for the years ended December 31, 2012 and 2011 explains these adjustments and describes the effects of our transition from MFRS to IFRS on the presentation of our financial information.

Unless the context otherwise requires, references in this offering memorandum to “CFE,” “we,” “us” and “our” refer to Comisión Federal de Electricidad.

Currency Information

References in this offering memorandum to “U.S.\$,” “U.S. dollars” and “dollars” are to the lawful currency of the United States and 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 offering memorandum 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* for June 30, 2013, which was Ps. 13.1884 per U.S.\$ 1.00.

Rounding

Certain figures included in this offering memorandum have been rounded for ease of presentation. Percentage figures included in this offering memorandum 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 offering memorandum 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 offering memorandum contains words, such as “believe,” “expect” and “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:

- 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;
- Availability and cost of external financing for our operations, which have been affected by the stress experienced by the global financial markets; and
- Changes in the legal and regulatory regime applicable to the Mexican electricity sector.

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, including, but not limited to, 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, significant economic or political developments in Mexico, particularly developments affecting the electricity sector, and changes in our regulatory environment. 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.

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 sub-station to customer switches. It includes distribution sub-stations, circuits that extend from distribution sub-stations 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.

“sub-station” 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 from this offering memorandum and does not contain all of the information that may be important to you. You should carefully read this entire offering memorandum, including the risk factors and financial statements.

Comisión Federal de Electricidad

We are the national electricity company of Mexico and are 100% owned by the Mexican government. We have the exclusive right to transmit and distribute electricity in Mexico and we generate most of the electricity consumed in Mexico. As of June 30, 2013, we provided electricity to 36.9 million customer accounts, which we estimate represented 98.1% of the Mexican population. Since 2003, our customer base has grown at an average rate of 5.8% per year.

We generate over 90% of the electricity consumed in Mexico, including electricity generated by *productores externos de energía* (independent power producers, or “IPPs”). The remaining electricity generation in Mexico is attributable to *Petróleos Mexicanos*, the Mexican state-owned petroleum company, and its subsidiaries (collectively, “PEMEX”) and certain private sector participants, each of whom generate small amounts of electricity, the use of which, under Mexican law, is restricted to either self-supply or sale to us. Under the *Constitución Política de los Estados Unidos Mexicanos* (the Political Constitution of the United Mexican States, the “Mexican Constitution”) and the *Ley del Servicio Público de Energía Eléctrica* (Law of the Electric Energy Public Service) and the regulations relating thereto (collectively, the “Electricity Law”), we have the exclusive right to transmit and distribute electricity in Mexico. As a result, we have a monopoly over electrical transmission and distribution throughout Mexico, including with respect to the distribution of electricity within Mexico City and surrounding areas, which was the responsibility of *Luz y Fuerza del Centro* (“LFC”) until its dissolution in October 2009 by presidential decree.

The Mexican government determines, on an annual basis, our electricity rates and our operating costs, in each case based on our anticipated electricity 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. 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 our residential (other than high-consumption residential) and agricultural customers, which together accounted for approximately 17.7% of our revenues for the six-month period ended June 30, 2013. As a result, we rely on non-cash transfers, or “rate insufficiencies,” from the Mexican government to compensate for any shortfall. To mitigate our exposure to rising fuel prices, the electricity rates charged to our industrial, commercial and high-consumption residential customers, who accounted for approximately 76.1% of our revenues for the six-month period ended June 30, 2013, adjust on a monthly basis pursuant to a formula that accounts for changes in fuel costs. In addition, to mitigate our exposure to inflation, the electricity rates charged to our services (public lighting and pumping of drinking and sewage water) customers — which accounted for 6.2% of our revenues for the six-month period ended June 30, 2013 — are increased on a monthly basis by a fixed amount determined by the Ministry of Finance.

We continually invest in electricity generation, transmission and distribution infrastructure in order to address Mexico’s growing electricity demand. In 2012, we invested Ps. 33.0 billion in new electricity generation, transmission and distribution infrastructure. Our financing and investment plans are updated annually and require the approval of the Mexican Congress. Our expected investment for 2013 is approximately Ps. 29.0 billion, of which we had invested Ps. 13.0 billion as of June 30, 2013. The expected aggregate investment pursuant to our investment and works program, known as *Programa de Obras e Inversiones del Sector Eléctrico* (Program of Works and Investments in the Electricity Sector, or “POISE”), which includes investments financed by private investment programs, for 2013 is approximately Ps. 93.0 billion.

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. As of June 30, 2013, we operated 225 electricity generation plants (including 25 electricity generation plants operated by IPPs) and a 58,308 kilometer (36,040 mile) transmission network, and our installed capacity was 52,218 MW (including 12,418 MW of the installed capacity of IPPs). Since 1992, IPPs have been permitted under Mexican law to build and operate electricity generation plants in Mexico and sell the generated power to us.

As of December 31, 2012, CFE owned a national fiber optic network that measures 38,802 kilometers (24,251 miles) in length. In order to maximize the use of this fiber optic network, and because it has the capacity to provide services to third parties, CFE obtained in November 2006 a concession from the *Secretaría de Comunicaciones y Transportes* (Ministry of Communications and Transportations, or the “SCT”) in order to provide fiber optic services in 71 regions within Mexico for an initial term of 15 years, which term may be renewed. As of December 31, 2012, CFE had entered into 149 contracts for fiber optic services with 96 companies. As of June 30, 2013, less than 1% of our revenues were attributable to fiber optic services.

We were created in 1937 by presidential decree, and then converted by the Mexican Congress in 1949 into an *organismo descentralizado de la Administración Pública Federal* (decentralized public entity of the Mexican government). Since 1975, under Article Nine of the Electricity Law, we have been responsible for the overall planning, development and operation of the Mexican electricity system. Our activities are supervised by the *Secretaría de Energía* (“Ministry of Energy”), and the Minister of Energy serves as the chairman of our *Junta de Gobierno* (“Board of Directors”).

As of June 30, 2013, our total debt (including obligations in respect of PIDIREGAS projects, as defined below) was Ps. 217,087.0 million (U.S.\$ 16,460.5 million) and our total equity was Ps. 74,155.1 million (U.S.\$ 5,622.8 million). Our total assets of Ps. 976,650.8 million (U.S.\$ 74,053.8 million) as of June 30, 2013 were the fourth largest of any company in Mexico. Our revenues from the sale of electricity and net loss for the six-month period ended June 30, 2013 were Ps. 154,492.4 million (U.S.\$ 11,714.3 million) and Ps. 35,519.5 million (U.S.\$ 2,693.2 million), respectively. Our revenues from the sale of electricity and net loss for 2012 were Ps. 311,020.9 million (U.S.\$ 23,582.9 million) and Ps. 19,215.6 million (U.S.\$ 1,457.0 million), respectively. Our net loss for 2012 was primarily the result of the insufficiency of the tariffs we charge to cover our operating costs. See “Comisión Federal de Electricidad—Pricing Strategy, Rate Insufficiency and Public Use Tax.”

Business Strategy

We seek to continue to increase production and to maximize our overall performance to respond to Mexico’s increasing energy demand through the following strategies:

Continue to Enhance Electricity Generation Capacity and Transmission and Distribution Networks

We intend to continue to expand our electricity generation, transmission and distribution capacity through the continued implementation of our POISE program. This program, and the projects that we plan through POISE, are updated on an annual basis. Our current program includes projects that are scheduled to be initiated and completed between 2013 and 2026 and which are expected to require Ps. 1,435.3 billion (U.S.\$ 108.8 billion) in capital expenditures. We plan these projects with the goal of increasing our electricity output at a rate that will correspond with the anticipated increase in electricity demand in Mexico, which we estimate based on a forecast of the average rate growth of Mexico’s gross domestic product (“GDP”) for the next 14 years. In particular, through POISE, we expect to increase our net electricity generation capacity by an estimated 34,000 MW between 2013 and 2026. We expect that our total capital expenditures relating to POISE for the period from 2013 to 2026 will be allocated as follows: 52.1% for the expansion of our electricity generation capacity; 14.3% for the improvement of our transmission network; 19.6% for the improvement of our distribution network; 13.5% for maintenance of our electricity generation facilities; and 0.5% for other capital investments. We estimate that 40.2% of our total projected investment amount through 2026 will be financed by us pursuant to POISE, and that the remainder will be financed by the private investment programs described below.

Promote Private Investment to Fund Expansion Needs

We intend to continue to develop our private capital investment program, *Proyectos de Impacto Diferido en el Registro del Gasto* (Projects with Deferred Impact in Expense Recognition, or “PIDIREGAS”). Under the PIDIREGAS initiative, we have begun, and expect to continue, to increase our use of IPPs and our *Programa de Obras Públicas Financiadas* (Financed Public Works Program, or “OPFs”), in the development of our electricity generation and transmission capacity.

Our program of contracting with IPPs allows private companies to bid and to operate electricity generation plants in Mexico and sell the generated power to CFE. Under the program, CFE enters into a long-term (25 year) agreement under which the IPP is responsible for the construction, operation and maintenance of the electricity

generation facility during the life of the agreement and CFE is obligated to purchase the electricity produced by that facility. The use of IPPs helps CFE meet electricity generation demands without the cost of construction.

The IPP program also allows CFE to obtain competitive prices for the purchased electricity via an international bidding process, in which CFE awards projects to bidders that offer the lowest KW/h price for the sale of electricity to CFE. As of June 30, 2013, a total of 39 IPP projects had been authorized, 29 of which relate to IPP generation facilities that are currently operational. We estimate that, by 2015, we will have entered into contracts for all 39 authorized IPP projects.

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 using IPPs. CFE enters into relatively short-term (1-2 years) agreements under which a private company, which CFE selects 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. As of June 30, 2013, a total of 238 OPF projects had been authorized, which include 175 facilities that are currently operational. We estimate that, by 2018, we will have entered into contracts for approximately 63 additional OPFs.

As of the date of this offering memorandum, certain legal reforms are being discussed in the Mexican Congress which could result in, among other changes, opening certain areas of the energy generation and distribution sector to private investment, which could result in increased efficiency in our operations but could also result in increased competition in some of the sectors in which we operate. See “Comisión Federal de Electricidad—General Regulatory Framework” for a discussion of the energy reform in Mexico.

Further Modernize Equipment and Technology to Improve Delivery of our Services

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 to ensuring that our transmission and distribution networks employ current 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. The implementation of smart-grid technology will also help reduce the quantity of electricity that is used in Mexico but not paid for (*i.e.*, “non-technical losses”). As a result of POISE, we expect that our investments in new technology, including smart-grid technology, will save us approximately 39.2 TWh of electricity by 2026.

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 immediately upon our receipt of notice of any such damage. Between 2004 and 2012, the duration of service interruptions resulting from failures in our distribution network decreased by 48.4%. 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.

Expand our Focus on Clean and Renewable Energy

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, 2013, 85.6% of our generation originated from hydrocarbons (including 32.2% from natural gas-fired plants of IPPs), while the remaining 14.4% originated from renewable sources (including nuclear). 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, geo-thermal and wind-driven power generation, each of which use renewable primary sources of energy. As a result of POISE, we expect that, by 2026, renewable energy sources will account for approximately 26.3% of our total generation, additional clean sources such as nuclear,

photovoltaic and CO2 emissions-free combined cycle will account for 8.2% of our total energy generation and the remaining 65.5% of our generation will come from cleaner burning sources, mostly natural gas.

Diversify our Financing Sources

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 and February 2012, we sought financing in the international bond markets. We believe that the further development of this financing option will improve our liquidity and debt maturity profile and help fund our investment activities.

Our principal executive office is located at Comisión Federal de Electricidad, Paseo de la Reforma 164, Col. Juárez, 06600 México, D.F. Our facsimile number at that address is (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 offering memorandum.

Issuer	Comisión Federal de Electricidad.
Notes Offered	U.S.\$ 1,250,000,000 aggregate principal amount of 4.875% notes due 2024.
Issue Date	October 24, 2013.
Issue Price	99.427% of the principal amount thereof, plus accrued interest, if any, from October 24, 2013.
Maturity Date	January 15, 2024.
Interest Rate	The notes will bear interest at the rate of 4.875% per annum from October 24, 2013. 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 January 15 and July 15 of each year, beginning on January 15, 2014.
Ranking	The notes will be our unsecured general obligations and will rank equally with all of our existing and future unsecured and unsubordinated public external indebtedness.
Payments of Additional Amounts	We are required by 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 decentralized public 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 Issuances.....	We may, from time to time without the consent of holders of the notes, issue additional notes on the same terms and conditions as the notes, which additional notes will increase the aggregate principal amount of, and will be consolidated and form a single series with, the notes offered hereby.
Collective Action Clauses	The notes contain “collective action” provisions, under which we may amend or obtain waivers of the payment provisions of the notes and certain other terms with the consent of holders of 75% of the aggregate principal amount of the outstanding notes. See “Description of the Notes—Defaults, Remedies and Waiver of Defaults” and “Description of the Notes—Modification and Waiver.”
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 will be evidenced by one or more notes in global form (collectively, the “Restricted global note”), which has been 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 will be evidenced by one or more separate notes in global form (collectively, the “Regulation S global note”), which has been 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 to prepay all the amounts outstanding under our U.S.\$ 1.25 billion syndicated credit facility and for 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.....	Deutsche Bank Luxembourg S.A.

Luxembourg Listing Agent	Deutsche Bank Luxembourg S.A.
Governing Law	The indenture and the notes are governed by the laws of the State of New York, except that matters relating to the authorization, execution and delivery of the indenture and the notes by us will be governed by the laws of Mexico. Notwithstanding the foregoing, any matters involving the trustee, paying agent, registrar or transfer agent will be governed by the laws of the State of New York.
Risk Factors	Prospective purchasers of the notes should consider carefully all of the information set forth in this offering memorandum and, in particular, the information set forth under “Risk Factors” in this offering memorandum, before making an investment in the notes.

SUMMARY FINANCIAL AND OPERATING DATA

The summary financial data set forth below has been derived from our audited financial statements as of and for the years ended December 31, 2012 and 2011, and our unaudited financial statements as of June 30, 2013 for the six-month periods ended June 30, 2012 and 2013. The data should be read in conjunction with, and are qualified in their entirety by reference to, our financial statements included elsewhere in this offering memorandum.

Our financial statements are expressed in Mexican pesos and have been prepared in accordance with IFRS, as adopted by the International Accounting Standards Board. Our date of transition to IFRS was January 1, 2011 and our adoption of IFRS became effective on January 1, 2012.

Our financial statements as of and for the years ended December 31, 2012 and 2011 are our first financial statements prepared in accordance with IFRS. IFRS 1, “First-Time Adoption of International Financial Reporting Standards” has been applied in preparing these financial statements. IFRS generally requires the retrospective application of the standards and interpretations applicable at the date of the first financial statements prepared in accordance with IFRS. However, IFRS permits certain exceptions in the retrospective application of IFRS standards and interpretations in order to facilitate the transition process, some of which were adopted by us. Our financial statements as of and for the year ended on December 31, 2011 were originally prepared in accordance MFRS. As a result, we adjusted certain amounts reported previously in our consolidated financial statements as of and for the year ended December 31, 2011 prepared in accordance with MFRS to comply with IFRS. Note 29 to our financial statements as of and for the years ended December 31, 2012 and 2011 explains these adjustments and describes the effects of our transition from MFRS to IFRS on the presentation of our financial information.

	As of and for the Six-Month Period Ended June 30,			As of and for the Year Ended December 31,		
	2013	2013	2012	2012	2012	2011
	(in thousands of dollars, except for ratios, percentages and GWh below) ⁽¹⁾	(in thousands of pesos, except for ratios, percentages and GWh below)		(in thousands of dollars, except for ratios, percentages and GWh below) ⁽¹⁾	(in thousands of pesos, except for ratios, percentages and GWh below)	
	(Unaudited)					
Income Statement Data						
Revenue on sale of electric power ...	U.S.\$ 11,714,267	Ps. 154,492,445	Ps. 152,529,445	U.S.\$ 23,582,912	Ps. 311,020,877	Ps. 291,939,130
Total costs and operating expenses..	13,542,643	178,605,800	152,445,920	24,378,743	321,516,620	311,073,760
Operating (loss) income	(1,828,376)	(24,113,355)	83,525	(795,831)	(10,495,743)	(19,134,630)
Other (expenses) income, net.....	165,766	2,186,183	(23,699)	287,300	3,789,028	879,148
Income tax on distributable remaining balance.....	(48,105)	(634,425)	(587,795)	(119,773)	(1,579,611)	(1,489,568)
Rate insufficiency ⁽²⁾	4,323,204	57,016,142	33,139,174	5,841,209	77,036,195	84,685,944
Public use taxes ⁽³⁾	(1,709,094)	(22,540,213)	(33,139,174)	(3,395,342)	(44,779,134)	(57,292,226)
Write-off of rate insufficiency not covered by public use taxes	(2,614,110)	(34,475,929)	—	(2,445,866)	(32,257,061)	(27,393,718)
Financial cost.....	(982,526)	(12,957,951)	(1,365,840)	(828,705)	(10,929,288)	(40,750,783)
Net loss for the period	U.S.\$ (2,693,241)	Ps. (35,519,548)	Ps. (1,893,809)	U.S.\$ (1,457,009)	Ps. (19,215,614)	Ps. (60,495,833)
Balance Sheet Data						
Current assets	U.S.\$ 10,184,602	Ps. 134,318,610		U.S.\$ 10,891,682	Ps. 143,643,853	Ps. 155,971,056
Long-term loans to workers	599,466	7,905,993		567,435	7,483,560	6,657,303
Plants, facilities and equipment, net	61,407,299	809,864,019		61,675,620	813,402,747	787,629,960
Derivative financial instruments	1,098,330	14,485,214		1,203,268	15,869,179	18,014,998
Other assets.....	764,074	10,076,920		722,210	9,524,798	6,957,021
Total assets	U.S.\$ 74,053,771	Ps. 976,650,756		U.S.\$ 75,060,215	Ps. 989,924,137	Ps. 975,230,338
Short-term debt and leases ⁽⁴⁾	4,056,856	53,503,441		2,311,596	30,486,253	28,903,914
Other current liabilities ⁽⁵⁾	7,435,322	98,060,002		7,023,290	92,625,967	93,693,131
Documented debt and leases ⁽⁶⁾	18,956,236	250,002,426		20,485,553	270,171,663	260,730,093
Derivative financial instruments	1,200,296	15,829,987		1,287,941	16,985,875	17,090,928
Employee benefits ⁽⁷⁾	35,177,056	463,929,081		34,256,529	451,788,800	420,207,764
Other long-term liabilities ⁽⁸⁾	1,605,249	21,170,672		1,419,533	18,721,364	12,007,347
Total patrimony	5,622,755	74,155,147		8,275,774	109,144,215	142,597,161
Total liabilities and patrimony.....	U.S.\$ 74,053,771	Ps. 976,650,756		U.S.\$ 75,060,215	Ps. 989,924,137	Ps. 975,230,338
Other Financial and Operating Information						
Operating EBITDA ⁽⁹⁾	U.S.\$ 632,895	Ps. 8,346,870	Ps. 26,620,189	U.S.\$ 3,611,027	Ps. 47,623,672	Ps. 47,732,221
Ratio of operating EBITDA to net interest expense.....	0.9x	0.9x	2.7x	2.5x	2.5x	3.0x
Ratio of debt to operating EBITDA.....	N/A	N/A	N/A	6.3x	6.3x	6.1x
Ratio of debt to patrimony	409.3%	409.3%		275.5%	275.5%	203.1%
Capital expenditures	U.S.\$ 1,108,049	Ps. 14,613,393	Ps. 3,594,133	U.S.\$ 4,611,489	Ps. 60,818,156	Ps. 149,901,292
GWh sold.....		100,660	100,453		207,281	202,106
N/A = Not applicable.						
(1) Translations into dollars of amounts in pesos have been made at the peso/dollar exchange rate as of June 30, 2013 of Ps. 13.1884 = 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 non-cash transfers that the Mexican government provides to us to compensate for the subsidized rates of electricity that we charge certain of our customers. For further detail, see Note 22 to our financial statements as of and for the years ended December 31, 2012 and 2011.						

- (3) Represents a non-cash charge from the Mexican government for the use of our assets. The charge is calculated as a percentage of our net fixed assets less the outstanding debt relating to such assets. The percentage is determined on an annual basis by the Mexican government; such percentage was 9% for 2011, 2012 and the six-month periods ended June 30, 2013 and 2012.
- (4) Represents current portion of long-term debt plus current portion of PIDIREGAS.
- (5) Represents liabilities to suppliers and contractors, loans and fees payable, current portions of employee benefits, plus other payable and accrued liabilities and deposits from users and contractors. As of June 30, 2013 and December 31, 2012 and 2011, current portions of employee benefits were accrued as follows: Ps. 23,142,381, Ps. 19,874,200 and Ps. 21,866,709, respectively.
- (6) Represents documented debt and PIDIREGAS.
- (7) Represents employee benefits plus provision for labor obligations upon retirement and other contingencies.
- (8) Represents unrealized proceeds and long-term debt. For further detail, see Notes 14 and 15 to our unaudited financial statements as of and for the six months ended June 30, 2013 and 2012, and Notes 16 and 17 to our financial statements as of and for the years ended December 31, 2012 and 2011.
- (9) Operating EBITDA equals operating income (loss) before depreciation and net cost of labor obligations. Operating EBITDA and the ratios of operating EBITDA to net interest expense, debt to operating EBITDA and debt to patrimony are presented in this offering memorandum because we believe that they are widely accepted as financial indicators of our ability to internally fund capital expenditures and service or incur debt. Operating 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 operating EBITDA to operating income (loss) is as follows:

	For the Six-Month Period Ended June 30,			For the Year Ended December 31,		
	2013	2013	2012	2012	2012	2011
	(in thousands of dollars)	(in thousands of pesos)		(in thousands of dollars)	(in thousands of pesos)	
Operating income (loss)	U.S.\$ (1,828,376)	Ps. (24,113,355)	Ps. 83,525	U.S.\$ (795,831)	Ps. (10,495,743)	Ps. (19,134,630)
Depreciation	1,376,370	18,152,122	16,483,244	2,657,287	35,045,369	33,477,627
Net cost of labor obligations ^(A)	1,084,901	14,308,103	10,053,420	1,749,571	23,074,046	33,389,224
Operating EBITDA	<u>U.S.\$ 632,895</u>	<u>Ps. 8,346,870</u>	<u>Ps. 26,620,189</u>	<u>U.S.\$ 3,611,027</u>	<u>Ps. 47,623,672</u>	<u>Ps. 47,732,221</u>

- (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.

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 offering memorandum, 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

Economic and political conditions and government policies in Mexico and elsewhere may have a material impact on CFE's operations and financial performance

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 and unemployment rates. In addition, the Mexican economy has experienced high levels of inflation and high interest rates in the past. In 2010, 2011, 2012 and the six-month period ended June 30, 2013, inflation in Mexico, as measured by the change in the national consumer price index, was 4.4%, 3.8%, 3.6% and 4.1%, respectively, and the average annualized interest rates on 28-day *Certificados de la Tesorería de la Federación* (Treasury bills, or “Cetes”) for the same periods were 4.4%, 4.2%, 4.2% and 4.1%, respectively. Future increases in inflation and interest rates may adversely affect our results of operations by increasing our operating costs, in particular the cost of labor, and our financing costs.

Mexican GDP growth during 2010 was driven largely by the increase in external demand on Mexico's manufacturing and services sectors that followed the fiscal and monetary stimulus programs implemented in many advanced economies and in some emerging market countries as a result of the global financial crisis of 2008 and 2009. The global economic recovery lost momentum during 2011 due to natural disasters in Asia, increases in cost of primary products in the first half of 2011 and the sovereign debt crisis in the Eurozone. Less favorable global economic conditions than expected in the first half of 2011, in particular decreased external demand in the United States, hindered the growth of the Mexican economy. During 2012, Mexican GDP growth was primarily driven by increases in external and domestic demand. During the six-month period ended June 30, 2013, Mexican GDP growth slowed as compared to the same period during 2012 as a result of the Mexican government's effort to manage inflation by restricting its spending. We cannot be certain that spending abroad or in Mexico will not be cut in the future. A worsening of global or Mexican financial or economic conditions, including 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 result in increased unemployment rates in Mexico, decreased per capita income in Mexico and increased costs of financing, among other things, any of which could adversely affect our results of operations and financial condition.

Political events in Mexico may significantly affect Mexican economic policy and, consequently, our operations. Presidential and federal congressional elections in Mexico were held on July 1, 2012. On December 1, 2012, Enrique Peña Nieto, a member of the *Partido Revolucionario Institucional* (Institutional Revolutionary Party, or the “PRI”) formally assumed office as the new President of Mexico, replacing Felipe de Jesús Calderón Hinojosa, a member of the *Partido Acción Nacional* (National Action Party, or the “PAN”). As a result of these elections, no political party holds a simple majority in either house of the Mexican Congress. The new administration and the Mexican Congress have enacted structural reforms and are discussing a number of additional structural reforms, including energy and fiscal reforms, that could affect economic conditions and the industry in which we operate in Mexico. Until any structural reform that impacts the industry in which we operate in Mexico is adopted, we do not know how these policies could impact our results of operations and financial condition.

Changes in exchange rates or in Mexico's exchange controls may adversely affect CFE's ability to service its 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, 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 may be subject to significant fluctuations in the future. Mexican government policies affecting the value of the peso could prevent us from paying our foreign currency obligations. During the period from December 31, 2010 to June 30, 2013, the value of the peso (in dollar terms) depreciated 5.5% and during the six-month period ended June 30, 2013, the peso depreciated 13.7%.

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 is denominated in dollars, and we may incur additional indebtedness denominated in dollars or other foreign currencies in the future. 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 by the Mexican government. As a result, our results of operations are closely linked to certain factors that are in the exclusive control of the Mexican government, such as the determination of electricity rates throughout Mexico. Consequently, a change in applicable law, regulations or policies in Mexico, 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 CFE—The Mexican Congress could open the electricity sector to further private sector participation, which could adversely affect our business and financial performance” and “Comisión Federal de Electricidad—General Regulatory Framework.”

Risk Factors Related to CFE

The Mexican government controls CFE and could limit CFE's ability to satisfy its 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 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.

We are subject to supervision and strict regulation by the Mexican government, and, under such regulation, the Minister of Energy acts as chairman of our board. Our activities are monitored by the Ministry of Energy, and our budget and financing plan must be submitted to and approved by the Ministry of Energy and by the Ministry of Finance. In addition, as a decentralized public entity of the Mexican government, our financing and investment plans are included in the overall public sector financing plans and expenditure budget, which require the approval of the Mexican Congress. As a result, our financing and payment capacity is directly aligned with that of 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. In addition, Mexico has in the past entered into agreements with official bilateral creditors to reschedule public sector external debt.

Payments that we make on our debt must be approved annually by the Mexican government

Provision for the payment of amounts under our indebtedness (including the notes) must be included in our budget for each fiscal year, which must be approved by the Ministry of Finance and, as part of the overall Mexican public sector budget, the Mexican Congress on a yearly basis. We cannot assure you that, for each fiscal year during the term of the notes, the Ministry of Finance and the Mexican Congress will approve the provision for the payment of our indebtedness that we include in our proposed budget or that such provision will be sufficient to meet our obligations under the notes.

Our operating costs are not fully covered by our electricity rates, which are set by the Mexican government; and, as a result, we rely on rate insufficiencies from the Mexican government to compensate us for increases in operating costs

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 with respect to our residential and agricultural customers. When this occurs, the Mexican government compensates us for any shortfall with rate insufficiencies that are recorded as non-cash transfers to us in our income statement. In 2011 and 2012, we recorded rate insufficiencies from the Mexican government in the amounts of Ps. 84,685.9 million and Ps. 77,036.2 million (U.S.\$ 5,841.2 million), respectively. For the six-month periods ended June 30, 2013 and 2012, we received rate insufficiencies from the Mexican government in the amounts of Ps. 57,016.1 million (U.S.\$ 4,323.2 million) and Ps. 33,139.2 million. If the Mexican government ceases to provide us with rate insufficiencies, our business, financial condition and results of operations may be adversely affected.

The rate insufficiencies are offset in whole or in part by a public use tax in amounts that are calculated as a percentage of our net fixed assets less the outstanding debt relating to such assets (9% for 2011, 2012 and the six-month periods ended June 30, 2013). During 2011 and 2012, we recorded public use taxes in the amounts of Ps. 57,292.2 million and Ps. 44,779.1 million (U.S.\$ 3,395.3 million), respectively. For the six-month period ended June 30, 2013, we recorded public use tax in the amount of Ps. 22,540.2 million (U.S.\$ 1,709.1 million) and Ps. 33,139.2 million. The amount by which rate insufficiencies exceed the public use tax, if any, is written off on our income statement. As a result, for the years ended December 31, 2012 and 2011 and the six-month periods ended June 30, 2013 and 2012, the insufficiency of our operating revenues to cover our operating costs had a negative impact on both our net loss and our cash flow. In the event that we continue to experience negative cash flow as a result of these items, we are permitted to request that the Mexican government increase the rates that we are permitted to charge our customers. However, if this request is not granted, or if the increase in rates is not sufficient to cover the shortfall between our revenues and expenses, our results of operations may be negatively affected and may result in us having negative equity. For more information relating to our rate insufficiencies and public use tax, see “Comisión Federal de Electricidad—Pricing Strategy, Rate Insufficiency and Public Use Tax.”

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 85.6% of our installed capacity for generation (including IPPs) as of June 30, 2013, was 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 (10-year) fuel oil supply contract. We currently purchase natural gas from PEMEX and other suppliers in Mexico (including Sempra LNG Marketing Mexico, S. de R.L. de C.V. and Gas Del Litoral S.A.) at indexed prices pursuant to long-term (15-year) contracts awarded pursuant to an international bidding process. For the six-month period ended June 30, 2013, fuel oil and natural gas accounted for approximately 64.9% and 16.8%, respectively, of the primary materials that we consume on an annual basis for the generation of electricity. As of June 30, 2013, approximately 5.0% of our installed capacity (including IPPs) 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 rising fuel prices, the electricity rates that we charge our industrial, commercial and high-consumption residential customers, which accounted for 76.1% of our revenues from electricity sales for the six-month period ended June 30, 2013, adjust 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.

CFE has substantial debt that could adversely affect its 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 the budgetary control of the Mexican government, we cannot exceed limits on net indebtedness established for us, which are reevaluated annually by the Mexican Congress based on our expected revenues.

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 decentralized public 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 were to be substantially reduced (unless the Mexican government were to formally assume or guarantee all of our obligations in writing or by official decree). We would have an obligation to offer to repurchase 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.

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 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 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. 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 the generation, transmission, and distribution of electricity, 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.

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 operations depend, to a certain extent, on adequate flows and supplies of water, as 21.6% of our total generation capacity is from hydroelectric sources. The energy generating capacity of our hydroelectric plants depends on hydrologic conditions and on the amount of rain in our areas of operations. If hydrologic conditions are not favorable, and if alternative sources of generation are not available to us at a low cost, our financial performance may be negatively affected.

The Mexican Congress could open the electricity sector to further private sector participation, which could adversely affect our business and financial performance

Pursuant to articles 25, 27 and 28 of the Mexican Constitution and articles 1 and 7 of the Electricity Law, the Mexican government has the exclusive authority to generate, transmit, transform, distribute and supply electric energy through public-sector entities. In 2009, the Mexican government liquidated LFC, the former public-sector entity that supplied electricity to the Mexico City metropolitan area (the Federal District of Mexico City and surrounding areas). As a result, CFE is the sole public-sector entity operating in the electricity sector and is responsible for the transmission and distribution of electric energy to all of Mexico. The 1992 amendments to the Electricity Law permit private sector investment in the generation of electricity, limited to the following forms: generation of independent electricity, self-supply and co-generation. However, the law does not permit the transmission and distribution of electric energy by any entity other than CFE.

In July and August 2013, separate energy reform bills were submitted to the Mexican Congress by President Enrique Peña Nieto, by the PAN and by the *Partido de la Revolución Democrática* (Democratic Revolution Party, or the “PRD”). Both the bill submitted by President Peña Nieto and the bill submitted by the PAN propose certain amendments to the Mexican Constitution. The bill submitted by the PRD contemplates amendments to certain laws and regulations but does not propose amending the Mexican Constitution. The Mexican Congress is currently reviewing the proposed bills. Each of the bills, to a different degree, aims to open certain areas of the energy generation and distribution sector to private investment, which could result in increased efficiency in our operations, but could also result in increased competition in some of the sectors in which we operate which, in turn,

may have an adverse effect on our business, financial condition and results of operations. As of the date of this offering memorandum, we do not know whether an energy reform bill will be passed or, if passed, what the final provisions will be.

If reforms to the current legislation in Mexico, such as those discussed in the paragraph above, were to permit the unrestricted private participation in the generation and distribution of energy, and if the Mexican government did not grant us the ability to compete under similar conditions, our operations could be adversely affected. Moreover, we would have an obligation to offer to repurchase the notes early in the event that we cease to generate, transmit and distribute at least 60% of the electricity generated, transmitted and distributed in Mexico and certain of our other financing agreements have similar provisions. We cannot assure you that we would have the resources available to repurchase the notes early if such an event were to occur.

We may not be successful in implementing our business strategies

As part of our overall business strategy, and in connection with POISE, we plan to undertake new, or expand ongoing, projects such as 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.

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

As of June 30, 2013, approximately 80.0% of our employees were members of the union *Sindicato Único de Trabajadores Electricistas de la República Mexicana* (Sole Union for Electrical Workers of the Mexican Republic, or “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, 2013, we recorded a liability of Ps.487.1 billion on our balance sheet in respect of our future employee short-term and long-term benefits obligations, which represented approximately 54.0% of our total liabilities. Any inability of CFE 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, 2013, we had 12,049 labor-related lawsuits filed against us by current and past employees. As of June 30, 2013, we had established a provision included in the liability for employee benefits of Ps. 2,757 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

There is no established trading market for the notes. Application has been made to have the notes listed on 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 state securities laws, and we are not required to make and currently do not plan on making any such registration in the immediate future. 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 state securities laws. 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 bankruptcy laws in Mexico, and our assets cannot be attached by creditors

As a decentralized public entity of the Mexican government, we are not subject to the *Ley de Concursos Mercantiles* (Commercial Bankruptcy Act), and thus, we cannot be declared bankrupt (*concurso mercantil*). Under applicable Mexican law, we may be liquidated and dissolved by the Mexican government if we cease to fulfill the purpose for which we were created or if our operations cease to benefit the Mexican economy or public interest. In the event that we are liquidated and dissolved by the Mexican government, it is uncertain whether or to what extent the rights of holders of the notes would be honored.

Under the *Ley General de Bienes Nacionales* (National Assets General Act), the assets that we use to provide electric energy to Mexico are considered assets for the public service and, therefore, cannot be attached. As a result, a Mexican court would not recognize an attachment order against such assets. In addition, Article 4 of the Code of Civil Procedure does not allow attachment prior to judgment or attachment in aid of execution upon a judgment by Mexican courts upon any of our assets. 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 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."

Recent federal court decisions in New York create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of issuers such as CFE to restructure their debt.

CFE is a decentralized public entity of the Mexican Government that cannot be subject to a bankruptcy proceeding under the *Ley de Concursos Mercantiles* (Commercial Bankruptcy Law of Mexico) because it is inapplicable to this kind of governmental entity. Accordingly, to the extent not regulated otherwise as a result of specific legislative action in Mexico (including legislative action approving its dissolution and liquidation), any future debt restructuring of CFE will require the consent of creditors based on the consent provisions of its financing instruments.

In ongoing litigation in federal courts in New York captioned *NML Capital, Ltd. v. Republic of Argentina*, the U.S. Court of Appeals for the Second Circuit has ruled that the ranking clause in bonds issued by Argentina prevents Argentina from making payments on bonds unless it makes *pro rata* payments on defaulted debt that ranks *pari passu* with the performing bonds. The court stayed the effect of such ruling pending the appeals process.

Depending on the scope of the final decision, a requirement of ratable payments could potentially hinder or impede future debt restructurings and distressed debt management conducted based upon the initiative of a debtor, unless debtors such as CFE obtain the requisite creditor consents, including pursuant to any applicable collective action clauses contained in their notes. See "Description of Notes—Modification and Waiver." CFE cannot predict whether or in what manner the courts will resolve this dispute or how any such judgment will be applied or implemented.

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

We are a decentralized public entity of the Mexican government. Accordingly, holders of notes may not be able to obtain a judgment in a U.S. court against us unless the U.S. court determines that we are not entitled to sovereign immunity with respect to that action. 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 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 offering memorandum, 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.

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.\$ 1,239.3 million. We intend to use the net proceeds from the offering of the notes to prepay all amounts outstanding under our U.S.\$ 1.25 billion syndicated credit facility and for general corporate purposes in accordance with the Mexican laws and regulations applicable to us.

Our U.S.\$ 1.25 billion syndicated credit facility provides for revolving loans, which bear interest at the LIBOR rate plus 1.15% per annum, but we are generally permitted to make prepayments without penalty. Affiliates of the initial purchasers are lenders under this facility.

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 offering memorandum 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
2008.....	13.833	11.144	13.918	9.918
2009.....	13.066	13.498	15.365	12.597
2010.....	12.350	12.629	13.182	12.158
2011.....	13.948	12.430	14.244	11.502
2012.....	12.966	13.169	14.395	12.630
Monthly (2013)				
January.....	12.709	12.699	12.802	12.587
February.....	12.780	12.723	12.868	12.629
March.....	12.361	12.525	12.801	12.355
April.....	12.146	12.205	12.344	12.069
May.....	12.804	12.311	12.804	11.981
June.....	13.028	12.960	13.404	12.692
July.....	12.846	12.766	13.057	12.498
August.....	13.342	12.918	13.342	12.567
September.....	13.175	13.076	13.349	12.718
October (through October 16).....	12.882	13.096	13.266	12.882

⁽¹⁾ The average of the exchange rate for Pesos on the last day of each full month during the relevant period.
Source: *Banco de México*

The exchange rate published by *Banco de México* on October 15, 2013 was 12.882 pesos per dollar.

CAPITALIZATION

The following table sets forth our consolidated capitalization under IFRS (1) on an actual basis as of June 30, 2013 and (2) as adjusted to reflect the issuance and sale of the notes, but not the use of proceeds therefrom.

As of June 30, 2013							
		Actual		As Adjusted for this Offering		As Adjusted for this Offering	
		(in thousands of Mexican pesos)	(in thousands of dollars) ⁽¹⁾	(in thousands of Mexican pesos)		(in thousands of dollars) ⁽¹⁾	
Debt							
Current portion of long-term debt.....		Ps. 37,858,217	U.S.\$ 2,870,569	Ps. 37,858,217	U.S.\$ 2,870,569		
Current portion of PIDIREGAS.....		15,645,224	1,186,287	15,645,224	1,186,287		
Total short-term debt		53,503,441	4,056,856	53,503,441	4,056,856		
Documented debt		86,410,985	6,552,045	86,410,985	6,552,045		
4.875% Notes due 2024 offered hereby		—	—	16,485,500	1,250,000		
PIDIREGAS		163,591,441	12,404,192	163,591,441	12,404,192		
Total long-term debt.....		250,002,426	18,956,236	266,487,926	20,206,237		
Total debt		Ps. 303,505,867	U.S.\$ 23,013,092	Ps. 319,991,367	U.S.\$ 24,263,093		
Equity							
Final accumulated patrimony		Ps. 109,144,215	U.S.\$ 8,275,774	Ps. 109,144,215	U.S.\$ 8,275,774		
Derivative financial instruments		530,480	40,223	530,480	40,223		
Net loss for the period.....		(35,519,548)	(2,693,242)	(35,519,548)	(2,693,242)		
Total patrimony		74,155,147	5,622,755	74,155,147	5,622,755		
Total capitalization (total debt and patrimony).....		Ps. 377,661,014	U.S.\$ 28,635,848	Ps. 394,146,514	U.S.\$29,885,848		

(1) Peso amounts have been translated into dollars, solely for the convenience of the reader, at the peso/dollar exchange rate as of June 30, 2013 of Ps. 13.1884 = U.S.\$ 1.00 as published by *Banco de México*.

There has been no material change in our capitalization since June 30, 2013.

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 financial statements and related notes thereto included elsewhere in this offering memorandum and should also be read in conjunction with "Presentation of Financial Information," "Summary—Summary Financial and Operating Data" and other financial information contained in this offering memorandum.

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 4 to our financial statements as of and for the years ended December 31, 2012 and 2011.

Basis of Consolidation

The unaudited financial statements of the three trusts of which CFE has control were consolidated in accordance with IFRS 10, "Consolidation of Financial Statements."

Recognition of the Impact of Inflation.

Pursuant to IAS 29, "Financial Information in Hyperinflationary Economies," the impact of inflation is recognized in the financial statements when inflation accumulated in the last three years equals 100%. Accumulated inflation for the last three years was 12.16% and, accordingly, the economic environment is classified as non-inflationary and we have not recognized the impact of inflation in our 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.

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 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, which are determined by CFE-employed specialists as follows:

	Annual rate %
Geothermal power stations	From 2 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 2.86
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	10
Transportation equipment	20
Other private property	10

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.

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 2000, IPPs have been permitted to sell power produced by them to CFE. Of the 25 contracts between CFE and IPPs, we determined that 22 of these contracts 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 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 on the Distributable Remaining Balance

Under the Mexican Income Tax Law, we are only required to pay income tax on distributable surplus payments to third parties. As a result of the foregoing, we determine value, disclose and record an income tax provision on the distributable balance in our financial statements.

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:

- Public use taxes payable to the Mexican government. In accordance with Article 46 of the *Ley del Servicio Publico de Energia Electrica* (the Electric Power Utilities Law, or the "LSPEE"), effective December 28, 1992, we are bound to the payment of a public use tax to the Mexican government on the assets that it uses for rendering the electric power utilities service. The amount of any public use tax is determined based on the profitability rate established by state-owned entities every year. For the six month period ended June 30, 2013 and 2012, a 9% rate was ratified by the Ministry of Finance. That rate is applied to the value of the net fixed assets in operation during the immediately preceding fiscal year. The resulting amount is charged to income for the year. The public use tax represents a decrease in profit for CFE as a result of a payment to the Mexican government, which is why it is recorded as an operating expense. This public use tax is offset against the rate insufficiency determined to supplement the revenue. Consequently, there is no payment made to the Mexican government. 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 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 Article 1 of the *Ley de Ingresos de la Federacion* (the “Federal Revenue Law”), the Ministry of Finance can impose a public use tax on the invested equity which, if applicable, should be paid to the Mexican government and recorded as a decrease in patrimony. Similarly, the executive branch of the Mexican government can determine its reinvestment annually in entities as an equity contribution for CFE; therefore, the unrecoverable surplus of the rate insufficiency is recorded as revenue, and it is recognized and written off in our financial statements.
- Contributions received from the Mexican government and 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.

Comprehensive Income (Loss)

The comprehensive gain (loss) presented in the consolidated statement of changes in equity consists of the net income for the year and other items that represent a gain or loss for the same year which, in accordance with IAS 1, “Presentation of Financial Statements,” is presented in equity and the consolidated statement of comprehensive income.

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 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.

Mexican GDP growth during 2010 was driven largely by the increase in external demand in Mexico's manufacturing and services sectors that followed the fiscal and monetary stimulus programs implemented in many advanced countries, including the United States, and in some emerging market countries as a result of the global financial crisis. The global economic recovery lost momentum during 2011 due to natural disasters in Asia, increases in cost of primary products in the first half of 2011 and the sovereign debt crisis in the Eurozone. Less favorable global economic conditions than expected in the first half of 2011, in particular decreased external demand in the United States, hindered the growth of the Mexican economy. During 2012, Mexican GDP growth was primarily driven by increases in external and domestic demand. During the six-month period ended June 30, 2013, GDP growth slowed as compared to the same period during 2012 as a result of the Mexican government's effort to manage inflation by restricting its spending.

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, 2008 through 2012
and for the Six-Month Period Ended June 30, 2013**

	2008	2009	2010	2011	2012	June 2013
Real GDP (% change) ¹	1.2	(6.1)	5.4	3.9	3.9	0.8*
National consumer price index (% change) ²	6.5	3.6	4.4	3.8	3.6	1.3
National producer price index (% change) ²	7.8	4.1	4.7	7.8	1.2	1.0
Merchandise export growth (% change) ²	7.2	(21.1)	29.9	17.1	6.1	0.6
Interest rates (average % based on 28-day <i>Cetes</i>) ¹	7.7	5.4	4.4	4.2	4.2	3.9
Change in Electricity Demand in Mexico (% change) ³	3.4	(0.3)	5.2	5.5	4.4	4.6

* Projection based on first quarter data.

Sources:

¹ *Banco de México*.

² *INEGI (National Institute of Statistics and Geography)*.

³ *POISE 2012 – 2026 variation in gross MW demand*.

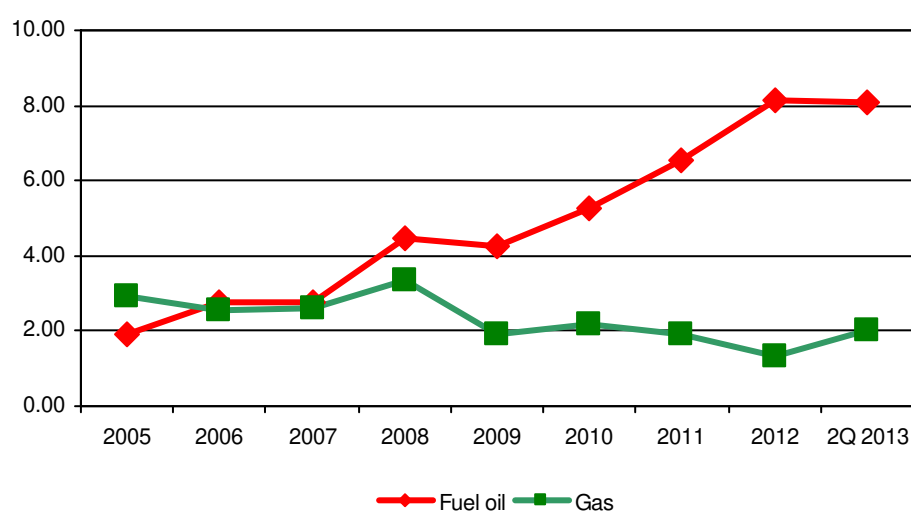
Changes in the Prices of Electricity, Fuel Oil and Natural Gas Paid by CFE

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 six-month period ended June 30, 2013, fuel oil represented 64.9% of the various primary sources on which we rely for our generation activities and natural gas represented 16.8%. 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. Our budget for expenditures, which includes the cost of fuel oil and natural gas, takes into account forecasted prices of fuel for the coming year, and it must be approved on an annual basis by the Mexican Congress. If our aggregate fuel costs exceed our annual budget, we must submit a request to the Ministry of Finance to increase our rates.

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. For further discussion on our purchasing of fuel oil and natural gas, see “Risk Factors—Risks Factors Related to CFE—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, between 2005 and the second quarter of 2013:

Fuel Oil and Natural Gas Prices Paid by CFE
(pesos per M3)



Source: CFE.

The electricity rates we charge to customers are set annually by the Ministry of Energy and the Ministry of Economy and approved by the Ministry of Finance in consultation with us. Electricity rates also 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 consumed. For more information on pricing, see “Comisión Federal de Electricidad—Pricing Strategy, Rate Insufficiency and Public-Use Tax.”

Changes in Interest Rates

As of June 30, 2013, we had approximately Ps. 303,506 million (U.S.\$ 23,013 million) of total indebtedness, of which approximately Ps. 118,258 million (U.S.\$ 8,967 million) 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 4.8% of our floating rate peso-denominated debt and approximately 4.2% 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 (representing 37.4% of our total indebtedness as of June 30, 2013). 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, which is discussed in more detail under “—Derivatives and Hedging—Foreign Exchange Rate Risk,” but the majority of our dollar-denominated debt is not swapped into pesos.

Employee Benefits

As of August 31, 2013, approximately 80.0% 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 collective bargaining agreement with SUTERM, while wages are reviewed on an annual basis. The next renegotiation of the terms of our collective bargaining agreement will be in May 2014.

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 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 June 30, 2013, our obligations in respect of employee benefits for employees that were employed as of or prior to August 18, 2008 represented approximately 54.0% of our total liabilities. See “Risk Factors—Risks Related to CFE—Labor unrest, employee benefits obligations and labor-related lawsuits may adversely affect our business, financial condition and results of operations.”

Results of Operations

Six-Month Period Ended June 30, 2013 Compared to Six-Month Period Ended June 30, 2012

Revenue on Sale of Electric Power

During the six-month period ended June 30, 2013, we reported revenue on sale of electric power of Ps. 154,492.4 million (U.S.\$ 11,714.3 million), which represented a 1.2% increase as compared to our revenues from electricity sales of Ps. 152,529.4 million for the same period in 2012. Our revenue increased as a result of a 0.2% increase in the volume of electricity sold. This modest increase was largely the result of modest growth in economic activity, which was partially offset by a 1.8% decrease in the volume of electricity sold to our industrial customers.

The average price per kWh of our electricity retail sales increased by 0.13%, from Ps. 1.486 per kWh in the six-month period ended June 30, 2012 to Ps. 1.488 per kWh for the same period in 2013, mainly due to a moderate increase in the average price of electricity charged to our industrial and commercial customers, which are two of our largest customer types (together representing 73.1% of our electricity revenues for the six-month period ended June 30, 2013). This increase in the prices can be attributed to increases in prices of fuel oil and natural gas. During the six-month period ended June 30, 2013, we sold 100,660 GWh of electricity, which was a slight increase in total sales volume as compared to the same period in 2012 (100,453 GWh). Of this total, 100,023 GWh, or 99.4%, were sold directly to customers and 637 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 the six-month period ended June 30, 2013 as compared to the same period in 2012 (excluding revenues that derive from (i) exports and (ii) domestic sales for which the billing process is still ongoing), was as follows: industrial customers 60.5% in 2013 as compared to 60.5% in 2012; residential customers 18.3% in 2013 as compared to 19.3% in 2012; commercial customers 12.6% in 2013 as compared to 12.6% in 2012; agricultural customers 2.4% in 2013 as compared to 2.2% in 2012; and service customers 6.2% in 2013 as compared to 5.4% in 2012.

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, 2013, as compared to the same period in 2012, is set forth in the following table.

	Six-Month Period Ended June 30,		% Change
	2013	2012	
Customer Type	(in millions of pesos)		
Residential	Ps. 27,278.8	Ps. 28,663.2	(4.8)
Commercial.....	18,725.8	18,671.2	0.3
Agricultural.....	3,605.8	3,239.4	11.3
Industrial	90,027.0	89,869.4	0.2
Services.....	9,210.7	8,102.1	13.7
Total⁽¹⁾	Ps. 148,848.1	Ps. 148,545.3	0.2

⁽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 Costs and Operating Expenses

Our costs of generating, transmitting and distributing electricity (collectively, “exploitation costs”) increased by 18.1% in the six-month period ended June 30, 2013 as compared to the same period in 2012, mainly due to higher prices of natural gas and fuel oil. Our total costs and operating expenses, which include exploitation costs, depreciation, administrative expenses and costs related to our reserve for pension and seniority premiums, or “labor obligation costs,” increased by 17.2% in the six-month period ended June 30, 2013 as compared to the same period in 2012. This was due primarily to higher prices of natural gas, which increased by 49%, and higher costs related to our reserve for pension and seniority premiums, which increased by 19%.

The table below presents our costs and expenses for the six-month period ended June 30, 2013 as compared to the same period of 2012.

Total Costs and Operating Expenses

	Six-Month Period Ended June 30,		% Change
	2013	2012	
	(in millions of pesos)		
Labor costs	Ps. 20,717.1	Ps. 19,446.9	6.5
Fuel.....	93,855.5	82,506.1	13.8
Maintenance and services	6,165.0	4,973.4	24.0
Maintenance materials.....	4,550.9	4,426.6	2.8
Taxes and duties	2,597.0	2,419.8	7.3
Other.....	5,996.6	(196.8)	N/A
Complementary account ⁽¹⁾	<u>(1,427.0)</u>	<u>(1,451.6)</u>	(1.7)
Total generation, transmission and distribution costs	<u>132,455.1</u>	<u>112,124.5</u>	18.1
Depreciation	18,152.1	16,483.2	10.1
Administrative expenses.....	2,980.7	2,806.9	6.2
Labor obligation costs (Actuarial)	<u>25,017.9</u>	<u>21,031.3</u>	19.0
Total costs and operating expenses.....	<u>Ps. 178,605.8</u>	<u>Ps. 152,445.9</u>	17.2

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

Operating (Loss) Income

We had Ps. 83.5 million income in the six-month period ended June 30, 2012 compared to a loss of Ps. 24,113.4 million (U.S.\$ 1,828.4 million) for the same period in 2013. While total revenue has remained relatively stable due to modest increases in tariffs and volume, our generation, transmission and distribution costs have increased substantially. This increase has been driven, in particular, by increases in the cost of fuel, which increased by Ps. 11,349.4 million (U.S.\$ 860.6 million), maintenance, which increased by Ps. 1,315.9 million (U.S.\$ 99.8 million) uncollectible receivables, which increased by Ps. 4,507.3 million (U.S.\$ 341.8 million) and labor obligations, which increased by Ps. 3,986.6 million (U.S.\$ 302.3 million) for the period.

As a result of the increase in our operating loss, our net operating margin decreased from 0.05% for the six-month period ended June 30, 2012 to negative 15.6% for the same period in 2013.

The following table sets forth our non-operating revenues, costs and expenses for the six-month period ended June 30, 2013 as compared against to the same period for 2012:

Non-Operating Revenues, Costs and Expenses

	Six-Month Period Ended June 30,		% Change
	2013	2012	
	(in millions of pesos)		
Other (expenses) income, net.....	Ps. 2,186.2	Ps. (23.7)	N/A
Income tax on distributable remaining balance.....	(634.4)	(587.8)	7.9
Rate insufficiency	57,016.1	33,139.2	72.1
Public use taxes.....	(22,540.2)	(33,139.2)	(32.0)
Write-off of rate insufficiency not covered by public use tax ..	(34,475.9)	—	N/A
Financial cost:			
Interest payable, net	(10,615.3)	(9,070.3)	17.0
Exchange (loss), gain, net	(2,342.7)	7,704.5	(130.4)
	(12,958.0)	(1,365.8)	848.7
Non-operating loss	Ps. (11,406.2)	Ps. (1,977.3)	476.9

Source: CFE.

Other (Expenses) Income, Net

Other (expenses) income, net reflects miscellaneous revenues, such as rental payments from telecommunications companies for their use of CFE's transmission towers and distribution poles, and miscellaneous expenses, such as expenses relating to abandoned projects. Other (expenses) income, net increased from an expense of Ps. 23.7 million for the six months ended June 30, 2012 to income of Ps. 2,186.2 million for the same period in 2013, mainly due to the recovery of insured losses and penalties to suppliers and a decrease in asset write-offs.

Income Tax on the Distributable Remaining Balance

Under the Mexican Income Tax Law, we are only required to pay income tax on distributable remaining balance payments to third parties. Our income tax on distributable remaining balance increased by 7.9%, from Ps. 587.8 million for the six-month period ended June 30, 2012 to Ps. 634.4 million for the same period in 2013, due to a moderate increase in payments to third parties.

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 provides us with rate insufficiencies. Total rate insufficiencies from the Mexican government increased from Ps. 33,139.2 million for the six-month period ended June 30, 2012 to Ps. 57,016.1 million (U.S.\$ 4,323.2 million) for the same period in 2013, representing an increase of 72.1%. This increase was driven by the insufficiency of electricity rates applicable to certain customer sectors, such as residential and agricultural, as a result of the increase in the cost of fuels during the six-month period ended June 30, 2013. The public use tax payable to the Mexican government decreased from Ps. 33,139.2 million in the six-month period ended June 30, 2012 to Ps. 22,540.2 million (U.S.\$ 1,709.1 million) for the same period in 2013, representing a decrease of 32.0%, as a result of a revision to the formula by which we calculate our net fixed assets.

The difference between the rate insufficiency and the public use tax for the six-month period ended June 30, 2013 was Ps. 34,475.9 million (U.S.\$ 2,614.1 million). 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. 1,365.8 million for the six-month period ended June 30, 2012 to a cost of Ps. 12,957.9 million (U.S.\$ 982.5 million) for the same period in 2013. This increase was due primarily to a significant loss resulting from foreign exchange, which changed from a gain of Ps. 7,704.5 million for the six-month period ended June 30, 2012 to a loss of Ps. 2,342.7 million (U.S.\$ 177.6 million) for the same period in 2013.

Net Loss

Net loss increased from Ps. 1,893.8 million for the six-month period ended June 30, 2012 to a loss of Ps. 35,519.5 million (U.S.\$ 2,693.2 million) for the same period in 2013. This increase in net loss resulted primarily from the increases in financial cost and our operating loss, which was partially offset by an increase in other (expenses) income, net.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenues on Sale of Electric Power

During 2012, we reported revenue from a sale of electric power of Ps. 311,020.9 million (U.S.\$ 23,582.9 million), which represented a 6.5% increase as compared to our revenue on sale of electric power of Ps. 291,939.1 million for 2011. Our revenue on sale of electric power increased as a result of an increase in electricity tariffs applied mainly to our industrial and commercial customers, two of our largest customer types. The increase in these tariffs was primarily the result of an increase in the prices of fuel oil and natural gas.

The average price per kWh of our electricity retail sales increased by 4.3%, from Ps. 1.409 per kWh in 2011 to Ps. 1.470 per kWh in 2012, mainly due to tariff adjustments in connection with the increase in the cost of fuel oil and natural gas. During 2012, we sold 207,281 GWh of electricity, a 2.6% increase as compared to 2011, due to an increase in the amount of electricity that was demanded by consumers. Of this total, 206,479 GWh, or 99.6%, were sold directly to customers and 802 GWh, or 0.4%, were exported (mainly to Central America).

The percentage of our revenue on sale of electric power attributable to retail sales of electricity to each of our customer segments during 2012 as compared to 2011 (excluding revenues that derive from (i) exports and (ii) domestic sales for which the billing process is still ongoing), was as follows: industrial customers 59.9% in 2012 as compared to 58.7% in 2011; residential customers 19.8% in 2012 as compared to 21.1% in 2011; commercial customers 12.9% in 2012 as compared to 12.7% in 2011; agricultural customers 2.0% in 2012 as compared to 2.1% in 2011; and service customers 5.4% in 2012 as compared to 5.3% in 2011.

Revenues on sale of electric power attributable to direct sales of electricity to each of our customer types during 2012 as compared to 2011, is set forth in the following in the table.

	Year Ended December 31,		% Change
	2012	2011	
Customer Type	(in millions of pesos)		
Residential.....	Ps. 59,974.3	Ps. 59,821.7	0.3
Commercial.....	39,087.7	36,068.1	8.4
Agricultural.....	6,082.2	5,888.0	3.3
Industrial.....	181,811.3	166,219.6	9.4
Services.....	16,510.6	15,122.8	9.2
Total⁽¹⁾.....	Ps. 303,466.1	Ps. 283,120.3	7.2

⁽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 Costs and Operating Expenses

Our exploitation costs increased by 7.6% in 2012 as compared to 2011, mainly due to higher prices of natural gas and fuel oil, increased costs attributable to maintenance and labor and increased production of electricity that corresponded to economic growth in Mexico. Our total costs and operating expenses, which include exploitation costs, depreciation, administrative expenses and the estimated actuarial cost of labor obligations, increased by 3.4% in 2012 as compared to 2011, primarily as the result of increased operating costs, which were partially offset by a 15.1% decrease in the estimated actuarial cost of labor obligation.

The table below presents our costs and expenses for 2011 as compared to 2012.

Total Costs and Operating Expenses

	Year Ended December 31,		% Change
	2012	2011	
	(in millions of pesos)		
Labor costs.....	Ps. 40,756.8	Ps. 36,723.3	11.0
Fuel.....	173,866.5	157,781.7	10.2
Maintenance and services	15,442.4	14,349.4	7.6
Maintenance materials.....	9,219.3	7,914.9	16.5
Taxes and duties	5,456.6	4,915.5	11.0
Other.....	4,733.2	4,424.8	7.0
Complementary account ⁽¹⁾	(3,105.8)	(2,914.5)	6.6
Federal government transfer to cover cost of fuels	(11,395.2)	(4,785.4)	138.1
Total generation, transmission and distribution.....	Ps. 234,973.8	Ps. 218,409.7	7.6
Depreciation	35,045.4	33,477.6	4.7
Administrative expenses.....	6,556.7	6,289.9	4.2
Labor obligation costs (Actuarial)	44,940.7	52,896.6	(15.0)
Total costs and operating expenses.....	Ps. 321,516.6	Ps. 311,073.8	3.4

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

Source: CFE.

Operating (Loss) Income

Our operating loss decreased from Ps. 19,134.6 million in 2011 to Ps. 10,495.7 million (U.S.\$ 795.8 million) in 2012, representing a decrease of 45.1% in 2012. This decrease was primarily the result of an increase in our revenue on a sale of electric power and a decrease in the estimated actuarial cost of labor obligations, which was partially offset by an increase in the cost of energy, mainly natural gas and fuel oil.

The following table sets forth our non-operating revenues, costs and expenses for 2012 as compared to 2011:

Non-Operating Revenues, Costs and Expenses

	Year Ended December 31,		% Change
	2012	2011	
	(in millions of pesos)		
Other (expenses) income, net	Ps. 3,789.0	Ps. 879.1	331.0
Income tax on distributable remaining balance	(1,579.6)	(1,489.6)	6.0
Rate Insufficiency	77,036.2	84,685.9	(9.0)
Public use taxes	(44,779.1)	(57,292.2)	(21.8)
Write-off of rate insufficiency not covered by public use tax	(32,257.1)	(27,393.7)	17.8
Financial cost:			
Interest payable, net.....	(21,457.8)	(17,984.8)	19.3
Exchange gain (loss), net.....	10,528.5	(22,766.0)	N/A
	(10,929.3)	(40,750.8)	(73.2)
Non-operating loss	Ps. (8,719.9)	Ps. (41,361.2)	(78.9)

Source: CFE.

Other (Expenses) Income, Net

Other (expenses) income, net, reflects miscellaneous revenues, such as rental payments from telecommunications companies for their use of CFE's transmission towers and distribution lines, and miscellaneous expenses, such as expenses relating to abandoned projects. Other (expenses) income, net, increased significantly from Ps. 879.1 million in 2011 to Ps. 3,789.0 million in 2012.

Income Tax on the Distributable Remaining Balance

Under the Mexican Income Tax Law, we are only required to pay income tax on distributable remaining balance payments to third parties. Our income tax on distributable remaining balance increased by 6.0%, from Ps. 1,489.6 million in 2011 to Ps. 1,579.6 million in 2012, due to an increase in payments to third parties.

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 provides us with rate insufficiencies. Total rate insufficiencies from the Mexican government decreased from Ps. 84,685.9 million for the year ended December 31, 2011 to Ps. 77,036.2 million (U.S.\$ 5,841.2 million) for the year ended December 31, 2012 as a result of higher tariffs charged during 2012. The public use tax payable to the Mexican government decreased 21.8% from Ps. 57,292.2 million in 2011 to Ps. 44,779.1 million (U.S.\$ 3,395.3 million) in 2012 as a result of a revision to the formula by which we calculate our net fixed assets.

The amount by which subsidies for rate insufficiency exceeded the public use tax increased 17.8%, from Ps. 27,393.7 million in 2011 to Ps. 32,257.1 million (U.S.\$ 2,445.9 million) in 2012. In accordance with IFRS and our accounting policies, this amount was written off as a loss on our 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 decreased 73.2% from a cost of Ps. 40,750.8 million in 2011 to a cost of Ps. 10,929.3 million (U.S.\$ 828.7 million) in 2012. The decrease in financial cost was due primarily to a foreign exchange gain Ps. 10,528.5 million compared to a foreign exchange loss of Ps. 22,766.0 million in 2011.

Net Loss

Net loss decreased 68.2%, from Ps. 60,495.8 million in 2011 to Ps. 19,215.6 million (U.S.\$ 1,457.0 million) in 2012. Net loss during 2011 increased sharply as consequence of the depreciation of the peso against the dollar. See Note 29 to the financial statements for the years ended December 31, 2012 and 2011 for a breakdown of the effects that such adoption had on our net result for 2011.

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 sub-stations 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, 2012, our cash flow provided by operating activities was Ps. 54,847.6 million (U.S.\$ 4,158.8 million) and our cash flow used in financing activities was Ps. 7,626.7 million (U.S.\$ 578.3 million), as the incurrence of new debt was exceeded by the repayment of outstanding debt (principal and interest) during the period. For the six-month period ended June 30, 2013, our cash flow provided by operating activities was Ps. 19,447.6 million (U.S.\$ 1,474.6 million) and our cash flow used in financing activities was Ps. 8,116.9 million (U.S.\$ 615.5 million), as the incurrence of new debt was exceeded by the repayment of outstanding debt (principal and interest) during the period.

As of December 31, 2012, we had working capital of Ps. 20,531.6 million (U.S.\$ 1,556.8 million) and as of June 30, 2013, we had a working capital deficit of Ps. 17,244.8 million (U.S.\$ 1,307.6 million). The decrease in our working capital during the six-month period ended June 30, 2013 was due primarily to the increase in short-term debt, which increased from Ps. 15,047.5 million (U.S.\$ 1,140.9 million) to Ps. 37,858.2 million (U.S.\$ 2,870.6 million), an increase of 151.6% (in dollar terms), primarily due to the reclassification of our U.S. \$1.25 billion syndicated credit facility as short-term debt. We believe that our working capital, which will include a portion of the proceeds from the offering of the notes as described above under "Use of Proceeds," will be sufficient to cover our current requirements.

The following table sets forth the maturity composition of our short- and long-term debt as of June 30, 2013, excluding IPPs.

		Payments Due by December 31 of Each Year (as of June 30, 2013)					2018 and beyond
		2013	2014	2015	2016	2017	
Total							
		(in millions of pesos)					
Total debt.....	Ps. 217,087.0	Ps. 14,152.5	Ps. 61,505.6	Ps. 18,412.4	Ps. 11,860.4	Ps. 8,448.5	Ps. 102,707.6

We have a total amount of Ps. 14,152.5 million (U.S.\$ 1,073.1 million) in debt that will come due in 2013, 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. 214,407.6 million (U.S.\$ 16,257.3 million) at December 31, 2012 compared to total indebtedness (including obligations in respect of PIDIREGAS) of Ps. 194,894.0 million as of December 31, 2011, representing an increase of 10.0%.

We had total indebtedness (including obligations in respect of PIDIREGAS) of Ps. 217,087.0 million (U.S.\$ 16,460.5 million) as of June 30, 2013 compared to total indebtedness (including obligations in respect of PIDIREGAS) of Ps. 214,407.6 million as of December 31, 2012, representing an increase of 1.3%.

The major categories of our indebtedness are as follows:

Total Indebtedness					
	As of June 30,		As of December 31		
	2013		2012		2011
(in millions of pesos)					
Domestic Debt					
Bank Loans	Ps. 30,567		Ps. 37,000		Ps. 26,000
Export Credit Agency Loans.....	-		15		2,050
Bonds (<i>Certificados Bursátiles</i>)	<u>41,000</u>		<u>29,000</u>		<u>29,000</u>
Total Domestic Debt.....	71,567		66,015		57,050
External Debt					
Bank Loans	Ps. 18,250		Ps. 18,595		Ps. 30,510
Export Credit Agency Loans.....	5,184		6,161		7,821
Bonds	<u>29,268</u>		<u>28,928</u>		<u>20,733</u>
Total External Debt.....	52,702		53,684		59,064
PIDIREGAS Obligations					
Domestic	Ps. 64,402		Ps. 64,531		Ps. 49,184
External	Ps. 28,416		Ps. 30,178		Ps. 29,596
Total Debt and PIDIREGAS Obligations.....	Ps. 217,087		Ps. 214,408		Ps. 194,894

Source: CFE.

For a breakdown of our indebtedness by currency, see Note 12 to our audited financial statements as of and for the years ended December 31, 2012 and 2011 and Note 10 to our unaudited financial statements as of June 30, 2013 and for the six-month periods ended June 30, 2013 and 2012.

As of December 31, 2012, 60.9% of our total indebtedness was denominated in Mexican pesos and 39.1% was denominated in other currencies (primarily U.S. dollars). Our currency hedging practices are described under “—Derivatives and Hedging.”

As of December 31, 2012, 59.9% of our debt obligations bore interest at floating rates. The weighted average cost of all borrowed funds as of December 31, 2012 (including interest and reimbursement of certain lenders for Mexican taxes withheld, but excluding fees and the effect of interest-rate swaps) was approximately 4.8%. 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, 2012 would increase such cost by 0.5% to approximately 5.3%. Such cost does not include the effect of exchange rate variations. We have not pledged any assets as security for our debt.

Conditioned Investment Liabilities (IPPs)

In addition to our indebtedness discussed above, as of June 30, 2013 we had 22 IPP contracts with lease characteristics that 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. We recorded the following as conditioned investment liabilities in respect of these 22 IPP contracts:

Conditioned Investment Liabilities (IPPs)

	As of June 30,		As of December 31,	
	2013	2013	2012	2011
	(in thousands of dollars)	(in thousands of pesos)	(in thousands of pesos)	(in thousands of pesos)
Short-term.....	U.S.\$ 166,257	Ps. 2,192,662	Ps. 2,053,048	Ps. 1,990,341
Long-term.....	6,386,388	84,226,210	84,197,297	92,749,236
Total.....	U.S.\$ 6,552,645	Ps. 86,418,872	Ps. 86,250,345	Ps. 94,739,577

In addition to the 22 contracts with IPPs, we had three other contracts with wind-driven IPPs in operation. Unlike the other 22 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, (MW)	Generation For Year Ended December 31, (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*	52,218	125.9

*As of the six-month period ended June 30, 2013.

Source: CFE.

In order to meet the projected growth in demand over the medium-term, we have developed POISE, which we update annually with the next update scheduled to be completed in February 2014. We expect to make investments totaling Ps. 442,695 million (U.S.\$ 33,566.9 million) during the 2013-2017 period including Ps.93,034 million (U.S.\$7,054.2) in 2014. Under POISE, we plan to expand our total installed capacity (including IPPs) by year-end 2017 to over 60,800 MW, which would represent a net increase of 16.5% over our installed capacity of 52,218 MW as of June 30, 2013. Under POISE, we expect to increase our installed capacity to approximately 86,000 MW by 2026, which would represent an increase of 64% versus current levels.

POISE is financed through our own capital resources and private investment. We expect to finance approximately 40% of our 2013-2026 capital expenditures with our own resources.

The following table sets forth our projected capital expenditures based on the current 2013-2026 POISE for the 2013-2017 period:

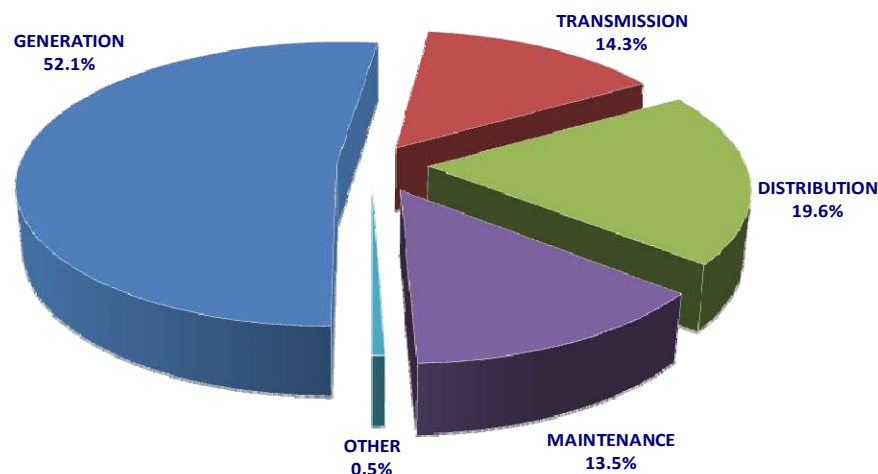
Capital Investments¹

	2013	2014	2015	2016	2017	Total
Generation.....	Ps. 43,314	Ps. 47,886	Ps. 39,991	Ps. 36,113	Ps. 46,341	Ps. 213,645
Transmission	14,150	13,554	16,987	13,656	13,245	71,592
Distribution	27,524	22,228	19,774	20,339	21,287	111,152
Maintenance	7,570	9,824	10,531	11,214	11,640	50,779
Subtotal	92,558	93,492	87,283	81,322	92,513	447,168
Other investments	476	490	505	520	536	2,527
Total.....	Ps. 93,034	Ps. 93,982	Ps. 87,788	Ps. 81,842	Ps. 93,049	Ps. 449,695
Total (in millions of dollars)....	U.S.\$7,054	U.S.\$7,126	U.S.\$6,656	U.S.\$6,206	U.S.\$7,055	U.S.\$34,098

¹ The amount of the annual capital expenditures under POISE that CFE finances from its own liquidity must be approved by the Ministry of Finance each year. CFE seeks authorization from the Mexican Congress to solicit private investment through PIDIREGAS projects to finance the remaining amount of the annual investment requirements under POISE.

Source: CFE

Total projected investment under POISE for the 2013-2026 period is distributed as follows:



Source: POISE.

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 General de Deuda Pública* (General 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 General 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, such as CFE) 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 have 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 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, 22 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 KW/h 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.

Recent Developments with respect to PIDIREGAS

We estimate that by the end of 2013, 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, 39.1% as of December 31, 2012, 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, 2012, our dollar-denominated indebtedness amounted to Ps. 74,793.0 million (U.S.\$ 5,671.1 million).

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, 2012, we had outstanding cross-currency swaps covering foreign currency liabilities of Ps. 9,764.7 million (U.S.\$ 740.4 million).

In addition, we have also entered into derivative financial instruments to offset the foreign exchange rate risk of our indebtedness denominated in Japanese Yen, which as of June 30, 2013, amounted to Ps. 3,553.9 million (U.S.\$ 269.5 million) or 1.6% of our total indebtedness. These derivative financial instruments consist of a series of foreign currency forward purchase contracts under which we have agreed to purchase Japanese Yen at a fixed dollar exchange rate during the established transaction term. We have also purchased call options for the purchase of Japanese Yen at the end of this transaction term if the Japanese Yen/dollar exchange rate has fallen below the rate agreed to in the forward purchase contracts. The mark-to-market value of these transactions is a liability of Ps. 208.3 million (U.S.\$ 15.8 million) as of June 30, 2013. For further discussion relating to our derivative and hedging transactions, see Note 11 to our audited financial statements as of and for the years ended December 31, 2012 and 2011 and Note 9 to our unaudited financial statements as of June 30, 2013 and for the six-month periods ended June 30, 2013 and 2012.

Interest Rate Risk

A substantial part of our indebtedness bears interest at variable rates (59.9% as of June 30, 2013). 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 June 30, 2013, the aggregate notional amount of our peso-denominated variable rate to fixed rate interest-rate swaps was Ps. 10,366.5 million (U.S.\$ 786.0 million).

The fair value of our derivative instruments was a liability of Ps. 179.3 million (U.S.\$ 13.6 million) as of June 30, 2013.

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, 2012 and 2011 and Note 9 to our unaudited financial statements as of June 30, 2013 and for the six-month periods ended June 30, 2013 and 2012.

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

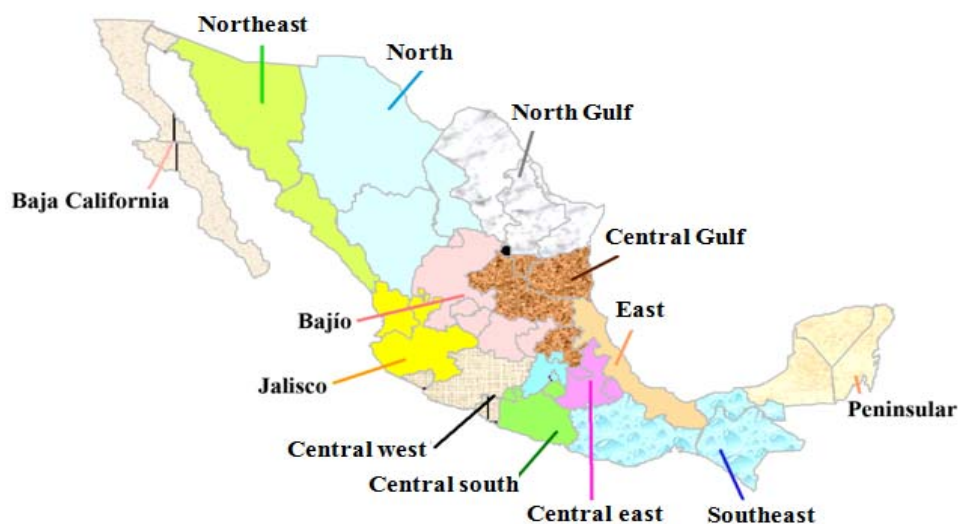
We are the national electricity company of Mexico and are 100% owned by the Mexican government. We have the exclusive right to transmit and distribute electricity in Mexico and we generate most of the electricity consumed in Mexico. As of June 30, 2013, we provided electricity to 36.9 million customer accounts, which we estimate represented 98.1% of the Mexican population. Since 2003, our customer base has grown at an average rate of 5.8% per year.

We generate over 90% of the electricity consumed in Mexico, including electricity generated IPPs. The remaining electricity generation in Mexico is attributable to PEMEX and certain private sector participants, each of whom generate small amounts of electricity, the use of which, under Mexican law, is restricted to either self-supply or sale to us. Under the Mexican Constitution and the Electricity Law, we have the exclusive right to transmit and distribute electricity in Mexico. As a result, we have a monopoly over electrical transmission and distribution throughout Mexico, including with respect to the distribution of electricity within Mexico City and surrounding areas, which was the responsibility of LFC until its dissolution in October 2009 by presidential decree.

The Mexican government determines, on an annual basis, our electricity rates and our operating costs, in each case based on our anticipated electricity 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. 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 our residential (other than high-consumption residential) and agricultural customers, which together accounted for approximately 17.7% of our revenues for the six-month period ended June 30, 2013. As a result, we rely on non-cash transfers, or “rate insufficiencies,” from the Mexican government to compensate for any shortfall. To mitigate our exposure to rising fuel prices, the electricity rates charged to our industrial, commercial and high-consumption residential customers, who accounted for approximately 76.1% of our revenues for the six-month period ended June 30, 2013, adjust on a monthly basis pursuant to a formula that accounts for changes in fuel costs. In addition, to mitigate our exposure to inflation, the electricity rates charged to our services (public lighting and pumping of drinking and sewage water) customers — which accounted for 6.2% of our revenues for the six-month period ended June 30, 2013 — are increased on a monthly basis by a fixed amount determined by the Ministry of Finance.

We continually invest in electricity generation, transmission and distribution infrastructure in order to address Mexico’s growing electricity demand. In 2012, we invested Ps. 33.0 billion in new electricity generation, transmission and distribution infrastructure. Our financing and investment plans are updated annually and require the approval of the Mexican Congress. Our expected investment for 2013 is approximately Ps. 29.0 billion, of which we had invested Ps. 13.0 billion as of June 30, 2013. The expected aggregate investment pursuant to our POISE program, which includes investments financed by private investment programs, for 2013 is approximately Ps. 93.0 billion.

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. As of June 30, 2013, we operated 225 electricity generation plants (including 25 electricity generation plants operated by IPPs) and a 58,308 kilometer (36,040 mile) transmission network, and our installed capacity was 52,218 MW (including 12,418 MW of the installed capacity of IPPs). Since 1992, IPPs have been permitted under Mexican law to build and operate electricity generation plants in Mexico and sell the generated power to us.

As of December 31, 2012, CFE owned a national fiber optic network with 38,802 kilometers (24,251 miles) in length. In order to maximize the use of this fiber optic network, and because it has the capacity to provide services to third parties, CFE obtained in November 2006 a concession from the SCT in order to provide fiber optic services in 71 regions within Mexico for an initial term of 15 years, which term may be renewed. As of December 31, 2012, CFE had entered into 149 contracts for fiber optic services with 96 companies. As of June 30, 2013, less than 1% of our revenues were attributable to fiber optic services.

We were created in 1937 by presidential decree, and then converted by the Mexican Congress in 1949 into an *organismo descentralizado de la Administración Pública Federal* (decentralized public entity of the Mexican government). Since 1975, under Article Nine of the Electricity Law, we have been responsible for the overall planning, development and operation of the Mexican electricity system. Our activities are supervised by the Ministry of Energy, and the Minister of Energy serves as the chairman of our Board of Directors.

As of June 30, 2013, our total debt (including obligations in respect of PIDIREGAS projects, as defined below) was Ps. 217,087.0 million (U.S.\$ 16,460.5 million) and our total equity was Ps. 74,155.1 million (U.S.\$ 5,622.8 million). Our total assets of Ps. 976,650.8 million (U.S.\$ 74,053.8 million) as of June 30, 2013 were the fourth largest of any company in Mexico. Our revenues from the sale of electricity and net loss for the six-month period ended June 30, 2013 were Ps. 154,492.4 million (U.S.\$ 11,714.3 million) and Ps. 35,519.5 million (U.S.\$ 2,693.2 million), respectively. Our revenues from the sale of electricity and net loss for 2012 were Ps. 311,020.9 million (U.S.\$ 23,582.9 million) and Ps. 19,215.6 million (U.S.\$ 1,457.0 million), respectively. Our net loss for 2012 was primarily the result of the insufficiency of the tariffs we charge to cover our operating costs. See “—Pricing Strategy, Rate Insufficiency and Public Use Tax.”

Business Strategy

We seek to continue to increase production and to maximize our overall performance to respond to Mexico's increasing energy demand through the following strategies:

Continue to Enhance Electricity Generation Capacity and Transmission and Distribution Networks

We intend to continue to expand our electricity generation, transmission and distribution capacity through the continued implementation of our POISE program. This program, and the projects that we plan through POISE, are updated on an annual basis. Our current program includes projects that are scheduled to be initiated and completed between 2013 and 2026 and which are expected to require Ps. 1,435.7 billion (U.S.\$ 108.9 billion) in capital expenditures. We plan these projects with the goal of increasing our electricity output at a rate that will correspond with the anticipated increase in electricity demand in Mexico, which we estimate based on a forecast of the average rate growth of Mexico's GDP for the next 14 years. In particular, through POISE, we expect to increase our net electricity generation capacity by an estimated 34,000 MW between 2013 and 2026. We expect that our total capital expenditures relating to POISE for the period from 2013 to 2026 will be allocated as follows: 52.1% for the expansion of our electricity generation capacity; 14.3% for the improvement of our transmission network; 19.6% for the improvement of our distribution network; 13.5% for maintenance of our electricity generation facilities; and 0.5% for other capital investments. We estimate that 40.2% of our total projected investment amount through 2026 will be financed by us pursuant to POISE, and that the remainder will be financed by the private investment programs described below.

Promote Private Investment to Fund Expansion Needs

We intend to continue to develop our private capital investment program, PIDIREGAS. Under the PIDIREGAS initiative, we have begun, and expect to continue, to increase our use of IPPs and our OPFs, in the development of our electricity generation and transmission capacity.

Our program of contracting with IPPs allows private companies to bid and to operate electricity generation plants in Mexico and sell the generated power to CFE. Under the program, CFE enters into a long-term (25 year) agreement under which the IPP is responsible for the construction, operation and maintenance of the electricity generation facility during the life of the agreement and CFE is obligated to purchase the electricity produced by that facility. The use of IPPs helps CFE meet electricity generation demands without the cost of construction.

The IPP program also allows CFE to obtain competitive prices for the purchased electricity via an international bidding process, in which CFE awards projects to bidders that offer the lowest KW/h price for the sale of electricity to CFE. As of June 30, 2013, a total of 39 IPP projects had been authorized, 29 of which relate to IPP generation facilities that are currently operational. We estimate that, by 2015, we will have entered into contracts for all 39 authorized IPP projects.

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 using IPPs. CFE enters into relatively short-term (1-2 years) agreements under which a private company, which CFE selects 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. As of June 30, 2013, a total of 238 OPF projects had been authorized, which include 175 facilities that are currently operational. We estimate that, by 2018, we will have entered into contracts for approximately 63 additional OPFs.

As of the date of this offering memorandum, certain legal reforms are being discussed in the Mexican Congress which could result in, among other changes, opening certain areas of the energy generation and distribution sector to private investment, which could result in increased efficiency in our operations but could also result in increased competition in some of the sectors in which we operate. See "Comisión Federal de Electricidad—General Regulatory Framework" for a discussion of the energy reform in Mexico.

Further Modernize Equipment and Technology to Improve Delivery of our Services

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 to ensuring that our transmission and distribution networks employ current 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. The implementation of smart-grid technology will also help reduce the quantity of electricity that is used in Mexico but not paid for (*i.e.*, “non-technical losses”). As a result of POISE, we expect that our investments in new technology, including smart-grid technology, will save us approximately 39.2 TWh of electricity by 2026.

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 immediately upon our receipt of notice of any such damage. Between 2004 and 2012, the duration of service interruptions resulting from failures in our distribution network decreased by 48.4%. 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.

Expand our Focus on Clean and Renewable Energy

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, 2013, 85.6% of our generation originated from hydrocarbons (including 32.2% from natural gas-fired plants of IPPs), while the remaining 14.4% originated from renewable sources (including nuclear). 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, geo-thermal and wind-driven power generation, each of which use renewable primary sources of energy. As a result of POISE, we expect that, by 2026, renewable energy sources will account for approximately 26.3% of our total generation, additional clean sources such as nuclear, photovoltaic and CO₂ emissions-free combined cycle will account for 8.2% of our total energy generation and the remaining 65.5% of our generation will come from cleaner burning sources, mostly natural gas.

Diversify our Financing Sources

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 and February 2012, we sought financing in the international bond markets. We believe that the further development of this financing option will improve our liquidity and debt maturity profile and help fund our investment activities.

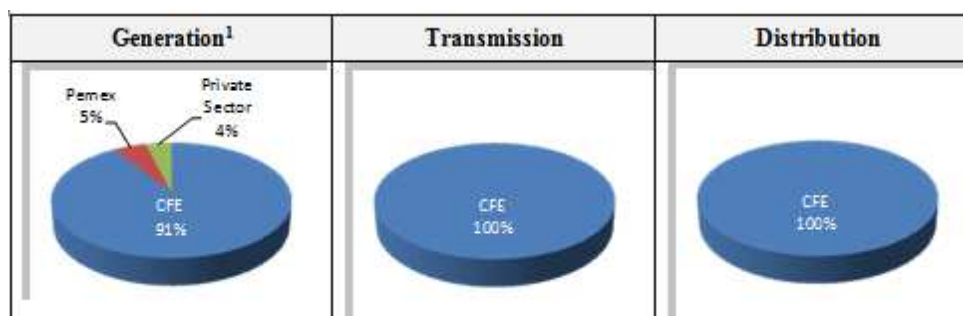
Luz y Fuerza del Centro

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

Our business is divided into three main areas: generation, transmission and distribution. The following charts indicate a breakdown of our market share in Mexico in each of these three areas as of June 30, 2013:



¹Generation market share of CFE reflects the combined market share of CFE and the IPPs.
Source: CFE.

Generation

As of June 30, 2013, our installed capacity was 52,218 MW, which includes the installed capacity of IPPs. Of our total installed capacity, 76.2% corresponds to our own generation units, while the remaining 23.8% corresponds to 25 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 December 31,					As of June 30, 2013
	2008	2009	2010	2011	2012	
Installed Capacity (MW)						
CFE	38,474	38,927	39,704	39,270	39,362	39,801
IPPs	11,457	11,457	11,907	11,907	12,418	12,418
Total	49,931	50,384	51,611	51,177	51,780	52,218
Generation (TWh)						
CFE	157.2	154.1	160.4	170.4	175.8	84.8
IPPs	74.2	76.5	78.4	84.3	81.7	41.1
Total	231.4	230.6	238.8	254.7	257.5	125.9

Source: CFE.

We generate a substantial majority (85.6% as of June 30, 2013) of our electricity at our hydrocarbon-based and hydroelectric power plants and a small percentage of our electricity from other sources, such as nuclear, geothermal, coal-fired and wind-driven plants. As of June 30, 2013, our installed capacity, excluding IPPs,

consisted of 23,408 MW from our thermal power plants consuming hydrocarbons, 11,266 MW from hydroelectric power plants, 2,600 MW from coal-fired power plants, 1,610 MW from nuclear power plants, 823 MW from geothermal power plants, 87 MW from wind-driven power plants and 6 MW from a photovoltaic plant. IPPs also contributed to our total installed capacity with 11,907 MW from combined cycle thermal units and 511 MW from wind-driven plants. Since most of our power 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 2012, CFE generated 257.3 TWh of electricity, representing a 1.1% increase over the 254.7 TWh we generated in 2011. Of this total, 31.7% was generated by IPPs and the remainder was generated from facilities owned by CFE.

The table below sets forth the installed capacity as of June 30, 2013 of the various sources of energy on which we rely.

Installed Capacity by Source as of June 30, 2013

Type	Capacity (MW)	% of Total
Fuel oil and natural gas	23,408	44.8%
Coal-fired	2,600	5.0%
Nuclear power	1,610	3.0%
Geothermal	823	1.6%
Total thermal (excluding IPPs)	28,441	54.4%
Hydroelectric	11,267	21.6%
Wind-driven and photovoltaic (including IPPs)	603	1.2%
IPPs (thermal)	11,907	22.8%
Total CFE (including IPPs)	52,218	100.0%

Source: CFE.

Our electricity generation capacity as of June 30, 2013, consists of 178 plants with 614 active units (including IPPs) throughout Mexico as follows:

Generation Capacity by Source as of June 30, 2013

Type	Plants	Active Units
Hydroelectric	64	166
Thermal	26	76
Geothermal	7	38
Turbogas	44	69
IPPs (Thermal)	22	74
Coal – fired	2	8
Nuclear Power	1	2
Wind-Driven	2	105
Diesel	9	69
Dual	1	7
TOTAL	178	614

Source: CFE.

As of June 30, 2013, our generation plants and generation units were located throughout Mexico, as illustrated in the map below.



Source: CFE.

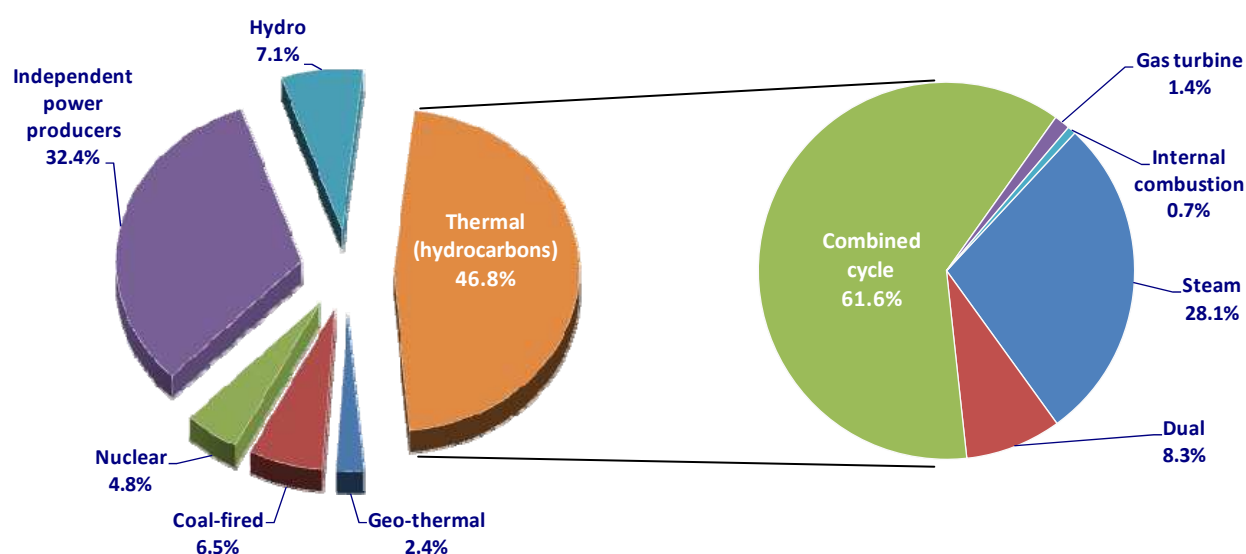
Thermal Power Generation

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 diesel);
- Gas turbine (natural gas or diesel);
- Dual (fuel oil and coal);
- Combined cycle; and
- Internal combustion.

The graph below illustrates the distribution of CFE's hydrocarbon-based thermal power generation among the various production processes.

Thermal Power Generation (125.9 TWh) for the Six-Month Period ended June 30, 2013



Source: CFE.

As of June 30, 2013, 77.3% of CFE's installed capacity (including IPPs) consisted of thermal power plants (including coal-fired, geothermal and nuclear). Thermal power plants generated 238.1 TWh during 2012, representing 92.5% of the total energy generated by CFE and IPPs for the year. During 2012, our thermal power plants (together with those operated by the IPPs) had an 80.6% "availability factor," which is measured by dividing the number of hours that a power plant is capable of power production by the total hours in a year.

We purchase substantially 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 two other suppliers in Mexico (Semptra LNG Marketing Mexico, S. de R.L. de C.V. and Gas Del Litoral S.A.) at indexed prices pursuant to long-term (15-year) contracts awarded pursuant to an international bidding process. For the six-month period ended June 30, 2013, fuel oil and natural gas accounted for an average of approximately 64.9% and 16.8%, respectively, of the fuels that we consumed for the generation of electricity. As of June 30, 2013, approximately 5.0% 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.

Nuclear Power Generation

CFE operates 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, each with a 682.44 MW capacity. 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, with a 79.8% availability factor, while Unit 2 has generated more than 89.3 million MWh, with an availability factor of 83.5%. 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.\$ 554 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 270 MW to 1,610 MW as of June 30, 2013.

The two units of the Laguna Verde plant together account for 3.1% of our total installed capacity (including IPPs) as of June 30, 2013, and represented 4.8% of our total generation for the nine months ended June 30, 2013. 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

CFE's 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 1,120 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 2012, our hydroelectric power plants had overall an availability factor of approximately 90%. During the six-month period ended June 30, 2013, our hydroelectric power plants generated 8,804.2 GWh, and had a total capacity of 11,267 MW, or 28.3% of CFE's total installed capacity (excluding IPPs).

In 2011, the community of Cacahuatpec, in the State of Guerrero, approved the construction of "La Parota," a hydroelectric power plant on the Papagayo River, a project to be led by CFE. La Parota is expected to provide electricity and potable water supply to Acapulco for 50 years. However, due to opposition in several other communities affected by the La Parota project, the project has been temporarily delayed pending the outcome of the legal proceeding in connection with the disputed project. In response to the suspension, CFE prioritized its work on the "Alfredo Elías Ayub-La Yesca" project, another hydroelectric project located in the State of Nayarit. This plant was completed at the end of 2012 and is the sixth largest hydroelectric power generation plant in Mexico, with an installed capacity of 750 MW and an estimated annual mean output of 1,210 GWh.

Coal-Fired Power Generation

CFE has two coal-fired power generation plants located just south of the U.S. border in the State of Coahuila. These two plants comprise of eight generation units, which together with the Petacalco plants have a combined installed capacity of 2,600 MW and were responsible for 5.0% of CFE's total installed capacity as of June 30, 2013. We purchase coal pursuant to three-year contracts with various foreign suppliers that we select through international bidding processes.

Geo-thermal Power Generation

Our geo-thermal energy is generated by seven plants with an installed capacity of 823.4 MW as of June 30, 2013, which represents 1.6% of the total electricity generated by CFE (including IPPs). Our largest geo-thermal power station is *Cerro Prieto*, which generates 46.4% of the electricity distributed in the State of Baja California,

Mexico. Geo-thermal 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

CFE's three wind-driven power plants are located in the State of Oaxaca, 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 in Mexico and in Latin America, with an effective installed capacity of 86.8 MW as of June 30, 2013. As of June 30, 2013, wind-driven plants contributed to less than one percent of CFE's installed capacity.

Recent Trends in Power Generation

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 comparatively higher levels of contaminants into the environment, such as fuel oil). As of June 30, 2013, 85.6% of our electricity generation originated from hydrocarbons, of which 32.2% originated from natural gas-fired plants of IPPs. The remaining 14.4% of our electricity generation originated from renewable sources (including nuclear). It is our goal 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 also rely, and expect to continue to rely, on clean generation technology, such as hydroelectric, geo-thermal and wind-driven power generation, each of which use renewable primary sources of energy. Under POISE, we expect that, by 2026, approximately 26.3% of our total generation will originate from renewable energy sources and 8.2% will originate from additional clean sources such as nuclear, wind-driven, photovoltaic and CO2 emissions-free combined cycle. We also estimate that, by 2026, the remaining 65.5% of our generation will come from cleaner burning sources such as natural gas.

Transformation, Transmission and Distribution

Electric power is generated in our facilities, as well as by IPPs, and 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 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, 2013, CFE's transformation capacity was 209.0 GVA, of which 76.7% related to transmission sub-stations and 23.3% to distribution sub-stations.

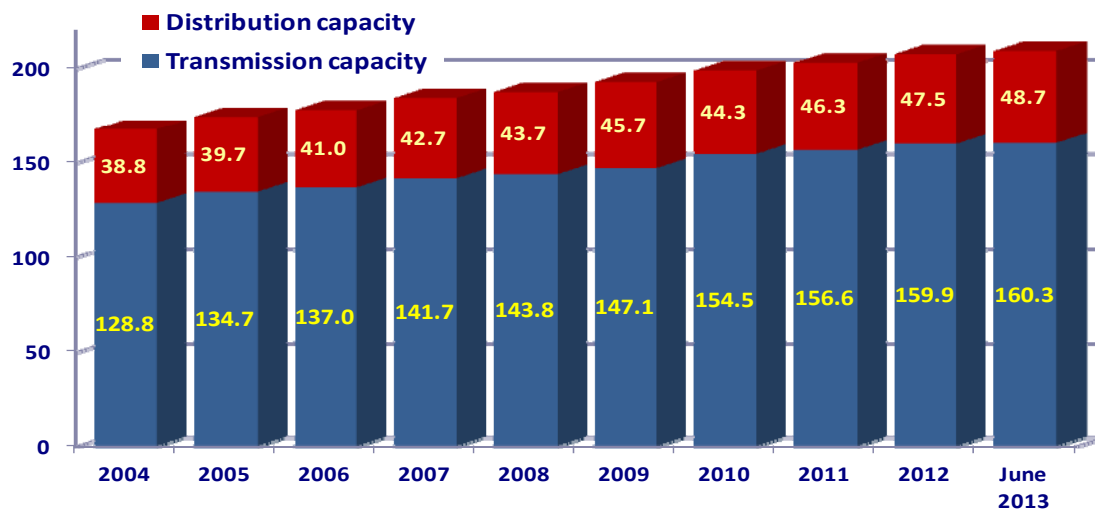
Transmission is the process by which electrical power is carried from electrical generators to distribution substations. Our transmission network consists of a network of power lines with capacities ranging from 161 to 400 kV. As of June 30, 2013, the transmission network was 51,092 kilometers (31,754 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, 2013, CFE had a total of 720,900 kilometers (448,042 miles) of sub-transmission and distribution lines. Including transmission, sub-transmission and distribution lines, our transmission and distribution network is 772,092 kilometers (479,858 miles) long.

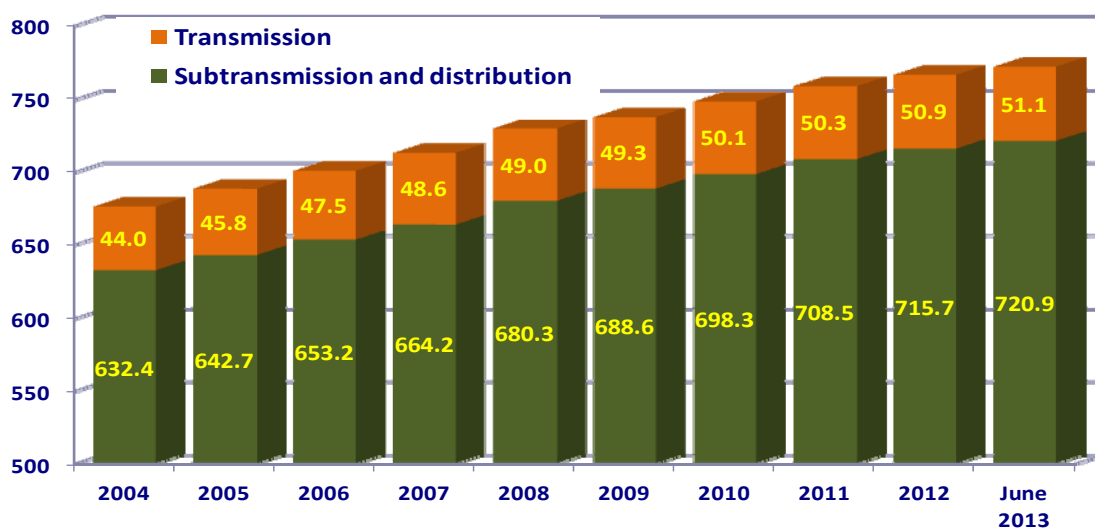
Capacity of Transmission and Distribution Substations

(GVA)



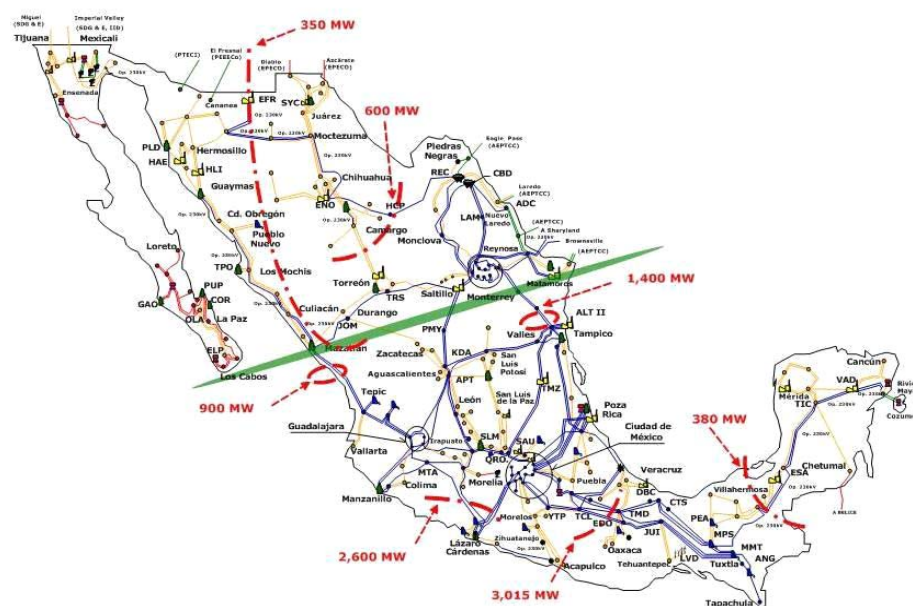
Source: CFE.

Length of Transmission and Distribution Lines (thousands of kilometers)



Source: CFE.

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



Fiber Optic Network

As of December 31, 2012, CFE had a total of 38,961 kilometers (24,209 miles) of a national fiber optic network, which is comprised of an intermodal network of 36,530 kilometers (22,699 miles) and an access network and local access of 2,452 kilometers (1,524 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 from 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 2012, 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. As of June 30, 2013, CFE had entered into 163 contracts with 107 companies.

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. Since 2004 all of our processes and work centers are certified under the ISO 9000 rules. CFE has been awarded the *Premio Nacional de Calidad* (National Quality Award) eight times, which award 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	2008	2009	2010	2011	2012	2013*
Service Quality						
Connection lead-time for new user (days)	1.0	1.8	1.0	0.8	0.8	0.8
Fulfillment of service commitments (%)	94.9	96.2	97.2	98.4	98.5	98.4
Receipt of non-conforming electricity (for every 1,000 users per month)	5.2	4.5	4.4	4.3	3.9	3.4
Quality of Electric Power Supply						
Outage time per user (minutes per year)	79	71	60	50	46	16.7
Population with access to electric power (%)	97.3	96.8	97.8	97.9	98.1	Available yearly
Operation and Productivity						
Gross generation (TWh), including IPPs	231.4	230.6	241.5	254.7	257.5	125.9
Users per operations worker	392.3	401.5	417.9	415.7	419.3	426.4
Collection accuracy (%)	99.5	99.8	99.2	99.6	100.2	100.3
ISO 9001 certified work centers	466	467	447	452	477	476

Source: CFE.

*Through June 30, 2013.

Client Base and Demand

Since CFE's inception in 1937, Mexico's population has quintupled in size, growing to over 120.8 million inhabitants as of December 31, 2012. This population growth has been accompanied by a significant increase in the demand for electric energy. As the sole provider of electricity to the Mexican public (aside from LFC, which was dissolved in 2009), we have responded to this increase in electricity demand by increasing our generation, transmission and distribution capabilities (including by taking over the operation, but not the ownership, of LFC's former transmission and distribution facilities in the Mexico City metropolitan area). The following table sets forth CFE's response to population growth in Mexico during the last 40 years:

	As of December 31,					
	1970	1980	1990	2000	2010	2013*
Population of Mexico (millions of people)	48.2	66.8	81.8	97.5	112.3**	120.8***
Number of CFE Customer Accounts (millions)	4.88	6.84	11.95	18.68	34.2	36.9
Total Installed Capacity of CFE (MW)	5,401	13,692	24,442	35,869	51,611	52,218

Source: CFE.

*As of June 30, 2013.

** Source: INEGI (National Institute of Statistics and Geography).

*** Source: World Bank.

At the current rate of population growth, we estimate through POISE an average annual growth rate in each of electricity demand and consumption of 4.0%, and in sales of 4.7% for the 2013-2026 period. We provide electricity to approximately 120 million people in Mexico, and as of June 30, 2013, we had 36.9 million customer accounts. Since 2003, 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, 2013, CFE's customer base consisted of 88.5% residential accounts and 9.9% 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, 2008 through 2012 and as of June 30, 2013:

Customer breakdown by Sector	As of December 31,					
	2008	2009	2010	2011	2012	2013*
Sector	Percentage of Customers					
Residential	88.1%	88.2%	88.3%	88.4%	88.4%	88.5%
Commercial	10.1%	10.0%	9.9%	10.0%	10.0%	9.9%
Agricultural	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%
Industrial	0.8%	0.8%	0.8%	0.7%	0.8%	0.8%
Services	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%

Source: CFE.

*As of June 30, 2013.

For the six-month period ended June 30, 2013, 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 88.5% of our customer base as of June 30, 2013, it constituted only 21.6% of our sales during the six-month period then ended. Inversely, the industrial sector represented less

than one percent of our customer base, but as of June 30, 2013, it accounted for 59.0% of our sales volume. The following table sets forth the percentage of our sales attributable to each sector that we service for the years ended December 31, 2008 through 2012 and for the six-month period ended June 30, 2013.

Sales breakdown by Sector	2008	2009	2010	2011	2012	2013*
Sectors	Percentage of Sales					
Residential	25.3%	26.8%	25.5%	24.4%	23.9%	21.9%
High-Consumption Residential	1.3%	1.1%	1.5%	1.4%	1.3%	1.3%
Commercial	6.3%	6.4%	6.0%	6.7%	6.7%	6.6%
Agricultural	5.2%	6.1%	5.5%	5.7%	5.2%	6.2%
Industrial	58.5%	55.7%	57.8%	57.9%	58.8%	59.0%
Services	3.4%	4.0%	3.8%	3.9%	4.1%	5.0%

Source: CFE.

*Six-month period ended June 30, 2013.

Pricing Strategy, Rate Insufficiency and Public Use Tax

The rates that we charge for electricity and our budget for operating costs 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. 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 rely on rate insufficiencies from the Mexican government to compensate for any shortfall. During the summer months, the Mexican government increases the portion of the rate insufficiencies that relate to our residential customers located in regions of Mexico that experience extreme heat. This seasonal adjustment is 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.

The rate insufficiencies that we receive are offset by a public use tax in amounts that are measured as a percentage (9% for 2011, 2012 and the six-month periods ended June 30, 2012 and 2013 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, 2011 and 2012, and as of June 30, 2013, as well as the balance that has been charged to our results of operations for each respective year.

	For the year ended June 30,				For the year ended December 31,					
	2013				2012		2012		2011	
	(in millions of dollars)		(in millions of Mexican pesos)		(in millions of dollars)		(in millions of Mexican pesos)			
Rate insufficiency	U.S.\$	4,323.2	Ps.	57,016.1	U.S.\$	5,841.2	Ps.	77,036.2	Ps.	84,685
Public use tax		(1,709.1)		(22,540.2)		(3,395.3)		(44,779.1)		(57,292.2)
Balance.....	U.S.\$	2,614.1	Ps	34475.9	U.S.\$	2,445.9	Ps.	32,257.1	Ps.	23,393

Source: CFE.

To mitigate our exposure to rising fuel prices, the electricity rates that we charge our industrial, commercial and high-consumption residential customers, which account for 76.1% of our revenues, adjust 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	= 0.0713
Natural Gas	= 1.0975
Diesel	= 0.0022
Imported Coal	= 0.1939
Domestic Coal	= 0.2547

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, adjust on a monthly basis by a fixed amount determined by the Ministry of Finance.

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

Historic Price Trends		
Year	Annual Average Price of Electricity Ps/kWh	Percentage Change in Annual Average Price (as compared to the immediately preceding year)
2006	1.10	7.3%
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*	1.49	5.7%

Source: CFE.

*Through June 30, 2013.

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 pursuant to article 26 of the Electricity Law if any of the following occurs: (i) late payment; (ii) tampering with measurement 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. If 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 pursuant to article 34 of the Electricity Law 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 Interbancaria de Equilibrio* (TIE) 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, 2013, we had 98,709 employees (including temporary employees), as compared to 80,484 employees as of December 31, 2009. As of June 30, 2013, approximately 80.0% of our employees were unionized under the SUTERM labor union and the remainder were not unionized. SUTERM leaders currently support our private investment initiatives on the condition we remain a decentralized public entity of the Mexican government. 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 indicated:

Employees*	As of December 31,				As of June 30,
	2009	2010	2011	2012	2013
Non-unionized Employees	16,575	19,084	20,034	20,047	19,900
Unionized Employees	63,909	74,245	77,329	77,320	78,809
Total Active Employees	80,484	93,329	97,363	97,367	98,709

*Includes temporary employees.

Source: CFE.

The increase in our labor force between 2009 and 2010 (approximately 16%) 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. As of the date of this offering memorandum, we are seeking authorization from the Ministry of Finance to increase our employee base by up to 3,780 additional employees to reflect employees we hired in October 2009.

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 June 30, 2013, approximately 54.0% 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, Article 36 Bis of the Electricity Law, as amended on June 2011, requires that we 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* Institutional (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).

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

As provided in articles 25, 27 and 28 of the Mexican Constitution, the generation, transmission and distribution of electricity, including electricity generated by nuclear power plants, are each considered activities of strategic concern to the Mexican government, and are therefore reserved exclusively to public-sector entities in which the Mexican government holds 100% of the equity and control rights. As a result, the ownership interests and

control rights of CFE are held exclusively by the Mexican government. Because we are a public-sector entity, the Mexican government's ownership interests in CFE is not represented by any shares of capital stock, but rather is granted by the Mexican Constitution and the Electricity Law. Therefore, as of September 30, 2011, we had no authorized or outstanding shares of capital stock.

The generation, transmission, and distribution of electricity in Mexico are regulated by the Electricity Law in effect since December 1975. According to Article 4 of the Electricity Law, we have 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.

As a result of the 1992 amendments to Article 3 of the Electricity Law, private investment is allowed in the generation of electric power through independent generation, generation for self-consumption, co-generation and small-scale generation. See "Private Participation in the Electricity Sector." Transmission and distribution of electric power, however, remain exclusive activities of the Mexican government, through CFE.

As a decentralized public entity, we are subject to the existing legislation and regulations applicable to all decentralized public entities of the Mexican government. This regulation is contained in and derived from the *Ley Orgánica de la Administración Pública Federal* (Federal Public Administration Organic Law), which provides the general guidelines for public centralized and decentralized entities. Furthermore, our organization, operation and corporate governance are regulated by the *Ley Federal de Entidades Paraestatales* (Electricity Law and the Federal Public Sector Enterprises Law). Under the *Ley General de Bienes Nacionales* (National Property General Law), our assets used for the supply of electrical power are considered public property and thus are not subject to the general rights of creditors to attachment or foreclosure.

The establishment of our Board of Directors and the powers, attributions and responsibilities of this body and those of our *Director General* (General Director) are contained in the Electricity Law. Several *Secretarios de Estado* (cabinet ministers) are members of CFE's Board of Directors. Our access to financing is regulated by the *Ley General de Deuda Pública* (General Law of Public Debt, or "LGDP"). Under the LGDP, we require the Ministry of Finance's approval of any external indebtedness we incur. New internal indebtedness must be authorized by our Board of Directors, and we must inform the Ministry of Finance of this indebtedness. PIDIREGAS financings are also regulated by the LGDP and as such are subject to the Ministry of Finance approval. 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.

Our activities are also subject to Mexico's environmental laws and regulations. See "Comisión Federal de Electricidad—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 bankrupt (*concurso mercantil*). Under applicable Mexican law, we may be liquidated and dissolved when we cease to fulfill the purpose for which we were created or if our operations cease to be convenient for Mexican public finance or public interest. In such event, our liquidation and dissolution would be carried out pursuant to law or presidential decree, which would address the applicable rules and the manner in which our outstanding obligations would be met. See "Risk Factors—Risks Factors Related to the Notes—We are not subject to bankruptcy laws in Mexico, and our assets cannot be attached by creditors" and "Risk Factors—Risks Related to the Notes—Recent federal court decisions in New York create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of issuers such as CFE to restructure their debt."

Under applicable laws and regulations, our annual budget must be authorized by our Board of Directors and then submitted to the Ministry of Finance for inclusion in the *Presupuesto de Egresos de la Federación* ("Federal Budget") for the relevant fiscal year. The Federal Budget includes, among other items, provision for the payment of our operating costs and expenses and the payment of amounts due under our indebtedness. The provision must be approved by the Mexican Congress on a yearly basis.

Private Participation in the Electricity Sector

As of the date of this offering memorandum, the generation of electricity is the only sector of the Mexican electricity industry in which the private sector is permitted to participate. Most of the private sector participation in the generation of electricity occurs through IPPs.

Under the Electricity Law, IPPs are permitted to build, finance, operate and maintain electricity generation plants, provided that the plants meet certain quality and technical standards promulgated by the Ministry of Energy in Mexico. The electricity generated by IPPs must, under the Electricity Law, be sold to CFE under long-term generation agreements at fixed prices. As of September 30, 2011, CFE was under contract to purchase electricity from 22 IPPs.

Under the Electricity Law, private companies may also 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 *Comisión Reguladora de Energía* (Energy Commission Regulator, or “CRE”), 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* – the CRE may grant permits to private companies that allow them to acquire electrical energy from foreign generation plants pursuant to agreements entered into directly between the foreign supplier and such private companies.

In July and August 2013, separate energy reform bills were submitted to the Mexican Congress by President Enrique Peña Nieto, by the PAN and by the PRD. Both the bill submitted by President Peña Nieto and the bill submitted by the PAN propose certain amendments to the Mexican Constitution. The bill submitted by the PRD contemplates amendments to certain laws and regulations but does not propose amending the Mexican Constitution. The Mexican Congress is currently reviewing the proposed bills. Each of the bills, to a different degree, aims to open certain areas of the energy generation and distribution sector to private investment, which could result in increased efficiency in our operations, but could also result in increased competition in some of the sectors in which we operate. As of the date of this offering memorandum, we do not know whether an energy reform bill will be passed or, if passed, what the final provisions of such a bill would be or its effects on us.

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, 2013, we had established a provision included in the liability for employee benefits of Ps. 2,757 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 25 to our audited financial statements as of and for the years ended December 31, 2012 and 2011 included herein.

Other Investigations

On May 10, 2011, the president and vice president of Lindsey Manufacturing, a U.S. company that manufactures emergency equipment for utilities, were found guilty by a federal jury of bribing certain former officers of CFE in violation of the U.S. Foreign Corrupt Practices Act ("FCPA"). On December 1, 2011, the U.S. District Court for the Central District of California vacated the convictions and dismissed the case on grounds of prosecutorial misconduct. The U.S. Department of Justice (the "DOJ") initially appealed the District Court's dismissal, but subsequently, on May 25, 2012, the DOJ filed a motion in the U.S. Court of Appeals for the Ninth Circuit to voluntarily dismiss its appeal. On May 30, 2012, the DOJ's motion to dismiss was granted and the appeal was dismissed.

Each of the former CFE officers has resigned from CFE as a result of the allegations, and they are each currently subject to criminal proceedings in Mexico.

In November 2010, CFE filed a civil claim against Lindsey Manufacturing before the Fifth Civil Court of Mexico D.F. for U.S.\$ 5.8 million in damages sustained by CFE from the actions alleged in the U.S. civil proceeding. Resolution of this claim remains pending in the Mexican courts.

CFE officers were also implicated in FCPA litigation in the U.S. District Court for the Southern District of Texas. On November 23, 2009, the former general manager of a Texas-based subsidiary of ABB Ltd. ("ABB"), a Swiss company, was arrested for certain FCPA violations, including the payment of bribes to former CFE officers, and he was later indicted by the DOJ. On September 29, 2010, the DOJ and ABB reached a plea bargain in which ABB admitted to certain of the charges against it and agreed to pay criminal and civil penalties totaling approximately U.S.\$ 58.3 million. Each of the former CFE officers has resigned from CFE, and they are each currently subject to criminal proceedings in Mexico.

UNITED MEXICAN STATES

The information in this section with regard to Mexico has been included due to CFE's relationship with the Mexican government and has been reviewed by the Secretaría de Hacienda y Crédito Público (Ministry of Finance and Public Credit).

Form of Government

The President is the chief of the executive branch of the Mexican government. In accordance with Mexico's electoral law, on August 31, 2012, the *Tribunal Electoral del Poder Judicial de la Federación* (Federal Electoral Court) officially validated the results of the presidential election held in Mexico on July 1, 2012, and declared Mr. Enrique Peña Nieto, a member of the PRI, President-elect. Mr. Peña Nieto took office on December 1, 2012, replacing Mr. Felipe Calderón Hinojosa, a member of the PAN. The Mexican Constitution limits the President to one six-year term and does not allow reelection for any additional terms. Mr. Peña Nieto's term will expire on November 30, 2018.

Legislative authority is vested in the Mexican Congress, which is composed of the *Cámara de Senadores* (Senate) and the *Cámara de Diputados* (Chamber of Representatives). Congressional elections for all 128 seats in the *Cámara de Senadores* (Senate) and 500 seats in the *Cámara de Diputados* (Chamber of Deputies) were held on July 1, 2012. The following table provides the current distribution of congressional seats, reflecting certain post-election changes in the party affiliations of certain senators and deputies.

Party Representation in the Mexican Congress

	Senate		Chamber of Deputies	
	Seats	% of Total	Seats	% of Total
Institutional Revolutionary Party	54	42.2%	213	42.6%
National Action Party	38	29.7	114	22.8
Democratic Revolution Party	22	17.2	101	20.2
Ecological Green Party of Mexico	7	5.5	28	5.6
Labor Party	5	3.9	14	2.8
Citizen Movement Party	1	0.8	20	4.0
New Alliance	1	0.8	10	2.0
Total	128	100.0%	500	100.0%

Note: Numbers may not total due to rounding.

Source: Senate and Chamber of Representatives.

Mexico is a federation comprised of 31 states, each headed by a state governor, and one Federal District, headed by an elected mayor. On July 7, 2013, the gubernatorial election for the Baja California governorship was held. By forming an alliance with the PRD and the PAN was able to retain the Baja California governorship. Following this election, Mexico's state governorships are now composed as follows:

- the PRD holds three state governorships, along with the mayorship of the Federal District;
- the PAN holds three state governorships;
- an alliance formed by the PAN and the PRD holds four state governorships; and
- the PRI holds the remaining 21 state governorships.

The Economy

Gross Domestic Product

The following table sets forth the composition of Mexico's real GDP by economic sector for the periods indicated. The figures in the table were formerly calculated in constant 2003 pesos and have since been updated to constant 2008 pesos, thereby also modifying figures of prior years.

	Real GDP by Sector					Six -Month Period Ended June 30, 2013 ⁽¹⁾
	2008	2009	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾	
	(in billions of constant pesos) ⁽²⁾					
Primary Activities:						
Agriculture, forestry, fishing, hunting and livestock ⁽³⁾	Ps. 393.0	Ps. 383.2	Ps. 385.3	Ps. 376.3	Ps. 401.2	Ps. 397.8
Secondary Activities:						
Mining	1,054.7	1,012.1	1,021.7	1,017.3	1,034.5	1,005.3
Utilities	252.6	255.8	267.8	280.2	286.1	272.7
Construction	1,030.7	968.2	967.3	1,006.0	1,025.2	950.8
Manufacturing	2,027.3	1,857.9	2,013.3	2,100.8	2,181.9	2,175.6
Tertiary activities:						
Wholesale and retail trade	1,785.9	1,563.5	1,750.7	1,918.6	2,005.1	2,017.9
Transportation and warehousing	700.6	650.0	701.3	729.6	762.0	762.4
Information	324.5	352.0	357.6	381.5	435.2	448.0
Finance and insurance	390.6	403.9	488.1	523.0	563.0	573.6
Real estate, rental and leasing	1,448.4	1,464.0	1,508.9	1,552.1	1,589.8	1,607.6
Professional, scientific and technical services	288.9	274.5	271.2	285.0	296.0	288.5
Management of companies and enterprises	74.4	68.2	71.1	73.9	76.7	71.9
Administrative and support and waste management and remediation services	398.8	370.8	374.1	396.3	408.7	416.6
Education services	472.2	473.0	473.5	480.9	487.7	483.5
Health care and social assistance	250.1	255.2	255.9	261.7	267.3	270.3
Arts, entertainment and recreation	57.4	55.0	57.5	57.0	60.3	57.1
Accommodation and food services	277.8	251.1	255.4	259.1	269.9	269.3
Other services (except public administration)	255.6	254.1	257.5	262.0	272.7	274.2
Public administration	458.1	467.4	477.9	471.1	479.6	480.2
Gross value added at basic values	11,941.2	11,379.9	11,956.1	12,432.6	12,903.1	12,823.3
Taxes on products, net of subsidies	315.7	300.8	316.5	328.7	341.1	339.0
GDP	Ps. 12,256.9	Ps. 11,680.7	Ps. 12,272.6	Ps. 12,761.3	Ps. 13,244.2	Ps. 13,162.3

Note: Numbers may not total due to rounding.

(1) Preliminary figures. GDP figures for the six-month period ended June 30, 2013 have been annualized.

(2) Based on GDP calculated in constant 2008 pesos.

(3) GDP figures relating to agricultural production set forth in this table and elsewhere herein are based on figures for "agricultural years," with the definition of the relevant "agricultural year" varying from crop to crop based on the season during which it is grown. Calendar year figures are used for the other components of GDP.

Source: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

The following table sets forth the change in Mexico's real GDP by sector for the periods indicated. The figures in the table were formerly calculated in constant 2003 pesos and have since been updated to constant 2008 pesos, thereby also modifying figures of prior years.

Real GDP Growth by Sector⁽¹⁾

	2008	2009	2010 ⁽²⁾	2011 ⁽²⁾	2012 ⁽²⁾	Six -Month Period Ended June 30, 2013 ⁽²⁾⁽³⁾
GDP (constant 2008 prices)	1.4%	(4.7)%	5.1%	4.0%	3.8%	1.0%
Primary Activities:						
Agriculture, forestry, fishing, hunting and livestock.....	1.3	(2.5)	0.5	(2.3)	6.6	0.4
Secondary Activities:						
Mining.....	(3.7)	(4.0)	0.9	(0.4)	1.7	(1.8)
Utilities.....	1.3	1.3	4.7	4.6	2.1	(0.3)
Construction.....	3.8	(6.1)	(0.1)	4.0	1.9	(3.5)
Manufacturing.....	(1.0)	(8.4)	8.4	4.3	3.9	0.1
Tertiary activities:						
Wholesale and retail trade	0.2	(12.5)	12.0	9.6	4.5	2.3
Transportation and warehousing	(0.1)	(7.2)	7.9	4.0	4.4	1.0
Information	6.0	8.5	1.6	6.7	14.1	7.2
Finance and insurance	21.9	3.4	20.8	7.1	7.7	4.9
Real estate, rental and leasing.....	3.3	1.1	3.1	2.9	2.4	2.0
Professional, scientific and technical services.....	3.1	(5.0)	(1.2)	5.1	3.9	1.4
Management of companies and enterprises	7.5	(8.2)	4.2	3.9	3.8	(5.3)
Administrative support, waste management and remediation services...	2.2	(7.0)	0.9	5.9	3.1	4.8
Education services	1.1	0.2	0.1	1.6	1.4	0.6
Health care and social assistance	1.3	2.0	0.3	2.3	2.1	3.0
Arts, entertainment and recreation	0.3	(4.1)	4.4	(0.7)	5.7	0.6
Accommodation and food services	0.1	(9.6)	1.7	1.5	4.2	2.0
Other services (except public administration)	1.3	(0.6)	1.3	1.8	4.1	2.5
Public administration.....	2.0	2.0	2.3	(1.4)	1.8	(0.9)

Note: Numbers may not total due to rounding.

(1) Based on GDP calculated in constant 2008 pesos.

(2) Preliminary figures. GDP figures for the six-month period ended June 30, 2013 have been annualized.

(3) Six-month period ended June 30, 2013 results as compared to the same period of 2012.

Source: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Prices and Wages

Consumer inflation (as measured by the change in the national consumer price index) during 2012 was 3.6%, 0.6 percentage points higher than the 2012 budget estimate and 0.3 percentage points lower than the inflation level during 2011. For several months of 2012, annual inflation surpassed the expected deviation (+/-1.0%) from the 3.0% target. This was due to a temporary fluctuation in the prices of agricultural products. However, annual inflation returned to the expected levels in the latter part of the year as these shocks dissipated.

Consumer inflation for the eight months ended August 31, 2013 was 1.6%, 0.1 percentage points lower than during the same period of 2012.

Employment and Labor

At December 31, 2012, the number of workers insured by the *Instituto Mexicano del Seguro Social* (the Mexican Institute of Social Security), which is an indicator of employment in the “formal” sector of the economy, was 16,062,043, an increase of 711,708 from the level recorded at the end of 2011. According to preliminary information, the *Tasa de Desocupación Abierta* (open unemployment rate) was 4.5% at December 31, 2012, the same as the rate registered on December 31, 2011. The average unemployment rate during 2012 was 5.0%, a 0.2 percentage point decrease from the average unemployment rate in 2011.

According to preliminary figures, Mexico’s unemployment rate was 5.1% during July 2013, a 0.1 percentage point increase from the rate at July 2012.

Interest Rates

During 2012, interest rates on 28-day *Cetes* (Mexico’s Federal Treasury certificates) averaged 4.2% and interest rates on 91-day *Cetes* averaged 4.4%, which were the same as the rates recorded during 2011.

During the first eight months of 2013, interest rates on 28-day *Cetes* averaged 3.9%, as compared to 4.3% during the same period of 2012. Interest rates on 91-day *Cetes* averaged 4.0%, as compared to 4.4% during the same period of 2012.

Financial System

2012 and 2013 Monetary Programs

Consistent with Mexico’s monetary program for 2012, the principal objective of Mexico’s monetary program for 2013 is to achieve an inflation rate that is not higher than its annualized target of 3.0% (+/-1.0%). Mexico’s monetary program for 2013 includes the following:

- the announcement of an explicit, multi-year plan to control inflation;
- a systematic analysis of the economy and inflation factors;
- a description of the tools used by *Banco de México* to achieve its objectives;
- a policy of communication that promotes transparency, credibility and effective monetary policy; and
- a policy that promotes the expedited adoption of monetary policy measures, which are meant to reduce inflation and prevent its effects on the formation of prices.

Since January 21, 2008, *Banco de México* has used the *Tasa de Fondeo Bancario* (overnight interbank funding rate) as its primary monetary policy instrument. Under this policy, Mexico’s overnight interbank funding rate is adjusted when medium-term inflation projections deviate from the target of 3.0% (+/-1.0%). Since the global economic crisis, *Banco de México* has consistently been decreasing the minimum overnight interbank funding rate. However, from July 17, 2009 to March 8, 2013 the funding rate remained at 4.50%. Since then, this rate has again been lowered to 4.00% on March 8, 2013 and finally to 3.75% on September 6, 2013.

Mexico’s M1 money supply is the sum of bills and coins held by the public, plus checking accounts denominated in local currency and foreign currency, plus interest-bearing deposits denominated in pesos and operated by debit cards, plus savings and loan deposits. As of December 31, 2012, the M1 money supply increased by 5.7%, the amount of bills and coins held by the public increased by 6.4% and the aggregate amount of checking account deposits denominated in pesos increased by 1.2%, each as compared to December, 31 2011.

At July 31, 2013, Mexico’s M1 money supply was 4.7% greater in real terms than the level at July 31, 2012. The amount of bills and coins held by the public was 0.5% lower in real terms than at July 31, 2012. In addition, the aggregate amount of checking account deposits denominated in pesos was 4.3% greater in real terms than at the same date in 2012.

At July 31, 2013, financial savings were 5.8% greater in real terms than financial savings at July 31, 2012. Savings generated by Mexican residents increased by 3.1% and savings generated by non-residents increased by 19.1%, both in real terms, as compared to the same period of 2012.

At September 9, 2013, the monetary base totaled Ps. 760.1 billion, a 10.2% nominal decrease from the level of Ps. 846 billion at December 31, 2012, due to a lower demand for bills and coins held by the public.

Financial savings in Mexico are defined as the difference between the monetary aggregate M4 and bills and coins held by the public. As of December 31, 2012, financial savings increased by 10.8%, savings generated by Mexican residents increased by 4.2% and savings generated by non-residents increased by 50.6%, each as compared to December 31, 2011.

As of December 31, 2012, the monetary base totaled Ps. 846.0 billion, a 10.8% nominal increase from the level of Ps. 763.5 billion as of December 31, 2011.

Banking Supervision and Support

At July 31, 2013, the total loan portfolio of the banking system was 2.8% greater in real terms than the total loan portfolio at December 31, 2012.

At July 31, 2013, the total amount of past-due commercial bank loans (excluding those banks undergoing government intervention and those in special situations) was Ps. 83.8 billion, as compared to Ps. 61.4 billion at December 31, 2012. Moreover, the past-due loan ratio of commercial banks was 3.0%, as compared to a ratio of 2.3% at December 31, 2012. The amount of loan loss reserves held by commercial banks at July 31, 2013 totaled Ps. 128.2 billion, as compared to Ps. 109.7 billion at December 31, 2012. As a result, commercial banks had reserves covering 152.9% of their past-due loans, well exceeding the minimum reserve level of 45%.

The Securities Markets

The BMV is the only authorized stock exchange involved in the listing and trading of equity and debt securities in Mexico. Both debt and equity securities are listed and traded on the BMV, including stocks and bonds of private sector corporations, equity certificates or shares issued by banks, commercial paper, bankers' acceptances, certificates of deposit, Mexican government debt and special hedging instruments linked to the dollar. Currently, institutional investors are the most active participants in the BMV, although retail investors also play a role in the market. The Mexican equity market is one of Latin America's largest in terms of market capitalization.

At December 31, 2012, the the *Índice de Precios y Cotizaciones* (Stock Market Index, or the "IPC") stood at 43,705.8 points, representing a 17.9% increase from the level as of December 31, 2011. At September 18, 2013, the IPC stood at 41,902.2 points, representing a 4.1% nominal decrease from the level at December 31, 2012.

External Sector of the Economy

Foreign Trade

According to preliminary figures, during 2012, Mexico registered a trade deficit of U.S.\$ 0.1 billion, as compared to a trade deficit of U.S.\$ 1.5 billion for 2011. In particular, exports increased or decreased as follows (each as compared to 2011):

- merchandise exports increased by 6.1%, to U.S.\$ 370.7 billion, as compared to U.S.\$ 349.4 billion in 2011;
- petroleum exports decreased by 6.2%, while non-petroleum exports increased by 8.5%; and
- exports of manufactured goods (which represented 81.5% of total merchandise exports) increased by 8.4%.

According to preliminary figures, during 2012, Mexico's total imports increased by 5.7%, to U.S.\$ 370.8 billion, as compared to U.S.\$ 350.8 billion in 2011. In particular, imports increased or decreased as follows (each as compared to 2011):

- imports of intermediate goods increased by 5.3%;
- imports of capital goods increased by 10.1%; and
- imports of consumer goods increased by 4.8%.

According to preliminary figures, during the first seven months of 2013, Mexico registered a trade deficit of U.S.\$ 3.3 billion, as compared to a trade surplus of U.S.\$ 2.7 billion for the same period of 2012. In particular, exports increased or decreased as follows (each as compared to the first seven months of 2012):

- merchandise exports increased by 1.4%, to U.S.\$ 217.3 billion, as compared to U.S.\$ 214.2 billion during the first seven months of 2012;
- petroleum exports decreased by 5.6%, while non-petroleum exports increased by 2.6%; and
- exports of manufactured goods (which represented 82.2% of total merchandise exports) increased by 2.8%.

According to preliminary figures, during the first seven months of 2013, total imports increased by 4.3%, to U.S.\$ 220.6 billion, as compared to U.S.\$ 211.6 billion for the same period of 2012. In particular, imports increased or decreased as follows (each as compared to the first seven months of 2012):

- imports of intermediate goods increased by 3.5%;
- imports of capital goods increased by 4.3%; and
- imports of consumer goods increased by 8.3%.

The following table provides information about the value of Mexico's merchandise exports and imports (excluding tourism) for the periods indicated below.

Exports and Imports

	2008	2009	2010	2011	2012	First seven months of 2013 ⁽¹⁾
	(in millions of dollars, except average price of the Mexican crude oil mix)					
Merchandise exports (f.o.b.)						
Oil and oil products.....	U.S.\$ 50,635	U.S.\$ 30,831	U.S.\$ 41,693	U.S.\$ 56,385	U.S.\$ 52,892	U.S.\$ 28,985
Crude oil.....	43,342	25,614	35,919	49,322	46,788	25,113
Other	7,294	5,217	5,775	7,063	6,103	3,872
Non-oil products	240,707	198,872	256,780	292,990	317,814	188,275
Agricultural.....	7,895	7,726	8,610	10,309	10,914	7,186
Mining.....	1,931	1,448	2,424	4,063	4,906	2,585
Manufactured goods ⁽²⁾	230,882	189,698	245,745	278,617	301,993	178,504
Total merchandise exports	291,343	229,704	298,473	349,375	370,706	217,261
Merchandise imports (f.o.b.)						
Consumer goods.....	47,941	32,828	41,423	51,790	54,272	32,814
Intermediate goods ⁽²⁾	221,565	170,912	229,812	264,020	277,911	165,404
Capital goods.....	39,097	30,645	30,247	35,032	38,568	22,341
Total merchandise imports	308,603	234,385	301,482	350,843	370,752	220,559
	U.S.\$ (17,261)	U.S.\$ (4,681)	U.S.\$ (3,009)	U.S.\$ (1,468)	U.S.\$ (46)	U.S.\$ (3,299)
Trade balance						
Average price of						
Mexican crude oil mix ⁽³⁾	\$ 84.38	\$ 57.40	\$ 72.46	\$ 101.13	\$ 101.81	\$ 100.64

Note: Numbers may not total due to rounding.

(1) Preliminary figures.

(2) Includes in-bond industries.

(3) In U.S. dollars per barrel.

Source: Banco de México / PEMEX.

Balance of International Payments

During 2012, Mexico's current account registered a deficit of 1.2% of GDP, or U.S. \$14.2 billion, as compared to a deficit of U.S. \$11.4 billion in 2011. Its capital account registered a surplus of U.S. \$51.6 billion in 2012, as compared to a surplus of U.S. \$51.0 billion in 2011. This was due to an increase of inflows from external sectors, which, in turn, resulted from, amongst other things, the strength of Mexico's economic fundamentals as compared to the deterioration observed in the United States and European Union markets. Foreign investment in Mexico totaled U.S. \$72.1 billion in 2012. This foreign investment was composed of direct foreign investment inflows totaling U.S. \$15.5 billion and net foreign portfolio investment inflows (including securities placed abroad) totaling U.S. \$56.7 billion.

According to preliminary figures, during the six-month period ended June 30, 2013, Mexico's current account registered a deficit of 0.9% of GDP, or U.S. \$11.3 billion, as compared to a deficit of U.S. \$3.6 billion for the same period of 2012. Its capital account registered a surplus of U.S. \$26.6 billion during the six-month period ended June 30, 2013 as compared to a surplus of U.S. \$11.2 billion during the same period of 2012. Foreign investment in Mexico totaled U.S. \$30.0 billion during the six-month period ended June 30, 2013 and was composed of direct foreign investment inflows totaling U.S. \$23.8 billion and net foreign portfolio investment inflows (including securities placed abroad) totaling U.S. \$6.2 billion.

On November 29, 2011, the *Comisión de Cambios* (Foreign Exchange Commission) announced that *Banco de México* would be conducting an auction of U.S. \$400 million on each business day. In these auctions, dollars would be auctioned at a peso/dollar exchange rate that was, at a minimum, 2% weaker than the peso/dollar exchange rate on the previous business day. This daily auction would result in a sale only when the exchange rate depreciated more than 2% against the previous day's exchange rate. On April 8, 2013, the Foreign Exchange Commission announced that *Banco de México* would no longer conduct this auction since the prior peso/dollar exchange rate volatility had dissipated. From November 30, 2011 through April 8, 2013, the daily auctions resulted in a sale on only three different days, for a total amount of U.S. \$646 million.

On November 5, 2012, *Banco de México* submitted a new request to the International Monetary Fund ("IMF") for an advanced renewal and amendment of Mexico's contingent credit line with the IMF. This request would extend the term of this credit line another two years and would increase the amount available under the line to approximately U.S. \$73 billion. On November 30, 2012, the IMF granted this request.

As of December 31, 2012, *Banco de México's* international reserves totaled U.S. \$163.6 billion, an increase of U.S. \$21.1 billion as compared to international reserves as of December 31, 2011. As of December 31, 2012, the net international assets of *Banco de México* totaled U.S. \$166.5 billion, an increase of U.S. \$17.2 billion as compared to net international assets as of December 31, 2011.

At September 13, 2013, *Banco de México's* international reserves totaled U.S. \$170.6 billion, an increase of U.S. \$7.0 billion from the amount at December 31, 2012. The net international assets of *Banco de México* totaled U.S. \$173.5 billion at September 13, 2013, an increase of U.S. \$7.0 billion from the amount at December 31, 2012.

Foreign Direct Investment in Mexico

During the year ended December 31, 2012, foreign direct investment in Mexico recorded with the *Registro Nacional de Inversiones Extranjeras* (National Foreign Investments Registry) totaled approximately U.S. \$12.7 billion, as compared with U.S. \$21.5 billion during 2011. Total foreign direct investment during 2012 (excluding investment in securities) was directed as follows:

- 55.7% was directed to manufacturing;
- 21.5% was directed to financial services;
- 20.0% was directed to commerce;

- 12.9% was directed to construction;
- 3.7% was directed to mass media;
- 5.0% was directed to mining;
- 6.9% was directed to real estate and rental services;
- 1.9% was directed to transportation;
- 0.5% was directed to agriculture, livestock, fishing and forestry;
- 1.0% was directed to electricity and water; and
- 13.9% was directed to other services.

During 2012, foreign direct investment in Mexico came primarily from the United States (not including Puerto Rico), which accounted for 58.5% of the total foreign direct investment. The remaining foreign direct investments came from Japan (13.1%), Canada (8.2%), Luxembourg (6.6%), Germany (5.9%) and other countries.

Exchange Controls and Foreign Exchange Rates

During 2012, the average peso/dollar exchange rate was Ps. 13.1613 = U.S. \$1.00. During the first eight months of 2013, the average peso/dollar exchange rate was Ps. 12.6383 = U.S. \$1.00. The peso/dollar exchange rate announced by *Banco de México* on September 18, 2013 (which took effect on the second business day thereafter) was Ps. 12.9687 = U.S.\$ 1.00.

Public Finance

Economic Acceleration Plan

On September 13, 2013, President Peña Nieto introduced the *Programa de Aceleración Económica* (Economic Acceleration Plan), which includes measures to reallocate up to Ps. 16.0 billion of public spending. Under this plan, the Mexican Congress must approve, upon request, any increase in public deficit exceeding 0.4% of GDP. The rationale is that such a policy will avoid affecting public spending, public investment levels and Mexican government programs. The deficit threshold is lower in subsequent years given that Mexico is below its economic growth potential.

2012 Budget and Fiscal Results

Mexico's budget for 2012, as approved by the Mexican Congress, provided for a public sector budget deficit, excluding physical investment by PEMEX, of Ps. 95.2 billion, or 0.4% of GDP. Including physical investment by PEMEX, the 2012 Budget provided for a public sector budget deficit of 2.4% of GDP.

In 2012, public sector budgetary revenues totaled Ps. 3,517.5 billion in nominal pesos, a 3.3% increase in real terms as compared to 2011. This increase is mainly explained by a 3.7% increase in crude oil revenues (which was in part due to an increase in price of crude oil exports) and a 1.4% increase in non-oil tax revenues, each in real terms as compared to 2011.

During 2012, net public sector budgetary expenditures increased by 3.8% in real terms as compared to 2011. During 2012, public sector financing costs increased by 7.0% in real terms as compared to 2011, mainly as a result of the depreciation of the average exchange rate and the increase of the financing cost of PEMEX. Public sector financing costs as a percentage of GDP increased from 1.9% of GDP in 2011 to 2.0% in 2012.

The amounts contained in the proceeding funds were as follows as of December 31, 2012:

- the *Fondo de Estabilización de los Ingresos Petroleros* (Oil Revenues Stabilization Fund) totaled Ps. 17.5 billion;
- the *Fondo de Estabilización de los Ingresos de las Entidades Federativas* (Federal Entities Revenue Stabilization Fund) totaled Ps. 13.5 billion;
- the *Fondo de Estabilización para la Inversión en Infraestructura de Petróleos Mexicanos* (PEMEX Infrastructure Investment Stabilization Fund) totaled Ps. 1.4 billion; and
- the *Fondo de Apoyo para la Reestructura de Pensiones* (Fund to Support Pension Restructuring) totaled Ps. 14.8 billion.

2013 Budget

On December 7, 2012, President Peña Nieto submitted the proposed *Ley de Ingresos de la Federación para el Ejercicio Fiscal de 2013* (Federal Revenue Law for 2013, or the “2013 Revenue Law”) and the proposed *Presupuesto de Egresos de la Federación para el Ejercicio Fiscal de 2013* (Federal Expenditure Budget for 2013, or the “2013 Expenditure Budget”) to the Mexican Congress for its approval. The 2013 Revenue Law and the 2013 Expenditure Budget were approved on December 13, 2012 and December 20, 2012, and were published in the Official Gazette of the Federation on December 17, 2012 and December 27, 2012, respectively. Together, these two bills constitute Mexico’s 2013 budget (the “2013 Budget”).

Including PEMEX’s investment program, the 2013 Budget, as approved by the Mexican Congress, provides for a public sector budget deficit of 2.0% of GDP. The 2013 Budget contemplates public sector budgetary revenues totaling Ps. 3,601.1 billion, a 5.1% increase in real terms as compared to public sector budgetary revenues estimated for 2012. This is based on an assumed weighted average Mexican crude oil export price of U.S. \$86.00 per barrel and an estimated volume of oil exports of 1,183.5 thousand barrels per day.

The 2013 Budget provides for a total of Ps. 3,601.1 billion in expenditures (excluding estimated physical investment expenditures by PEMEX totaling Ps. 326.3 billion), a 3.0% increase in real terms as compared to the amount approved in the *Presupuesto de Egresos de la Federación para el Ejercicio Fiscal de 2012* (Federal Expenditure Budget for 2012). Estimated budget expenditures include:

- Ps. 534.9 billion (17.5% of total budgetary programmable expenditures) on education;
- Ps. 981.1 billion (32.1% of total budgetary programmable expenditures) on health and social security;
- Ps. 209.0 billion (6.8% of total budgetary programmable expenditures) on housing and community development;
- Ps. 295.1 billion for the servicing of the Mexican government’s debt, including the servicing of the debt of the *Instituto para la Protección al Ahorro Bancario* (Bank Savings Protection Institute, or “IPAB”); and
- Ps. 50.3 billion for the servicing of the debt of CFE and PEMEX.

The table below sets forth the budgetary results for 2011, as well as the preliminary budgetary results for 2012 and the six-month period ended June 30, 2013. It also sets forth the assumptions and targets underlying the 2013 Budget.

2011, 2012 and the Six-Month Period Ended June 30, 2013 Results; 2013 Budget Assumptions and Targets

	2011 Results	2012 Results ⁽¹⁾	Six-Month Period Ended June 30, 2012 Results ⁽¹⁾	Six-Month Period Ended June 30, 2013 Results ⁽¹⁾	2013 Budget ⁽²⁾
Real GDP growth (%).....	4.0%	3.8%	4.3%	1.0%	3.5%
Increase in the national consumer price index (%).....	3.8%	3.6%	0.8%	1.3%	3.0%
Average export price of Mexican oil mix (U.S.\$/barrel).....	U.S. \$101.13	U.S. \$101.81	U.S. \$105.32	U.S. \$100.63	U.S. \$86.00 ⁽³⁾
Current account deficit as % of GDP.....	(1.0%)	(1.2%)	0.1%	(0.9%)	n.a.
Average exchange rate (Ps./\$1.00).....	12.4	13.2	13.3	12.6	12.9
Average rate on 28-day <i>Cetes</i> (%).....	4.2%	4.2%	4.3%	3.9%	4.6%
Public sector balance as % of GDP ⁽⁴⁾	(2.5%)	(2.6%)	(1.9%)	(1.0%)	(2.0%)
Primary balance as % of GDP ⁽⁴⁾	(0.6%)	(0.6%)	0.3%	1.2%	0.1%

n.a. = Not available.

(1) Preliminary figures.

(2) 2013 Budget figures represent budgetary estimates, based on the economic assumptions contained in the *Criterios Generales de Política Económica* (General Economic Policy Guidelines) for 2013 and in the *Programa Económico 2013* (Economic Program for 2013). These figures do not reflect actual results for the year or updated estimates of Mexico's 2013 economic results.

(3) The Mexican government entered into hedging agreements to protect against the effects of a potential decline in oil prices with respect to the level that was assumed in the 2013 Revenue Law. Therefore, the approved expenditures level should not be affected if the weighted average price of crude oil exported by PEMEX for the year falls below the price assumed in the 2013 Budget.

(4) Includes the effect of expenditures related to the issuance of bonds pursuant to reforms to the *Ley del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado* (Law of the Institute for Social Security and Social Services of Government Workers, or ISSSTE Law) and recognition as public sector debt of certain long-term infrastructure project (*Infraestructura Productiva de Largo Plazo*, or PIDIREGAS) obligations.

Source: Ministry of Finance and Public Credit.

Public Debt

Internal Public Debt

The Mexican government's internal debt includes only the internal portion of indebtedness incurred directly by the Mexican government, *Banco de México*'s general account balance (which was positive at June 30, 2013, indicating monies owed to the Mexican government) and the assets of the *Fondo del Sistema de Ahorro Para el Retiro* (Retirement Savings System Fund). Net internal debt includes *Cetes* and other securities sold to the public in primary auctions, but does not include debt allocated to *Banco de México* for its use in *Regulación Monetaria* (regulating the money supply). Internal debt does not include IPAB debt or the debt of budget-controlled or administratively controlled agencies. At December 31, 2012, all of the Mexican government's internal debt was denominated in pesos or *Unidades de Inversión* ("UDIs"), units of account whose value in pesos is indexed to inflation on a daily basis as measured by the change in the national consumer price index, and was payable in pesos.

For purposes of this "Public Debt" section, public sector debt consists of the long-term indebtedness incurred directly by the Mexican government, the long-term indebtedness incurred by budget-controlled agencies, the long-term indebtedness incurred directly or guaranteed by administratively controlled agencies (including, but not limited to, national development banks) and the short-term debt of the public sector. It does not include private sector debt guaranteed by the Mexican government, unless and until the Mexican government is called upon to make payment under its guaranty. Also for purposes of this "Public Debt" section, long-term debt is defined as all debt with maturities of one year or more from the date of issue, while short-term debt is defined as all debt with maturities of less than one year from the date of issue.

Over the last decade, the Mexican government has pursued an internal debt strategy aimed at lengthening the average maturity of its debt in order to reduce its refinancing risk. To further this goal, the Mexican government has in recent years introduced new instruments of longer maturities. In the last quarter of 1999, the Mexican government offered for the first time 10-year securities denominated in UDIs as well as 30-year UDI-indexed bonds, and subsequently began offering three-year, five-year, seven-year, 10-year, 20-year and 30-year fixed-rate peso-denominated bonds. Since the first quarter of 2008, 20-year UDI-denominated bonds are no longer offered.

Through the issuance of these securities, the Mexican government has established a long-dated benchmark yield curve. The issuance of these instruments has also encouraged:

- increased use of long-term fixed rate contracts;

- the issuance of long-term peso-denominated securities by Mexican companies;
- the development of long-term financial hedging products in Mexico; and
- the potential to direct long-term savings toward the financing of long-term investment projects.

At December 31, 2012, the net internal debt of the public sector totaled Ps. 3,770.0 billion, a 15.7% increase in nominal terms as compared to Ps. 3,258.5 billion outstanding at December 31, 2011. The gross internal debt of the public sector at December 31, 2012 totaled Ps. 3,861.1 billion, a 12.0% increase in nominal terms as compared to Ps. 3,446.8 billion outstanding at December 31, 2011. Of the total gross internal debt of the Mexican government at December 31, 2012, Ps. 396.7 billion represented short-term debt and Ps. 3,178.6 billion represented long-term debt, as compared to Ps. 349.8 billion of short-term debt and Ps. 2,847.9 billion of long-term debt at December 31, 2011.

The Mexican government's financing costs on internal debt totaled Ps. 207.6 billion during 2012, or 1.3% of GDP, an increase of 7.3% as compared to 2011. During 2012, the average maturity of the Mexican government's internal debt increased by 0.4 years, from 7.6 years at December 31, 2011 to 8.0 years at December 31, 2012.

At December 31, 2012, the gross internal debt of the public sector, including the recognition of PIDIREGAS related debt, totaled Ps. 3,861.1 billion, as compared to Ps. 3,446.8 billion at December 31, 2011.

Mexico's public debt policy for 2013 is intended to be flexible enough to meet the needs of the Mexican government while coping with market dynamics and unforeseen developments and maintaining costs and risks at stable levels. Mexico's new public debt policy will continue the practice of relying on local markets as the core source of funding for the Mexican government, and will supplement this source of funding with external financing from the United States, Europe and Japan. Mexico's principal objectives in achieving external financing are as follows:

- to improve the terms and conditions of Mexico's external liabilities;
- to strengthen and diversify Mexico's investors base, considering the continued presence in the most influential international markets;
- to strengthen Mexico's benchmark bonds; and
- to maintain a constant relationship with international investors, in order to ensure transparency and to promote investment in Mexico.

According to preliminary figures, at June 30, 2013, the Mexican government's net internal debt totaled Ps. 3,616.3 billion, a 3.3% increase in nominal terms as compared to Ps. 3,501.1 billion outstanding at December 31, 2012. This debt figure includes the Ps. 162.7 billion liability associated with social security under the ISSSTE Law. The Mexican government's gross internal debt totaled Ps. 3,836.1 billion at June 30, 2013, a 7.3% increase in nominal terms as compared to Ps. 3,575.3 billion outstanding at the end of 2012. Of the total gross internal debt at June 30, 2013, Ps. 411.3 billion represented short-term debt, as compared to Ps. 396.7 billion at the end of 2012, and Ps. 3,424.8 billion represented long-term debt, as compared to Ps. 3,178.6 billion at the end of 2012.

The Mexican government's financing costs on internal debt totaled Ps 109.6 billion, or 1.4% of GDP, during the six-month period ended June 30, 2013. This represents a 7.9% increase in nominal terms as compared to the same period in 2012. It also represents an increase of less than 0.1% of GDP as compared to the same period of 2012.

During 2012, the average maturity of the Mexican government's internal debt increased by 0.4 years, from 7.6 years at December 31, 2011 to 8.0 years at December 31, 2012. As of June 30, 2013, the average maturity of the Mexican government's internal debt remained at 8.0 years.

The following table summarizes the net internal public debt of the Mexican government at each of the dates indicated.

Internal Debt of the Government⁽¹⁾

	December 31,											
	2008		2009		2010		2011		2012		At June 30, 2013 ⁽²⁾	
	(in billions of pesos, except percentages)											
Gross Debt												
Government Securities	Ps. 2,021.2	84.2%	Ps. 2,379.3	88.0%	Ps. 2,553.9	88.4%	Ps. 2,882.8	90.2%	Ps. 3,257.8	91.1%	Ps. 3,516.5	91.7%
<i>Cetes</i>	357.1	14.9	498.8	18.5	394.0	13.6	456.6	14.3	531.3	14.9	559.7	14.6
Floating Rate Bonds.....	243.6	10.1	243.5	9.0	183.1	6.3	202.5	6.3	200.4	5.6	207.9	5.4
Inflation-Linked Bonds...	334.9	13.9	430.6	15.9	530.1	18.4	642.1	20.1	747.2	20.9	845.9	22.1
Fixed Rate Bonds.....	1,085.6	45.2	1,206.5	44.6	1,446.8	50.1	1,581.6	49.5	1,777.9	49.7	1,900.3	49.5
STRIPS of Udibonos.....	-	-	-	-	-	-	-	-	1.0	0.0	2.6	0.1
Other ⁽³⁾	380.1	15.8	323.4	12.0	334.4	11.6	314.9	9.8	317.6	8.9	319.7	8.3
Total Gross Debt	Ps. 2,401.3	100.0%	Ps. 2,702.8	100.0%	Ps. 2,888.3	100.0%	Ps. 3,197.7	100.0%	Ps. 3,575.3	100.0%	Ps. 3,836.1	100.0%
Net Debt												
Financial Assets ⁽⁴⁾	(68.6)		(231.4)		(79.4)		(85.6)		(74.2)		(219.8)	
Total Net Debt	Ps. 2,332.7		Ps. 2,471.3		Ps. 2,808.9		Ps. 3,112.1		Ps. 3,501.1		Ps. 3,616.3	
Gross Internal Debt/GDP		19.8%		21.4%		21.0%		20.7%		22.3%		24.1%
Net Internal Debt/GDP		19.2%		19.6%		20.4%		20.2%		21.8%		22.7%

Note: Numbers may not total due to rounding.

- (1) Internal debt figures do not include securities sold by *Banco de México* in open-market operations to manage liquidity levels pursuant to *Regulación Monetaria* (none of which are outstanding since December 31, 2011). This is because this does not increase the Mexican government's overall level of internal debt. *Banco de México* must reimburse the Mexican government for any allocated debt that *Banco de México* sells into the secondary market and that is presented to the Mexican government for payment. If *Banco de México* undertakes extensive sales of allocated debt in the secondary market, however, this can result in an elevated level of outstanding internal debt as compared to the Mexican government's figure for net internal debt.
- (2) Preliminary figures.
- (3) Includes Ps. 193.9 billion for 2009, Ps. 193.0 billion for 2010, Ps. 171.9 billion for 2011, Ps. 169.0 billion for 2012 and Ps. 162.7 billion at June 30, 2013 in liabilities associated with social security under the ISSSTE Law.
- (4) Includes the net balance (denominated in pesos) of the Federal Treasury's General Account in *Banco de México*.

Source: Ministry of Finance and Public Credit.

External Public Debt

Total external debt of the public sector consists of the external portion of the long-term indebtedness incurred directly by the Mexican government, the external long-term indebtedness incurred by budget-controlled agencies, the external long-term indebtedness incurred directly or guaranteed by administratively controlled agencies (including but not limited to national development banks) and the short-term external debt of the public sector. Private sector debt guaranteed by the Mexican government is not included, unless and until the Mexican government is called upon to make payment under the applicable guaranty. External public debt does not include, among other things, repurchase obligations of *Banco de México* with the IMF or IPAB debt.

At December 31, 2012, Mexico's outstanding gross external public debt equaled U.S.\$ 125.7 billion, an increase of approximately U.S.\$ 9.3 billion from the U.S.\$ 116.4 billion at the end of 2011. This increase was due to an increase in net external indebtedness of U.S.\$ 448.9 million. It also included a downward accounting adjustment of U.S.\$ 1,624.4 million in the U.S. dollar value of external debt denominated in other foreign currencies, due to the appreciation of the U.S. dollar against those other currencies. Overall, total public debt (gross external debt plus net internal public sector debt) during this period represented approximately 33.7% of GDP, approximately 2.0 percentage points higher than that of 2011.

According to preliminary figures, at June 30, 2013, outstanding gross public sector external debt totaled U.S.\$ 125.1 billion, an approximate U.S.\$ 596.8 million decrease from the U.S.\$ 125.7 billion outstanding at the end of 2012. Of this amount, U.S.\$ 122.3 billion represented long-term debt and U.S.\$ 2.8 billion represented short-term debt. Overall, total public debt (gross external debt plus net internal public sector debt) represented approximately 34.6% of nominal GDP, an increase of 0.9 percentage points from the end of 2012.

The following tables set forth a summary of Mexico's external public debt, as well as a breakdown of such debt by currency.

**Summary of External Public Debt⁽¹⁾
By Type**

		Long-Term Direct Debt of the Government	Long-Term Debt of Budget- Controlled Agencies	Other Long- Term Public Debt⁽²⁾	Total Long- Term Debt	Total Short- Term Debt	Total Long- and Short- Term Debt
(in millions of U.S. dollars)							
At December 31,							
2008	U.S.	\$ 39,997	U.S. \$ 9,782	U.S. \$ 5,885	U.S. \$ 55,664	U.S. \$ 1,275	U.S. \$ 56,939
2009		47,350	41,048	6,202	94,600	1,754	96,354
2010		56,168	45,536	6,385	108,089	2,339	110,428
2011		60,590	47,436	5,625	113,651	2,769	116,420
2012 ⁽³⁾		66,912	50,063	5,626	122,601	3,125	125,726
June 30, 2013 ⁽³⁾		67,350	49,413	5,576	122,339	2,790	125,129

By Currency⁽⁴⁾

	At December 31,										At June 30, 2013 ⁽³⁾	
	2008		2009		2010		2011		2012 ⁽³⁾			
	(in millions of U.S. dollars, except for percentages)											
U.S. dollars.....	U.S.\$47,851	84.1%	U.S.\$77,919	80.9%	U.S.\$90,882	82.3%	U.S.\$97,048	83.4%	U.S.\$105,836	84.2%	U.S.\$103,256	82.5%
Japanese yen.....	1,095	1.9	4,541	4.7	6,864	6.2	6,793	5.8	6,847	5.4	5,897	4.7
Pounds sterling.....	687	1.2	1,981	2.1	1,920	1.7	1,906	1.6	1,993	1.6	1,876	1.5
Swiss francs.....	410	0.7	716	0.7	953	0.9	910	0.8	961	0.8	908	0.7
Others.....	6,896	12.1	11,197	11.6	9,809	8.9	9,763	8.4	10,089	8.0	13,192	10.6
Total.....	U.S.\$56,939	100.0%	U.S.\$96,354	100.0%	U.S.\$110,428	100.0%	U.S.\$116,420	100.0%	U.S.\$125,726	100.0%	U.S.\$125,129	100.0%

Note: Numbers may not total due to rounding.

(1) Any external debt denominated in foreign currencies other than U.S. dollars has been translated into U.S. dollars at the prevailing exchange rates for each of the dates indicated. External public debt does not include: (a) any repurchase obligations of *Banco de México* with the IMF (however, none were outstanding as of June 30, 2013) or (b) loans made by the Commodity Credit Corporation to public sector Mexican banks. External debt is presented herein on a "gross" basis and includes any external obligations of the public sector at their full outstanding face or principal amount. For certain informational and statistical purposes, Mexico sometimes reports its external public sector debt on a "net" basis, which is calculated as the gross debt subtracted by certain financial assets held abroad. These financial assets include non-cancelled public sector external debt held by public sector entities.

(2) Includes development banks' debt and the debt of other administratively-controlled agencies whose finances are consolidated with those of the Mexican government.

(3) Preliminary figures.

(4) Adjusted to reflect the effect of currency swaps.

Source: Ministry of Finance and Public Credit.

MANAGEMENT

Our Board of Directors (*Junta de Gobierno*, or “Board of Directors”) consists of nine members. The President of Mexico appoints six members, including the Minister of Energy, who serves as the Chairman of the Board of Directors. The President of Mexico also appoints the Director General of CFE. The SUTERM selects the remaining three directors from among our union member employees. Alternative directors are authorized to serve on the Board of Directors in lieu of members who are unable to attend meetings or otherwise participate in the activities of the Board of Directors. The members of the Board of Directors are not appointed for a specific term. Board members, except for 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 as of June 30, 2013

Name	Position	Year of Appointment
Lic. Pedro Joaquín Coldwell	Minister of Energy	2012
Dr. Luis Videgaray Caso	Minister of Finance	2012
Mtra. Rosario Robles Berlanga	Minister of Social Development	2012
Lic. Enrique Martínez y Martínez	Minister of Agriculture, Livestock, Rural Development, Fishery and Food	2012
Lic. Ildefonso Guajardo Villarreal	Minister of Economy	2012
Mtro. Emilio Ricardo Lozoya Austin	General Director of PEMEX	2012
Sr. Víctor Fuentes del Villar	General Secretary of SUTERM	2005
Sr. Lisandro Lizama Garma	Press Secretary of SUTERM	2005
Lic. Mario Ernesto González Núñez	Comptroller and Secretary of Statistics and Promotion 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 chosen as President of the Congress. Later, he was elected as the State Government’s General Secretary and then elected Federal Congressional 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 chosen by President Carlos Salinas de Gortari as CEO of FONATUR (*National Fund for the Promotion of Tourism*) and the next year as Minister of Tourism, a position he occupied until 1993. In 1994, he became the General Secretary of the PRI and later in 1998 he became Mexico’s ambassador to Cuba until the year 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 the country’s constitutional reform, justice, and tourism. On November 30, 2012, he resigned as President of the PRI to accept his new designation as Minister of Energy.

Dr. Luis Videgaray Caso – Minister of Finance

Luis Videgaray Caso is an economist from the *Instituto Tecnológico Autónomo de México* (“ITAM”), with a doctorate in economics from the Massachusetts Institute of Technology. In 1987, he became a member of the PRI where he served in various positions, the most notable being advisor to the Minister of Finance from 1992 to 1994 and advisor to the Minister of Energy in 1996. Later, he occupied the position of Public Finance Director of the renowned consulting firm Protego Asesores where he undertook important projects such as the refinancing of public debt of the State of Mexico (*Estado de México*), Sonora, Oaxaca and Durango. In 2005, he was appointed the Secretary of Finance, Planning and Administration of the State of Mexico, a position he occupied until 2009. Between 2008 and 2009, he was nominated as the National Coordinator of State Finances Secretaries and later on as President of the Federal Budget Commission. In 2011, he became a part of President Enrique Peña Nieto’s election campaign and was appointed Mexico’s Minister of Finance once the new administration took office.

Mtra. Rosario Robles Berlanga – Minister of Social Development

Rosario Robles Berlanga has a degree in economics and a master's degree in Rural Development from the *Universidad Autónoma de México* ("UNAM"). She initiated her political career as a member of the UNAM workers' union and as a founding member of the PRD in 1989. In 1994, she was elected to the Federal Congress. Later, in 1997, she was appointed Head of the Government of the Federal District (Mexico City). In 1998, she was elected by the Federal District's Legislative Assembly to substitute Cuauhtémoc Cardenas, in her former position as Head of the Government of the Federal District where she stayed until the year 2000, when she was elected President of the PRD until 2004. Afterwards, she dedicated herself to projects aimed at social advancement and political and business advisory. After several years, was chosen by President Enrique Peña Nieto to be part of his transition team and was ultimately appointed Minister of Social Development.

Lic. Enrique Martínez y Martínez – Minister of Agriculture, Livestock, Rural Development, Fishery and Food

Enrique Martínez y Martínez is an economist from the *Instituto Tecnológico de Estudios Superiores de Monterrey*. He has been a professor of Economics at the *Universidad Autónoma de Coahuila*, and the *Universidad Autónoma Agraria Antonio Narro*. He has occupied the presidency of the Public Administration Institute of the State of Coahuila and has, in various capacities, been a founding, honorary and active member, of several civic organizations and clubs. In the municipal and state public administration field, he has occupied many positions since de 1970's such as Government General Secretary of the State of Coahuila, Revenue and Expense Director of the State of Coahuila's Treasury, Municipal President of Saltillo, and twice as Federal Representative member. Later in 2007 he was appointed as a Delegate of the National Executive Committee of the State of México. In December of 2012, he was appointed by President Enrique Peña Nieto as Minister of Agriculture, Livestock, Rural Development, Fishery and Food.

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 in Economics from Arizona State University, as well as a doctorate in Public Finance and Economics from the University of Pennsylvania, where he has also been a 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 2009 he was elected to the Federal Congress. Between 2003 and 2006, he was head of the Governor's Executive Office of the State of Nuevo León, where he served until 2006 when he was elected to the State Congress. In 2009, while in Federal Congress for the second time, he acted as President of the Economics Commission and was a member of the Finance Commission. In December of 2012, he was appointed Minister of Economy by President Enrique Peña Nieto.

Mtro. Emilio Ricardo Lozoya Austin – General Director of PEMEX

Emilio Ricardo Lozoya Austin holds degrees in economics and law from the ITAM and UNAM, respectively. He also has a master's degree in Economic Development from Harvard University. He initiated his professional career at the *Banco de México* in the Investment of International Reserves and Foreign Exchange division. Between 2003 and 2006, he was an officer of the *Corporación Interamericana de Inversiones* (the Inter-American Investment Corporation), a branch of the Inter-American Development Bank where he took part in projects concerning debt restructuring and investment in different industries as well as Latin American countries. From 2006 to 2009, he acted as Executive Director of Latin America in the World Economic Forum. Between 2009 and 2012, he founded and headed several investment funds specialized in the investment of private capital in global markets and various industries. He has also been a member of different boards of directors of companies related to infrastructure, concessions, finance and information technologies. In 2012, he became a member of the transition team of President Enrique Peña Nieto and was in charge of International Affairs. In December of that year, he began working in the position he currently holds as CEO of PEMEX.

Víctor Fuentes del Villar – General Secretary of SUTERM

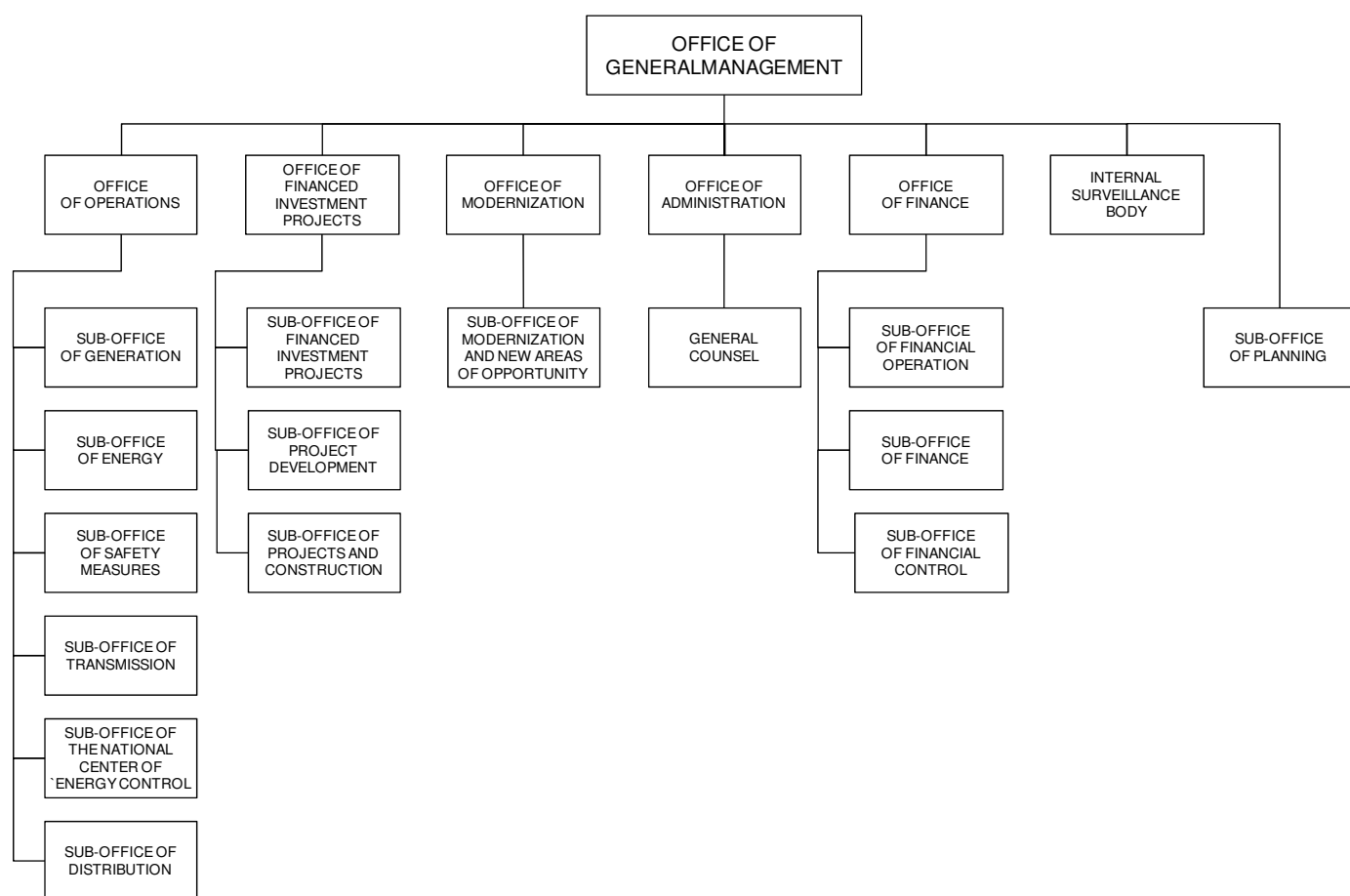
Victor Fuentes del Villar was appointed as General Secretary of SUTERM in 2005 and reappointed in 2007. Prior to this position, he served as Labor Secretary of SUTERM and worked for CFE.

Lisandro Lizama Garma – Press Secretary of SUTERM

Lisandro Lizama Garma worked at CFE for 56 years prior to joining the Board of Directors

Mario Ernesto González Núñez – Comptroller and Secretary of Statistics and Promotion of SUTERM

Management Structure of CFE as of June 30, 2013



Source: CFE.

Senior Management of CFE as of June 30, 2013

Name	Posición	Year of Appointment to Current Position
C.P. Francisco José Rojas Gutiérrez	General Director	2012
Ing. Luis Carlos Hernández Ayala	Director of Operations	2011
Lic. Francisco J. Santoyo Vargas	Director of Finance	2001
Lic. Rogelio Cerda Pérez	Director of Administration	2013
Ing. Francisco Eugenio Laris Alanís	Director of Financed Investment Projects	1999
Act. Guillermo Turrent Schnaas	Director of Modernization and Structural Change	2013

Biographical Information of our Senior Management

C.P. Francisco José Rojas Gutiérrez – General Director

Francisco Rojas Gutiérrez is an authorized public accountant from the UNAM. Within the Public Administration, he has occupied several positions in the *Secretaría de Programación y Presupuesto* (Ministry of Programming and Budget) as well as in the Ministry of Finance and Public Credit for a total of 12 years' experience between 1970 and 1981. As a member of the Office of the President, he has been President of the Board of Directors of the Mexican Institute of Petroleum for 8 years, founder and Secretary of the Federal Government Comptroller's Office for 4 years (1983-1987), and General Director of PEMEX for 8 years (1987-1994). In the Legislative Branch, he has been a Federal Representative twice, President of the Budget and Public Accounting Commission (2003-2006) and Parliamentary Coordinator of the PRI in the House of Representatives. In the UNAM, he has held several honorary positions between 1992 and 2005. In the private sector he has acted as a business, cultural and educational consultant (1996-2003). He has also worked in media and journalism as an economic and political analyst, authoring numerous articles from 2003 to 2012. It is also worth mentioning that throughout his career he has been awarded numerous awards and fellowships by professional organizations and foreign governments.

Ing. Luis Carlos Hernández Ayala – Director of Operations

Luis Carlos Hernández Ayala is an Industrial Engineer specialized in Electricity from the *Instituto Tecnológico de Durango* and holds a master's degree from the *Universidad de Tamaulipas* in Quality Control. From February 2010 to date, he has been working on his Doctorate in Global Systems from the University of San Diego. He was hired in 1978 by CFE where he has occupied numerous technical, supervising and management positions within the Operations division. He was designated CFE's Sub-director of Generation in 2007, where he remained until 2011 when he was designated to his current position as Director of Operations. His career at CFE is 35 years and counting.

Lic. Francisco J. Santoyo Vargas – Director of Finance

Francisco Santoyo Vargas has a Law Degree from the *Escuela Libre de Derecho*. Most of his professional experience is in the public sector, but he has also held private sector positions including serving as President and founder of Santoyo Consulting, the Strategic Planning Center, and the Corporate Integral Strategy Center. In the public sector, he has held many positions within INFONAVIT, including Minister of the Administration Advisory, the Surveillance Commission (1973-1976), the General Coordinator of the Federal District of Mexico, as well as Assistant General Director of Finance (1993-1997). During 1977, he served as Coordinator of the Integration Unit for the Ministry of Programming and Budget. From 1978 to 1986, he served in the Ministry of Credit and Public Finance as Minister of the Assessment Commission of External Finance of the Public Sector, Manager of Assessments of the Sub-Ministry of Credit and Public Finance, Director of National Credit Institutions and General Director of Development Banking. In 2001, he was appointed to his current position as Director of Finance.

Lic. Rogelio Cerda Pérez – Director of Administration

Rogelio Cerda Pérez has a degree in Juridical Science from the UANL. He also has two masters' degrees: one in Comparative Jurisprudence and another in Rights and Law, both from the University of Texas. He has ample

experience in both the public and private sector, where he has occupied, among others, the following positions: General Undersecretary and Secretary of Government of the State of Nuevo León, and more recently, he acted as Federal Representative to the House of Representatives .

Ing. Francisco Eugenio Laris Alanís – Director of Financed Investment Projects

Francisco Eugenio Laris Alanís is a civil engineer. He graduated from the School of Engineering at the UNAM where he also completed his postgraduate studies in land mechanics. He also studied in Switzerland and France, the main focus of his studies being on dam design. He has served as President of the School of Civil Engineers of Mexico (1996-1998) the Mexican Hydraulic Association (1975-1976), and as Vice President of the National Chamber of the Construction Industry (1978-1981). In the public sector, he has been General Director of large irrigation projects for the Ministry of Hydraulic Resources (1959-1971), the Ministry of Urban Development and Public Works (1981-1986), General Director of Altos Hornos de México (1988-1991), and Assistant Secretary of Public Sector Transformation Industry for the Ministry of Energy, Mining and Industry (1986-1988). In the private sector, he is was the founder, General Director (1971-1973), and President (1973-1981) of Industrial de Pinturas Ecatepec S.A. de C.V. (IPESA). He also served as President of Centro Promotor de Proyectos (1991-1994) and as Vice President of the Hydraulic Infrastructure of the Tribasa Group (1994-1998). He has been the Director of Financed Investments Projects at CFE since November 1999.

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

Guillermo Turrent Schnaas is an actuary from the UNAM. He has ample professional experience in the energy, natural gas and electricity sectors, having participated in projects pertaining to business development, strategic investment and commercialization. He has helped commercialize natural gas at PEMEX's P.M.I. Comercio Internacional, as well as in PEMEX's Divisions of Gas and Basic Petrochemicals. He has also acted as Vice President of the U.S. based Sempra Energy Trading, as Senior Vice President of Shell Trading Gas & Power, as CEO of Sempra Energy Trading and Constellation Energy, as Senior Vice President of Electricité de France, and as President of the Mexican Energy Advisors Corp.

DESCRIPTION OF THE NOTES

This section of the offering memorandum summarizes the material terms of the base indenture and the supplemental indenture (together, 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 we or the trustee maintain for this purpose, and not those who own beneficial interests in notes issued in book-entry form through DTC 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 a base indenture dated as of May 19, 2011 and a supplemental indenture, dated as of October 24, 2013. The base indenture and the supplemental indenture are agreements among us, Deutsche Bank Trust Company Americas, as trustee, and Deutsche Bank Luxembourg S.A., as Luxembourg paying agent. 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 “—Defaults, Remedies and Waiver of Defaults.” The trustee also performs administrative duties for us, such as making interest payments and sending notices to holders of notes.

Principal and Interest

The aggregate principal amount of the notes is U.S.\$ 1,250 million. The notes will mature on January 15, 2024.

The notes will bear interest at a rate of 4.875% per year from October 24, 2013. Interest on the notes will be payable semi-annually on January 15 and July 15 of each year, beginning on January 15, 2014, to the holders in whose names the notes are registered at the close of business on the January 9 or July 9 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.

Ranking of the Notes

The notes constitute our direct, unsecured and unsubordinated general obligations and will rank equally in priority of payment with all of our present and future unsecured and unsubordinated Public External Indebtedness. The notes will not be secured by any of our assets or properties. As a result, by owning the notes, you will be one of our unsecured creditors. As of June 30, 2013, we had Ps. 52,702 million (U.S.\$ 3,996 million) of Public External Indebtedness outstanding, none of which constituted secured indebtedness.

As of the date of this offering memorandum, we do not have any Subsidiaries. In the event that we create one or more 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 become a guarantor (each such Subsidiary, 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, unsecured and unsubordinated general obligations of such Subsidiary Guarantor and will at all times rank equally with all present and future unsecured and unsubordinated Public External Indebtedness of such Subsidiary Guarantor.

Stated Maturity and Maturity

The day on which the principal amount of the notes is scheduled to become due is called the “stated maturity” of the principal. The principal may become due before the stated maturity by reason of redemption, purchase or acceleration after a default. The day on which the principal actually becomes due, whether at the stated maturity or earlier, is called the “maturity” of the principal.

We also use the term “maturity” to refer to the dates when interest payments become due. For example, we may refer to a regular interest payment date when an installment of interest is scheduled to become due as the “maturity” of that installment. When we refer to the “stated maturity” or the “maturity” of the notes without specifying a particular payment, we mean the stated maturity or maturity, as the case may be, of the principal.

Form and Denominations

The notes 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 on terms and conditions identical to those of the notes, which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes; *provided* that any notes so issued with the same CUSIP as the notes issued pursuant to this offering memorandum are issued either as a part of 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.

Payment Provisions

Payments on the Notes

For interest due on the interest payment dates, we will pay the interest to the holder in whose name the note is registered at the close of business on the regular record date relating to the interest payment date. For interest due at maturity but on a day that is not an interest payment date, we will pay the interest to the person or entity entitled to receive the principal of the note. For principal due on the notes at maturity, we will pay the amount to the holders of the notes against surrender of the notes at the proper place of payment.

The regular record dates relating to the interest payment dates for the notes are January 9 and July 9. For the purpose of determining the holder at the close of business on a regular record date, the close of business will mean 5:00 p.m. (New York City time) on that day.

Payments on Global Notes. For notes issued in global form, we will make payments on the notes in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in a global note. An indirect holder’s right to receive those payments will be governed by the rules and practices of the depositary and its participants.

Payments on Certificated Notes. For notes issued in certificated form, we will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at the holder’s address shown on the registrar’s records as of the close of business on the regular record date and we will make all other payments by check to a paying agent as described below, against surrender of the note. If we issue notes in certificated form, holders of notes in certificated form will be able to receive payments of principal and interest on their notes at the office of our paying agent maintained in New York City or any other paying agent that we appoint, including, for so long as any notes are listed on the Luxembourg Stock Exchange, our paying agent in Luxembourg.

Alternatively, if a holder holds a face amount of the notes of at least U.S.\$ 5.0 million and the holder asks us to do so, we will pay any amount that becomes due on such notes by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request wire payment, the holder must give a paying agent appropriate wire transfer instructions at least 10 business days before the requested wire payment is due. In the case of interest payments due on interest payment dates, the instructions must be given by the person or entity who is the holder on the relevant regular record date. In the case of any other payment, payment will be made only after the notes are surrendered to a paying agent. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

Payment When Offices Are Closed

If any payment is due on the notes on a day that is not a business day, we will make the payment on the day that is 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. Postponement of this kind will not result in a default under the notes, the indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day.

“Business day” means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City or Mexico City generally are authorized or obligated by law, regulation or executive order to close. In the case of notes in certificated form, the term “business day” also means a day on which banking institutions generally are open for business in the location of each office of a paying agent, but only with respect to a payment to be made at the office of such paying agent, and each office of a transfer agent, but only with respect to any actions to occur at that office.

Paying Agents

If we issue notes in certificated form, we may appoint one or more financial institutions to act as our paying agents, at whose designated offices the notes may be surrendered for payment at their maturity. We may add, replace or terminate paying agents from time to time, provided that if any notes are issued in certificated form, so long as such notes are outstanding, we will maintain a paying agent in New York City and, to the extent permitted by law, maintain an additional paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such directive. In addition, if any notes are issued in certificated form, we will, for so long as any notes are listed on the Luxembourg Stock Exchange, maintain a paying agent in Luxembourg. We may also choose to act as our own paying agent. Initially, we have appointed the trustee, at its corporate trust office in New York City, as our principal paying agent, and Deutsche Bank Luxembourg S.A., as our Luxembourg paying agent. We must notify you of changes in the paying agents as described under “—Notices.”

Unclaimed Payments, Prescription

All money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to us for payment and not to the trustee, any other paying agent or anyone else. The right to receive each payment of principal of and interest on the notes will become void at the end of six years after the due date thereof.

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, except as set forth below. The notes will not be 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 35 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 Barclays Capital Inc., Citigroup Global Markets Inc. and Goldman, Sachs & Co. (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) one other Primary Treasury Dealer 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 if payments (including payments of interest) on the notes were 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 it 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

If at any time prior to maturity, we cease to:

- (a) be a decentralized public entity of the Mexican government;
- (b) be majority-owned by the Mexican government;
- (c) 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
- (d) at any time, generate, transmit and distribute at least 60% of the electricity generated, transmitted and distributed, in each case within Mexico (unless, in the case of this clause (d), 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 so long as any note remains 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 Mexican FRS, 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 balance sheet and unaudited condensed statement of results of operations as at the end of such quarter.

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 a Default or 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 Mexican FRS 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 "—Defaults, Remedies and Waiver of Defaults," 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 note remains 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 reorganization or transfer, 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.

Defaults, Remedies and Waiver of Defaults

If any of the following events (each, an “Event of Default”) occurs and is continuing with respect to the notes, the trustee, if so requested in writing by the holders of not less than 25% in aggregate principal amount of the notes then Outstanding, will give notice to us that the notes are, and they will immediately become, due and payable at their outstanding principal amount together with accrued interest:

- (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 in priority of payment at least *pari passu* 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.

After any such declaration of acceleration has been made, but before any judgment or decree by a court of competent jurisdiction for the payment of the money due, or any portion thereof, has been entered, the holders of a majority in principal amount of the notes then Outstanding, by written notice to us and the trustee, may rescind and annul such declaration of acceleration and its consequences if (i) a sum has been paid to or deposited with the trustee sufficient to pay all principal of and interest on the notes that have become due other than by such declaration of

acceleration and all sums paid or advanced by the trustee and the reasonable compensation, expenses, disbursements and advances of the trustee, its agents and counsel and (ii) all Events of Default, other than the non-payment of the principal of and interest on the notes that have become due solely by such declaration of acceleration, have been cured or waived as provided in the paragraph below.

The holders of a majority in principal amount of the notes then Outstanding may waive any past Default or Event of Default and its consequences; *provided* that the consent of the holders of 75% in principal amount of the notes then Outstanding is required to waive a Default or Event of Default described in paragraph (a) above. Upon any such waiver, such Default or Event of Default will cease to exist with respect to the notes for every purpose of the indenture, but no such waiver will extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

No holder will have the right to institute any suit, action or proceeding at law or in equity or otherwise for the appointment of a receiver or for the enforcement of any other remedy under or upon the indenture, unless:

- (a) such holder previously has given written notice to the trustee of a continuing Event of Default;
- (b) the holders of a majority in aggregate principal amount of the Outstanding notes have requested the trustee in writing to institute such action, suit or proceeding and have offered the trustee an indemnity reasonably satisfactory to it;
- (c) the trustee has refused or neglected to institute any such action, suit or proceeding for 60 days after receipt of such notice, request and offer of indemnity; and
- (d) no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in aggregate principal amount of the Outstanding notes.

It is understood and intended that no one or more of the holders will have any right in any manner whatever under the indenture or the notes to (i) obtain or seek to obtain priority or preference over any other such holder or (ii) enforce any right under the indenture, except in the manner therein provided and for the equal, ratable and common benefit of all the holders.

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:

- (a) any Mexican Withholding Taxes that would not have been imposed or levied on a holder of notes but for the existence of any present or former connection between the holder 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 (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;
- (b) any estate, inheritance, gift, sales, transfer, or personal property or similar tax, assessment or other governmental charge;
- (c) any Mexican Withholding Taxes that are imposed or levied by reason of the failure by the holder 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 in writing that the holders 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;
- (f) any withholding tax or deduction imposed on a payment (i) pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such directive or (ii) on a note that is presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant note to another paying agent in a Member State of the European Union; or
- (g) 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 (g) 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 Default or 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 195, 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 195, 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 195, 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 195, 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 (*Secretaría de Hacienda y Crédito Público*) 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.

Modification and Waiver

We and the trustee may modify, amend, supplement or waive the terms of the notes or the indenture with (1) the written consent of the holders of not less than a majority in aggregate principal amount of the then Outstanding notes or (2) the affirmative vote at a meeting of holders that is properly called and held in accordance with the terms of the indenture of the lesser of (x) the holders of not less than a majority in aggregate principal amount of the then Outstanding notes and (y) the holders of not less than 66⅔% of the then Outstanding notes that are present at such meeting; *provided, however*, that no such modification, amendment, supplement or waiver that constitutes a Reserved Matter may be effected, adopted or approved without the consent of the holders of not less than 75% in aggregate principal amount of the then Outstanding notes. The consent of holders to a Reserved Matter may take the form of a written consent or an affirmative vote at a meeting of holders that is properly called and held in accordance the terms of the indenture.

A “Reserved Matter” is any action that would:

- (1) change the due date for any payment of principal of or premium, if any, or interest on the notes;
- (2) reduce the principal amount of the notes, the portion of the principal amount that is payable upon acceleration of the maturity of the notes, the interest rate on the notes or the premium, if any, payable upon redemption of the notes;
- (3) shorten the period during which we are not permitted to redeem the notes or permit us to redeem the notes prior to maturity, if, prior to such action, we are not permitted to do so except as permitted in each case under “—Redemption and Purchase—Redemption for Tax Reasons” above;
- (4) change the coin or currency in which, or the required places at which, any principal of or premium, if any, or interest on the notes is payable;
- (5) modify any guarantee of the notes in any manner adverse to the holder of any of the notes;
- (6) change our obligation to pay Additional Amounts (including the limitations thereon) with respect to the notes;

- (7) reduce the percentage of the principal amount of the notes, the vote or consent of the holders of which is necessary to modify, amend or supplement the indenture or the notes or to take other action provided therein;
- (8) modify the provisions in the indenture or the notes relating to waiver of compliance with certain provisions thereof or waiver of certain defaults, or change the quorum requirements for a meeting of holders of the notes, in each case except to increase any related percentage or to provide that modifications or waivers of certain other provisions of the indenture are Reserved Matters;
- (9) change the governing law with respect to the indenture or the notes;
- (10) change the submission to jurisdiction of New York courts, the obligation to appoint and maintain an Authorized Agent in the Borough of Manhattan, New York City or the waiver of immunity provisions in the indenture;
- (11) amend the Events of Default in connection with an exchange offer for the notes;
- (12) change the ranking of the notes; or
- (13) change the definition of “Outstanding” with respect to the notes.

Notwithstanding the foregoing, we and the trustee may, without the vote or consent of any holder of the notes, modify or amend the indenture or the notes for the purpose of:

- (1) adding to our covenants for the benefit of the holders of the notes;
- (2) surrendering any right or power conferred upon us;
- (3) securing the notes pursuant to the requirements of the indenture or otherwise;
- (4) curing any ambiguity or curing, correcting or supplementing any defective provision of the indenture or the notes, that, as certified by an officer’s certificate delivered by us, will not adversely affect the rights of any holder of the notes in any material respect;
- (5) amending the indenture or the notes in any manner which we and the trustee may determine and that, as certified by an officer’s certificate delivered by us, will not adversely affect the rights of any holder of the notes in any material respect;
- (6) reflecting the succession of another Person to us and the successor corporation’s assumption of our covenants and obligations under the notes and the indenture in accordance with the provisions described under “—Negative Covenants—Merger, Consolidate or Sale of Assets”;
- (7) providing, if permitted under Mexican law, for the guarantee of the notes 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
- (8) providing for a successor trustee or co-trustee in accordance with the provisions of the indenture.

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 holders a notice briefly describing the amendment, modification, supplement or waiver. However, the failure to give this notice to all the holders, or any defect in the notice, will not impair or affect the validity of the amendment, modification, supplement or waiver.

Meetings of Holders of Notes

The indenture has provisions for calling a meeting of the holders of the notes. Under the indenture, the trustee may call a meeting of the holders of the notes at any time. We or the holders of at least 10% in principal amount of the Outstanding notes may also request a meeting of the holders of the notes by sending a written request to the trustee detailing the proposed action to be taken at the meeting.

At any meeting of holders of the notes to act on a matter that is not a Reserved Matter, a quorum exists if the holders of a majority of the aggregate principal amount of the Outstanding notes are present or represented. At any meeting of holders of the notes to act on a matter that is a Reserved Matter, a quorum exists if the holders of 75% of the aggregate principal amount of the Outstanding notes are present or represented.

Any meeting of holders that has properly been called and that has a quorum can be adjourned from time to time by those who are entitled to vote a majority of the aggregate principal amount of the Outstanding notes represented at the meeting. The adjourned meeting may be held without further notice.

Any resolution passed, or decision made, at a meeting of holders that has been properly held in accordance with the indenture is binding on all holders of the notes.

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.

“Mexican FRS” means *Normas de Información Financiera* (Mexican Financial Reporting Standards) issued by the *Consejo Mexicano para la Investigación de Normas de Información Financiera* or, as and to the extent adopted by us for the presentation of our financial statements, International Financial Reporting Standards, as in effect in Mexico from time to time.

“Outstanding” means, as of any date of determination, all notes authenticated by the trustee and delivered under the indenture, *except*:

- (i) notes which have been cancelled by the trustee or delivered to the trustee for cancellation as of such date of determination;
- (ii) notes as of such date of determination, or portions thereof, for whose payment or redemption moneys in the necessary amount has been deposited with the trustee or any paying agent (other than us) in trust or set aside and segregated in trust by us (if we act as our own paying agent) for the benefit of the holders of such notes; *provided* that if such notes are to be redeemed, notice of such redemption has been duly given pursuant to the indenture or provision for such notice satisfactory to the trustee has been made; and
- (iii) notes which, as of such date of determination, have been lost, destroyed or wrongfully taken pursuant to the terms of the indenture or in exchange for or in lieu of which other notes have been authenticated and delivered pursuant to the indenture;

provided that in determining whether the holders of the requisite principal amount of Outstanding notes have given any request, demand, authorization, direction, notice, consent, waiver, amendment, modification or supplement under the indenture, whether a quorum is present at a meeting of holders of Outstanding notes or the number of votes entitled to be cast by each holder of a note in respect of such note at any such meeting notes owned, directly or indirectly, by Mexico or any public sector instrumentality of Mexico (including us or any of our Subsidiaries) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver, amendment, modification or supplement, only notes that a responsible officer of the trustee actually knows to be so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee certifies to the trustee the pledgee’s right so to act with respect to such notes and certifies that the pledgee is not us or our Subsidiary. As used in this definition, “public sector instrumentality” means *Banco de México*, any department, ministry or agency of the Mexican government or any corporation, trust, financial institution or other entity owned or controlled by the Mexican government or any of the foregoing, 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.

“Person” means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having a separate legal personality.

“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.

“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.

Agents

We may appoint one or more transfer agents, at whose designated offices any notes in certificated form may be transferred or exchanged and also surrendered before payment is made at maturity. Initially, we have appointed the trustee, at its corporate office in New York City, as agent for these purposes (the “transfer agent”). We may also choose to act as our own transfer agent. We must notify you of changes in the transfer agents as described under “—Notices.” If we issue notes in certificated form, holders of notes in certificated form will be able to transfer their notes, in whole or in part, by surrendering the notes, with a duly completed form of transfer, for registration of transfer at the office of our transfer agent in New York City. We will not charge any fee for the registration or transfer or exchange, except that we may require the payment of a sum sufficient to cover any applicable tax or other governmental charge payable in connection with the transfer.

Notices

As long as we issue notes in global form, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If we issue notes in certificated form, notices to be given to holders will be sent by mail to the respective addresses of the holders as they appear in the trustee’s records, and will be deemed given when mailed. From and after the date the notes are listed on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF, we will also publish all notices to the holders 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.

Neither the failure to give any notice to a particular holder, nor any defect in a notice given to a particular holder, will affect the sufficiency of any notice given to another holder.

Governing Law

The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York, United States of America, except that matters relating to the authorization, execution and delivery of the indenture and the notes by are governed by the laws of Mexico. Notwithstanding the foregoing, any matters involving the trustee, paying agent, registrar or transfer agent will be governed by the laws of the State of New York, United States of America.

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 will irrevocably waive such immunity in respect of our obligations under the indenture and the notes to the fullest extent permitted by law, except that (a) under Article 4 of the *Código Federal de Procedimientos Civiles* (Federal Code of Civil Procedure of Mexico) and Articles 1, 4 and 7 (and related articles) of the *Ley del Servicio Público de Energía Eléctrica* (Electricity Law), attachment prior to judgment, attachment in aid of execution will not be ordered by Mexican courts against our property and are not waived by us, and (b) the generation, transmission, processing, distribution and supply of electric energy as a public service, as well as the undertaking of any construction, installation and works required for the planning, operation and maintenance of the national electric system, are reserved to the Mexican government, through us (and to that extent the assets related thereto are subject to immunity and are not waived by us). Without limiting the generality of the foregoing, we will agree that the waivers set forth in this paragraph will have force and effect to the fullest extent permitted under the U.S. Foreign Immunities Act of 1976, as amended, and will be irrevocable for purposes of such Act; *provided, however*, that we will reserve 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 obligations under the notes will be discharged only to the extent that the relevant holder is able to purchase U.S. dollars with any other currency paid to that holder in accordance with any judgment or otherwise. If the holder cannot purchase U.S. dollars in the amount originally to be paid, we have agreed to pay the difference. The holder, however, agrees that, if the amount of U.S. dollars 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 Mexico.

This summary is based on the federal tax laws of Mexico and the United States as in effect on the date of this offering memorandum (including the Tax Treaty described below), as well as on rules and regulations of Mexico 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 (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 domicile in Mexico, unless he/she has a place of residence in another country as well, 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 national 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 taxes or duties imposed or levied by or on behalf of Mexico.

Pursuant to the Mexican Income Tax Law, payments of interest (or amounts deemed to be interest) made by CFE in respect of the notes to Foreign Holders will be subject to a Mexican 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 Ministry of Finance, (iii) CFE timely files with the Ministry of Finance (a) certain information related to the notes and this offering memorandum 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.

Under the Tax Treaty, the Mexican withholding tax rate is 4.9% for certain holders that are residents of the United States (within the meaning of the Tax Treaty) under certain circumstances contemplated therein.

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) is registered with the Ministry of Finance for that purpose.

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. 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

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 income or other similar taxes.

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

TO ENSURE COMPLIANCE WITH UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230, PROSPECTIVE HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON AND CANNOT BE RELIED UPON BY PROSPECTIVE HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS BEING USED BY CFE IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain United States 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 United States 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.

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, 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, insurance companies, 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 offering memorandum. 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’s tax basis in a note generally will equal its cost for that note. 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. 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 U.S. federal income tax unless such holder has other income from foreign sources, in the appropriate category, for purposes of the foreign tax credit rules.

Information Reporting and Back-up 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 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.

EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under Council Directive 2003/48/EC on the taxation of savings income (the “Savings Directive”), each Member State of the European Union, or EU, is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entities established in, that other Member State; however, for a transitional period, Austria and Luxembourg will (unless during such period they elect otherwise) instead apply a withholding system in relation to such payments. Under such withholding system, the beneficial owner of the interest payment must be allowed to elect that certain provision of information procedures should be applied instead of withholding. The current rate of withholding is 35%. The transitional period is to terminate at the end of the first full fiscal year following the conclusion of agreements by certain non-EU countries to exchange of information procedures relating to interest and other similar income. The Luxembourg government has announced that Luxembourg will elect out of the withholding system in favor of automatic exchange of information with effect from January 1, 2015.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted or agreed to adopt similar measures to the Savings Directive.

A proposal for amendments to the Savings Directive has been published, including a number of suggested changes which, if implemented, would broaden the scope of the rules described above. At a meeting on May 22, 2013, the European Commission called for the adoption of an amended Savings Directive before the end of 2013.

No Additional Amounts will be payable with respect to a note where withholding or deduction is imposed or levied on a payment pursuant to the Savings Directive (as amended from time to time) or any law implementing or complying with, or introduced in order to conform to, such directive. If any notes are issued in certificated form, the Issuer will, to the extent permitted by law, maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive or any such directive or law. Holders should consult their tax advisors regarding the implications of the Savings Directive in their particular circumstances.

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 are not 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 the 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

depositories 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 depository 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 depositories 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 depository for the global notes and a successor depository 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 depository 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 depository 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—Payment Provisions—Paying Agents” and “Description of the Notes—Agents.”

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 offering memorandum. You represent that you are relying only on this offering memorandum 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 (iii) 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 date that is one year (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;
- 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 resale restriction period may be extended, in our discretion, in the event of one or more issuances of additional notes, as described under “Description of the Notes—Further Issuances.” 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, 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>
Barclays Capital Inc.....	U.S.\$ 416,666,000
Citigroup Global Markets Inc.....	416,667,000
Goldman, Sachs & Co.	416,667,000
Total	<u>U.S.\$ 1,250,000,000</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 this 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 have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

Notes Not 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 this 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 offering memorandum 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 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 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 offering memorandum may not be publicly distributed in Mexico. The acquisition of the notes by an investor of Mexican nationality will be made under its own responsibility.

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. 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 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"), each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the representative or representatives nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of notes shall require us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of the foregoing sentence, 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 the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Member State; “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State; and “2010 PD Amending Directive” means Directive 2010/73/EU.

United Kingdom

Each initial purchaser has represented, warranted and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000, as amended, or the “FSMA”) received by it in connection with the issue or sale of any notes included in this offering in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes included in this offering in, from or otherwise involving the United Kingdom.

Hong Kong

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and 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 (in each case 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 in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum 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, or any person pursuant to Section 275(1 A), 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. Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, (2) where no consideration is given for the transfer or (3) by operation of law.

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

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 Law of Japan (as amended, the “FIEL”) and the notes may not be offered or sold, directly or indirectly, 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 a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

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 the initial purchasers are lenders under a number of our loan agreements, including our U.S.\$ 1.25 billion syndicated loan facility that we intend to prepay with a portion of the proceeds from the offering of the notes.

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 and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our 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 24, 2013.

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, New York, New York. Certain matters of Mexican law relating to the notes was passed upon for the initial purchasers by White & Case, S.C., Mexico.

White & Case, S.C. from time to time represents CFE in the issuance of *certificados bursátiles* (bonds) in the Mexican capital markets.

INDEPENDENT ACCOUNTANTS

As stated in the reports included herein of Gossler, S.C., member Crowe Horwath International, our independent auditors, our financial statements as of and for the years ended December 31, 2012 and 2011 have been audited by Gossler, S.C. and our unaudited financial statements as of June 30, 2013 and for the six-month periods ended June 30, 2013 and 2012 have been subject to the “limited review” procedures of Gossler, S.C. You should read carefully the Gossler, S.C. audit and limited review reports appearing elsewhere in this offering memorandum.

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 AD2	US200447AD28	098581375
Regulation S Global Note	P30179 AM0	USP30179AM09	098583017

3. We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the notes, including the authorization of the issuance of the notes by the Ministry of Finance. Resolutions of our Board of Directors, dated August 30, 2013, authorized the total net indebtedness of CFE for 2013.

4. Except as disclosed in this offering memorandum, 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 offering memorandum, since December 31, 2012, 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 reports in this offering memorandum 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, 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, 2012 and 2011;
- our unaudited financial statements as of and for the six-month periods ended June 30, 2013 and 2012;
- 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, copies of our current annual financial statements and unaudited 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 Electricity 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 financial statements in Spanish only, 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 offering memorandum.

8. CFE was created in 1937 by presidential decree then converted by the Mexican Congress in 1949 into an *organismo descentralizado de la Administración Pública Federal* (decentralized public entity of the Mexican

government). Our principal executive office is located at Comisión Federal de Electricidad, Paseo de la Reforma 164, Col. Juárez, 06600 México D.F. Our facsimile number at that address is (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
(Decentralized Government Agency of the Federal Government)

**Independent auditor's report on the review
of interim financial information and consolidated
financial statements for the six month periods
ended June 30, 2013 and 2012
and for the year ended
December 31, 2012**

Comision Federal de Electricidad
(Decentralized Government Agency of the Federal Government)

Independent auditor's report on the review of interim financial information and consolidated financial statements for the three month periods ended June 30, 2013 and 2012 and for the year ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report**To the Ministry of Public Function
and the Governing Board of
Comisión Federal de Electricidad**

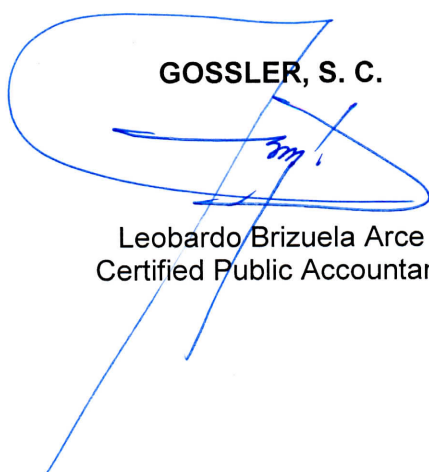
We have reviewed the consolidated statement of financial position of Comision Federal de Electricidad, Decentralized Government Agency of the Federal Government, as of June 30, 2013, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the six month period then ended. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with the Standards of Review Engagements 9020 "Review of interim financial information performed by independent auditor of the Entity", issued by the Instituto Mexicano de Contadores Publicos, A.C. 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 performed in conformity 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 interim financial information does not present fairly, in all material respects, of consolidated interim financial information presents fairly, in all material respects, the financial position of Comision Federal de Electricidad at June 30, 2013, the results of its operations, changes in equity and cash flows for the six month period then ended, in accordance with International Financial Reporting Standards.


GOSSLER, S. C.Leobardo Brizuela Arce
Certified Public AccountantMexico City, Mexico
August 2, 2013

Comision Federal de Electricidad
(Decentralized Government Agency of the Federal Government)

Consolidated statements of financial position

At June 30, 2013 and December 31, 2012

(Notes 1, 2 and 3)

(Amounts stated in thousands of Pesos)

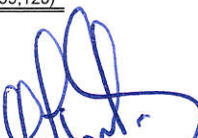
	2013	2012	
Assets			Liabilities
Current assets			Short-Term
Cash and cash equivalents (note 5)	\$ 33,580,628	\$ 35,968,375	Current portion of long-term debt (note 10)
			Current portion of PIDIREGAS (note 11 and 12)
Accounts receivable, net (note 6)	83,702,402	86,568,135	Suppliers and contractors
			Loans and fees payable (note 13)
Materials for operation, net (note 7)	17,035,580	21,107,343	Employee benefits (Note 16)
			Other payables and accrued liabilities
Total current assets	134,318,610	143,643,853	Deposits from users and contractors
			Total short-term liabilities
Long-term loans to workers	7,905,993	7,483,560	Long-term:
			Unrealized proceeds (note 14)
Plants, facilities and equipment, net (Note 8)	809,864,019	813,402,747	Documented debt (note 10)
			Derivative financial instruments (note 8)
Derivative financial instruments (note 9)	14,485,214	15,869,179	PIDIREGAS (note 11 and 12)
			Long-term debt (note 15)
Other assets	10,076,920	9,524,798	Employee benefits (note 16)
			Total long-term liabilities
Total assets	\$ 976,650,756	\$ 989,924,137	Total liabilities
			Equity:
			Accumulated patrimony (Note 17)
			Payment of public use tax - Federal Revenue Law
			Contributions received from the Federal Government
			Derivative financial instruments
			Charge to equity for employee benefits
			Net loss for the period
			Total patrimony
			Total liabilities and patrimony

MEMORANDUM ACCOUNTS (note 24)

	2013	2012
Assets	\$112,899,120	\$112,899,120
Liabilities	\$(112,899,120)	\$(112,899,120)


Francisco Rojas
General Director


Francisco J. Santoyo Vargas
Director of Finance


Oscar H. Lara Andrade
Deputy Director of Financial Control

Comision Federal de Electricidad
(Decentralized Government Agency of the Federal Government)

Consolidated statements of comprehensive income

For the six month period ended June 30, 2013 and 2012

(Notes 1, 2 and 3)

(Amounts stated in thousands of Pesos)

EXHIBIT B

	2013	2012
Revenue on sale of electric power (note 26)	\$ 154,492,445	\$ 152,529,445
Costs and expenses:		
Operating	132,455,108	112,124,446
Depreciation	18,152,121	16,483,244
Administrative expenses	2,980,641	2,806,940
Estimated actuarial cost of labor obligations of the period	25,017,930	21,031,290
Total costs and operating expenses	178,605,800	152,445,920
Operating (loss) income	(24,113,355)	83,525
Other (expenses) income, Net (Note 18)	2,186,183	(23,699)
Income tax on the distributable remaining balance (note 19)	(634,425)	(587,795)
Rate insufficiency and public use taxes		
Rate insufficiency (note 20)	57,016,142	33,139,174
Public use taxes (note 20)	22,540,213	33,139,174
Net gain or loss on rate insufficiency and public use tax	34,475,929	-
Write-off of rate insufficiency not covered by public use tax	(34,475,929)	-
	-	-
Financial cost		
Interest payable, net	(10,615,230)	(9,070,356)
Exchange (loss) gain, Net	(2,342,721)	7,704,516
	(12,957,951)	(1,365,840)
Net loss for the period	\$ (35,519,548)	\$ (1,893,809)
Other comprehensive income (loss) items (note 21)		
Other movements of patrimony	98,704	(909,517)
Effect of financial instruments on patrimony	431,776	(1,654,661)
Comprehensive loss for the period	\$ (34,989,068)	\$ (4,457,987)


Francisco Rojas
General Director


Francisco J. Santoyo Vargas
Director of Finance


Oscar H. Lara Andrade
Deputy Director of Financial Control


Oscar David Castillo Iñiguez
Alternate Accounting Management

The accompanying notes are an integral part of these financial statements.

Comision Federal de Electricidad
(Decentralized Government Agency of the Federal Government)

Consolidated statements of comprehensive income

For the quarters from April 1 to June 30, 2013 and 2012

(Notes 1, 2 and 3)

(Amounts stated in thousands of Pesos)

EXHIBIT C

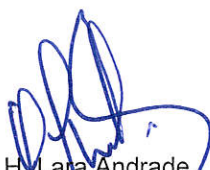
	2013	2012
Revenue on sale of electric power	\$ 81,796,118	\$ 78,011,162
Costs and expenses:		
Operating	71,304,475	61,150,967
Depreciation	9,122,214	8,079,511
Administrative expenses	1,663,376	1,592,317
Estimated actuarial cost of labor obligations of the period	12,508,965	10,515,645
Total costs and operating expenses	94,599,030	81,338,440
Operating (loss) income	(12,802,912)	(3,327,278)
Other (expenses) income, Net	1,768,400	(232,685)
Income tax on the distributable remaining balance	(345,385)	(318,204)
Rate insufficiency and public use taxes		
Rate insufficiency	29,945,689	19,040,099
Public use taxes	11,270,106	(16,569,587)
Net gain or loss on rate insufficiency and public use tax	18,675,583	2,470,512
Write-off of rate insufficiency not covered by public use tax	(18,675,583)	-
	-	2,470,512
Financial cost		
Interest payable, net	(6,028,223)	(4,726,321)
Exchange (loss) gain, Net	(10,970,498)	(6,628,496)
	(16,998,721)	(11,354,817)
Net loss for the period	\$ (28,378,618)	\$ (12,762,472)
Other comprehensive income (loss) items		
Other movements of patrimony	52,927	(2,450,970)
Effect of financial instruments on patrimony	1,020,523	(519,360)
Comprehensive loss for the period	\$ (27,305,168)	\$ (15,732,802)



Francisco Rojas
General Director



Francisco J. Santoyo Vargas
Director of Finance



Oscar H. Lara Andrade
Deputy Director of Financial Control



Oscar David Castillo Iñiguez
Alternate Accounting Management

The accompanying notes are an integral part of these financial statements.

COMISION FEDERAL DE ELECTRICIDAD
(Decentralized Government Agency of the Federal Government)

Consolidated statements of changes in equity
For the six month period ended June 30, 2013 and 2012
(Notes 1, 2 and 3)
(Amounts stated in thousands of Pesos)

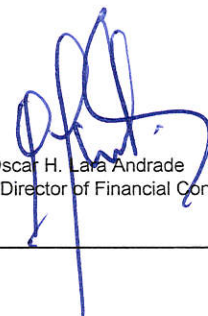
	Accumulated patrimony	Payment of public service taxes Federal Revenue Law	Contributions received	Derivative financial instruments and others	Charge Patrimo for empl benefi
Balances at December 31, 2011	\$ 203,249,504	\$ (4,785,400)	\$ -	\$ 129,168	\$
Appropriation of prior year balances, approved by the Board of Directors	(55,777,770)	4,785,400	-	(129,168)	
Payment of Public Use Tax - Federal Revenue Law		(24,757,200)			
Comprehensive loss				(2,564,178)	
Balances at June 30, 2012	\$ 147,471,734	\$ (24,757,200)	\$ -	\$ (2,564,178)	\$
Balances at December 31, 2012	142,597,161	(24,757,200)	15,000,000	(1,603,750)	(2,87
Appropriation of prior year balances, approved by the Board of Directors	(33,452,946)	24,757,200	(15,000,000)	1,603,750	2,87
Comprehensive loss				530,480	
Balances at June 30, 2013	\$ 109,144,215	\$ -	\$ -	\$ 530,480	\$



Francisco Rojas
General Director



Francisco J. Santoyo Vargas
Director of Finance



Oscar H. Lara Andrade
Deputy Director of Financial Control

The accompanying notes are an integral part of these financial statements.

Comision Federal de Electricidad
(Decentralized Government Agency of the Federal Government)

Consolidated statements of cash flows
For the six month period ended June 30, 2013 and 2012
(Notes 1, 2 and 3)
(Amounts stated in thousands of Pesos)

EXHIBIT E

Operating activities	2013	2012
Loss for the period	\$ (35,519,548)	\$ (1,893,809)
Items related to investing activities		
Depreciation in the period of plants, facilities and equipment.	18,152,122	16,483,244
Net cost for the period derived from employee benefits	14,308,103	10,053,420
Estimates and allowances	2,935,499	(565,046)
Items related to financing activities:		
Interest payable	11,347,603	9,365,527
Exchange loss (gain)	2,342,721	(7,704,516)
	13,566,500	25,738,820
Accounts receivable and others	(334,269)	(3,985,583)
Operating Materials	4,106,739	(1,319,821)
Suppliers and contractors	3,540,177	11,945,619
Other payables and accrued expenses	(1,431,513)	6,676,514
Net cash flow from operating activities	19,447,634	39,055,549
Investing activities		
Investment in plants, facilities and equipment	(14,550,308)	(17,011,093)
Other long-lived assets	831,842	822,960
Net cash flows from investing activities	(13,718,466)	(16,188,133)
Surplus cash for applying to financing activities	5,729,168	22,867,416
Financing activities		
Debt contracted	8,570,654	16,291,754
Financing paid debt	(8,065,425)	(11,965,291)
Interest Paid	(10,824,327)	(9,159,160)
Contributions received, net of payment of Public Service Tax	-	(24,757,200)
Other long-term debts	2,202,183	4,603,169
Net cash flows from financing activities	(8,116,915)	(24,986,728)
Net (decrease) increase in cash and temporary investments	(2,387,747)	(2,119,312)
Cash and temporary investments at beginning of year	35,968,375	48,619,636
Cash and temporary investments at end of year	\$ 33,580,628	\$ 46,500,324


Francisco Rojas
General Director


Oscar H. Lara Andrade
Deputy Director of Financial Control


Francisco J. Santoyo Vargas
Director of Finance


Oscar David Castillo Iñiguez
Alternate Accounting Management

The accompanying notes are an integral part of these financial statements.

Comision Federal de Electricidad

Decentralized Government Agency of the Federal Government

Notes to Consolidated Financial Statements

At June 30, 2013 and December 31, 2012

(Amounts stated in thousands of pesos)

Exhibit F

1. Business and Organization

Comision Federal de Electricidad (CFE or the Agency) is 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 renders public electric power service throughout Mexican territory, which consists 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. Moreover, On February 28, 2006, the Agency amended different numerals of the organic or internal bylaws to amend the Agency's purpose and be able to render telecommunications services in terms of the Federal Telecommunications Law.

On October 11, 2009, the presidential decree that extinguished the Decentralized Public Agency Luz y Fuerza del Centro (LFC) was issued; therefore, CFE is responsible for rendering electric power utilities nationwide as of that date, which it shared with LFC up to October 10, 2009. LFC was responsible for distributing and selling all power consumed, mainly in the Mexico City metropolitan area and some neighboring states and, to a lesser degree, some power generating and transmission activities. Approximately 955 of the power distributed and marketed by LFC in its area of influence was purchased from CFE.

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).

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), beginning 2012. Consequently, the accompanying consolidated financial statements have been prepared in accordance with IFRS.

b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for certain derivative financial instruments, which are valued at fair value. Moreover, plants, facilities and equipment are valued at their assumed value at the date of transition, 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.

c) Monetary unit of the 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 significant accounting policies followed by the agency 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 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. Recognition of the impact of inflation.

In conformity with IAS 29 "Financial Information in Hyperinflationary Economies", the impact of inflation is recognized on the financial information when inflation accumulated in the last three years approximates 100%.

In a non-hyperinflationary environment, the recognition of the impact of inflation on the financial information is not disconnected. When a hyperinflationary environment emerges, a connection will be made (retrospective recognition of the impact of inflation not recognized in non-inflationary years).

Accumulated inflation of the last three years was 12.16%; therefore, the economic environment is classified as non-inflationary.

c. 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.

d. 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.

e. Plants, facilities and equipment

Plants, facilities and equipment are recorded at their cost of acquisition and/or construction, including the following items as part of the cost: administrative expenses of the head offices directly relate to the construction or installation of assets, retirement costs, and seniority bonuses, applicable to permanent personnel of the construction areas, and depreciation of the equipment used in the construction and installation of assets, as well as the costs of financing of ratable assets, dismounting expenses, and asset retirements. The subsequent valuation policy for assets in this caption is the cost model.

Depreciation of plants, facilities and operating equipment is calculated by using the straight-line method, starting with the start-up of assets. Depreciation rates considered concur with the useful life thereof, determined by specialized CFE technicians, as follows:

	<u>Annual rate %</u>
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 2.86
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 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	10
Transportation equipment	20
Other private property	10

The estimated useful life, residual value, and depreciation method are reviewed at every 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.

In compliance with the General Governmental Accounting Law, as well as the adoption of International Financial Reporting Standards the prior year, the CFE decided to carry out the

analyses, studies, and assessments required to revalue its operating fixed assets, which should be concluded on December 31 of that year.

The valuation will be conducted at fair value in accordance with IAS 16. The measurement of fair value will be determined by CFE specialized personnel. The valuation methodology of the fixed assets will be endorsed by independent appraisers specialized in the subject matter.

These studies will include the review of useful lives of the facilities, including fixed assets that are totally depreciated that continue to operate, since maintenance costs have allowed for extending the useful life of some assets.

The entity estimates that the results will be favorable. Accordingly, an increase will be reflected in the assessments of the investments in electric power infrastructure with growth of its patrimony.

The agency established the policy of reviewing the fair value of its fixed assets every five years, and if it is reliable, the resulting revaluation will be recorded.

f. 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 entity evaluated that 22 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.

g. Intangible assets

Intangible assets acquired separately are recognized at cost. The Agency 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 its 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.

h. Impairment of long-lived assets in use

The Agency 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.

i. Financial instruments

Financial assets and liabilities are recognized when the Agency 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.

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.

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 Agency retires a financial asset if, and only if the Agency'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 losses and gains.

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 Agency 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.

j. Derivative Financial Instruments

The Agency values its derivatives presented in the consolidated statement of financial position 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 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 integral cost of financing, irrespective of whether the derivative is designated as a fair value hedge or cash flow hedge.

The Agency 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 Agency'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 in comprehensive gain or loss on financing.

CFE conducts 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.

k. 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.

l. 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 Agency, up to August 18, 2008, in a defined pension plan and retirement benefits.

For workers contracted up to August 18, 2008, the Agency continues to apply a defined pension benefit plan. For workers contracted beginning August 19, 2008, the Agency established a pension and defined contribution retirement plan

m. Income tax on the distributable remaining balance

In accordance with the applicable tax legislation, the Agency 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 Agency is bound to determine, pay, and recognize this tax on the distributable remaining balance of the items that do not meet tax requirements in its financial statements, pursuant to the second to the last and the last paragraph of Article 95 of the Income Tax Law.

Based on the issue described in the above paragraph, the Agency determines, values, discloses and records the income tax provision on the distributable balance in its financial statements.

n. 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.

o. 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.

p. 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 comprehensive gain or loss on financing.

q. 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

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.

Public use tax is determined based on the profitability rate established by state-owned entities every year. For the six month periods ended June 30, 2013 and 2012, 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.

During 2012, an amendment to the Regulations of the Electric Power Public Service Law (LSPEE) was published through the Official Daily Gazette, which defines the concept of "net fixed asset in operation" more clearly, as follows:

For purposes of Article 46 of the LSPEE, 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.

The caption of public use tax was determined by considering this amendment in the statement of income.

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 Agency's financial statements.

State and Municipal Governments

Contributions. Contributions received from Federal, 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.

r. 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.

s. Comprehensive income (loss)

The comprehensive gain (loss) presented in the consolidated statement of changes in patrimony consists of the net income for the year and other items that represent a gain or loss for the same year which, in conformity with IAS 1 "Presentation of Financial Statements", is presented in patrimony and the consolidated statement of comprehensive income.

t. 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 financial statements. Relevant commitments are disclosed in the notes to the financial statements. Revenues, earnings or contingent assets are not recognized.

u. Critical accounting trials and key sources for the estimate of uncertainties

In the application of the Agency'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 is dependent, among other things, upon having the contract transfer the right 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 Agency 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 Agency 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 of conducting negotiations has shown, increasing the allowance by 25% is established as a criterion, once 330 days have elapsed after the default.

The methodology for calculating the allowance for doubtful accounts is applied quarterly, that is, at the month end of March, June, September, and December every year, based on the past due receivables as of the immediately foregoing month.

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.

The carrying value will be reduced by making direct applications to the allowance, and the amount of the loss is recognized as a loss for the year.

II. Useful life and residual value of property, plant and equipment

The Agency reviews the estimated useful life of property, plant and equipment at every annual period end. Depreciation rates are described in note 3e.

III. Asset Impairment

The Agency conducts impairment tests when there are indicators. These tests imply the estimate of future cash flows that will be obtained by the Agency and the most appropriate discount rate. The Agency 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 Agency 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 Agency.

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 Agency. 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 Agency uses valuation models that incorporate assumptions subject to unpredictable variations in the valuation of these instruments not quoted at their fair value.

The Agency considers that the assumptions used at the date of these 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. Patrimony risk management

The Agency manages its patrimony to assure that it will have the ability to continue as a going concern and comply with the applicable regulations. The Agency's patrimonial structure consists of the net debt and patrimony. Additionally, the Agency 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.

	6/30/2013	12/31/2012
Financial assets:		
Cash and temporary investments	\$ 33,580,628	\$ 35,968,375
Accounts and Notes Receivable from consumers and other debtors	83,702,402	86,568,135
Long-term loans to workers	7,905,993	7,483,560
Derivative financial instruments	14,485,214	15,869,179
Financial liabilities at amortized cost		
Documented debt	\$ 124,269,202	\$ 119,699,194
Plants under lease agreements, facilities, equipment, and PIDIREGAS	179,236,665	180,958,721
Suppliers and contractors	34,621,614	31,081,437
Deposits from users and contractors	15,286,563	16,104,297

d. Objectives of financial risk management

Part of the duties of the Agency'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 Agency'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 Agency 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 Directors, which provides written principles about foreign exchange risk, interest rate risk, counterparty credit risk, and the use of derivative financial instruments.

The Agency 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 Agency 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 Agency only involves itself with solvent parties and recognized reputation and high creditworthiness. The Agency 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 Agency 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.

At the dates of this report, the Agency does not have a concentration of credit risk in its financial assets.

The aging analysis of non-current financial assets on which it has not considered necessary to realize any provision at June 30, 2013 and December 2012 is as follows:

	<u>6/30/2013</u>	<u>12/31/2012</u>
Less than 90 days	\$ 3,311,306	\$ 3,696,183
90 to 180 days	1,156,397	1,411,823
More than 180 days	34,405,349	35,257,569

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.

As discussed in Notes 11 and 12 (PIDIREGAS credits debt), the financing received by the Agency is mainly through debt contracted or by the leasing of plants, installations, equipment, and PIDIREGAS. In order to manage liquidity risk, the Agency performs cash flow analyses periodically and maintains open lines of credit with financial institutions and suppliers. Additionally, the Agency 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 June 30, 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	\$ 37,858,217	\$ 25,044,978	\$ 624,073	\$ 60,741,934	\$ 124,269,202
Plants under lease agreements, facilities, equipment, and PIDIREGAS	15,645,224	28,818,334	18,020,973	116,752,134	179,236,665
Suppliers and contractors	34,621,614				34,621,614
Deposits from users and contractors	15,286,562				15,286,562
Total	\$ 103,411,617	\$ 53,863,312	\$ 18,645,046	\$ 177,494,068	\$ 353,414,043

At December 31, 2012	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	\$ 15,047,525	\$ 55,261,562	\$ 1,280,531	\$ 48,109,576	\$ 119,699,194
Plants under lease agreements, facilities, equipment, and PIDIREGAS	15,438,728	28,273,799	20,808,879	116,437,315	180,958,721
Suppliers and contractors	31,081,437				31,081,437
Deposits from users and contractors	16,104,297		-	-	16,104,297
Total	\$ 77,671,987	\$ 83,535,361	\$ 22,089,410	\$ 164,546,891	\$ 347,843,649

g. Market Risks

The Agency's activities mainly expose it to exchange financial risks in exchange rates and interest rates.

Foreign exchange risk management

The Agency 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 Agency realizes foreign currency transactions. Accordingly, exposures are generated to exchange rate fluctuations. The Agency's net foreign currency position is shown in Note 22.

As discussed in Note 9, the Agency 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 Agency is mainly exposed to exchange rate variations between the Mexican peso and the US dollar and the Japanese yen.

The following table itemizes the Agency'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 Agency 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	
	2013	2012
Gain or loss	<u>\$8,607,343</u>	<u>\$8,428,410</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 Agency is exposed to interest rate risks, since it obtains loans at variable interest rates. The Agency 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 0.0'1 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 June 30, 2013 and December 31, 2012 would increase/decrease in the amount of \$285,248 and \$82,519, respectively. This is mainly attributable to the Agency'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 June 30, 2013 and December 31, 2012 would increase/decrease in the amount of \$6,342 and \$1,342, respectively. This is mainly attributable to the Agency's exposure to interest rates on its variable rate loans.

h. 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:

	2013		2012	
	Carrying Value	Fair value	Carrying value	Fair value
Documented debt	\$ 124,269,202	\$ 124,269,202	\$ 119,699,195	\$ 119,699,195
Plants under lease agreements, facilities, equipment, and PIDIREGAS	179,236,665	179,236,665	180,958,721	180,958,721

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>8,555,315</u>
Total	\$	<u>8,555,315</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 (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 temporary investments

At June 30, 2013 and December 31, 2012, cash and temporary investments are summarized as shown below:

	<u>2013</u>	<u>2012</u>
Cash on hand and in banks	\$ 25,025,313	\$ 15,566,591
Temporary investments	<u>8,555,315</u>	<u>20,401,784</u>
Total	\$ <u>33,580,628</u>	\$ <u>35,968,375</u>

6. Accounts receivable, net

At June 30, 2013 and December 31, 2011, accounts receivable are summarized as shown below:

	<u>2013</u>	<u>2012</u>
Public consumers	\$ 67,094,893	\$ 64,433,087
Government consumers	18,143,257	14,069,835
Other receivables	<u>3,278,699</u>	<u>2,982,557</u>
	88,516,849	81,485,479
Allowance for doubtful accounts	<u>(15,793,106)</u>	<u>(13,015,536)</u>
	72,723,743	68,469,943
Notes receivable, claims to insurance companies and others	9,966,367	11,265,418
Value added tax	<u>1,012,292</u>	<u>6,832,774</u>
Total	\$ <u>83,702,402</u>	\$ <u>86,568,135</u>

7. Operating Materials

At June 30, 2013 and December 31, 2012, materials for operation summarized as follows:

		2013	2012
Replacement parts and equipment:	\$	3,036,276	\$ 3,641,679
Fuel and Lubricants		11,516,937	14,549,197
Nuclear fuel		2,831,936	3,301,013
		<u>17,385,149</u>	<u>21,491,889</u>
Allowance for obsolescence		<u>(349,569)</u>	<u>(384,546)</u>
Total	\$	<u>17,035,580</u>	\$ <u>21,107,343</u>

8. Plants, facilities and equipment

Net balances of plants, facilities and equipment at June 30, 2013 and December 31, 2012 are summarized as follows:

Investment

	Plants, Facilities and Equipment in operation	Capitalized replacement parts	Constructions in progress	Construction materials	Stock Exchange Certificates available	Idle assets	Total
Bal							
01/Jan/13	1,338,824,367	10,337,596	27,484,642	10,815,059	130,140	1,434,062	1,389,025,866
Acquisitions	17,459,531	-	3,018,314	9,343,681	-	202,128	30,023,654
Sales	-	-	-	-	-	-	-
Retirements	(3,573,387)	(1,463,607)	-	-	-	-	(5,036,994)
Capitalization	-	-	(1,125,234)	(11,292,820)	-	-	(12,418,054)
Drawdown	-	-	-	-	(2,312)	-	(2,312)
Bal							
30/Jun/13	1,352,710,511	8,873,989	29,377,722	8,865,920	127,828	1,636,190	1,401,592,160

Accumulated depreciation

	Plants, Facilities and Equipment in operation	Capitalized replacement parts	Constructions in progress	Construction materials	Stock Exchange Certificates available	Idle assets	Total
Bal 01/Jan/13	574,883,390	739,728	-	-	-	-	575,623,118
Net Bal							
01/Jan/13	763,940,977	9,597,868	27,484,642	10,815,059	130,140	1,434,062	813,402,747
Depreciation of the period	17,967,189	184,932	-	-	-	-	18,152,121
Depreciation on retirements	(2,047,098)	-	-	-	-	-	(2,047,098)
Net Depreciation	15,920,091	184,932	-	-	-	-	16,105,023
Bal 30/Jun/13	590,803,481	924,660	-	-	-	-	591,728,141
Net Bal							
30/Jun/13	761,907,030	7,949,329	29,377,722	8,865,920	127,828	1,636,190	809,864,019

Plants, facilities and equipment in operation - The balances of plants, facilities and equipment at June 30, 2013 and December 31, 2012 including equipment under lease agreements are summarized as follows:

	<u>2013</u>	<u>2012</u>
Plants:		
Steam	\$ 295,818,582	\$ 295,560,635
Hydroelectric	178,851,291	179,222,566
Nuclear electric	68,988,193	69,014,223
Turbo gas and combined cycle	42,219,888	42,069,085
Geothermal	27,159,076	25,135,094
Internal combustion	3,340,450	3,337,102
Unconventional facilities	1,392,915	1,322,093
Transmission lines and transformation substations	247,854,313	246,272,750
Optic Fiber	6,685,446	6,485,659
Networks and distribution substations	334,712,687	324,970,089
Plots of land in regularization process	524,096	561,115
Administrative and other buildings	53,007,261	52,658,180
Trusts	34,437	93,900
	<u>1,260,588,636</u>	<u>1,246,702,492</u>
Equipment under lease agreements external producers	91,793,496	91,793,496
Dismounting of Laguna Verde Nuclear Station	<u>328,379</u>	<u>328,379</u>
	1,352,710,511	1,338,824,367
Less:		
Accumulated depreciation	578,485,117	565,028,698
Accumulated depreciation external producers	<u>12,318,364</u>	<u>9,854,692</u>
Total	\$ <u>761,907,030</u>	\$ <u>763,940,977</u>

During these last years, due to the reduction of annual budgets, CFE has not fully complied with the maintenance required. Consequently, this situation might affect the useful life of certain plants. Notwithstanding the foregoing, the disbursements made for this item during 2013 and 2012 are estimated to be sufficient for plants, facilities and equipment to continue operating adequately.

Works in progress - The balances of constructions-in-progress at June 30, 2013 and December 31, 2012 are summarized as follows:

Plant:	2013	2012
Steam	\$ 831,973	\$ 902,756
Hydroelectric	5,194,813	4,951,867
Nuclear electric	434,753	434,083
Turbo gas and combined cycle	607,586	599,356
Geothermal	1,339,487	1,305,100
Internal combustion	320,829	327,799
Lines, networks and substations	16,819,313	15,930,136
Offices and general facilities	2,060,994	1,732,538
Advances for construction	1,767,973	1,301,007
Total	\$ <u>29,377,721</u>	\$ <u>27,484,642</u>

At June 30, 2013, the items capitalized in works in progress, in accordance with the policy described in Note 3e, amounted to \$1,084,025, consisting of: \$628,302 in administrative expenses, \$47,153, in depreciation, and an increase in the amount of \$510,570 to the provision for retirement and seniority bonuses.

Materials for construction - The balances of materials for construction at June 30, 2013 and December 31, 2012 are summarized as follows:

	2013	2012
Replacement parts and equipment:	\$ 6,595,728	\$ 8,234,429
Materials in possession of third parties	<u>2,270,192</u>	<u>2,580,630</u>
Total	\$ <u>8,865,920</u>	\$ <u>10,815,059</u>

Capitalized replacement parts - The balances of capitalized replacement parts at June 30, 2013 and December 31, 2012 are summarized as follows:

	2013	2012
Capitalized replacement parts	\$ 8,873,989	\$ 10,337,596
Less		
Accumulated depreciation	<u>(924,660)</u>	<u>(739,728)</u>
Total	\$ <u>7,949,329</u>	\$ <u>9,597,868</u>

Idle fixed assets - The balance of idle fixed assets amounts to \$1,636,190 at June 30, 2013 and \$1,434,062 at December 31, 2012. The foregoing applies to the Miguel Aleman Hydroelectric System and other assets.

9. Derivative Financial Instruments

Balances at June 30, 2013 and December 31, 2012 of derivative financial instruments and interest are summarized as follows:

	2013	2012
Designated as hedges		
Assets	\$ <u>10,233,777</u>	\$ <u>11,008,530</u>
Liabilities	\$ <u>11,370,279</u>	\$ <u>12,091,294</u>
Trading purposes		
Assets	\$ <u>4,251,437</u>	\$ <u>4,860,649</u>
Liabilities	\$ <u>4,459,708</u>	\$ <u>4,894,581</u>
Total Derivative Financial Instruments		
Assets	\$ <u>14,485,214</u>	\$ <u>15,869,179</u>
Liabilities	\$ <u>15,829,987</u>	\$ <u>16,985,875</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 valuation of the Exchange "Forwards" is recorded in the comprehensive gain or loss on financing. A gain (loss) on that cost offsets a loss (gain) in the underlying liability.

CFE's final obligation is to pay the Japanese yens to the creditor based on the due dates. It is entitled to receive from the institution with which it contracted the hedge, yens 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:

	Foreign	Exchange rate (June 2013.)	Local currency (thousands of pesos)
Assets receivable (assets)	32,000,000,000 yens	0.1312	\$ 4,198,400
Assets deliverable (liability)	269,474,000 dollars	13.1884	<u>3,553,931</u>
Assets receivable, net			\$ <u>644,469</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 20 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 June 30, 2013 in an amount approximating 2,608,094 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.

Derivative financial instruments designated as hedges at June 30, 2013 are itemized below:

COMISION FEDERAL DE ELECTRICIDAD

Decentralized Government Agency of the Federal Government

Exhibit F

Counterparty	Primary Position	Purpose	Notional amount	Underlying asset
CREDIT SUISSE	\$ <u>1,301,289</u>	Change from floating rate to fixed rate	\$ <u>1,236,224</u>	Interest rate CETES 182 + 0.85%
DEUTSCHE BANK	\$ <u>1,606,668</u>	Change from floating rate to fixed rate	\$ <u>1,526,335</u>	Interest rate CETES 182 + 0.85%
DEUTSCHE BANK	\$ <u>650,644</u>	Change from floating rate to fixed rate	\$ <u>618,112</u>	Interest rate CETES 182 + 0.85%
ING BANK	\$ <u>2,281,491</u>	Change from floating rate to fixed rate	\$ <u>2,167,417</u>	Interest rate CETES 182 + 0.85%
GOLDMAN SACHS	\$ <u>650,644</u>	Change from floating rate to fixed rate	\$ <u>618,112</u>	Interest rate CETES 182 + 0.85%
GOLDMAN SACHS	\$ <u>174,263</u>	Change from floating rate to fixed rate	\$ <u>165,550</u>	Interest rate CETES 182 + 0.85%
ING BANK	\$ <u>1,000,000</u>	Change from floating rate to fixed rate	\$ <u>850,000</u>	Interest rate CETES 182 + 0.65%
ING BANK	\$ <u>593,513</u>	Change from floating rate to fixed rate	\$ <u>504,486</u>	Interest rate CETES 182 + 0.65%
ING BANK	\$ <u>569,363</u>	Change from floating rate to fixed rate	\$ <u>540,895</u>	Interest rate CETES 91 + 0.79%
BANCOMER	\$ <u>510,638</u>	Change from floating rate to fixed rate	\$ <u>510,638</u>	Interest rate CETES 91 + 0.79%
ING BANK	\$ <u>894,954</u>	Change from floating rate to fixed rate	\$ <u>850,206</u>	Interest rate CETES 91 + 0.79%
BANCOMER	\$ <u>839,688</u>	Change from floating rate to fixed rate	\$ <u>797,703</u>	Interest rate CETES 91 + 0.79%
SANTANDER SERFIN	\$ <u>1,072,519</u>	Change from floating rate to fixed rate	\$ <u>1,018,623</u>	Interest rate CETES 91 + 0.79%
ING BANK	\$ <u>1,005,343</u>	Change from floating rate to fixed rate	\$ <u>1,005,343</u>	Interest rate CETES 91 + 0.79%
HSBC	\$ <u>1,251,699</u>	Change from floating rate to fixed rate	\$ <u>1,215,305</u>	Interest rate CETES 91 + 0.79%
HSBC	\$ <u>1,038,911</u>	Change from floating rate to fixed rate	\$ <u>1,038,911</u>	Interest rate CETES 91 + 0.79%
BANAMEX	\$ <u>1,702,516</u>	Change from floating rate to fixed rate	\$ <u>1,617,390</u>	Interest rate CETES 182 + 0.25%
BANAMEX	\$ <u>368,987</u>	Change from floating rate to fixed rate	\$ <u>350,538</u>	Interest rate CETES 182 + 0.25%
BANCOMER	\$ <u>1,314,758</u>	Change from floating rate to fixed rate	\$ <u>1,249,020</u>	Interest rate CETES 91 + 0.50%
BANAMEX	\$ <u>787,092</u>	Change from floating rate to fixed rate	\$ <u>787,092</u>	Interest rate CETES 91 + 0.45%
J.P. MORGAN	\$ <u>697,928</u>	Change from floating rate to fixed rate	\$ <u>593,239</u>	Interest rate EIIR 28 + 0.45%
HSBC	\$ <u>651,004</u>	Change from floating rate to fixed rate	\$ <u>553,353</u>	Interest rate EIIR 28 + 0.45%
CREDIT AGRICOLE	\$ <u>590,622</u>	Change from floating rate to fixed rate	\$ <u>502,029</u>	Interest rate EIIR 28 + 0.45%
BANCOMER	\$ <u>425,546</u>	Change from floating rate to fixed rate	\$ <u>372,183</u>	Interest rate EIIR 28 + 0.45%
BNP PARIBAS	\$ <u>435,552</u>	Change from floating rate to fixed rate	\$ <u>371,525</u>	Interest rate EIIR 28 + 0.45%
GOLDMAN SACHS	\$ <u>422,726</u>	Change from floating rate to fixed rate	\$ <u>370,171</u>	Interest rate EIIR 28 + 0.45%
SANTANDER SERFIN	\$ <u>547,802</u>	Change from floating rate to fixed rate	\$ <u>533,627</u>	Interest rate EIIR 28 + 0.45%
CREDIT AGRICOLE	\$ <u>595,093</u>	Change from floating rate to fixed rate	\$ <u>532,452</u>	Interest rate EIIR 28 + 0.45%
HSBC	\$ <u>554,726</u>	Change from floating rate to fixed rate	\$ <u>532,430</u>	Interest rate EIIR 28 + 0.45%
BANCOMER	\$ <u>580,614</u>	Change from floating rate to fixed rate	\$ <u>529,682</u>	Interest rate EIIR 28 + 0.45%
BANAMEX	\$ <u>576,581</u>	Change from floating rate to fixed rate	\$ <u>529,264</u>	Interest rate EIIR 28 + 0.45%
GOLDMAN SACHS	\$ <u>558,268</u>	Change from floating rate to fixed rate	\$ <u>527,253</u>	Interest rate EIIR 28 + 0.45%
CREDIT AGRICOLE	\$ <u>468,606</u>	Change from floating rate to fixed rate	\$ <u>374,884</u>	Interest rate EIIR 28 + 1.59%
BANAMEX	\$ <u>459,982</u>	Change from floating rate to fixed rate	\$ <u>367,985</u>	Interest rate EIIR 28 + 1.59%
SANTANDER	\$ <u>450,342</u>	Change from floating rate to fixed rate	\$ <u>360,274</u>	Interest rate EIIR 28 + 1.59%
HSBC	\$ <u>436,070</u>	Change from floating rate to fixed rate	\$ <u>348,856</u>	Interest rate EIIR 28 + 1.59%
CREDIT SUISSE	USD <u>16,788</u>	Translate Dollars into Pesos	USD <u>12,005</u>	Exchange rate USD/Mexican Peso
CREDIT SUISSE	USD <u>10,750</u>	Translate Dollars into Pesos	USD <u>8,311</u>	Exchange rate USD/Mexican Peso
DEUTSCHE BANK	USD <u>208,188</u>	Translate Dollars into Pesos	USD <u>171,323</u>	Exchange rate USD/Mexican Peso
GOLDMAN SACHS	USD <u>49,296</u>	Translate Dollars into Pesos	USD <u>40,977</u>	Exchange rate USD/Mexican Peso
GOLDMAN SACHS	USD <u>200,000</u>	Translate Dollars with a LIBOR Rate into Pesos at a Fixed Rate	USD <u>186,667</u>	USD exchange rate LIBOR Rate / Mexican Peso Fixed Rate
DEUTSCHE BANK	USD <u>200,000</u>	Translate Dollars with a LIBOR Rate into Pesos at a Fixed Rate	USD <u>186,667</u>	USD exchange rate LIBOR Rate / Mexican Peso Fixed Rate
GOLDMAN SACHS	USD <u>105,450</u>	Translate Dollars with a LIBOR Rate into Pesos at a Fixed Rate	USD <u>96,662</u>	USD exchange rate LIBOR Rate / Mexican Peso Fixed Rate
DEUTSCHE BANK	USD <u>105,450</u>	Translate Dollars with a LIBOR Rate into Pesos at a Fixed Rate	USD <u>96,662</u>	USD exchange rate LIBOR Rate / Mexican Peso Fixed Rate

DEUTSCHE BANK USD 255,000 Translate Dollars with a LIBOR Rate USD exchange rate LIBOR Rate /
into Pesos at a Fixed Rate USD 233,750 Mexican Peso Fixed Rate

- Effectiveness measurement of derivative financial instruments designated as hedges at June 30, 2013

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 of Cash Flow
BANAMEX 2	January 2, 2013	\$ 3,149	\$ 3,149	100 %	4.54 %	
BANCOMER BANAMEX	January 4, 2013	\$ 23,028	\$ 23,028	100 %	4.8395 %	
ING IV	January 17, 2013	\$ 5,296	\$ 5,296	100 %	4.39 %	
ICO 4	January 24, 2013	USD 406	USD 406	100 %	1.25 %	
BANCOMER 2	January 31, 2013	\$ 7,543	\$ 7,543	100 %	4.8450 %	
BANCOMER BANAMEX	February 1, 2013	\$ 21,606	\$ 21,606	100 %	4.8437 %	
ICO 8	February 5, 2013	USD 262	USD 262	100 %	1.25 %	
BANCOMER 1	February 8, 2013	\$ 4,449	\$ 4,449	100 %	4.52 %	
ING III	February 28, 2013	\$ 7,283	\$ 7,283	100 %	4.37 %	
BANCOMER 2	February 28, 2013	\$ 6,808	\$ 6,808	100 %	4.84 %	
BANCOMER BANAMEX	March 1, 2013	\$ 21,591	\$ 21,591	100 %	4.84 %	
ING II	March 8, 2013	\$ 23,533	\$ 23,533	100 %	4.28 %	
CEBUR	March 25, 2013	\$ 18,061	\$ 18,061	100 %	4.51 %	
ICO 5 6 AND 7	March 26, 2013	USD 1,349	USD 1,349	100 %	1.25 %	
BANCOMER BANAMEX	April 1, 2013	\$ 23,719	\$ 23,719	100 %	4.7990 %	
BANCOMER 2	April 1, 2013	\$ 7,731	\$ 7,731	100 %	4.7990 %	
ING IV	April 18, 2013	\$ 4,745	\$ 4,745	100 %	4.32 %	
BANCOMER BANAMEX	April 26, 2013	\$ 17,483	\$ 17,483	100 %	4.3475 %	
BANCOMER 2	April 30, 2013	\$ 6,515	\$ 6,515	100 %	4.3512 %	
BANAMEX 1	May 21, 2013	\$ 3,997	\$ 3,997	100 %	4.65 %	
BANCOMER BANAMEX	May 24, 2013	\$ 19,489	\$ 19,489	100 %	4.3251 %	
ING III	May 30, 2013	\$ 6,115	\$ 6,115	100 %	4.10 %	
IXE 1	May 31, 2013	\$ 18,979	\$ 18,979	100 %	4.65 %	
BANCOMER 2	May 31, 2013	\$ 6,936	\$ 6,936	100 %	4.3275 %	
ING II	June 7, 2013	\$ 18,121	\$ 18,121	100 %	4.09 %	
GOLDMAN SACHS 1, AND 3	June 14, 2013	USD 6,336	USD 6,336	100 %	0.5130 %	
GOLDMAN SACHS 2, 4, AND 5	June 14, 2013	USD 11,626	USD 11,626	100 %	0.5130 %	
ICO 2 AND 3	June 19, 2013	USD 5,749	USD 5,749	100 %	1.25 %	
BANCOMER BANAMEX	June 21, 2013	\$ 19,413	\$ 19,413	100 %	4.3065 %	

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 0.0758 %, that is, \$4,424 by June 30, 2013.

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 0.0758%, that is, \$4,424, that is, \$7,938 for June 30, 2013.

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 0.1789%, that is, \$1,037 for June 30. 2013.

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 June 30, 2013 amounts to \$1,171,974, which are included in patrimony and consist of \$1,791,850 against CFE, included in the value of the liability of the caption of financial instruments

and \$119,876 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 above, the Market Value set by the calculation agent or counterparty is only an indicative value, since the models used by the banks can differ between each other.

Adjustment of Fair Value or Mark-to-Market due on Credit Risk

In accordance with IFRSs, 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, Comision Federal de Electricidad realized the adjustment to 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 = Rate of Recovery

Simplifications:

$$Exp = MTM$$

$$q * (1-r) = \text{Adjustment factor}$$

$$CVA = MTM * \text{Adjustment Factor}$$

Exposure is considered as the total market value (MTM) of each counterparty, that is, the summary 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 factor of the summary of the market values or exposure of each counterparty.

In order to obtain the likelihood of nonperformance (q), Credit Default Swaps (CDS) were taken of the counterparties to their closest term available, in the understanding that the CVA adjustment will be carried out month after month. 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 the CVA is obtained, the MTM will be adjusted as follows:

$$\text{MTM adjusted} = \text{MTM} - \text{CVA}$$

In the event that CFE should maintain collateral for security deposits, the CVA will not be modified since the recovery rate determined by 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.

<u>Counterparty</u>	<u>MtM</u>	<u>ADJUSTED MtM</u>	<u>Adjustment at June 30, 2013</u>
Credit Suisse	9,897	9,867	30
Credit Agricole	7,413	7,343	<u>70</u>
Total Cost			<u>100</u>

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 (International Swaps and Derivatives Association) were signed, the counterparties or financial 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 at June 30, 2013 is LEVEL 2 pursuant to the following points:

- a) It is information other than quoted prices, and it includes level one information that is directly and indirectly observable.
- b) Quoted prices for similar assets and liabilities on active markets.
- c) Information other than quoted prices that is observable.
- d) Information derived mainly from observable information and correlated through other means.

Management's discussion about the policies of use of Derivative Financial Instruments

1) The objectives for trading with derivatives

The Comision Federal de Electricidad may realize any type of explicit financial hedge, whether interest rates and/or exchange rates or those strategies that are necessary for mitigating the financial risk that the Entity deals with.

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 per 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 petition the refund of the collateral when market value returns to levels below the maintenance level agreed upon. These security deposits are considered as a restricted asset in derivative financial instruments trading for CFE, and they are given the applicable accounting treatment.

At June 30, 2013, CFE does not have any security deposits or margin calls.

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.

10) 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 financial derivatives designated as hedges, either with interest rates and/or exchange rates when the conditions thereof are a mirror of the primary position and underlying asset being hedged.

CFE has the Interinstitutional Delegate Committee of Financial Risk Management Associated with the Financial Position and Price of Fossil Fuels (CDIGR). When that Committee is en banc and together with the representatives of the SHCP and BANXICO, the persons who form 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 to obtain its authorization.

11) 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.

10. Documented debt

The balances of the documented debt at June 30, 2013 and December 31, 2012 are summarized as follows:

Foreign Debt	Type of credit	Weighted Interest rate	Due dates	2013	
				Local currency	Foreign currency (Thousands)
In US dollars at the exchange rate	Bilateral	Fixed and variable - 1.54%	Various up to 2023	3,817,256	289,4
per US dollar of \$ 13.1884 at June 2013	Bonuses	Fixed and variable - 5.25%	Various up to 2042	25,714,081	1,949,0
and \$ 13.0101 at December 2012	Revolving	Fixed and variable - 1.83%	Various up to 2017	1,120,516	84,3
	Syndicated	Fixed and variable - 1.47%	Various up to 2014	16,485,500	1,250,0
Total US dollars				47,137,353	3,574,0
In euros at exchange rate for euros					
of \$ 16.9363 at March 2013 and	Bilateral	Fixed and variable - 1.43%	Various up to 2024	345,901	20,0
\$ 17.1968 at December 2012	Revolving	Fixed -3.8%	Various up to 2017	77,613	4,3
Total euros				423,514	25,0
In Swiss francs at the exchange rate					
Swiss franc of \$ 13.7704 at June	Bilateral	VARIABLE - 1.32%	Various up to 2014	247,785	17,9
2013 and of \$14.2454 at December 2012	Revolving	Fixed - 1.24%	Various up to 2017	566,438	41,0
Total Swiss francs				814,223	59,0
In Swedish kronas at the exchange rate					
Swedish Krona of \$ 1.9442 at March					
2013 and of \$ 2.0007 for December	Bilateral	Fixed -3.36%	Various up to 2015	18,525	9,3
2012				18,525	9,3
Total Swedish kronas					
In Japanese yens at the exchange rate					
Japanese yen of \$ 0.1312 a at June 2013					
and Japanese yen \$ 0.1507 for December	Bilateral	Fixed and variable - 1.88%	Various up to 2020	754,989	5,754,0
2012					
Bond		Fixed -3.83%	2032	4,198,400	32,000,0
Assets received for financial instruments, net (Note 9)				(644,469)	
Total Japanese yens				3,553,931	32,000,0
Total foreign debt				4,308,920	37,754,0
				52,702,535	

COMISION FEDERAL DE ELECTRICIDAD
Decentralized Government Agency of the Federal Government

Exhibit F

Internal debt	Type of credit	Weighted Interest rate	Due dates	2013	
				Local currency	Foreign Currency (Thousands)
In US dollars at the exchange rate per US dollar of \$ 13.3579 at March 2013 and \$ 13.0101 for December 2012	Multilateral	Annual cost of loans IDB	Various up to 2013	-	
Total US dollars				-	
Local currency	Bank loans	Variable - 5.46%	Various up to 2023	30,566,667	
	Securities market	Fixed and variable - 6.57%	Various up to 2020	41,000,000	
Total Mexican pesos				71,566,667	
Total internal debt				71,566,667	
Summary					
Total internal debt				52,702,535	
Total foreign debt				71,566,667	
Total documented debt				124,269,202	
Total short-term				37,858,217	
Total long-term				86,410,985	
Total short and long-term				124,269,202	

a. The short-term liability and long-term funded debt mature as follow:

06 -30 -2013	Amount
Short-Term	
2013	\$ 37,858,217
Long-Term	
2014	\$ 31,431,539
2015	7,064,263
2016	774,245
2017	472,710
2018	325,958
2019	285,354
2020	16,782,819
2021	12,574,547
2022	126,606
2023-2042	16,572,944
	86,410,985
	\$ 124,269,202

b. Funded debt

On December 3, 2010, securities exchange certificates were issued to finance general treasury needs in a total nominal value of \$9,000 billion nominal pesos. This issue was placed in two tranches: the first tranche at a 10 year term for \$9,000 billion nominal pesos, interest was paid at a 7.96% fixed annual rate, and the second tranche at a 4 year term for \$5,000 billion nominal pesos, interest was paid at an annual rate equivalent to EIIR plus 0.26%.

On May 26, 2011, CFE carried out an issue on international debt markets by placing \$1 billion U.S. dollars in a tranche with a maturity of 4.976% over a 10 year term. This rate represents a 180 base point differential above US treasury yields. CFE notes that the transaction comprises the first issue of debt (form 144/A Reg S) by the CFE on international markets in 10 years. Further, the 4.875% coupon rate is the lowest that has been obtained by a sovereign or quasi-sovereign issuer in a US dollar denominated issue at 10 years. The funds of the issue will be allocated to maintenance programs of CFE's infrastructure.

A credit from HSBC was paid in the amount \$5,000 billion; therefore, the debt was reduced to a short-term structure.

On June 28, 2013, securities exchange certificates were issued through direct credit to finance general treasury needs in an amount of \$12 billion nominal pesos. This issue was placed in a single tranche at an 11 year term and an EIIR plus 0.26% interest rate, through the Indeval, S. A. de C. V. financial institution.

11. Long-term Productive Infrastructure Projects (PIDIREGAS)

The balances of direct and conditioned investment at June 30, 2013 and December 31, 2012 are summarized in the following table:

	Direct investment PIDIREGAS	Conditioned investment PEE's (Note 14)	Total 2013	Total
Short-Term	\$ 13,452,562	\$ 2,192,662	\$ 15,645,224	\$ 15,645,224
Long-Term				
2014	6,944,470	1,185,656	8,130,126	14,279,782
2015	11,261,713	2,567,766	13,829,479	13,829,479
2016	11,034,558	2,856,115	13,890,673	13,890,673
2017	7,943,099	3,179,741	11,122,840	7,943,099
2018	7,580,392	3,543,250	11,123,642	7,580,392
2019	6,454,114	3,951,877	10,405,991	5,691,280
Subsequent years	28,146,885	66,941,805	95,088,690	103,235,575
Total long-term	\$ 79,365,231	\$ 84,226,210	\$ 163,591,441	\$ 165,817,651

Direct Investment (PIDIREGAS)

At June 30, 2013 and December 31, 2012 the debt applicable to the acquisition of plants, facilities and equipment through PIDIREGAS is reported in accordance with International Financial Reporting Standards, as summarized below:

		Term	Balances at June 30, 2013 (Thousands)				Balances at December 31, 2012	
		of	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>
Foreign Debt								
479.71	Millions of dollars	2013	294		22		82,504	
1,444.09	Millions of dollars	2014	1,017,066	930,866	77,118	70,582	1,691,961	1,270,448
475.26	Millions of dollars	2015	519,837	605,511	39,416	45,912	419,404	812,369
661.72	Millions of dollars	2016	155,866	2,052,473	11,818	155,627	414,471	2,070,100
56.00	Millions of dollars	2017	87,993	139,389	6,672	10,569	67,238	171,957
701.22	Millions of dollars	2019	204,915	1,412,360	15,538	107,091	189,951	1,497,351
273.01	Millions of dollars	2020	360,060	2,160,363	27,301	163,808	355,193	2,308,171
491.64	Millions of dollars	2029	360,217	5,486,975	27,313	416,046	355,348	5,590,321
501.24	Millions of dollars	2032	559,187	6,051,373	42,400	458,841	275,815	6,244,214
607.39	Millions of dollars	2036	268,560	6,042,595	20,363	468,175	264,929	6,093,773
5,691.28								
Total foreign debt			3,533,995	24,881,905	267,961	1,896,651	4,116,814	26,060,000

Exhibit F

The decrease shown in the External Debt is due mainly to the total amortization of the following PIDIREGAS: CC Rosarito III (Units 8 and Area, SE 401 Western-Central 402 Eastern-Peninsular, SE 403 Northeast, SE 410 National System, SE 412 North and SE 503 Eastern C

Value of the credit:	Term of agreement	Balances at June 30, 2013 (Thousands)				Balances	
		Local currency		Foreign currency		Local currency	
		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
4,693.87	Millions of pesos	2013	729,841			469,234	
5608.07	Millions of pesos	2014	721,547	81,745		560,807	
5628.79	Millions of pesos	2015	577,239	566,148		577,238	
11744.06	Millions of pesos	2016	1,060,538	3,599,065		1,022,583	
6291.20	Millions of pesos	2017	645,333	1,858,163		639,792	
6146.22	Millions of pesos	2018	623,193	1,624,834		623,027	
10824.86	Millions of pesos	2019	1,442,202	6,557,305		1,431,105	
711.15	Millions of pesos	2020	1,113,027	5,158,871		1,153,387	
13294.16	Millions of pesos	2021	862,070	4,791,626		934,145	
4798.58	Millions of pesos	2022	1,255,220	12,765,600		1,118,906	
1388.24	Millions of pesos	2023	46,671	724,372			
630.14	Millions of pesos	2024	312,646	2,179,936		209,602	
2491.18	Millions of pesos	2036	83,664	1,882,449		83,664	
13361.28	Millions of pesos	2042	445,376	12,693,212		445,376	1
			9,918,567	54,483,356		9,268,866	5
			13,452,562	79,365,231		13,385,680	8
External producer lease agreements			2,192,662	84,226,210		2,053,048	8
			15,645,224	163,591,441		15,438,728	16

- a) At June 30, 2013, minimum payment commitments for PIDIREGAS amount to:

PIDIREGAS	\$	125,494,925
less:		
Unaccrued interest		<u>(33,475,477)</u>
Present value of obligations		92,019,448
less:		
Current value of obligations		<u>(13,016,305)</u>
Long-term portion of PIDIREGAS	\$	<u>79,003,143</u>

- b) During the six month period ended June 30, 2013 and the year ended December 31, 2012, there was no derivatives trading of the capitalized Lease Agreements that affected the income (loss) of CFE.
- c) 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 CEBURES were issued with three tranches in an accumulated amount of \$ 6 billion nominal pesos. The first two tranches were in an amount of 2 billion 500 million nominal pesos each one, and they were carried out on October 6 and November 7, 2003, respectively. The third tranche was realized on December 11, 2003 in the amount of 800 million nominal pesos.

The fourth tranche of this issue was issued in the amount of \$ 665 million nominal pesos on March 5, 2004.

The term of these operations is approximately 10 years, at a Federal Treasury Certificate ("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 a hedge against inflation (inflation ceiling), that is, that for each interest that applies thereto, if applicable, the rate will be adjusted as the result of comparing 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.

In August 2005, issues were carried out of the first three tranches of a new CEBURES program in a total amount of \$ 7 billion 700 million nominal pesos. The first tranche in the amount of \$ 2 billion 200 million nominal pesos on March 18, 2005; the second tranche in the amount of \$ 3 billion nominal pesos; and the third tranche in the amount of \$ 2 billion 500 million nominal pesos on August 19, 2005. Their term is approximately 10 years, with a Cetes interest rate at 182 days plus 0.79 percentage points.

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.

12. Conditioned Investment (independent energy producers or pee)

At June 30, 2013, 25 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 lease agreements

The Agency has evaluated that 22 of the contracts with independent produces have lease characteristics of the power generating plant, in accordance with IIFRS 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 of those lease agreements is 11.19% on the average.

	Minimum lease payments		Present value of minimum lease payments	
	6/30/2013	12/31/2012	6/30/2013	12/31/2012
Short-term	11,964,295	11,802,544	2,192,662	2,053,048
Between one and five years	53,839,327	59,012,721	14,262,059	14,262,059
More than five years	124,466,355	122,783,637	69,935,238	69,935,238
Final accumulated equity	190,269,977	193,598,902	86,389,959	86,250,345

At June 30, 2013, 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 / 2000	242,685	186,470	7,769	2,459,246	102,455
CC HERMOSILLO	OCT/2001	156,144	131,368	3,848	1,732,539	50,752
CC SALTILLO	NOV/2001	152,383	122,505	4,211	1,615,643	55,542
TUXPAN II	DEC/2001	283,133	238,974	6,792	3,151,681	89,573
EL SAUZ BAJIO	MAR/2002	399,773	351,248	8,139	4,632,398	107,347
CC MONTERREY	MAR/2002	330,440	245,087	10,551	3,232,308	139,149
CC ALTAMIRA II	MAY/2002	233,234	209,930	4,120	2,768,644	54,335
CC RIO BRAVO II	MAY/2002	232,108	185,726	6,416	2,449,426	84,621
CC CAMPECHE	MAY/2003	196,554	164,023	4,799	2,163,205	63,285
CC TUXPAN III Y IV	MAY/2003	587,064	506,154	12,723	6,675,365	167,796
CC MEXICALI	JUL/2003	569,345	444,468	16,499	5,861,820	217,590
CC CHIHUAHUA III	SEP/2003	275,327	214,666	8,005	2,831,095	105,579
CC NACO NOGALES	OCT/2003	238,016	160,899	8,529	2,122,005	112,484
CC ALTAMIRA III Y IV	DEC/2003	600,897	487,536	15,856	6,429,816	209,110
RIO BRAVO III	APR/2004	312,602	271,497	6,480	3,580,610	85,466
CC LA LAGUNA II	MAR/2005	367,578	325,147	7,025	4,288,171	92,649
CC RIO BRAVO IV	APR/2005	270,697	243,866	4,593	3,216,199	60,570
CC VALLADOLID III	JUNE / 2006	288,160	254,736	5,711	3,359,564	75,318
CC TUXPAN V	SEP/2006	284,997	265,919	3,706	3,507,042	48,873
CC ALTAMIRA V	OCT/2006	532,113	507,258	5,177	6,689,918	68,279
CC TAMAZUNCHALE	JUNE / 2007	482,562	448,782	6,716	5,918,711	88,579
CCC NORTE	AUG/2010	450,097	420,127	8,592	5,540,805	113,311
Total			6,386,386	166,257	84,226,210	2,192,662

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
C E La Venta III

13. Taxes and fees payable

Taxes payable at June 30, 2013 and December 31, 2012 are summarized as follows:

	2013	2012
Payable by CFE:		
Income Tax on		
distributable remaining balance	\$ 607,693	\$ 1,559,813
Income Tax for account of third parties	193,711	251,064
Contributions to the Mexican Institute of Social Security (includes Retirement Insurance)	489,910	599,980
National water use and exploitation rights	356,286	327,643
Payroll tax	37,339	31,378
Contributions to the Mexican National Workers' Housing Fund Institute	11,081	12,505
Subtotal	1,696,020	2,782,383
Withholdings by CFE		
Income Tax withheld from employees	544,750	469,529
Value added tax withholdings.	43,522	121,368
Income Tax on interest abroad	3,098	7,348
Income Tax on foreign residents	674	4,303
Five to the thousandth to contractors	6,154	70,983
Income tax on fees and leases	3,917	8,658
Two to the thousandth to contractors	517	13,822
Others	67	85
Subtotal	602,699	696,096
Total	\$ 2,298,719	\$ 3,478,479

14. Unrealized Proceeds

At June 30, 2013 and December 31, 2012, 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:

	<u>2013</u>	<u>2012</u>
Government Contributions	\$ 1,220,167	\$ 1,888,980
Contributions from private persons	13,977,451	11,479,712
Contributions from Others	<u>1,062,001</u>	<u>667,637</u>
	<u>16,259,619</u>	<u>14,036,329</u>
Electric power products and other related products	11,813	11,889
Unrealized proceeds optic fiber	<u>986,525</u>	<u>953,337</u>
	<u>\$ 17,257,957</u>	<u>\$ 15,001,555</u>

At June 30, 2013, the Agency recorded realized products or proceeds in the statement of income in a total amount of \$638,254.

15. 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 June 30, 2013 at present value amounts to \$3,912,715.

16. 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.

At June 30, 2012, the projected liability for labor obligations amounts to \$487,071,462, and the net cost for the period expensed amounted to \$25,017,930.

17. Patrimony

The summary of patrimony is shown below:

	2013			2012
	Par value	Restatement	Total	Total
Accumulated patrimony	\$ (130,098,861)	\$ 239,243,076	\$ 109,144,215	\$ 142,597,161
Payment of public use tax Federal Revenue Law of the Federal Government				(24,757,200)
Contributions received from Federal Government				15,000,000
Charge to equity for employee benefits				(2,876,382)
Effect of financial instruments on equity and others	530,480		530,480	(1,603,750)
Net income for the period	(35,519,548)		(35,519,548)	(19,215,614)
	<u>\$ (165,087,929)</u>	<u>\$ 239,243,076</u>	<u>\$ 74,155,147</u>	<u>\$ 109,144,215</u>

18. Other (expenses) income, net

At June 30, 2013 and 2012, other net income are summarized as follows:

	2013	2012
Other revenue	\$ 3,304,224	\$ 2,078,523
Other expenses	(1,397,351)	(2,009,746)
External electric power producers, net	279,310	(92,476)
Total	<u>\$ 2,186,183</u>	<u>\$ (23,699)</u>

19. Income tax on the distributable remaining balance

In accordance with the provisions of the Income Tax Law, the Agency 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, pursuant to the provisions of Article 95 (last paragraph of the Income Tax Law).

During the periods ended June 30, 2013 and 2012, the Agency was subject to Income Tax on the distributable remaining balance in the amount of \$634,425 and \$587,795, respectively, which were determined in accordance with Article 95 last paragraph and Article 192 of the Income Tax Law.

The agency is not a taxpayer of IETU, in accordance with the provisions set forth in Subsection I of Article 4 of the IETU Law.

20. Transactions with the Federal Government

The main transactions carried out with the Federal Government in the periods ended June 30, 2013 and 2012 were as follows:

	2013	2012
Rate Insufficiency	\$ 57,016,142	\$ 33,139,174
Less: Public us tax payable by CFE by applying a 9% rate on the net fixed assets in operation of the prior year	<u>22,540,213</u>	<u>33,139,174</u>
Net gain or loss on insufficiency and public use tax	34,475,929	-
Less: Charge off of insufficiency not covered by the public use tax	<u>34,475,929</u>	<u>-</u>
	\$ <u>-</u>	\$ <u>-</u>

At June 2013, public use tax was determined in the amount of \$22,540,213 (\$33,139,174 in June 2012), which was reduced in the same amount for rate insufficiency for both years.

The amount of the public use tax of fiscal 2012 was calculated based on the amendment realized to the Regulations of the LSPEE, which sets forth the concept of "net fixed asset in operation", as described in Note 4q1.

21. Comprehensive Loss

Comprehensive loss at June 30, 2013 and 2012 is summarized as follows:

	2013	2012
Loss as per statements of income	\$ 35,519,548	\$ 1,893,809
Effect of the period for financial instruments recorded in accumulated patrimony	431,776	1,654,661
Other movements of equity	<u>98,704</u>	<u>909,517</u>
	<u>530,480</u>	<u>2,564,178</u>
Comprehensive loss	\$ <u>34,989,068</u>	\$ <u>4,457,987</u>

22. Foreign currency position

At June 30, 2013 and December 31, 2012, the CFE had US dollar denominated assets and liabilities as follows:

	2013				
	Assets Cash and cash equivalents equivalents	Liabilities			
		Trade Suppliers	Internal debt	External debt	Leasing of equipment and pidiregas
US dollars	8,200	13,741	-	3,574,153	8,851,020
Euros	-	-	-	25,006	-
Japanese yen	-	-	-	37,754,486	-
Swiss francs	-	-	-	59,128	-
Swedish krona	-	-	-	9,528	-

	2012				
	Assets Cash and cash equivalents equivalents	Liabilities			
		Trade Suppliers	Internal debt	External debt	Leasing of equipment and pidiregas
US dollars	1,690	68,826	1,181	3,659,907	8,949,020
Euros	-	-	-	31,121	-
Japanese yen	5,410,738	-	-	37,955,827	-
Swiss francs	-	-	-	77,682	-
Swedish krona	-	-	-	11,434	-

Note: The 32 billion of the bond in yens are included in the external debt of JPY.

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 June 30, 2013 and December 31, 2012.

Currency		2013		2012
US dollars	\$	13.1884	\$	13.0101
Euros		16.9373		17.1968
Japanese yen		0.1312		0.1507
Swiss francs		12.7704		14.2451
Swedish krona		1.9442		2.0007

23. Contingencies and commitments

Contingencies

The Agency has approximately 42,463 lawsuits and administrative proceedings pending at June 30, 2013, whose economic effects are varied. The contingent amounts claimed against the Agency 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

1.- Liquid natural gas supply contract from a Liquid Natural Gas Plant (GNL) with Gas del Litoral, S. de R. L. de C. V.

2.- Natural gas supply contract at the delivery points from a GNL storage plant and / or continental natural gas with the supplier Sempra LNG Marketing Mexico, S. de R. L. de C. V.

There was a daily average Firm Base of 2,060,484.80 MMBtu for the second quarter of 2013. The average Variable Base was 677,541.69 MMBtu, and the daily average increased to 2,738,026.49 MMBtu. The contract signed with SEMPRA LNG allows the Firm Base to be able to vary between 90% and 110% of the quantities suggested for that base during the Annual Coordination Week held in September 2011. In that same line of ideas, the Variable Base can range from zero up to reaching the daily maximum quantity according to conditions of that contract and based on the behavior of the delivery generated that involves natural gas consumption, which modifies the actual daily average in connection with the forecasted average.

The bases for the first semester of 2013 were:

	Firm base		Variable base	
	MMPC	MMBTU	MMPC	MMBTU
January	2,041	3,480,376	634.49	637,673.51
February	2,045	3,515,058	814.33	818,420.42
March	2,064	2,954,079	573.65	576,531.13
April	1,919	1,928,961	534.36	537,041.33
May	2,646	2,659,292	643.00	646,233.71
June	3,357	3,554,345	542.92	545,648.64

b. Financed Public Works Contracts

At June 30, 2013, 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 Agency. The estimated amounts of these Financed Public Works contracts amount to 8,410,770 Transmission and Substations in 44,353,908 Power Generating Stations, and in 4,077,853 Rehabilitation and/or Modernization Projects.

These projects are recorded under the PIDIREGAS scheme, and CFE applies the accounting policy described in Note 3-f. Financed Public Works Contracts

c. Trusts

1. Scope of performance

1.1 CFE currently participate in the capacity of Trustor or Beneficiary of a Trust in 21 (twenty-one) 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 Consultoria (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 Públicos, S.N.C.;	CFE

The Trust for Thermal Insulation of Housing (FIPATERM) has assets amounting to \$1,183,879 and liabilities amounting to \$ 26,362.

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 20930, organized on June 30, 2000	CFE	Primary beneficiary Winners of the contracts. Secondary beneficiary CFE	Banobras, S.N.C.	Conditioned investment

The Prior Expenses Management Trust has assets amounting to \$4,056,657 and liabilities amounting to \$3,762,367.

The Management and Transfer of Ownership Trust 2030 has assets amounting to \$ 368,501 and liabilities amounting to \$ 7.

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 Controllershship and Administrative Development).

The Trust shown below has concluded with their payment commitment; therefore, it is 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	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.

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-Electrica del Pacifico, S.A. de C.V. and CFE.	CFE	Banobras, S.N.C.
C.C.C. Monterrey II, built on October 17, 1997	Monterrey Power, S.A. de C. V. and CFE.	CFE	Nacional Financiera, S.N.C.
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	Banobras, S.N.C.
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, BANAMEX
SE 212 Substations SF6 Potencia, built on August 21, 1997	Siemens Proyecto de Energía, S.A. de C.V.	CFE	Nacional Financiera, S.N.C.
SE 213 Substations, built on August 25, 1997	Siemens Proyecto de Energía, S.A. de C.V.	CFE	Nacional Financiera, S.N.C.
LT 215 Alstom CEGICA, built on December 5, 1997	CEGICA, S. A. de C. V.	CFE	Banobras, S.N.C.
SE 218 Northwest, organized on December 5, 1997	Dragados y CYMI, S. A. de C. V.	CFE	Banobras, S.N.C.
SE 221 Western, organized on November 7, 1997	SPE Subestaciones AEG, S. A. de C. V.	CFE	Nacional Financiera, S.N.C.

At June 30, 2013, CFE has liabilities amounting to \$6,352,165 and fixed assets amounting to \$18,523,311, applicable to the CATs of the trusts referred to above.

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Terminal de Carbon CT Presidente Plutarco Elías 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.

Installation	Book entry of a fixed charge for capacity of Jan-Jun 2013
Carbon Petacalco	\$ 32,685

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-d**).

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	Equity 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	Banco Nacional de Mexico, S.A, BANAMEX

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
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	Banco Nacional de Mexico, S.A, 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	Banco Nacional de Mexico, S.A, 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 México, S.A., Grupo Financiero HSBC
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	Banco Nacional de Mexico, S.A, BANAMEX

At June 30, 2013, there are funds available in trust No. 232246 amounting to \$127,828.

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 13 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

24. MEMORANDUM ACCOUNTS

The memorandum accounts presented in the balance sheet at June 30, 2013 and December 31, 2012 consist of the following items:

	2013	2012
Memorandum accounts of Bonds Placed in Trusts		
Assets	\$ 106,950,679	\$ 106,933,274
Liabilities	(106,950,679)	(106,933,274)
Memorandum accounts of assets under gratuitous loan		
Assets	5,965,846	5,965,846
Liabilities	(5,965,846)	(5,965,846)
Total memorandum accounts assets	112,899,120	112,899,120
Total memorandum accounts liabilities	(112,899,120)	(112,899,120)

25. Direct and conditioned financed investment

In accordance with Article 4 of the Revenue Law for fiscal 2013, annual revenues generated by **direct** and conditioned **financed investment** projects during the effectiveness of their financing may only be appropriated to the payment of obligations attributable to the project itself every year, including all their operating, maintenance and other associated expenses in the terms of the Federal Spending Budget.

The net (cash) flow of direct investment long-term productive infrastructure projects in operation is shown in the chart, in accordance with the following distribution with amounts in millions of pesos:

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Exhibit F

	<u>Name of project</u>	<u>Capital C</u>	<u>Amorti- zation Revenues</u>	<u>Financial and mainte- nance D</u>	<u>Operation non-pro- grammable</u>	<u>Remaining balance</u>
CC	Chihuahua	1,993.20	138.4	506.5	16.6	1,331.70
CC	Monterrey II	2,198.40	0	553.1	12.1	1,633.20
CC	Rosarito III (Units 8 and 9)	670.5	140.5	606.2	117.7	(193.90)
CC	El Sauz conversion from TG to CC	2,142.60	62	536	5.7	1,538.90
CC	Hermosillo conversion from TG to CC	1,121.10	42.8	357.4	4.9	716.00
CC	El Encono conversion from TG to CC	1,053.80	40.5	99.1	9.5	904.70
CC	San Lorenzo conversion from TG to CC	1,889.20	69.5	164	43.2	1,612.50
CC	Re-potenciation CT Manzanillo I U-1 and 2	1,739.00	153.6	1,741.60	195	(351.20)
CCC	Pacific	2,697.30	429.6	276.3	150.2	1,841.20
CCC	Baja California	400.4	128.3	338.6	55.9	(122.40)
CCI	Guerrero Negro II	50.6	15.5	0	2.3	32.80
CCI	Baja California Sur I	245.2	13.8	208.2	3.3	19.90
CCI	Baja California Sur II	135.2	36.6	235.8	6.2	(143.40)
CCI	Baja California Sur III	241.3	0	233.6	34.5	(26.80)
CD	Puerto San Carlos II	159	0	0	0	159.00
CE	La Venta II	98.5	39.3	12.9	18.7	27.60
CG	Cerro Prieto IV	182.1	12.7	166	6.7	(3.30)
CG	Los Azufres II and Geothermal Field	584.2	73.1	93.1	4.2	413.80
CG	Los Humeros II	0	70	65.5	12	(147.50)
CH	Manuel Moreno Torres (2nd Stage)	543.3	42.3	25	10	466.00
CH	La Yesca	36.4	222.7	13.3	338.7	(538.30)
CH	El Cajon	192.2	172.6	18.3	137.8	(136.50)
CT	Samalayuca II	2,587.80	88.2	754.4	146	1,599.20
		20,961.30	1,991.80	7,004.90	1,331.10	10,633.50
RM	Adolfo Lopez Mateos	474.2	16.9	0	1.9	455.4
RM	Altamira	148.4	30.2	0	9.8	108.4
RM	Botello	23.2	0	0	0	23.2
RM	Carbon II	162.6	2.1	0	0.4	160.1
RM	Carlos Rodriguez Rivero	53.2	10.5	0	1.7	41
RM	Dos Bocas	188.1	0	0	0	188.1
RM	Emilio Portes Gil	23.7	0.1	0.1	0	23.5
RM	Gomez Palacio	67.6	11.6	0	1.9	54.1
RM	Ixtaczoquitlan	4.4	0	0	0	4.4
RM	Gral. Manuel Alvarez Moreno (Manzanillo)	542	26.9	0	3.1	512
RM	CT Puerto Libertad	81.5	7.1	0	0.8	73.6
RM	Punta Prieta	64.3	6.6	0	1.1	56.6
RM	Salamanca	58.2	17.7	0	2.1	38.4
RM	Tuxpango	72.4	8.8	0	1	62.6

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Exhibit F

	<u>Name of project</u>	<u>Capital C</u>	<u>Amorti- zation Revenues</u>	<u>Financial and mainte- nance D</u>	<u>Operation non-pro- grammable</u>	<u>Remaining balance</u>
RM	Valle de Mexico	63.4	0	0	0	63.4
RM	CGT Cerro Prieto (U 5)	32.9	20.7	0	12.9	(0.7)
RM	112 CT Carbon II Units 2 and 4	192.7	5.1	0	0.6	187
RM	CT Pdte. Plutarco Elías Calles Units 1 and 2	171.9	11.8	0	2.3	157.8
RM	Infiernillo	17.8	9.4	0	3.9	4.5
RM	CT Puerto Libertad Unit 4	142.3	7.1	0	0.7	134.5
RM	CCC Huinala II	21.7	1	0	0.3	20.4
RM	CN Laguna Verde	1,960.00	171.7	0	175.9	1,612.4
RM	CT Punta Prieta Unit 2	29.9	3.1	0	0.8	26
RM	RM CCC Poza Rica	0	9.4	0	2.8	(12.2)
RM	Francisco Perez Rios	738.2	69.3	0	16.9	652
RM	Huinala	24.5	0.3	0	0	24.2
RM	Jose Aceves Pozos (Mazatlan II)	164	7.9	0	1.3	154.8
RM	CCC Tula	70.7	3.1	0	0.5	67.1
RM	CT Emilio Portes Gil Unit 4	128.3	21.3	0	3.8	103.2
RM	CT Francisco Perez Rios Unit 5	265.7	17.3	0	2.8	245.6
RM	CT Pdte. Adolfo Lopez Mateos Units 3, 4, 5 and 6	476.6	24.4	0	5.1	447.1
RM	Francisco Perez Rios Unit 1 and 2	610.4	53.8	0	40.9	515.7
RM	CT Valle de Mexico Units 5, 6 and 7	8.5	2.8	0	0.5	5.2
RM	CCC Samalayuca II	25.4	0.7	0	0.1	24.6
RM	CCC El Sauz	82.8	2.3	0	0.5	80
RM	CT Puerto Libertad Units 2 and 3	225.3	17.1	0	4.4	203.8
		7,417.00	597.9	0.1	300.8	6,518.20
PRR	Reguladora Amata Dam	62.8	7.2	9.2	0.8	45.6
RFO	Optic Fiber Network South Project	165.8	16.4	40.5	3.2	105.7
RFO	Optic Fiber Network Central Project	265.3	25.9	68.7	9.2	161.5
RFO	Optic Fiber Network North Project	216.1	25.6	50.2	5.5	134.8
SUV	Steam Supply to Cerro Prieto Power Stations	121.7	55.2	172.5	7.1	(113.1)
SUV	970 T/h Supply to Cerro Prieto Power Stations	80.9	40.1	114.3	33.2	(106.7)
		912.5	170.4	455.4	59	227.7
LT	214 and 215 Southeast - Peninsular	334.7	59.1	16.2	21.8	237.6
LT	406 Network associated with Tuxpan II, III and IV	903.1	31.4	9.7	2.4	859.6
LT	407 Network associated with Altamira II, III and IV	845.1	48.8	36.2	2.9	757.2
LT	408 Naco - Nogales - Northwest Area	83.7	5.1	7.5	0.1	71
LT	411 National System	220.4	37.9	13.4	2.3	166.8
LT	Manuel Moreno Torres Associated Network (2nd Stage)	248.2	163.1	26.8	11.7	46.6

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Exhibit F

	<u>Name of project</u>	<u>Capital C</u>	<u>Amorti- zation Revenues</u>	<u>Financial and mainte- nance D</u>	<u>Operation non-pro- grammable</u>	<u>Remaining balance</u>
LT	414 North - West	284.4	41.6	8.1	2.9	231.8
LT	502 East - North	52.5	6.3	4.9	1	40.3
LT	506 Saltillo-Cañada	751.4	142.9	20.3	8.5	579.7
LT	Network Associated with Tamazunchale					
LT	Power Station	434.6	60.3	14.5	13.4	346.4
LT	509 Network Associated to the Rio Bravo III					
LT	Power Station	389.7	24.9	11.6	2.1	351.1
LT	609 Transmission Northwest - West	384.2	68.9	17.4	7.8	290.1
LT	610 Transmission Northwest - North	938.6	71.2	22.9	14.5	830
LT	612 Subtransmission North - Northeast	32.4	13.4	2.4	2.1	14.5
LT	613 Subtransmission Western	70.4	11.4	3	2.2	53.8
LT	614 Subtransmission Eastern	14	2.4	0.6	0.3	10.7
LT	615 Subtransmission Peninsular	70.4	14.6	2.2	2.1	51.5
LT	Transmission Network Associated with the					
LT	CCI Baja California Sur I	16.7	13.6	2.4	1	(0.3)
LT	1012 Transmission Network Assoc. to the					
LT	CCC Baja C.	43.4	7.3	0.3	1.9	33.9
LT	Central Lines	23.7	3.7	0.8	0.5	18.7
LT	Transmission Network Associated with the					
LT	CH El Cajon	113	38.4	7.4	6.5	60.7
LT	Transmission Network Associated with					
LT	Altamira V	518.3	34.2	11.9	9.5	462.7
LT	Transmission Network Associated with the					
LT	La Laguna II	157.6	11.7	1.2	2.2	142.5
LT	Transmission Network Associated with the					
LT	Pacific	481.6	56.7	14.9	29.6	380.4
LT	707 North-South Link	131	18.9	12.4	2.8	96.9
LT	Riviera Maya	133.6	21.1	6.7	4	101.8
LT	807 Durango 1	152.2	18.6	4.9	3	125.7
LT	Transmission Network Associated with the					
LT	CE La Venta II	13.9	3.7	0.4	1	8.8
LT	Transmission Network Assoc. to the CCC					
LT	San Lorenzo	131.2	3.2	0.1	0.8	127.1
LT	Transmission Network Associated with the					
LT	CH La Yesca	4.2	54.9	6	28.8	(85.5)
LT	Transmission Network Associated with the					
LT	CC Agua Prieta II	0	0	0.6	8.3	(8.9)
LT	Transmission Network Associated with the					
LT	CE La Venta III	21.3	0	0.1	0.3	20.9
LT	Transmission Network Associated with temp.					
LT	open proj. and Oax. II, III and IV	112.3	23.4	0	15.1	73.8
LT	Transmission Network Associated with the					
LT	CG Los Humeros II	0	3.4	0.3	1.4	(5.1)
LT	Transmission and Transformation Network to					
LT	the CI Guerrero Negro III	0	0.7	0.1	0.4	(1.2)
LT	Transmission Network Associated with the					
LT	CCC Norte II	0	13.5	0.2	5.2	(18.9)
LT	701 West - Central	155.6	44.6	1.6	9.1	100.3
LT	702 Southeast - Peninsular	66.5	16.3	62.9	5.3	(18)

COMISION FEDERAL DE ELECTRICIDAD

Decentralized Government Agency of the Federal Government

Exhibit F

	<u>Name of project</u>	<u>Capital C</u>	<u>Amorti- zation Revenues</u>	<u>Financial and mainte- nance D</u>	<u>Operation non-pro- grammable</u>	<u>Remaining balance</u>
LT	703 Northeast - North	22.9	10.6	3.4	2.1	6.8
LT	704 Baja California - Northwest	20.9	3.9	0.8	3.6	12.6
LT	706 North Systems	605	93.8	20.5	13.8	476.9
SLT	709 South Systems	350.1	56.6	28.8	6.4	258.3
SLT	801 Altiplano (Plateau)	45.5	47.5	16.1	8.4	(26.5)
SLT	803 NOINE	26.7	37.3	1.2	7.5	(19.3)
SLT	806 Bajio	72.6	35.1	10	12.6	14.9
SLT	901 Pacific	96.6	22.3	8.1	5.6	60.6
SLT	902 Istmo (Isthmus)	42.6	44.7	9.8	10	(21.9)
SLT	1002 Northeast -Southeast Compensation and Transmission	69.5	21.3	11.6	10.3	26.3
SLT	1111 Central - Western Transmission and Transformation	26	2.1	7.4	6.2	10.3
SLT	1112 Northeast Transmission and Transformation	16.2	23.7	8.7	7.7	(23.9)
SLT	1114 Eastern Transmission and Transformation	33.9	1.6	11.8	0.4	20.1
SLT	1119 Southeast Transmission and Transformation	58.5	63.7	13.2	41.3	(59.7)
SLT	1204 Conversion to 400 kv of the Peninsular Area	364.3	67.1	32.1	36.8	228.3
SLT	1203 Eastern - Southeast Transmission and Transformation	323.6	106.8	8.6	49.9	158.3
SLT	1201 Baja California Transmission and Transformation	59	18.1	4.1	13.3	23.5
SLT	Transmission Network Associated with Manzanillo I U-I and 2	284.4	27	0.2	12	245.2
SLT	1303 Baja - Northwest Transmission and Transformation	9.5	0	3.2	2.1	4.2
SLT	1404 East Substations	6	0	0.9	0	5.1
SLT	1401 Ses and LTS of the Baja California and Northwest Areas	63	26.9	10.2	21.6	4.3
SLT	1601 Eastern - Southeast Transmission and Transformation	0	4.8	3.2	1	(9)
SLT	802 Tamaulipas	183.6	38.8	15.8	8.4	120.6
SLT	903 Cabo - North	68.1	32.4	7.5	6.6	21.6
SLT	1001 Baja - Nogales Transmission Network	105.3	17.5	2.7	3.9	81.2
SLT	1118 North Transmission and Transformation 1304 Eastern Transmission and Transformation	49.4	19.1	6.8	7.3	16.2
SLT	1402 Change of LT Tension Culiacan-Los Mochis	15.4	0	4.9	1.6	8.9
SLT		136.9	33.2	9.9	14.1	79.7
		11,489.90	2,047.10	614.5	549.5	8,278.8
SE	212 and 213 SF6 Power and Distribution	1,097.00	670.9	20.4	55.8	349.9
SE	218 Northwest	29.8	14.4	13.4	4.5	(2.5)
SE	221 Western	180.3	30.8	18.1	9.4	122
SE	402 Eastern - Peninsular	80.3	44.2	6.8	1.2	28.1

COMISION FEDERAL DE ELECTRICIDAD

Decentralized Government Agency of the Federal Government

Exhibit F

	<u>Name of project</u>	<u>Capital C</u>	<u>Amorti- zation Revenues</u>	<u>Financial and mainte- nance D</u>	<u>Operation non-pro- grammable</u>	<u>Remaining balance</u>
SE	405 High Tension Compensation	7.7	5.4	3.5	0.1	(1.3)
SE	412 Compensation North	73.2	13.8	3.5	0.3	55.6
SE	413 Northwest - West	257.4	34.4	12.4	3.2	207.4
SE	503 Eastern	39.3	13.3	1.9	0.3	23.8
SE	504 North - Western	133.7	27.3	4.4	1.3	100.7
SE	607 Bajio System - Eastern	265.6	43.5	21.4	2.6	198.1
SE	611 Subtransmission Baja California - Northwest	59.3	17.5	3.6	3.5	34.7
SE	North	24.6	4.4	1.2	0.5	18.5
SE	705 Condensers	13.1	1.9	1.6	0.2	9.4
SE	708 Dynamic Compensation Eastern - North	148.2	24.1	12	2.7	109.4
SE	811 Northwest	50.7	6	1.4	1	42.3
SE	813 Bajio Division	124.2	29.5	2.8	6.8	85.1
SE	911 Northeast	1.8	4.9	1.2	1	(5.3)
SE	912 Eastern Division	20.8	8.5	27	3.6	(18.3)
SE	915 Western	51.9	6.1	0.6	1.6	43.6
SE	1004 Dynamic Compensation Central Area	12.9	9	3.9	1.5	(1.5)
SE	1110 Capacitative Compensation - North	50.1	5.1	9.3	2.3	33.4
SE	1116 Northeast Transformation	310.9	81.6	21.6	43.2	164.5
SE	1117 Transformation - Guaymas	24	10.6	1.7	5.4	6.3
SE	1120 Northwest	92.4	22	71.4	10.2	(11.2)
SE	1122 North Gulf	3.3	19.5	60.1	12.3	(88.6)
SE	1124 Central Bajio	81.3	25.2	114.6	9.8	(68.3)
SE	1125 Distribution	47.7	63.8	100.3	29.4	(145.8)
SE	1127 Southeast	9	2.5	0.7	4.1	1.7
SE	1128 Central South	22.1	4.6	56.7	2	(41.2)
SE	1129 Network Compensation	17.9	5.1	2.2	4	6.6
SE	1205 Eastern Compensation - Peninsular	5.3	4.6	2	2.9	(4.2)
SE	1212 SOUTH PENINSULAR	61.6	15.1	78.6	7.5	(39.6)
SE	1202 Power Supply to the Manzanillo Zone	95.4	24.4	6.9	13	51.1
SE	1211 NORTHEAST - CENTRAL	20.6	0.5	86.3	2.9	(69.1)
SE	1210 NORTH-NORTHWEST	221.6	51.5	159	24.5	(13.4)
SE	1320 NORTHWEST DISTRIBUTION	36.2	13.7	93.8	5.8	(77.1)
SE	1403 Capacitative Compensation of the Northwest-North Areas	31.8	4.9	3.6	2	21.3
SE	1420 NORTHEAST DISTRIBUTION	13.5	0	46.7	1.1	(34.3)
SE	812 North Gulf	14.9	3	0.6	0.5	10.8
SE	914 Central South Division	5.5	5.2	25.3	3.7	(28.7)
SE	1006 Central South	14.4	2.4	21.9	5.8	(15.7)
SE	1005 Northwest	128.7	41.5	3.4	14.7	69.1

COMISION FEDERAL DE ELECTRICIDAD

Decentralized Government Agency of the Federal Government

Exhibit F

	<u>Name of project</u>	<u>Capital C</u>	<u>Amorti- zation Revenues</u>	<u>Financial and mainte- nance D</u>	<u>Operation non-pro- grammable</u>	<u>Remaining balance</u>
SE	1003 West Electric Substations	102.7	26.1	6.9	8.6	61.1
SE	1121 Baja California	14.2	3	0.7	1.5	9
SE	1123 North	26.4	2.5	2.5	1	20.4
SE	1206 Conversion to 400 kV of the LT Mazatlan II - La Higuera	28.7	28.2	10.7	16.4	(26.6)
SE	1213 NETWORK COMPENSATION	42.2	25.9	6.5	14.9	(5.1)
SE	1323 SOUTH DISTRIBUTION	62.3	9.4	58.8	3.9	(9.8)
SE	1322 CENTRAL DISTRIBUTION	21.3	3.4	2.2	1.4	14.3
SE	1321 NORTHEAST DISTRIBUTION	90.1	16.1	166.5	6.8	(99.3)
		4,368.10	1,531.10	1,382.60	363.1	1,091.30
	Total direct investment projects	45,148.80	6,338.30	9,457.50	2,603.50	26,749.50

The net (cash) flow of **conditioned investment** long-term productive infrastructure projects in operation is shown in the chart (in millions of pesos), in accordance with the following distribution:

<u>Name of project</u>	<u>Revenues</u>	<u>Fixed</u>	<u>Variable</u>	<u>Net flow</u>
CC Altamira III and IV	4,166.1	699.1	1,333.4	2,133.6
CC Altamira V	4,101.1	781.5	937.5	2,382.2
CC Bajío	2,783.2	106.3	936.5	1,740.5
CC Campeche	903.9	241.2	298.5	364.2
CC Chihuahua III	1,364.1	176.8	399.9	787.4
CC Hermosillo	1,584.0	276.8	433.2	874.0
CC La Laguna II	2,865.6	589.9	744.6	1,531.1
CC Mexicali	803.8	303.0	308.2	192.6
CC Monterrey III	2,385.0	284.1	571.3	1,529.7
CC Naco-Nogales	1,577.9	233.3	421.6	923.0
CC Río Bravo II	2,315.0	178.0	653.4	1,483.6
CC Río Bravo III	1,897.7	420.8	594.9	882.0
CC Río Bravo IV	2,265.1	435.7	601.1	1,228.3
CC Saltillo	1,262.5	295.9	327.3	639.4
CC Tamazunchale	3,586.2	777.0	854.9	1,954.3
CC Tuxpan II	2,316.6	398.8	561.9	1,355.9
CC Tuxpan III and IV	4,991.3	622.2	1,418.5	2,950.5
CC Tuxpan V	2,771.2	319.1	576.5	1,875.5
CC Valladolid III	2,321.9	355.2	488.3	1,478.3

Name of project	Revenues	Fixed	Variable	Net flow
CCC North	2,381.0	473.0	673.0	1,234.9
SubtotalCCC	48,643.4	7,967.8	13,134.7	27,540.9
TRN Cd. Pemex Valladolid Gas Pipeline	186.1	139.8	15.6	30.7
SubtotalTRN	186.1	139.8	15.6	30.7
TRN CT Pdte. Coal Terminal Plutarco Elias Calles	236.0	181.8	42.3	12.0
SubtotalTerminal	236.0	181.8	42.3	12.0
CE La Venta III	188.2	0.0	172.5	15.7
CE Oaxaca I	224.4	0.0	150.1	74.3
CE Oaxaca II and CE Oaxaca III and CE Oaxaca IV	755.6	0.0	509.9	245.6
CT Merida III	1,893.8	327.4	772.7	793.7
Subtotal Wind-Driven Projects	3,062.0	327.4	1,605.2	1,129.3
Total conditioned investment projects	52,127.5	8,616.8	14,797.8	28,712.9

26. Segment information

At June 30, 2013, CFE has a National Optic Fiber Network of 38,961.28 kilometers that are divided into an Internodal Network: 36,529.60 kilometers and Access Network and Local Access; 2,452.19 Km., developed for increasing safety and reliability of the National Electric System, which will allow for implementing a long-term solution for technical-administrative voice, data, video communications, among other things. They gradually substitute the telecommunications services that are currently rendered by third parties. Accordingly, the prevailing situation at June 30, 2013 with respect to the expansion of the optic fiber network shows an increase of only 179.74 Km with regard to December 31, 2012.

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 extendible years.

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 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 June 2013, 163 contracts have been signed with 107 Customers of the industrial, Business, and Governmental segments.

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.

The concession granted by the Ministry of Communications and Transportation (SCT) is to install and operate the public communications network granted by the Federal Government through the SCT in favor of the CFE.

a. Operating segment information

Item	At June 30, 2013		
	Energy	CFE TELECOM	Total
Revenues	\$ 154,492,445	\$ 428,272	\$ 154,920,717
Depreciation and amortization	18,151,611	510	18,152,121
Financial Cost	(12,958,370)	420	(12,957,950)
Operating income	23,856,529	256,826	24,113,355
Investment in productive assets *	809,844,859	19,160	809,864,019
Total assets *	976,650,537	219	976,650,756

Item	At June 30, 2012		
	Energy	CFE TELECOM	Total
Revenues	\$ 152,529,445	\$ 382,894	\$ 152,912,339
Depreciation and amortization	16,482,524	720	16,483,244
Comprehensive Gain or Loss on Financing	1,354,691	11,149	1,365,840
Operating income (loss)	(150,089)	233,614	83,525
Investment in productive assets *	813,383,077	19,670	813,402,747
Total assets	989,778,844	145,293	989,924,137

Revenues for CFE TELECOM are included in the statement of operations in other revenues (expenses), net.

The balances of investment in productive assets and total assets apply to 2012 at December year end.

(*) 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 June 30, 2013 and December 31, 2012 amounting to \$ 4,837,949 and \$ 4,893,961, 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:

	2013	2012
Generation	\$ 328,836,146	\$ 333,048,265
Transmission and Transformation	122,341,454	123,341,984
Optic Fiber	4,778,293	4,761,765
Control	567,980	641,426
Distribution	223,492,194	217,560,603
Construction	1,068,318	1,131,005
Corporate Headquarters	1,048,264	1,217,675
	682,132,649	681,702,923
Equipment under lease agreements External Producers, Net	79,475,132	81,938,804
Dismounting of Laguna Verde Nuclear Station	299,250	299,250
Total property, plants and equipment (net)	\$ 761,907,030	\$ 763,940,977

c. Revenues per division (geographical zone)

	2013	2012
Baja California	\$ 7,928,212	\$ 7,964,356
Northwest	9,438,682	9,229,758
North	10,450,038	10,125,659
North Gulf	20,516,839	21,657,325
Central West	6,450,903	6,353,099
South Central	6,171,122	6,151,051
East	7,796,747	8,125,234
Southeast	6,455,522	6,369,426
Bajío	15,415,922	15,070,460
Central Gulf	6,972,393	7,035,726
East Central	9,110,734	9,026,267
Peninsular	6,579,312	6,392,213
Jalisco	10,000,458	9,898,510
Central Zone of the Country	25,561,265	25,146,243
Subtotal retail sales	148,848,149	148,545,327
Block for resale	528,180	724,202
Other programs:		
Illegal Uses	601,054	705,333
Due to measurement failure	423,719	784,712
Due to billing error	2,445,922	828,284
	3,470,695	2,318,329
Other operating proceeds	1,645,421	1,056,703
Total operating proceeds	\$ 154,492,445	\$ 152,644,561

d. Revenues from homogeneous customer groups

	2013	2012
Retail sales		
Domestic service	\$ 27,278,843	\$ 28,663,258
Commercial service	18,725,766	18,671,191
Service for public lighting	9,210,705	8,102,076
Agricultural service	3,605,831	3,239,408
Industrial service	90,027,004	89,869,394
Total retail sales	148,848,149	148,545,327
Block for resale	528,180	724,202
Other programs:		
Illegal Uses	601,054	705,333
Due to measurement failure	423,719	784,712
Due to billing error	2,445,922	828,284
	3,470,695	2,318,329
Other operating proceeds	1,645,421	1,056,703
Total operating proceeds	\$ 154,492,445	\$ 152,644,561

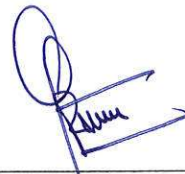
The "Electric power services" segment mainly includes the sale of electric power utilities, which consists of generating, conducting, transforming, distributing, and supplying electric power to all users of the country, as well as planning and realizing all works, installations, and work required by 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. Issue of the financial statements

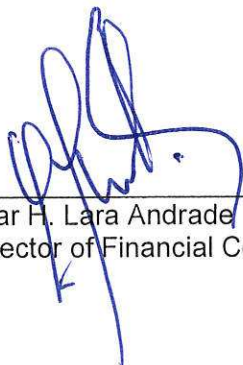
These financial statements have been approved on Friday, August 2, 2013 by Francisco Rojas, General Director, Francisco J. Santoyo Vargas, Director of Finance; Oscar H. Lara Andrade, Deputy Director of Financial Control, and Oscar David Castillo Iñiguez, Alternate Accounting Management, persons responsible for the Agency's Financial Information.



Francisco Rojas
General Director



Francisco J. Santoyo Vargas
Director of Finance



Oscar H. Lara Andrade
Deputy Director of Financial Control



Oscar David Castillo Iñiguez
Alternate Accounting Management

Comision Federal de Electricidad
Decentralized Government Agency of the
Federal Government

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

COMISION FEDERAL DE ELECTRICIDAD

Decentralized Government Agency of the Federal Government

Consolidated financial statements for the years ended December 31, 2012 AND 2011

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Consolidated statements of changes in patrimony for the years ended December 31, 2012 and 2011 C

Consolidated statement of Cash Flows for the years ended December 31, 2012 and 2011 B

Notes to the consolidated financial statements at December 31, 2012 and 2011 E

Independent auditors' report

To the Ministry of Public Function and
the Governing Board of
Comisión Federal de Electricidad
Decentralized Government Agency of the Federal Government

We have audited the accompanying consolidated financial statements of Comisión Federal de Electricidad, Decentralized Government Agency of the Mexican Federal Government (henceforth "the entity"), which comprise the consolidated statement of financial position as at December 31, 2012, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

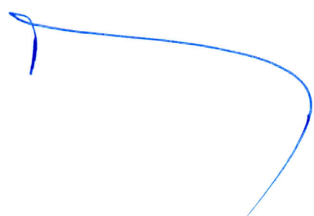
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements 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 audit. We conducted our audit 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 entity'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 entity'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 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 financial position of Comisión Federal de Electricidad, Decentralized Government Agency of the Mexican Federal Government, at December 31, 2012, as well as its results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Paragraph on other issues

We have audited the consolidated financial position of Comisión Federal de Electricidad as of December 31, 2011, and the statements of income, changes in equity and cash flows and related notes for the year then ended, which have been prepared in conformity with Mexican Financial Reporting Standards ("MFRS") on which we issued a separate auditor's report to the Ministry of Public Function and the Governing Board of Comisión Federal de Electricidad dated February 28, 2012. Our audit was conducted in accordance with Mexican Generally Accepted Auditing Standards. As described in Note 2 a), beginning January 1, 2012, the entity adopted International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Consequently, the consolidated financial statements as of December 31, 2011 were reissued to make them comparable. We reviewed the adjustments to transition from MFRS to IFRS of the consolidated financial information included in the Note 29. Our review of the adjustments consisted of making inquiries, primarily of persons responsible for financial and accounting matters, and applying other review procedures. A review is substantially less in scope than an audit performed in conformity 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 on the adjustments or on the adjusted consolidated financial information. Based on our review, nothing has come to our attention that causes us to believe that the adjustments and the adjusted consolidated financial information does not present fairly, in all material respects, the financial position of Comisión Federal de Electricidad as of December 31, 2011, and the results of its operations, changes in equity and cash flows for the year then ended, in accordance with IFRS.

GOSSLER, S. C.

Leobardo Brizuela Arce
Certified Public Accountant

Mexico City, Mexico
March 12, 2013

Comisión Federal de Electricidad
(Decentralized Government Agency of the Mexican Federal Government)

Consolidated statements of financial position

As of December 31, 2012 and 2011 and January 1, 2011

(Notes 1, 2, 3 & 4)

(Amounts stated in thousands of pesos)

	2012	2011	(Transition date) January 1, 2011		2012
Assets				Liabilities	
Current				Short-term:	
Cash and cash equivalents (note 6)	\$ 35,968,375	\$ 49,934,018	\$ 26,128,508	Current portion of documented debt (note 12)	\$ 15,
				Current portion of PIDIREGAS (notes 13 and 14)	15,
Accounts receivable, net (note 7)	86,568,135	87,084,527	72,916,425	Trade payables and contractors	31,
				Taxes and fees payable (note 15)	3,
Operating materials, net (note 8)	21,107,343	18,952,511	16,458,615	Employee benefits (note 18)	19,
				Other accounts payable and accrued liabilities	22,
Total current assets	143,643,853	155,971,056	115,503,548	Deposits of users and contractors	16,
				Total short-term liabilities	123,
Long-term employee loans	7,483,560	6,657,303	5,928,981	Long-term	
				Unrealized products (note 16)	15,
Plants, installations and equipment, net (note 9)	813,402,747	787,629,960	773,024,529	Documented debt (note 12)	104,
				Derivative financial instruments (note 11)	16,
Derivative financial instruments (note 11)	15,869,179	18,014,998	17,254,628	PIDIREGAS (note 13 & 14)	165,
				Other long-term liabilities (note 17)	3,
Other assets	9,524,798	6,957,021	6,267,952	Employee benefits (note 18)	451,
				Total long-term liabilities	757,
Total assets	\$ 989,924,137	\$ 975,230,338	\$ 917,979,638	Total liabilities	880,
				Equity:	
				Accrued equity (note 19)	142,
				Effect from adoption of IFRS	
				Payment of public use taxes	
				Federal Revenue Law	(24,
				Contributions received	15,
				Derivative financial instruments (note 24)	(1,
				Charge to equity for employee benefits	(2,
				Net loss for the period	(19,
				Total equity	109,
				Total liabilities and equity	\$ 989,

Off-balance sheet items (note 26)

	2012	2011	January 1, 2011 (Transition date)
Assets	\$ 112,899,120	\$ 120,356,274	\$ 112,484,349
Liabilities	\$ (112,899,120)	\$ (120,356,274)	\$ (112,484,349)

Francisco Rojas
General Director

Francisco J. Santoyo Vargas
Director of Finance

Oscar H. Lara Andrade
Deputy Director of Financial Control

Comisión Federal de Electricidad
(Decentralized Government Agency of the Mexican Federal Government)

Consolidated statements of comprehensive income

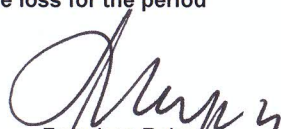
For the twelve month periods ended December 31, 2012 and 2011

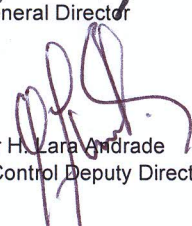
(Notes 1, 2, 3 & 4)

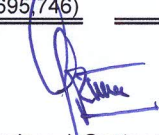
(Amounts stated in thousands of pesos)

EXHIBIT B

	2012	2011
Income from energy sales (note 28)	\$ 311,020,877	291,939,130
Costs and expenses:		
Operating	234,973,803	218,409,685
Depreciation	35,045,369	33,477,626
Administrative expenses	6,556,693	6,289,864
Estimated actuarial cost of labor obligations for the period	44,940,755	52,896,585
Total operating costs and expenses	321,516,620	311,073,760
Operating loss	(10,495,743)	(19,134,630)
Other income, net (note 20)	3,789,028	879,148
Income tax on distributable surplus (note 21)	(1,579,611)	(1,489,568)
Subsidy to consumers and public use tax		
Subsidy to consumers (note 22)	77,036,195	84,685,944
Public use tax (note 22)	(44,779,134)	(57,292,226)
Net gain on subsidy and public use tax	32,257,061	27,393,718
Charge off of subsidy not covered by public use tax	(32,257,061)	(27,393,718)
	-	-
Financial cost		
Interest expense, net	(21,457,749)	(17,984,818)
Foreign exchange gain (loss), net	10,528,461	(22,765,965)
	(10,929,288)	(40,750,783)
Net loss for the period	\$ (19,215,614)	(60,495,833)
Other comprehensive loss items (note 23)		
Effect from adoption of IFRS		(2,136,110)
Charge to equity for employee benefits	(2,876,382)	-
Effect of financial instruments on equity	(1,603,750)	154,653
Comprehensive loss for the period	\$ (23,695,746)	(62,477,290)


Francisco Rojas
General Director


Oscar H. Lara Andrade
Financial Control Deputy Director


Francisco J. Santoyo Vargas
Finance Director

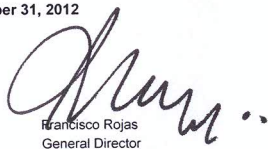

Aurora Navarrete Díaz
Accounting Manager

The accompanying notes are an integral part of these financial statements

COMISION FEDERAL DE ELECTRICIDAD
(Decentralized Government Agency of the Mexican Federal Government)

Consolidated statements of changes in equity
For the years ended December 31, 2012 and 2011
(Notes 1, 2, 3 & 4)
(Amounts stated in thousands of pesos)

	Accrued equity	Effect of adoption of IFRS	Payment of public use tax Federal Revenue Law	Contributions received	Derivative financial instruments	Difference of public use tax on subsidy	Ch E for e be
Balances at December 31, 2010	\$ 380,702,406	\$	\$ (23,000,000)	\$ 30,596,561	\$ (2,264,014)	\$ (34,187,258)	\$
Initial effect from adoption of IFRS (Note 29)		(142,796,911)				34,187,258	
Balances at January 1, 2011	<u>380,702,406</u>	<u>(142,796,911)</u>	<u>(23,000,000)</u>	<u>30,596,561</u>	<u>(2,264,014)</u>	<u>-</u>	
Appropriation of prior year balances, approved by Board of Directors	(170,842,555)	142,796,911	23,000,000	(30,596,561)	2,264,014	-	
Payment of Public Use Tax, Federal Revenue Law (Note 19)			(23,920,000)				
Contributions of the Federal Government (Note 19)				19,134,600			
Comprehensive loss (Note 23)		(2,136,110)			154,653		
Balances as of December 31, 2011	<u>209,859,851</u>	<u>(2,136,110)</u>	<u>(23,920,000)</u>	<u>19,134,600</u>	<u>154,653</u>	<u>-</u>	
Appropriation of prior year balances, approved by Board of Directors	(67,262,690)	2,136,110	23,920,000	(19,134,600)	(154,653)		
Payment of Public Use Tax, Federal Revenue Law (Note 19)			(24,757,200)				
Contributions of the Federal Government (Note 19)				15,000,000			
Comprehensive loss (Note 23)					(1,603,750)		
Balances as of December 31, 2012	<u>\$ 142,597,161</u>	<u>\$ -</u>	<u>\$ (24,757,200)</u>	<u>\$ 15,000,000</u>	<u>\$ (1,603,750)</u>	<u>\$ -</u>	<u>\$ (2</u>


Francisco Rojas
General Director


Oscar H. Lara Andrade
Financial Control Deputy Director

The accompanying notes are an integral part of these financial statements

Comisión Federal de Electricidad
(Decentralized Government Agency of the Mexican Federal Government)

Consolidated statements of cash flows
For the periods ended December 31, 2012 and 2011

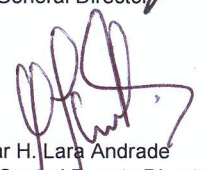
(Notes 1, 2, 3 and 4)

(Amounts stated in thousands of pesos)

EXHIBIT D

	2012	2011
Operating Activities		
Loss for the year	\$ (19,215,614)	\$ (60,495,833)
Items related to investing activities:		
Depreciation for the year of plants, installations and equipment	35,045,369	33,477,627
Net cost of the year for employee benefits	23,074,046	33,389,224
Allowances and provisions	3,457,642	3,141,983
Items related to financing activities:		
Interest expense	24,284,049	21,131,306
Exchange (gain) loss	(10,528,461)	22,765,965
	56,117,031	53,410,272
Accounts receivable and other receivables	(3,367,865)	(17,934,141)
Operating materials	(2,313,714)	(2,374,952)
Suppliers and contractors	1,620,550	10,148,862
Other accounts payable and accrued expenses	2,791,611	14,169,823
Net cash flow from operating activities	54,847,613	57,419,864
Investing Activities		
Investment in plants, installations and equipment	(60,764,564)	(48,031,965)
Other long-term assets	(421,958)	(1,449,440)
Net cash flows from investing activities	(61,186,522)	(49,481,405)
Cash surplus to be used in (Cash to provided by)		
Financing Activities	(6,338,909)	7,938,459
Financing activities		
Contracting of debt	44,234,658	51,523,880
Financing paid debt	(22,360,690)	(12,587,811)
Interest paid	(23,398,591)	(19,989,114)
Contributions received, net of payment of public use tax	(9,757,200)	(4,785,400)
Other long term liabilities	3,655,089	1,705,496
Net cash flows from financing activities	(7,626,734)	15,867,051
Net increase (decrease) in cash and temporary investments	(13,965,643)	23,805,510
Cash and temporary investments at beginning of year	49,934,018	26,128,508
Cash and temporary investments at end of year	\$ 35,968,375	\$ 49,934,018


Francisco Rojas
General Director


Oscar H. Lara Andrade
Financial Control Deputy Director


Francisco J. Santoyo Vargas
Finance Director


Aurora Navarrete Diaz
Accounting Manager

The accompanying notes are an integral part of these financial statements

Comision Federal de Electricidad

Decentralized Government Agency of the Federal Government

Notes to Consolidated Financial Statements

As of December 31, 2012 and 2011

(Amounts stated in thousands of pesos)

Exhibit E

1. Business and Organization

Comision Federal de Electricidad (CFE or the Agency) is 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 renders public electric power service throughout Mexican territory, which consists 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. Moreover, On February 28, 2006, the Agency amended different numerals of the organic or internal bylaws to amend the Agency's purpose and be able to render telecommunications services in terms of the Federal Telecommunications Law.

On October 11, 2009, the presidential decree that extinguished the Decentralized Public Agency Luz y Fuerza del Centro (LFC) was issued; therefore, CFE is responsible for rendering electric power utilities nationwide as of that date, which it shared with LFC up to October 10, 2009. LFC was responsible for distributing and selling all power consumed, mainly in the Mexico City metropolitan area and some neighboring states and, to a lesser degree, some power generating and transmission activities. Approximately 95% of the power distributed and marketed by LFC in its area of influence was purchased from CFE (Note 10).

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).

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. IFRS 1 "First-Time Adoption of International Financial Reporting Standards" was applied since it is the first time that consolidated financial statements are issued under these standards.

b) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for certain derivative financial instruments, which are valued at fair value. Moreover, plants, facilities and equipment are valued at their assumed value at the date of transition, 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.

c) Monetary unit of the financial statements

The financial statements and their notes at December 31, 2012 and 2011 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. Reissue of financial statements.

The financial statements applicable to the year ended December 31, 2011 were prepared in accordance with Mexican Financial Reporting Standards (MFRS). The CFE has adjusted the amounts reported previously in the consolidated financial statements prepared in conformity with MFRS to comply with IFRS. The date of transition of the Agency is January 01, 2011.

IFRS 1 "Presentation of Financial Statements" generally requires that all IFRS, as well as improvements and interpretations relative thereto be applied retrospectively. However, the IFRS itself permits certain optional exceptions in the retrospective application of standards, in order to facilitate the transition process, which were adopted by the CFE.

Note 28 shows the reconciliations and description of the effects of the transition from MFRS to IFRS.

4. Summary of significant accounting policies

The significant accounting policies followed by the agency 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 27 "Consolidation of Financial Statements" (Note 24-c).

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 awarded the contracts Secondary beneficiary CFE	BANOBRAS, S. N. C.	Conditioned investment
Mexicali Housing Thermal Insulation Trust (FIPATERM)	CFE	CFE	BANOBRAS, S. N. C.	Power saved
Prior Expenses Trust	CFE	CFE	BANOBRAS, S. N. C.	Direct investment:

b. Recognition of the impact of inflation.

In conformity with IAS 29 "Financial Information in Hyperinflationary Economies", the impact of inflation is recognized on the financial information when inflation accumulated in the last three years approximates 100%.

In a non-hyperinflationary environment, the recognition of the impact of inflation on the financial information is not disconnected. When a hyperinflationary environment emerges, a connection will be made (retrospective recognition of the impact of inflation not recognized in non-inflationary years).

c. 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.

d. 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.

e. Plants, facilities and equipment

Plants, facilities and equipment are recorded at their cost of acquisition and/or construction, including the following items as part of the cost: administrative expenses of the head offices directly relate to the construction or installation of assets, retirement costs, and seniority bonuses, applicable to permanent personnel of the construction areas, and depreciation of the equipment used in the construction and installation of assets, as well as the costs of financing of ratable assets, dismounting expenses, and asset retirements. The subsequent valuation policy for assets in this caption is the cost model.

Depreciation of plants, facilities and operating equipment is calculated by using the straight-line method, starting with the start-up of assets. Depreciation rates considered concur with the useful life thereof, determined by specialized CFE technicians, as follows:

	<u>Annual rate %</u>
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

	<u>Annual rate %</u>
Nuclear power generating station	From 1.33 to 2.86
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 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	10
Transportation equipment	20
Other private property	10

The estimated useful life, residual value, and depreciation method are reviewed at every 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.

f. 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 entity evaluated that 22 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.

g. Intangible assets

Intangible assets acquired separately are recognized at cost. The Agency 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 its 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.

h. Impairment of long-lived assets in use

The Agency 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.

i. Financial instruments

Financial assets and liabilities are recognized when the Agency 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 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.

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 and capital instruments issued by the Agency 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 Agency retires a financial asset if, and only if the Agency'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 losses and gains.

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 Agency 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.

j. Derivative Financial Instruments

The Agency 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 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 integral cost of financing, irrespective of whether the derivative is designated as a fair value hedge or cash flow hedge.

The Agency 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 Agency'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 in comprehensive gain or loss on financing.

IFRS set forth that: "If the critical characteristics of the hedge instrument and primary position are equal (the notional amount, benchmark rates for payment and collection, and the related bases, effectiveness of the contract, the price and payment setting date, dates of formal designation and liquidation, among other things), then the changes in fair value or cash flows attributable to the risk that is being hedged will be completely offset at the beginning, during, and up to the maturity of the hedge; therefore, it shall not be necessary to evaluate and measure effectiveness".

This method known as the "Short-Cut method" is not permitted under IFRS rules. This is why effectiveness tests were conducted on coupon swap cash flows that are carried out during the fourth quarter of fiscal 2012.

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.

k. 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.

l. 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 Agency, up to August 18, 2008, in a defined pension plan and retirement benefits.

For workers contracted up to August 18, 2008, the Agency continues to apply a defined pension benefit plan. For workers contracted beginning August 19, 2008, the Agency established a pension and defined contribution retirement plan

m. Income tax on the distributable remaining balance

In accordance with the applicable tax legislation, the Agency 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 Agency is bound to determine, pay, and recognize this tax on the distributable remaining balance of the items that do not meet tax requirements in its financial statements, pursuant to the second to the last and the last paragraph of Article 95 of the Income Tax Law.

Based on the issue described in the above paragraph, the Agency determines values, discloses and records the income tax provision on the distributable balance in its financial statements.

n. Segment information

Since it is a public economic entity, CFE, in accordance with the provisions of IFRS 8, distinguishes and discloses segment information, which is presented in the form used by the CFE to evaluate each activity with a managerial approach.

o. 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.

p. Foreign currency transactions

Foreign currency denominated transactions is 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 comprehensive gain or loss on financing.

q. 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

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, 2012, 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.

During 2012, an amendment to the Regulations of the LSPEE was published through the Official Daily Gazette, which defines the concept of "net fixed asset in operation" more clearly, 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.

The caption of public use tax was determined by considering this amendment in the statement of income.

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 Agency's financial statements.

State and Municipal Governments

Contributions. Contributions received from Federal, 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.

r. 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.

s. Comprehensive income (loss)

The comprehensive gain (loss) presented in the statement of changes in patrimony consists of the net income for the year and other items that represent a gain or loss for the same year which, in conformity with IAS 1 "Presentation of Financial Statements", is presented in patrimony and the statement of comprehensive income.

t. 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 financial statements. Relevant commitments are disclosed in the notes to the financial statements. Revenues, earnings or contingent assets are not recognized.

u. Critical accounting trials and key sources for the estimate of uncertainties

In the application of the Agency'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 is dependent, among other things, upon having the contract transfer the right 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 Agency 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 Agency 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 of conducting negotiations has shown, increasing the allowance by 25% is established as a criterion, once 330 days have elapsed after the default.

The methodology for calculating the allowance for doubtful accounts is applied quarterly, that is, at the month end of March, June, September, and December every year, based on the past due receivables as of the immediately foregoing month.

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.

The carrying value will be reduced by making direct applications to the allowance, and the amount of the loss is recognized as a loss for the year.

II. Useful life and residual value of property, plant and equipment

The Agency reviews the estimated useful life of property, plant and equipment at every annual period end. Depreciation rates are described in note 4e.

III. Asset Impairment

The Agency conducts impairment tests when there are indicators. These tests imply the estimate of future cash flows that will be obtained by the Agency and the most appropriate discount rate. The Agency believes 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 Agency 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 Agency.

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 Agency. 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 Agency uses valuation models that incorporate assumptions subject to unpredictable variations in the valuation of these instruments not quoted at their fair value.

The Agency considers that the assumptions used at the date of these 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 IFRS 18 "Asset transfers". The realization period of these proceeds is related to the useful life of the asset.

5. Financial Instruments

a. Capital risk management

The Agency manages its capital to assure that it will have the ability to continue as a going concern and comply with the applicable regulations. The Agency's capital structure consists of the net debt and patrimony. Additionally, the Agency is not subject to any requirement imposed externally for managing its capital.

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 4-i.

c. Categories of financial instruments.

	12/31/2012	12/31/2011	1/1/2011
Financial assets:			
Cash and temporary investments	\$ 35,968,375	\$ 49,934,018	\$ 26,128,508
Accounts and Notes Receivable from consumers and other debtors	86,568,135	87,084,527	72,916,425
Long-term loans to workers	7,483,560	6,657,303	5,928,981
Derivative financial instruments	15,869,179	18,014,998	17,254,628
Financial liabilities at amortized cost			
Documented debt	\$ 119,699,194	\$ 116,113,616	\$ 69,145,654
Plants under lease agreements, facilities, equipment, and PIDIREGAS	180,958,721	173,520,389	155,874,991
Suppliers and contractors	31,081,437	29,460,886	19,312,024
Deposits from users and contractors	16,104,297	14,312,093	11,860,271

d. Objectives of financial risk management

Part of the duties of the Agency'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 Agency'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 Agency seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposure. The use of financial derivatives is governed by the policy established by the SHCP and by the Board of Directors of the Agency, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of derivative and non-derivative financial instruments and the investment of surplus liquidity. The internal auditors periodically review the compliance with exposure policies and limits. The Agency does not subscribe or trade financial instruments, which include derivative 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 the Agency's risks to the board of directors every quarter.

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 Agency 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 Agency only involves itself with solvent parties and recognized reputation and high creditworthiness. The Agency 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 Agency 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.

At the dates of this report, the Agency does not have a concentration of credit risk in its financial assets.

The aging analysis of non-current financial assets on which it has not considered necessary to realize any provision at December 31, 2012 and 2011 is as follows:

		<u>12/31/2012</u>		<u>12/31/2011</u>
Less than 90 days	\$	3,696,183	\$	4,128,637
90 to 180 days		1,411,823		1,608,687
More than 180 days		35,257,569		37,302,680

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.

As discussed in Note 13 (PIDIREGAS credits debt), the financing received by the Agency is mainly through debt contracted or by the leasing of plants, installations, equipment, and PIDIREGAS. In order to manage liquidity risk, the Agency performs cash flow analyses periodically, and it maintains credit lines open with financial institutions and suppliers. Additionally, the Agency 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, can not be exceeded.

The following table shows the contractual due dates of the entity's financial liabilities, based on payment periods are:

At December 31, 2012	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	\$ 15,047,525	\$ 55,261,562	\$ 1,280,531	\$ 48,109,576	\$ 119,699,194
Plants under lease agreements, facilities, equipment, and PIDIREGAS	15,438,728	28,273,799	20,808,879	116,437,315	180,958,721
Suppliers and contractors	31,081,437				31,081,437
Deposits from users and contractors	16,104,297		-	-	16,104,297
Total	\$ 77,671,987	\$ 83,535,361	\$ 22,089,410	\$ 164,546,891	\$ 347,843,649

At December 31, 2011	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	\$ 18,263,580	\$ 73,456,460	\$ 31,013,477	\$ 27,220,086	\$ 149,953,602
Plants under lease agreements, facilities, equipment, and PIDIREGAS	28,917,409	78,800,405	93,650,402	119,030,684	320,398,898
Suppliers and contractors	29,448,549				29,448,549
Deposits from users and contractors	14,300,869		-	-	14,300,869
Total	\$ 90,930,407	\$ 152,256,865	\$ 124,663,879	\$ 146,250,770	\$ 514,101,918

g. Market Risks

The Agency's activities mainly expose it to exchange financial risks in exchange rates and interest rates.

Foreign exchange risk management

The Agency realizes foreign currency transactions. Accordingly, exposures are generated to exchange rate fluctuations. The Agency's net foreign currency position is shown in Note 24.

As discussed in Note 11, the Agency 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 that are reported are shown in Note 24.

– **Analysis of foreign currency sensitivity**

The Agency is mainly exposed to exchange rate variations between the Mexican peso and the US dollar and the Japanese yen.

The following table itemizes the Agency'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 Agency 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:

	US dollar	
	2012	2011
Income	8,428,410	8,972,837

In Management's opinion, the sensitivity analysis is not representative of the inherent exchange risk. It does not reflect exposure during the year.

– **Interest rate risk management**

The Agency is exposed to interest rate risks, since it obtains loans at variable interest rates. The Agency 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.

As discussed in Note 11, the Agency 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.

– **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 EIRR and 0.01 points in the case of LIBOR, which represents management's evaluation of the possible fair change in interest rates.

If the EIRR interest rate had been 0.50 points above/below and all other variables remain constant:

- The loss for the year ended December 31, 2012 and 2011 would increase/decrease in the amount of \$307,662 and \$14,833, respectively. This is mainly attributable to the Agency'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, 2012 and 2011 would increase/decrease in the amount of \$5,637 and \$121, respectively. This is mainly attributable to the Agency's exposure to interest rates on its variable rate loans.

h. 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:

	2012		2011	
	<u>Carrying Value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>
Documented debt	\$ 119,699,195	\$ 119,699,195	\$ 116,113,617	\$ 116,113,617
Plants under lease agreements, facilities, equipment, and PIDIREGAS	180,958,721	180,958,721	173,520,390	173,520,390

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.

- The fair value of derivative instruments is calculated by using quoted prices. When those prices are not available, a discounted cash flow analysis is realized by using the applicable yield curve for the term of non-optional derivative instruments and price determination models for optional derivative instruments. Foreign currency forward contracts are valued by using quoted future exchange rates and yield curves derived from quoted interest rates that concur with the maturity of the contracts. Interest rate swaps are valued at the present value of estimated and discounted future cash flows, based on the applicable yield curves derived from quoted interest rates.

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>20,401,784</u>
Total	\$	<u><u>20,401,784</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 11.

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).

6. Cash and temporary investments

At December 31, 2012 and 2011, cash and temporary investments are summarized as follows:

	<u>2012</u>	<u>2011</u>
Cash on hand and in banks	\$ 15,566,591	\$ 13,190,342
Temporary investments	<u>20,401,784</u>	<u>36,743,676</u>
Total	<u><u>\$ 35,968,375</u></u>	<u><u>\$ 49,934,018</u></u>

7. Accounts receivable, net

At December 31, 2012 and 2011, accounts receivable are summarized as shown below:

	2012	2011
Public consumers	\$ 64,433,087	\$ 68,012,059
Government consumers	14,069,835	12,778,720
Other receivables	2,982,557	3,383,794
	81,485,479	84,174,573
Allowance for doubtful accounts	(13,015,536)	(9,957,535)
	68,469,943	74,217,038
Notes receivable, claims to insurance companies and others	11,265,418	10,877,360
Value added tax recoverable	6,832,774	1,990,129
Total	\$ 86,568,135	\$ 87,084,527

8. Materials for operation

At December 31, 2012 and 2011, materials for operation summarized as follows:

	2012	2011
Replacement parts and equipment:	\$ 3,641,679	\$ 3,411,932
Fuel and Lubricants	14,549,197	12,931,752
Nuclear fuel	3,301,013	2,834,486
	21,491,889	19,178,170
Allowance for obsolescence	(384,546)	(225,659)
Total	\$ 21,107,343	\$ 18,952,511

9. Plants, facilities and equipment

Net balances of plants, facilities and equipment at December 31, 2012 and 2011 are summarized as follows:

Investment

	Plants, Facilities and Equipment in Operation	Capitalized replacement parts	Constructions in progress	Construction Materials	Stock Exchange Certificates available	Idle assets	Total
Bal 01/Jan/12	\$1,289,873,659	10,908,600	23,481,647	11,187,128	761,659	1,434,062	\$1,337,646,755
Acquisitions	61,338,280	-	5,794,523	-	-	-	67,132,803
Sales	-	-	-	-	-	-	-
Retirements	(13,127,300)	-	-	-	-	-	(13,127,300)
Capitalization	-	(571,006)	(1,791,528)	(372,069)	-	-	(2,734,603)
Drawdown	-	-	-	-	(631,519)	-	(631,519)
Bal 31/Dec/12	\$1,338,084,639	10,337,594	27,484,642	10,815,059	130,140	1,434,062	\$1,388,286,136

Accumulated depreciation

	Plants, Facilities and Equipment in Operation	Capitalized replacement parts	Constructions in progress	Construction Materials	Stock Exchange Certificates available	Idle assets	Total
Bal 01/Jan/12	\$549,439,027	577,768	-	-	-	-	\$550,016,795
Net Bal 01/Jan/12	\$740,434,632	10,330,832	23,481,647	11,187,128	761,659	-	\$787,629,960
Depreciation of the period	34,883,409	161,960	-	-	-	-	35,045,369
Depreciation on retirements	(10,178,775)	-	-	-	-	-	(10,178,775)
Net Depreciation Bal	24,704,634	161,960	-	-	-	-	24,866,594
31/Dec/12	574,143,661	739,728	-	-	-	-	574,883,389
Net Bal 31/Dec/12	\$763,940,978	9,597,866	27,484,642	10,815,059	130,140	1,434,062	\$813,402,747

Plants, facilities and equipment in operation - The balances of plants, facilities and equipment at December 31, 2012 and 2011 including equipment under lease agreements are summarized as follows:

	2012	2011
Plants:		
Steam	\$ 292,775,904	\$ 278,381,531
Hydroelectric	165,552,916	164,790,960
Nuclear electric	74,224,004	68,618,967
Turbo gas and combined cycle	57,981,267	52,674,579
Geothermal	24,705,886	22,912,837
Internal combustion	13,535,431	5,422,148
Unconventional facilities	4,968,346	3,889,477
Transmission lines and transformation substations	363,159,373	358,918,337
Distribution networks	159,494,140	150,092,129
Plots of land in regularization process	561,115	583,518
Administrative and other buildings	89,004,382	91,467,301
	1,245,962,764	1,197,751,784
Equipment under lease agreements external producers	91,793,496	91,793,496
Dismounting of Laguna Verde Nuclear Station	328,379	328,379
	1,338,084,639	1,289,873,659
Less:		
Accumulated depreciation	(564,288,969)	(544,511,681)
Accumulated depreciation external producers	(9,854,692)	(4,927,346)
Total	\$ 763,940,978	\$ 740,434,632

The disbursements made for maintenance during 2012 and 2011 are estimated to be sufficient for plants, facilities and equipment to continue operating adequately.

Works in progress - The balances of constructions-in-progress at December 31, 2012 and 2011 are summarized as follows:

Plant:	2012	2011
Steam	\$ 902,756	\$ 880,796
Hydroelectric	4,951,867	4,260,890
Nuclear electric	434,443	372,495
Turbo gas and combined cycle	712,531	690,523
Geothermal	1,305,100	1,641,576
Internal combustion	214,264	128,012
Lines, networks and substations	16,070,747	12,734,354
Offices and general facilities	1,591,927	1,361,838
Advances for construction	1,301,007	1,411,163
Total	\$ 27,484,642	\$ 23,467,910

During the year ended December 31, 2012, the items capitalized in constructions-in-progress, in accordance with the policy described in Note 4-d, amounted to \$2,162,943 (\$1,098,633 administrative expenses, \$205,860 Depreciation, and \$858,420 increase in the provision for retirement and seniority bonuses). Moreover, the amount of \$1,875,153 was capitalized as the cost of investment, for recognition of the seniority of workers directly related to constructions realized by the Entity to modernize the Electric Infrastructure (Note 17c).

Materials for construction - The balances of materials for construction at December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Replacement parts and equipment:	\$ 8,234,429	\$ 9,435,542
Materials in possession of third parties	2,580,630	1,751,586
Total	\$ 10,815,059	\$ 11,187,128

Capitalized replacement parts - The balances of capitalized replacement parts at December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Capitalized replacement parts	\$ 10,337,594	\$ 10,908,600
Less		
Accumulated depreciation	(739,728)	(577,768)
Total	\$ 9,597,866	\$ 10,330,832

Idle fixed assets - The balance of idle fixed assets at December 31, 2012 and 2011 amount to \$1,434,062, which applies to the Miguel Aleman Hydraulic System and was no longer useful for CFE. Accordingly, it was agreed to transfer those assets to the National Water Commission (CONAGUA) for the Cutzamala System. At the date of the consolidated financial statements,

their definition is pending: The efforts to realize the final process and/or, if applicable recognize impairment will continue for 2013.

10. Assets under a free lease agreement (gratuitous bailment)

On October 11, 2009, the Executive Branch ordered the extinction of the Decentralized Government Agency Luz y Fuerza del Centro, and commissioned the Asset Disposal Service (SAE) to place all the useful assets applicable to the electric power service at the disposal of the CFE, which applies thereto for operating this service, in accordance with Electric Power Utilities.

On that same date, the SAE and the CFE entered into an agreement that they subsequently ratified on August 10, 2010, by which they agreed that beginning the effectiveness of the order referred to above, the SAE would deliver the useful assets to utilities in the Central Zone of the Country under a free lease agreement (gratuitous bailment) to take care of more than 6 million customers. Moreover, it was agreed that beginning October 11, operating revenues and costs, conservation, and maintenance of the infrastructure would correspond to the CFE.

The duration of the free lease agreement is three years, beginning October 11, 2009. On October 11, 2012, that duration was extended automatically for another three year period.

For purposes of identification of the assets, subject matter of the free lease agreement, the SAE engaged the services of firms specializing in the practice of assessed physical inventories. An amount of \$106,496,100 was obtained which the CFE recorded as off-balance-sheet items since 2011 year end, that amount consists of both electric infrastructure and private and real property.

During 2012, the SAE placed various constructions and facilities at the disposal of the CFE, which were aggregated to the free lease agreement, which resulted in a change to the original amount, and the remaining total amount was \$106,933,274.

11. Derivative Financial Instruments

Balances at December 31, 2012 and 2011 of derivative financial instruments and interest are summarized as follows:

	<u>2012</u>		<u>2011</u>
<u>Designated as hedges</u>			
Assets	\$ 11,008,530	\$	11,442,807
Liabilities	12,091,294		11,233,073
<u>Trading purposes:</u>			
Assets	4,860,649		6,572,191
Liabilities	4,894,581		5,857,855
<u>Total derivative financial instruments</u>			
Assets	15,869,179		18,014,998
Liabilities	16,985,875		17,090,928

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 valuation of the Exchange "Forwards" is recorded in the comprehensive gain or loss on financing. A gain (loss) on that cost offsets a loss (gain) in the underlying liability.

CFE's final obligation is to pay the Japanese yens to the creditor based on the due dates. It is entitled to receive from the institution with which it contracted the hedge, yens 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 2012)	Local currency (thousands of pesos)
Assets receivable (asset)	32,000,000,000 yens	0.1685	\$ 4,822,400
Assets deliverable (liability)	269,474,000 dollars	13.4084	3,505,884
Assets receivable, net			\$ 1,316,516

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 20 years amounts to 453,794,216 US dollars, and the total amount that it will receive will be 24,512,000,000 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, 2012 in an amount approximating 2,608,094 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.

- Derivative financial instruments designated as hedges at December 31, 2012 are itemized below:

Counterparty	Primary Position	Purpose	Amount of notional	Underlying asset
CREDIT SUISSE	\$ 1,301,289	Change from floating rate to fixed rate	\$ 1,236,224	Interest rate CETES 182 + 0.85%
DEUTSCHE BANK	\$ 1,606,668	Change from floating rate to fixed rate	\$ 1,526,335	Interest rate CETES 182 + 0.85%
DEUTSCHE BANK	\$ 650,644	Change from floating rate to fixed rate	\$ 618,112	Interest rate CETES 182 + 0.85%
ING BANK	\$ 2,281,491	Change from floating rate to fixed rate	\$ 2,167,417	Interest rate CETES 182 + 0.85%
GOLDMAN SACHS	\$ 650,644	Change from floating rate to fixed rate	\$ 618,112	Interest rate CETES 182 + 0.85%
GOLDMAN SACHS	\$ 174,263	Change from floating rate to fixed rate	\$ 165,550	Interest rate CETES 182 + 0.85%
ING BANK	\$ 1,000,000	Change from floating rate to fixed rate	\$ 850,000	Interest rate CETES 182 + 0.65%
ING BANK	\$ 593,513	Change from floating rate to fixed rate	\$ 504,486	Interest rate CETES 182 + 0.65%
ING BANK	\$ 569,363	Change from floating rate to fixed rate	\$ 540,895	Interest rate CETES 91 + 0.79%
Bancomer	\$ 510,638	Change from floating rate to fixed rate	\$ 510,638	Interest rate CETES 91 + 0.79%
ING BANK	\$ 894,954	Change from floating rate to fixed rate	\$ 850,206	Interest rate CETES 91 + 0.79%
Bancomer	\$ 839,688	Change from floating rate to fixed rate	\$ 797,703	Interest rate CETES 91 + 0.79%
SANTANDER SERFIN	\$ 1,072,519	Change from floating rate to fixed rate	\$ 1,018,623	Interest rate CETES 91 + 0.79%
ING BANK	\$ 1,005,343	Change from floating rate to fixed rate	\$ 1,005,343	Interest rate CETES 91 + 0.79%
HSBC	\$ 1,251,699	Change from floating rate to fixed rate	\$ 1,215,305	Interest rate CETES 91 + 0.79%
HSBC	\$ 1,038,911	Change from floating rate to fixed rate	\$ 1,038,911	Interest rate CETES 91 + 0.79%
BANAMEX	\$ 1,702,516	Change from floating rate to fixed rate	\$ 1,617,390	Interest rate CETES 182 + 0.25%
BANAMEX	\$ 368,987	Change from floating rate to fixed rate	\$ 350,538	Interest rate CETES 182 + 0.25%
Bancomer	\$ 1,314,758	Change from floating rate to fixed rate	\$ 1,249,020	Interest rate CETES 91 + 0.50%
BANAMEX	\$ 787,092	Change from floating rate to fixed rate	\$ 787,092	Interest rate CETES 91 + 0.45%
J.P. MORGAN	\$ 697,928	Change from floating rate to fixed rate	\$ 593,239	Interest rate EIIR 28 + 0.45%
HSBC	\$ 651,004	Change from floating rate to fixed rate	\$ 553,353	Interest rate EIIR 28 + 0.45%
CREDIT AGRICOLE	\$ 590,622	Change from floating rate to fixed rate	\$ 502,029	Interest rate EIIR 28 + 0.45%
Bancomer	\$ 425,546	Change from floating rate to fixed rate	\$ 372,183	Interest rate EIIR 28 + 0.45%
BNP PARIBAS	\$ 435,552	Change from floating rate to fixed rate	\$ 371,525	Interest rate EIIR 28 + 0.45%
GOLDMAN SACHS	\$ 422,726	Change from floating rate to fixed rate	\$ 370,171	Interest rate EIIR 28 + 0.45%
SANTANDER SERFIN	\$ 547,802	Change from floating rate to fixed rate	\$ 533,627	Interest rate EIIR 28 + 0.45%
CREDIT AGRICOLE	\$ 595,093	Change from floating rate to fixed rate	\$ 532,452	Interest rate EIIR 28 + 0.45%
HSBC	\$ 554,726	Change from floating rate to fixed rate	\$ 532,430	Interest rate EIIR 28 + 0.45%
Bancomer	\$ 580,614	Change from floating rate to fixed rate	\$ 529,682	Interest rate EIIR 28 + 0.45%
BANAMEX	\$ 576,581	Change from floating rate to fixed rate	\$ 529,264	Interest rate EIIR 28 + 0.45%
GOLDMAN SACHS	\$ 558,268	Change from floating rate to fixed rate	\$ 527,253	Interest rate EIIR 28 + 0.45%
CREDIT AGRICOLE	\$ 468,606	Change from floating rate to fixed rate	\$ 374,884	Interest rate EIIR 28 + 1.59%
BANAMEX	\$ 459,982	Change from floating rate to fixed rate	\$ 367,985	Interest rate EIIR 28 + 1.59%
SANTANDER	\$ 450,342	Change from floating rate to fixed rate	\$ 360,274	Interest rate EIIR 28 + 1.59%
HSBC	\$ 436,070	Change from floating rate to fixed rate	\$ 348,856	Interest rate EIIR 28 + 1.59%
CREDIT SUISSE	USD 16,788	Translate Dollars into Pesos	USD 12,005	Exchange rate USD/Mexican Peso
CREDIT SUISSE	USD 10,750	Translate Dollars into Pesos	USD 8,311	Exchange rate USD/Mexican Peso
DEUTSCHE BANK	USD 208,188	Translate Dollars into Pesos	USD 171,323	Exchange rate USD/Mexican Peso
GOLDMAN SACHS	USD 49,296	Translate Dollars into Pesos	USD 40,977	Exchange rate USD/Mexican Peso

Counterparty	Primary Position	Purpose	Amount of notional	Underlying asset
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
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
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
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
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

- Effectiveness measurement of derivative financial instruments designated as hedges at December 31, 2012

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
BANAMEX 2	January 2, 2012	\$ 4,663	\$ 4,663	100 %	4.53 %	
ING IV	January 19, 2012	\$ 6,208	\$ 6,208	100 %	4.35 %	
ICO 4	January 24, 2012	USD 410	USD 410	100 %	1.25 %	
ICO 8	February 2, 2012	USD 265	USD 265	100 %	1.25 %	
BANCOMER 1	February 10, 2012	\$ 5,272	\$ 5,272	100 %	4.46 %	
ING III	March 1, 2012	\$ 8,920	\$ 8,920	100 %	4.38 %	
ING II	March 9, 2012	\$ 33,985	\$ 33,985	100 %	4.44 %	
ICO 5 6 AND 7	March 26, 2012	USD 1,365	USD 1,365	100 %	1.25 %	
CEBUR	March 26, 2012	\$ 35,178	\$ 35,178	100 %	4.37 %	
ING IV	April 19, 2012	\$ 5814	\$ 5814	100 %	4.42 %	
BANCOMER BANAMEX	April 27, 2012	\$ 24,118	\$ 24,118	100 %	4.764 %	
BANAMEX 1	May 21, 2012	\$ 6398	\$ 6398	100 %	4.44 %	
BANCOMER BANAMEX	May 25, 2012	\$ 23,938	\$ 23,938	100 %	4.725 %	
ING III	May 31, 2012	\$ 8,192	\$ 8,192	100 %	4.43 %	
IXE 1	June 1, 2012	\$ 22,486	\$ 22,486	100 %	4.50 %	
ING II	June 8, 2012	\$ 29,353	\$ 29,353	100 %	4.48 %	
GOLDMAN SACHS 1, AND 3	June 14, 2012	USD 6,728	USD 6,728	100 %	0.7705 %	
GOLDMAN SACHS 2, 4, AND 5	June 14, 2012	USD 12,345	USD 12,345	100 %	0.7705 %	
ICO 2 AND 3	June 19, 2012	USD 5,818	USD 5,818	100 %	1.25 %	
BANCOMER BANAMEX	June 22, 2012	\$ 24,140	\$ 24,140	100 %	4.7687 %	
BANAMEX 2	July 2, 2012	\$ 3,901	\$ 3,901	100 %	4.55 %	
ING IV	July 19, 2012	\$ 5,706	\$ 5,706	100 %	4.33 %	
BANCOMER BANAMEX	July 20, 2012	\$ 24,086	\$ 24,086	100 %	4.7571 %	
ICO 4	July 24, 2012	USD 407	USD 407	100 %	1.25 %	
BANCOMER 2	July 31, 2012	\$ 7,690	\$ 7,690	100 %	4.7651 %	
ICO 8	August 2, 2012	USD 263	USD 263	100 %	1.25 %	
BANCOMER 1	August 10, 2012	\$ 4,853	\$ 4,853	100 %	4.48 %	
BANCOMER BANAMEX	August 17, 2012	\$ 22,758	\$ 22,758	100 %	4.7775 %	
ING III	August 30, 2012	\$ 8,242	\$ 8,242	100 %	4.46 %	
BANCOMER 2	August 31, 2012	\$ 7,963	\$ 7,963	100 %	4.7788 %	
ING II	September 7, 2012	\$ 29,242	\$ 29,242	100 %	4.46 %	
BANCOMER BANAMEX	September 14, 2012	\$ 22,802	\$ 22,802	100 %	4.7875 %	
CEBUR	September 24, 2012	\$ 27,142	\$ 27,142	100 %	4.52 %	
ICO 5 6 AND 7	September 26, 2012	USD 1359	USD 1359	100 %	1.25 %	
BANCOMER 2	October 1, 2012	\$ 7,980	\$ 7,980	100 %	4.7925 %	
BANCOMER BANAMEX	October 12, 2012	\$ 22,878	\$ 22,878	100 %	4.8050 %	
ING IV	October 18, 2012	\$ 5,318	\$ 5,318	100 %	4.41 %	
BANCOMER 2	October 31, 2012	\$ 7,741	\$ 7,741	100 %	4.8075 %	

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 Cash
BANCOMER BANAMEX	November 9, 2012	\$ <u>22,905</u>	\$ <u>22,905</u>	100 %	4.8112 %	
BANAMEX 1	November 21, 2012	\$ <u>5,254</u>	\$ <u>5,254</u>	100 %	4.49 %	
ING III	November 29, 2012	\$ <u>7,134</u>	\$ <u>7,134</u>	100 %	4.27 %	
IXE 1	November 30, 2012	\$ <u>20,485</u>	\$ <u>20,485</u>	100 %	4.51 %	
BANCOMER 2	November 30, 2012	\$ <u>7,768</u>	\$ <u>7,768</u>	100 %	4.83 %	
ING II	December 07, 2012	\$ <u>23,393</u>	\$ <u>23,393</u>	100 %	4.25 %	
BANCOMER BANAMEX	December 7, 2012	\$ <u>23,026</u>	\$ <u>23,026</u>	100 %	4.8390 %	
GOLDMAN SACHS 1, AND 3	December 14, 2012	USD <u>6,671</u>	USD <u>6,671</u>	100 %	0.7379 %	
GOLDMAN SACHS 2, 4, AND 5	December 14, 2012	USD <u>12,241</u>	USD <u>12,241</u>	100 %	0.7379 %	
ICO 2 AND 3	December 19, 2012	USD <u>5,785</u>	USD <u>5,785</u>	100 %	1.25 %	
BANCOMER 2	December 31, 2012	\$ <u>8,049</u>	\$ <u>8,049</u>	100 %	4.8475 %	

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 0.0715%, that is, \$4,765 (thousands of pesos) by December 31, 2011, and 0.0769%, that is, \$4,538 (thousands of pesos) by December 31. 2012.

The case of interest rate and foreign currency hedging operations (Cross-Currency Swaps) shows that the variation of one centavo in the exchange rate generates an approximate change in the market value of 0.0715%, that is, \$8,581 (thousands of pesos) by December 31, 2011, and 0.0769%, that is, \$8,152 (thousands of pesos) by December 31. 2012.

The case of interest rate hedging operations (Interest Rate Swaps) shows that the variation of one base point in the interest rate generates an approximate change in the market value of 0.1686%, that is, \$672 (thousands of pesos) by December 31, 2011, and 0.1952%, that is, \$1,180 (thousands of pesos) by December 31. 2012.

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, 2012 amounts to \$1,603,750 (thousands of pesos), which are included in patrimony and consist of \$1,748,595 against CFE, included in the value of the liability of the caption of financial instruments and \$144,845 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 above, the Market Value set by the calculation agent or counterparty is only an indicative value, since the models used by the 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, Comision Federal de Electricidad realized the adjustment to 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 = Rate of Recovery

Simplifications:

$$\text{Exp} = \text{MTM}$$

$$q * (1-r) = \text{Adjustment factor}$$

$$\text{CVA} = \text{MTM} * \text{Adjustment Factor}$$

Exposure is considered as the total market value (MTM) of each counterparty, that is, the summary 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 factor of the summary of the market values or exposure of each counterparty.

In order to obtain the likelihood of nonperformance (q), Credit Default Swaps (CDS) were taken of the counterparties to their closest term available, in the understanding that the CVA adjustment will be carried out month after month. 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 the CVA is obtained, the MTM will be adjusted as follows:

$$\text{MTM adjusted} = \text{MTM} - \text{CVA}$$

In the event that CFE should maintain collateral for security deposits, the CVA will not be modified since the recovery rate determined by 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, 2012
Credit Suisse Collateral received	9,971 0	9,953 0	18 0
Total Cost	9,971	9,953	18

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 (International Swaps and Derivatives Association) were signed, the counterparties or financial 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 at December 31, 2012 is LEVEL 2 pursuant to the following points:

- a) It is information other than quoted prices, and it includes level one information that is directly and indirectly observable.
- b) Quoted prices for similar assets and liabilities on active markets.
- c) Information other than quoted prices that is observable.
- d) Information derived mainly from observable information and correlated through other means.

Management's discussion about the policies of use of Derivative Financial Instruments

1) The objectives for trading with derivatives

The Comision Federal de Electricidad may realize any type of explicit financial hedge, whether interest rates and/or exchange rates or those strategies that are necessary for mitigating the financial risk that the Entity deals with.

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 per 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 petition the refund of the collateral when market value returns to levels below the maintenance level agreed upon. These security deposits are considered as a restricted asset in derivative financial instruments trading for CFE, and they are given the applicable accounting treatment.

By December 31, 2012, CFE has security deposits or margin calls in an amount of 35 million 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.

10) 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 financial derivatives designated as hedges, either with interest rates and/or exchange rates when the conditions thereof are a mirror of the primary position and underlying asset being hedged.

CFE has the Interinstitutional Delegate Committee of Financial Risk Management Associated with the Financial Position and Price of Fossil Fuels (CDIGR). When that Committee is en banc and together with the representatives of the SHCP and BANXICO, the persons who form part of the CDIGR may recommend that CFE:

- Contract financial derivatives with conditions other than those of the primary position and/or underlying asset to hedge the liquidation of positions.
- Any other derivative financial instruments trading that is advisable for CFE

The CDIGR will have the power to propose modifications, 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 to obtain its authorization.

11) 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.

12. Documented debt

The balances of the documented debt at December 31, 2012 and 2011 are summarized as follows:

Foreign Debt	Type of credit	Weighted Interest rate	Due dates	2012	
				Foreign currency	Foreign currency (Thousands)
In US dollars at the exchange rate per dollar of \$ 13.0101 at December 2012 and of \$ 13.9904 at December 2011	Bilateral	Fixed and variable - 1.64%	Various up to 2023	4,400,056	338,203
	Bonds	Fixed and variable - 5.27%	Various up to 2042	25,421,736	1,954,000
	Revolving	Fixed and variable - 1.91%	Various up to 2017	1,531,337	117,704
	Syndicated	Variable - 2%	Various up to 2014	16,262,625	1,250,000
Total US dollars				<u>47,615,754</u>	<u>3,659,907</u>
In Euros at exchange rate for Euros of \$ 17.1968 at December 2012 and of \$ 18.1595 at December 31, 2011	Bilateral	Fixed and variable - 1.7%	Various up to 2024	444,229	25,832
	Revolving	Fixed -1.93%	Various up to 2017	90,954	5,289
Total Euros				<u>535,183</u>	<u>31,121</u>
In Swiss francs at the exchange rate Swiss franc of \$ 14.2453 at December 2012 and of \$14.9199 at December 2011	Bilateral	VARIABLE - 0.43%	Various up to 2014	396,293	27,819
	Revolving	Fixed - 1.42%	Various up to 2017	710,296	49,862
Total Swiss francs				<u>1,106,589</u>	<u>77,681</u>
In Swedish kronas at the exchange rate Swedish Krona of \$ 2.0007 at December 2012 and of \$ 2.0378 for December 2011	Bilateral	Fixed -3.43%	Various up to 2015	22,876	11,434
Total Swedish kronas				<u>22,876</u>	<u>11,434</u>
In Japanese yens at the exchange rate Japanese yen of \$ 14.2453 at December 2012 and Japanese yen \$ 0.1813 for December 2011	Bilateral	Fixed -1.92%	Various up to 2020	897,543	5,955,827
Bond		3.83%	Various up to 2032	4,822,400	32,000,000
Assets received for financial instruments, net (Note 10-b)				(1,316,516)	
				<u>3,505,884</u>	<u>32,000,000</u>
Total Japanese yens				<u>4,403,427</u>	<u>37,955,827</u>
Total foreign debt				<u>53,683,829</u>	

COMISION FEDERAL DE ELECTRICIDAD
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Internal debt	Type of credit	Weighted Interest rate	Due dates	2012	
				Foreign currency	Foreign currency (Thousands)
In US dollars at the exchange rate per US dollar of \$ 13.0101 at December 2012 and of \$ 13.9904 for December 2011	Multilateral	Annual cost of loans IDB	Various up to 2013	15,365	1,181
Total US dollars				<u>15,365</u>	<u>1,181</u>
Local currency	Bank loans	Variable - 4.86%	Various up to 2023	37,000,000	
	Revolving	Variable - 3.04%	Various up to 2012		
	Securities market	Fixed and variable - 6.80%	Various up to 2020	29,000,000	
Total Mexican pesos				<u>66,000,000</u>	
Total internal debt				<u>66,015,365</u>	
Summary					
Total foreign debt				53,683,829	
Total internal debt				<u>66,015,365</u>	
Total documented debt				<u>119,699,194</u>	
Total short-term				15,047,525	
Total long-term				<u>104,651,669</u>	
Total short and long-term				<u>119,699,194</u>	

a. The short-term liability and long-term funded debt mature as follows:

12 -31 -2012	Amount
Short-Term	\$ 15,047,525
Long-Term	
2014	48,118,685
2015	7,142,877
2016	806,476
2017	474,055
2018	316,348
Subsequent years	<u>47,793,228</u>
	<u>\$ 119,699,194</u>

b. Funded debt

A bond was placed in the amount of 750 million dollars at a 30 year term in 2012, with a 5.75% coupon on the placement of this bond served to prepay the same amount, part of the syndicated credit subscribed in December 2012, due June 2014. This operation successfully deferred the due date of the original liability from June 2014 to June 2015.

On January 21, 2011, securities exchange certificates were issued to finance general treasury needs in a total amount of \$ 4 billion nominal pesos. This issue was placed in two tranches: the first tranche at a 10 year term for \$ 4 billion nominal pesos, and interest was paid at an annual rate of 7.62%, and the second tranche at a 4 year term for \$ 4 billion nominal pesos, and interest was paid at an annual rate of 7.62%.

On Thursday, September 22, 2011, securities exchange certificates were issued to finance general treasury needs in a total amount of \$ 3500 billion nominal pesos. This issue was placed in two tranches: the first tranche at a 9.2 year term for \$ 3500 billion nominal pesos, and interest was paid at a 7.62% fixed annual rate, and the second tranche at a 3.2 year term for \$ 3500 billion nominal pesos, and interest was paid at an annual rate equivalent to EIIR plus 0.25%.

13. Long-term Productive Infrastructure Projects (PIDIREGAS)

The balances of direct and conditioned investment at December 31, 2012 and 2011 are summarized as follows:

	Direct investment PIDIREGAS	Conditioned investment PEE's (Note 14)	Total 2012	Total 2011
Short-Term	\$ 13,385,680	\$ 2,053,048	\$ 15,438,728	\$ 15,991,777
Long-Term				
2013	-	-	-	14,068,282
2014	12,668,966	2,279,406	14,948,372	13,267,658
2015	10,792,376	2,533,051	13,325,427	11,525,214
2016	10,520,619	2,817,502	13,338,121	11,785,629
2017	7,470,758	3,136,753	7,470,758	8,841,007
2018	7,151,107	3,495,347	7,151,107	8,567,703
2019	5,995,343	3,898,450	5,995,343	8,147,941
Subsequent years	26,723,526	66,036,789	103,290,865	81,325,178
Total long-term	\$ 81,322,695	\$ 84,197,298	\$ 165,519,993	\$ 157,528,612

DIRECDT INVESTMENT (PIDIREGAS)

At December 31, 2012 and 2011, the debt applicable to the acquisition of plants, facilities and equipment through accordance with International Financial Reporting Standards, as summarized below:

		Term	Balances at December 31, 2012 (Thousands)				Balances at	
		of	Local currency		Foreign currency		Local currency	
Value of the credit:		agreement	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Foreign Debt								
479.71	Millions of dollars	2013	82,505		6,342		517,101	20,000
1,444.09	Millions of dollars	2014	1,691,961	1,270,441	130,050	97,650	1,071,969	3,210
475.26	Millions of dollars	2015	419,405	812,849	32,237	62,478	420,936	1,320
661.72	Millions of dollars	2016	414,471	2,070,334	31,858	159,133	694,675	2,670
56.00	Millions of dollars	2017	67,238	171,123	5,168	13,153	72,304	250
701.22	Millions of dollars	2019	189,951	1,497,775	14,600	115,124	179,632	1,810
273.01	Millions of dollars	2020	355,193	2,308,752	27,301	177,458	381,956	2,860
491.64	Millions of dollars	2029	355,347	5,590,467	27,313	429,702	382,122	6,390
501.24	Millions of dollars	2032	275,814	6,245,377	21,200	480,041	-	
607.39	Millions of dollars	2036	264,929	6,093,367	20,363	468,357	284,892	6,830
Total foreign debt			4,116,814	26,060,485	316,432	2,003,096	4,005,587	25,590
4,693.87	Millions of pesos	2013	469,234				469,387	46,939
5,608.07	Millions of pesos	2014	560,807	263,490			560,807	82,090
5,628.79	Millions of pesos	2015	577,238	854,767			554,424	1,380
11,744.06	Millions of pesos	2016	1,022,583	4,347,891			1,045,397	5,410
6,291.20	Millions of pesos	2017	639,792	2,178,060			639,792	2,810
6,146.22	Millions of pesos	2018	623,027	1,936,348			623,027	2,550
13,053.12	Millions of pesos	2019	1,431,105	7,239,390			1,538,835	8,940
10,437.37	Millions of pesos	2020	1,153,387	6,411,992			1,488,939	9,820
8,733.96	Millions of pesos	2021	934,145	6,720,842			504,278	4,030
10,952.34	Millions of pesos	2022	1,118,906	8,223,512			78,547	740
3,071.69	Millions of pesos	2024	209,602	2,245,736			201,720	2,360
2,491.18	Millions of pesos	2036	83,664	1,924,281			83,664	2,000
13,361.28	Millions of pesos	2042	445,376	12,915,900				
Total internal debt			9,268,866	55,262,209			7,788,817	41,390
Total			13,385,680	81,322,696			11,794,405	66,980

As of December 31, 2012 and 2011, the contracted debt for the acquisition of plants, installations and equipment through PIDIREGAS are itemized as follows:

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2012
		Interest, taxes, other and fees	Principal	
PIDIREGAS				
EXTERNAL DEBT				
4 geothermoelectrical integral units with total capacity of 100 MW for C. G. Cerro Prieto IV	103.34 million US dollars	71.32 million US dollars of interest	103.34 million US dollars	<u>Principal</u> \$ 1,222.56 million (93.97 million US dollars) <u>Interest</u> \$ 904.72 million (69.54 million US dollars) <u>Fiduciary taxes and fees</u> \$ 68.95 million (5.33 million US dollars)
1 combined cycle type module, with a capacity of 423.3 MW, of C. C. Chihuahua	277.37 million US dollars	157.72 million US dollars of interest	277.37 million US dollars	<u>Principal</u> \$ 3,240.04 million (249.04 million US dollars) <u>Interest</u> \$ 1,991.85 million (153.10 million US dollars) <u>Fiduciary taxes and fees</u> \$ 72.47 million (5.57 million US dollars)
2 combined cycle type modules with a capacity of 437 MW for both, of C. C. Monterrey II	331.09 million US dollars	295.25 million US dollars of interest	331.09 million US dollars	<u>Principal</u> \$ 3,556.57 million (273.37 million US dollars) <u>Interest</u> \$ 3,534.84 million (271.70 million US dollars) <u>Fiduciary taxes and fees</u> \$ 190.86 million (14.67 million US dollars)
One combined cycle type module with a capacity of 497.6 MW , of C. C. Rosarito III	307.85 million US dollars	338.46 million US dollars of interest	307.85 million US dollars	<u>Principal</u> \$ 2,158.51 million (165.91 million US dollars) <u>Interest</u> \$ 3,675.09 million (282.48 million US dollars) <u>Fiduciary taxes and fees</u> \$ 411.12 million (31.60 million US dollars)
3 combined cycle type modules with a multi-arrow with a capacity of nominal generation of 168.6 MW each one for C. C. Samalayuca II. M - 1, 2 & 3.	701.22 million US dollars	578.47 million US dollars of interest	701.22 million US dollars	<u>Principal</u> \$ 7,435.27 million (571.50 million US dollars) <u>Interest</u> \$ 6,744.83 million (518.43 million US dollars) <u>Fiduciary taxes and fees</u> \$ 993.97 million (76.40 million US dollars)
SE 212 & 213 SF6 POWER DISTRIBUTION	175.18 million US dollars	162.86 million US dollars of	175.18 million US dollars	<u>Principal</u> \$ 1,158.55 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		
		Interest, taxes, other and fees	Principal	Payments up to December 31, 2023
		Interest		(89.05 million US dollars)
				<u>Interest</u> \$ 2,040.24 million (156.82 million US dollars)
		8.16 million US dollars of taxes and trustee fees		<u>Fiduciary taxes and fees</u> \$ 100.31 million (7.71 million US dollars)
L. T. 214 & 215 PENINSULAR SOUTHEAST	132.67 million US dollars	123.63 million US dollars of interest	132.67 million US dollars	<u>Principal</u> \$ 1,328.72 million (102.13 million US dollars)
				<u>Interest</u> \$ 1,548.72 million (119.04 million US dollars)
		16.18 million US dollars of taxes and trustee fiducuarios		<u>Fiduciary taxes and fees</u> \$ 194.50 million (14.95 million US dollars)
SE 218 NORTHWEST	50.66 million US dollars	34.36 million US dollars of interest	50.66 million US dollars	<u>Principal</u> \$ 559.43 million (43.00 million US dollars)
				<u>Interest</u> \$ 429.72 million (33.03 million US dollars)
		1.31 millón de dólares dollars of taxes and trustee fees		<u>Fiduciary taxes and fees</u> \$ 15.09 million (1.16 million US dollars)
SE 221 WESTERN	72.51 million US dollars	52.22 million US dollars of interest	72.51 million US dollars	<u>Principal</u> \$ 692.14 million (53.20 million US dollars)
				<u>Interest</u> \$ 651.16 million (50.05 million US dollars)
		1.37 million US dollars of taxes and trustee fees		<u>Fiduciary taxes and fees</u> \$ 15.48 million (1.19 million US dollars)
C. G. LOS AZUFRES II & GEOTHERMAL FIELD	53.90 million US dollars	15.70 million US dollars of interest	53.90 million US dollars	<u>Principal</u> \$ 630.34 million (48.45 million US dollars)
				<u>Interest</u> \$ 200.88 million (15.44 million US dollars)
C. H. MANUEL MORENO TORRES (CHICOASEN)	76.50 million US dollars	26.39 million US dollars of interest	76.50 million US dollars	<u>Principal</u> \$ 725.70 million (55.78 million US dollars)
				<u>Interest</u> \$ 314.19 million (24.15 million US dollars)
		2.88 million US dollars of taxes and trustee fees		<u>Fiduciary taxes and fees</u> \$ 29.14 million (2.24 million US dollars)

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2020
		Interest, taxes, other and fees	Principal	
L. T. 406 ASSOCIATED NETWORK TO TUXPAN II, III & IV	121.94 million US dollars	43.95 million US dollars of interest	121.94 million US dollars	<u>Principal</u> \$ 1,490.05 million (114.53 million US dollars) <u>Interest</u> \$ 566.85 million (43.57 million US dollars) <u>Fiduciary taxes and fees</u> \$ 1.69 million (0.13 million US dollars)
L. T. 407 ASSOCIATED NETWORK to ALTAMIRA II, III & IV	297.60 million US dollars	117.79 million US dollars of interest	297.60 million US dollars	<u>Principal</u> \$ 3,795.96 million (291.77 million US dollars) <u>Interest</u> \$ 1,528.82 million (117.51 million US dollars) <u>Fiduciary taxes and fees</u> \$ 4.68 million (0.36 million US dollars)
L. T. 408 NACOZARI - NOGALES AREAS NORTHWEST	44.63 million US dollars	15.39 million US dollars of interest	44.63 million US dollars	<u>Principal</u> \$ 575.05 million (44.20 million US dollars) <u>Interest</u> \$ 200.10 million (15.38 million US dollars)
L. T. 411 NATIONAL SYSTEM	85.68 millones de dolares dollars	28.03 million US dollars of interest	85.68 millones de dolares dollars	<u>Principal</u> \$ 1,077.76 million (82.84 million US dollars) <u>Interest</u> \$ 362.85 million (27.89 million US dollars) <u>Fiduciary taxes and fees</u> \$ 0.39 million (0.03 million US dollars)
L. T. 409 MANUEL MORENO TORRES ASSOCIATED NETWORK	101.86 million US dollars	26.56 million US dollars of interest	101.86 million US dollars	<u>Principal</u> \$ 1,126.41 million (86.58 million US dollars) <u>Interest</u> \$ 335.79 million (25.81 million US dollars)
SE 401 WESTERN - CENTRAL	64.30 million US dollars	22.22 million US dollars of interest	64.30 million US dollars	<u>Principal</u> \$ 836.55 million (64.30 million US dollars) <u>Interest</u> \$ 289.08 million (22.22 million US dollars) <u>Fiduciary taxes and fees</u> \$ 0.39 million (0.03 million US dollars)
SE 402 EASTERN PENINSULAR	73.13 million US dollars	18.45 million US dollars of interest	73.13 million US dollars	<u>Principal</u> \$ 908.50 million (69.83 million US dollars)

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December dollars)
		Interest, taxes, other and fees	Principal	
				<u>Interest</u> \$ 239.00 million (18.37 million US dollars)
		0.01 million US dollars of taxes and trustee fees		<u>Fiduciary taxes and fees</u> \$ 0.13 million (0.01 million US dollars)
L. T. 403 NORTHEAST	72.49 million US dollars	26.76 million US dollars of interest	72.49 million US dollars	<u>Principal</u> \$ 943.10 million (72.49 million US dollars)
				<u>Interest</u> \$ 348.15 million (26.76 million US dollars)
				<u>Fiduciary taxes and fees</u> \$ 0.00 million (0.00 million US dollars)
SE 405 COMPENSATION HIGH VOLTAGE	8.59 million US dollars	2.19 million US dollars of interest	8.59 million US dollars	<u>Principal</u> \$ 105.90 million (8.14 million US dollars)
				<u>Interest</u> \$ 28.36 million (2.18 million US dollars)
L. T. 410 NATIONAL SYSTEM	173.17 million US dollars	63.78 million US dollars of interest	173.17 million US dollars	<u>Principal</u> \$ 2,252.96 million (173.17 million US dollars)
				<u>Interest</u> \$ 829.78 million (63.78 million US dollars)
		0.11 million US dollars of taxes and trustee fees		<u>Fiduciary taxes and fees</u> \$ 1.43 million (0.11 million US dollars)
EI SAUZ CONVERSION FROM T. G. TO C. C.	56.86 million US dollars	15.65 million US dollars of interest	56.86 million US dollars	<u>Principal</u> \$ 554.75 million (42.64 million US dollars)
				<u>Interest</u> \$ 189.43 million (14.56 million US dollars)
L. T. 414 NORTH WESTERN	65.67 million US dollars	19.49 million US dollars of interest	65.67 million US dollars	<u>Principal</u> \$ 742.49 million (57.07 million US dollars)
				<u>Interest</u> \$ 247.84 million (19.05 million US dollars)
L. T. 502 EASTERN-NORTH	3.80 million US dollars	1.16 million US dollars of interest	3.80 million US dollars	<u>Principal</u> \$ 37.08 million (2.85 million US dollars)
				<u>Interest</u> \$ 14.05 million (1.08 million US dollars)

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2023
		Interest, taxes, other and fees	Principal	
L. T. 506 SALTILLO - CANADA	57.78 million US dollars	15.25 million US dollars of interest	57.78 million US dollars	<u>Principal</u> \$ 638.93 million (49.11 million US dollars) <u>Interest</u> \$ 192.81 million (14.82 million US dollars)
SE 412 COMPENSATION NORTH	22.00 million US dollars	5.42 million US dollars of interest	22.00 million US dollars	<u>Principal</u> \$ 271.91 million (20.90 million US dollars) <u>Interest</u> \$ 70.12 million (5.39 million US dollars)
SE 413 NORTHWEST - WESTERN	23.10 million US dollars	6.06 million US dollars of interest	23.10 million US dollars	<u>Principal</u> \$ 255.39 million (19.63 million US dollars) <u>Interest</u> \$ 76.63 million (5.89 million US dollars)
SE 503 EASTERN	21.40 million US dollars	5.42 million US dollars of interest	21.40 million US dollars	<u>Principal</u> \$ 264.50 million (20.33 million US dollars) <u>Interest</u> \$ 70.12 million (5.39 million US dollars)
SE 504 NORTH WESTERN	31.71 million US dollars	8.33 million US dollars of interest	31.71 million US dollars	<u>Principal</u> \$ 372.35 million (28.62 million US dollars) <u>Interest</u> \$ 106.68 million (8.20 million US dollars)
C. C. I. BAJA CALIFORNIA SOUTH I	56.00 million US dollars	16.23 million US dollars of interest	56.00 million US dollars	<u>Principal</u> \$ 490.22 million (37.68 million US dollars) <u>Interest</u> \$ 184.61 million (14.19 million US dollars)
L. T. 610 TRANSMISSION NORTHWEST-NORTH PHASE I	24.63 million US dollars	7.50 million US dollars of interest	24.63 million US dollars	<u>Principal</u> \$ 240.30 million (18.47 million US dollars) <u>Interest</u> \$ 90.64 million (6.99 million US dollars)
		1.00 million US dollars of taxes and trustee fees		<u>Fiduciary taxes and fees</u> \$ 13.01 million (1.00 million US dollars)
L. T. 612 SUBTRANSMISSION NORTH-NORTHEAST	5.01 million US dollars	1.53 million US dollars of interest	5.01 million US dollars	<u>Principal</u> \$ 48.92 million (3.76 million US dollars) <u>Interest</u> \$ 18.60 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2023 (1.43 million US dollars)
		Interest, taxes, other and fees	Principal	
L. T. 613 SUBTRANSMISSION WESTERN	7.39 million US dollars	2.25 million US dollars of interest	7.39 million US dollars	<u>Principal</u> \$ 72.08 million (5.54 million US dollars) <u>Interest</u> \$ 27.32 million (2.10 million US dollars)
L. T. 614 SUBTRANSMISSION EASTERN PHASE I	12.17 million US dollars	3.67 million US dollars of interest	12.17 million US dollars	<u>Principal</u> \$ 118.78 million (9.13 million US dollars) <u>Interest</u> \$ 44.49 million (3.42 million US dollars)
L. T. 712 RAT DE LA CCI BAJA CALIFORNIA SOUTH I	21.18 million US dollars	5.52 million US dollars of interest	21.18 million US dollars	<u>Principal</u> \$ 234.18 million (18.00 million US dollars) <u>Interest</u> \$ 69.86 million (5.37 million US dollars)
SE 607 BAJIO - EASTERN SYSTEM	4.90 million US dollars	1.27 million US dollars of interest	4.90 million US dollars	<u>Principal</u> \$ 54.12 million (4.16 million US dollars) <u>Interest</u> \$ 16.00 million (1.23 million US dollars)
STEAM SUPPLY TO THE CERRO PRIETO PLANTS	13.12 million US dollars	3.98 million US dollars of interest	13.12 million US dollars	<u>Principal</u> \$ 128.02 million (9.84 million US dollars) <u>Interest</u> \$ 48.27 million (3.71 million US dollars)
OPF 062 CCE PACIFIC	273.01 million US dollars	28.11 million US dollars of interest	273.01 million US dollars	<u>Principal</u> \$ 887.94 million (68.25 million US dollars) <u>Interest</u> \$ 302.22 million (23.23 million US dollars)
		0.03 million US dollars of taxes and trustee fees		<u>Fiduciary taxes and fees</u> \$ 0.39 million (0.03 million US dollars)
C. H. EL CAJON	607.39 million US dollars	79.54 million US dollars of interest	607.39 million US dollars	<u>Principal</u> \$ 1,543.91 million (118.67 million US dollars) <u>Interest</u> \$ 1,034.82 million (79.54 million US dollars)
		92.09 million US dollars of taxes and trustee fees		<u>Fiduciary taxes and fees</u> \$ 242.90 million (18.67 million US dollars)

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December
		Interest, taxes, other and fees	Principal	
L. T. 710 ASSOCIATED NETWORK TO CC ALTAMIRA V	14.40 million US dollars	4.03 million US dollars of interest	14.40 million US dollars	<u>Principal</u> \$ 140.51 million (10.80 million US dollars) <u>Interest</u> \$ 48.53 million (3.73 million US dollars)
RM BOTELLO	6.35 million US dollars	1.84 million US dollars of interest	6.35 million US dollars	<u>Principal</u> \$ 61.93 million (4.76 million US dollars) <u>Interest</u> \$ 22.25 million (1.71 million US dollars)
RM CARBON II	7.78 million US dollars	2.34 million US dollars of interest	7.78 million US dollars	<u>Principal</u> \$ 75.98 million (5.84 million US dollars) <u>Interest</u> \$ 28.36 million (2.18 million US dollars)
RM DOS BOCAS	14.40 million US dollars	4.29 million US dollars of interest	14.40 million US dollars	<u>Principal</u> \$ 140.51 million (10.80 million US dollars) <u>Interest</u> \$ 51.91 million (3.99 million US dollars)
RM GOMEZ PALACIO	9.56 million US dollars	2.66 million US dollars of interest	9.56 million US dollars	<u>Principal</u> \$ 93.28 million (7.17 million US dollars) <u>Interest</u> \$ 32.00 million (2.46 million US dollars)
RM IXTACZOQUITLAN	0.92 million US dollars	0.25 million US dollars of interest	0.92 million US dollars	<u>Principal</u> \$ 8.98 million (0.69 million US dollars) <u>Interest</u> \$ 2.99 million (0.23 million US dollars)
RM TUXPANGO	1.93 million US dollars	0.56 million US dollars of interest	1.93 million US dollars	<u>Principal</u> \$ 18.86 million (1.45 million US dollars) <u>Interest</u> \$ 6.77 million (0.52 million US dollars)
RM CT VALLE DE MEXICO	5.79 million US dollars	1.73 million US dollars of interest	5.79 million US dollars	<u>Principal</u> \$ 56.46 million (4.34 million US dollars) <u>Interest</u> \$ 20.94 million (1.61 million US dollars)

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2023
		Interest, taxes, other and fees	Principal	
		1.46 million US dollars of taxes and trustee fees		<u>Principal</u> \$ 18.99 million (1.46 million US dollars)
RM CT CARBON II UNIDATS 2 & 4	4.49 million US dollars	1.31 million US dollars of interest	4.49 million US dollars	<u>Principal</u> \$ 43.84 million (3.37 million US dollars) <u>Interest</u> \$ 15.74 million (1.21 million US dollars)
OPF 181 RM CN LAGUNA VERDE	491.64 million US dollars	201.52 million US dollars of interest	491.64 million US dollars	<u>Principal</u> \$ 450.41 million (34.62 million US dollars) <u>Interest</u> \$ 334.23 million (25.69 million US dollars)
OPF 222 CCC REPOWERING CT MANZANILLO U-1 Y 2	501.24 million US dollars	98.61 million US dollars of interest	501.24 million US dollars	<u>Principal</u> \$ 0.00 million (0.00 million US dollars) <u>Interest</u> \$ 0.00 million (0.00 million US dollars)
TOTAL EXTERNAL DEBT				
C. C. I. GUERRERO NEGRO II	310.44 million Mexican pesos	154.73 million Mexican pesos	310.44 million Mexican pesos	<u>Principal</u> \$ 263.88 million <u>Interest</u> \$ 150.19 million
C.G. LOS AZUFRES II & GEOTHERMAL FIELD	870.49 millones de de pesos pesos	366.88 million Mexican pesos	870.49 millones de de pesos pesos	<u>Principal</u> \$ 783.60 million <u>Interest</u> \$ 364.68 million
C. H. MANUEL MORENO TORRES (CHICOASEN)	438.53 million Mexican pesos	217.69 million Mexican pesos	438.53 million Mexican pesos	<u>Principal</u> \$ 353.70 million <u>Interest</u> \$ 207.77 million
L. T. 407 ASSOCIATED NETWORK TO ALTAMIRA II, III & IV	405.94 million Mexican pesos	165.46 million Mexican pesos	405.94 million Mexican pesos	<u>Principal</u> \$ 365.35 million <u>Interest</u> \$ 164.43 million
L. T. 411 NATIONAL SYSTEM	514.60 million Mexican pesos	217.81 million Mexican pesos	514.60 million Mexican pesos	<u>Principal</u> \$ 463.14 million <u>Interest</u> \$ 215.71 million
L. T. 409 MANUEL MORENO TORRES ASSOCIATED NETWORK	1,958.71 million Mexican pesos	822.37 million Mexican pesos	1,958.71 million Mexican pesos	<u>Principal</u> \$ 1,713.12 million <u>Interest</u> \$ 811.10 million
SE 402 EASTERN - PENINSULAR	47.33 million Mexican pesos	17.16 million Mexican pesos	47.33 million Mexican pesos	<u>Principal</u> \$ 35.50 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2023
		Interest, taxes, other and fees	Principal	
				<u>Interest</u> \$ 16.40 million
EL SAUZ CONVERSION FROM T.G. TO C.C.	637.69 millones de pesos	261.84 million Mexican pesos	637.69 millones de pesos	<u>Principal</u> \$ 573.92 million
				<u>Interest</u> \$ 259.25 million
L. T. 502 EASTERN-NORTH	125.88 million Mexican pesos	57.97 million Mexican pesos	125.88 million Mexican pesos	<u>Principal</u> \$ 100.70 million
				<u>Interest</u> \$ 55.40 million
L. T. 506 SALTILLO - CANADA	2,117.98 million Mexican pesos	875.26 million Mexican pesos	2,117.98 million Mexican pesos	<u>Principal</u> \$ 1,906.18 million
				<u>Interest</u> \$ 866.63 million
L. T. 715 RAT A LA CENTRAL TAMAZUNCHALE	1,166.18 million Mexican pesos	421.83 million Mexican pesos	1,166.18 million Mexican pesos	<u>Principal</u> \$ 723.31602.76 million
				<u>Interest</u> \$ 363.54 million
L. T. 509 ASSOCIATED NETWORK TO C. C. RIO BRAVO III	497.45 million Mexican pesos	217.94 million Mexican pesos	497.45 million Mexican pesos	<u>Principal</u> \$ 434.02 million
				<u>Interest</u> \$ 213.86 million
SE 413 NORTHWEST - WESTERN	391.41 million Mexican pesos	164.62 million Mexican pesos	391.41 million Mexican pesos	<u>Principal</u> \$ 314.67 million
				<u>Interest</u> \$ 159.42 million
SE 504 NORTH - WESTERN	147.16 million Mexican pesos	62.50 million Mexican pesos	147.16 million Mexican pesos	<u>Principal</u> \$ 132.45 million
				<u>Interest</u> \$ 61.90 million
L. T. 609 TRANSMISSION NORTHWEST-WESTERN	1,378.65 million Mexican pesos	513.63 million Mexican pesos	1,378.65 million Mexican pesos	<u>Principal</u> \$ 1,033.99 million
				<u>Interest</u> \$ 491.67 million
L. T. 610 TRANSMISSION NORTHWEST-NORTH	1,423.71 million Mexican pesos	629.20 million Mexican pesos	1,423.71 million Mexican pesos	<u>Principal</u> \$ 1,046.25 million
				<u>Interest</u> \$ 581.98 million
L. T. 612 SUBTRANSMISSION NORTH-NORTHEAST	261.41 million Mexican pesos	91.53 million Mexican pesos	261.41 million Mexican pesos	<u>Principal</u> \$ 176.16 million
				<u>Interest</u> \$ 83.22 million
L. T. 613 SUBTRANSMISSION WESTERN	227.82 million Mexican pesos	109.82 million Mexican pesos	227.82 million Mexican pesos	<u>Principal</u> \$ 181.88 million
				<u>Interest</u> \$ 104.43 million
L. T. 614 SUBTRANSMISSION EASTERN	48.72 million Mexican pesos	19.34 million Mexican pesos	48.72 million Mexican pesos	<u>Principal</u> \$ 37.02 million
				<u>Interest</u> \$ 18.40 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2020
		Interest, taxes, other and fees	Principal	
L. T. 615 SUBTRANSMISSION PENINSULAR PHASE I & II	286.27 million Mexican pesos	113.92 million Mexican pesos	286.27 million Mexican pesos	<u>Principal</u> \$ 213.82 million <u>Interest</u> \$ 107.87 million
OPF 057 LT 1012 TRANSMISSION NETWORK ASSOCIATED TO CCC BAJA CALIFORNIA	139.17 million Mexican pesos	36.27 million Mexican pesos	139.17 million Mexican pesos	<u>Principal</u> \$ 58.60 million <u>Interest</u> \$ 25.43 million
SE 607 BAJIO-EASTERN SYSTEM	806.96 million Mexican pesos	323.41 million Mexican pesos	806.96 million Mexican pesos	<u>Principal</u> \$ 721.66 million <u>Interest</u> \$ 319.78 million
SE 611 SUBTRANSMISSION BAJA CALIFORNIA - NORTHWEST	330.91 million Mexican pesos	113.37 million Mexican pesos	330.91 million Mexican pesos	<u>Principal</u> \$ 212.04 million <u>Interest</u> \$ 98.88 million
SUV STEAM SUPPLY TO CERRO PRIETO PLANTS	1,091.40 million Mexican pesos	395.53 million Mexican pesos	1,091.40 million Mexican pesos	<u>Principal</u> \$ 784.47 million <u>Interest</u> \$ 371.17 million
C. C. HERMOSILLO CONVERSION FROM TG TO CC	813.96 million Mexican pesos	270.44 million Mexican pesos	813.96 million Mexican pesos	<u>Principal</u> \$ 599.76 million <u>Interest</u> \$ 256.79 million
OPF 062 CCE PACIFIC	4,237.59 million Mexican pesos	1,224.96 million Mexican pesos	4,237.59 million Mexican pesos	<u>Principal</u> \$ 1,358.85 million <u>Interest</u> \$ 617.92 million
C. H. EL CAJON	2,491.18 million Mexican pesos	3,205.97 million Mexican pesos	2,491.18 million Mexican pesos	<u>Principal</u> \$ 483.23 million <u>Interest</u> \$ 1,072.07 million
L. T. 723 CENTER LINES	70.93 million Mexican pesos	23.26 million Mexican pesos	70.93 million Mexican pesos	<u>Principal</u> \$ 50.01 million <u>Interest</u> \$ 21.70 million
L. T. 714 RAT A LA C. H. EL CAJON	747.40 million Mexican pesos	232.23 million Mexican pesos	747.40 million Mexican pesos	<u>Principal</u> \$ 478.63 million <u>Interest</u> \$ 206.17 million
L. T. 710 ASSOCIATED NETWORK TO CC ALTAMIRA V	660.79 million Mexican pesos	261.98 million Mexican pesos	660.79 million Mexican pesos	<u>Principal</u> \$ 405.17 million <u>Interest</u> \$ 220.14 million
L. T. 711 ASSOCIATED NETWORK TO CC LA LAGUNA II	233.12 million Mexican pesos	113.23 million Mexican pesos	233.12 million Mexican pesos	<u>Principal</u> \$ 186.49 million <u>Interest</u> \$ 107.67 million
OPF 068 TRANSMISSIONS ASSOCIATED NETWORK TO PACIFIC	1,014.52 million Mexican pesos	377.19 million Mexican pesos	1,014.52 million Mexican pesos	<u>Principal</u> \$ 190.00 million <u>Interest</u> \$ 131.71 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December
		Interest, taxes, other and fees	Principal	
L. T. 707 NORTH-SOUTH LINK	378.59 million Mexican pesos	189.82 million Mexican pesos	378.59 million Mexican pesos	<u>Principal</u> \$ 321.80 million <u>Interest</u> \$ 184.28 million
L. T. 717 RIVIERA MAYA	422.14 million Mexican pesos	200.50 million Mexican pesos	422.14 million Mexican pesos	<u>Principal</u> \$ 377.71 million <u>Interest</u> \$ 190.44 million
PRESA REGULADORA AMATA	144.42 million Mexican pesos	51.47 million Mexican pesos	144.42 million Mexican pesos	<u>Principal</u> \$ 108.31 million <u>Interest</u> \$ 49.17 million
RM ADOLFO LOPEZ MATEOS	329.18 million Mexican pesos	117.61 million Mexican pesos	329.18 million Mexican pesos	<u>Principal</u> \$ 244.77 million <u>Interest</u> \$ 112.24 million
RM CARBON II	42.04 million Mexican pesos	20.33 million Mexican pesos	42.04 million Mexican pesos	<u>Principal</u> \$ 33.63 million <u>Interest</u> \$ 19.33 million
RM CARLOS RODRIGUEZ RIVERO	205.00 million Mexican pesos	67.40 million Mexican pesos	205.00 million Mexican pesos	<u>Principal</u> \$ 131.18 million <u>Interest</u> \$ 60.82 million
RM EMILIO PORTES GIL	2.80 million Mexican pesos	1.40 million Mexican pesos	2.80 million Mexican pesos	<u>Principal</u> \$ 2.38 million <u>Interest</u> \$ 1.36 million
RM FRANCISCO PEREZ RIOS	1,385.32 million Mexican pesos	396.66 million Mexican pesos	1,385.32 million Mexican pesos	<u>Principal</u> \$ 692.66 million <u>Interest</u> \$ 305.26 million
RM GOMEZ PALACIO	219.77 million Mexican pesos	67.22 million Mexican pesos	219.77 million Mexican pesos	<u>Principal</u> \$ 138.80 million <u>Interest</u> \$ 59.98 million
RM HUINALA	6.26 million Mexican pesos	2.03 million Mexican millones	6.26 million Mexican pesos	<u>Principal</u> \$ 4.62 million <u>Interest</u> \$ 1.92 million
RM JOSE ACEVEZ POZOS (MAZATLAN II)	150.12 million Mexican pesos	42.88 million Mexican millones	150.12 million Mexican pesos	<u>Principal</u> \$ 94.82 million <u>Interest</u> \$ 37.46 million
RM GRAL. MANUEL ALVAREZ MORENO (MANZANILLO)	525.50 million Mexican pesos	189.28 million Mexican pesos	525.50 million Mexican pesos	<u>Principal</u> \$ 390.87 million <u>Interest</u> \$ 180.70 million
RM C. T. PUERTO LIBERTAD	142.41 million Mexican pesos	51.62 million Mexican pesos	142.41 million Mexican pesos	<u>Principal</u> \$ 106.81 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2023
		Interest, taxes, other and fees	Principal	
				<u>Interest</u> \$ 49.35 million
RM C. T. PUNTA PRIETA	131.63 million Mexican pesos	42.83 million Mexican pesos	131.63 million Mexican pesos	<u>Principal</u> \$ 85.56 million
				<u>Interest</u> \$ 38.52 million
RM SALAMANCA	344.54 million Mexican pesos	122.26 million Mexican pesos	344.54 million Mexican pesos	<u>Principal</u> \$ 252.69 million
				<u>Interest</u> \$ 116.10 million
RM TUXPANGO	166.32 million Mexican pesos	58.59 million Mexican pesos	166.32 million Mexican pesos	<u>Principal</u> \$ 122.55 million
				<u>Interest</u> \$ 55.80 million
SE 722 NORTH	83.36 million Mexican pesos	30.23 million Mexican pesos	83.36 million Mexican pesos	<u>Principal</u> \$ 61.42 million
				<u>Interest</u> \$ 28.83 million
SE 705 CAPACITORES	37.08 million Mexican pesos	13.17 million Mexican pesos	37.08 million Mexican pesos	<u>Principal</u> \$ 27.81 million
				<u>Interest</u> \$ 12.58 million
SE 708 DYNAMIC COMPENSATION EASTERN-NORTH	482.20 million Mexican pesos	177.34 million Mexican pesos	482.20 million Mexican pesos	<u>Principal</u> \$ 361.65 million
				<u>Interest</u> \$ 169.66 million
SLT 701 WESTERN - CENTER	863.33 million Mexican pesos	267.90 million Mexican pesos	863.33 million Mexican pesos	<u>Principal</u> \$ 485.94 million
				<u>Interest</u> \$ 221.59 million
SLT 702 SOUTHEAST - PENINSULAR	321.31 million Mexican pesos	113.97 million Mexican pesos	321.31 million Mexican pesos	<u>Principal</u> \$ 158.70 million
				<u>Interest</u> \$ 82.34 million
SLT 703 NORTHEAST - NORTH	210.31 million Mexican pesos	70.36 million Mexican pesos	210.31 million Mexican pesos	<u>Principal</u> \$ 134.26 million
				<u>Interest</u> \$ 61.51 million
SLT 704 BAJA CALIFORNIA - NORTHWEST	73.23 million Mexican pesos	26.22 million Mexican pesos	73.23 million Mexican pesos	<u>Principal</u> \$ 53.96 million
				<u>Interest</u> \$ 24.99 million
SLT 706 NORTH SYSTEMS	1,869.57 million Mexican pesos	607.66 million Mexican pesos	1,869.57 million Mexican pesos	<u>Principal</u> \$ 1,148.24 million
				<u>Interest</u> \$ 529.03 million
SLT 709 SOUTH SYSTEMS	1,074.93 million Mexican pesos	368.28 million Mexican pesos	1,074.93 million Mexican pesos	<u>Principal</u> \$ 792.06 million
				<u>Interest</u> \$ 350.26 million
C. C. CONVERSION EL ENCINO FROM TG TO CC	809.85 million Mexican pesos	311.99 million Mexican pesos	809.85 million Mexican pesos	<u>Principal</u>

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		
		Interest, taxes, other and fees	Principal	Payments up to December 31, 2020
		pesos	pesos	pesos
				\$ 485.91 million
				<u>Interest</u> \$ 262.84 million
C. C. I. BAJA CALIFORNIA SOUTH II	658.77 million Mexican pesos	186.29 million Mexican pesos	658.77 million Mexican pesos	<u>Principal</u> \$ 402.58 million
				<u>Interest</u> \$ 161.21 million
L. T. 807 DURANGO I	370.59 million Mexican pesos	124.93 million Mexican pesos	370.59 million Mexican pesos	<u>Principal</u> \$ 244.34 million
				<u>Interest</u> \$ 113.94 million
RM CCC TULA	57.43 million Mexican pesos	16.23 million Mexican pesos	57.43 million Mexican pesos	<u>Principal</u> \$ 35.69 million
				<u>Interest</u> \$ 14.10 million
OPF 111 RM GC CERRO PRIETO UNIT 5	413.34 million Mexican pesos	191.56 million Mexican pesos	413.34 million Mexican pesos	<u>Principal</u> \$ 124.00 million
				<u>Interest</u> \$ 94.47 million
RM C. T. CARBON II UNITS 2 & 4	96.14 million Mexican pesos	30.97 million Mexican pesos	96.14 million Mexican pesos	<u>Principal</u> \$ 70.84 million
				<u>Interest</u> \$ 29.35 million
RM C. T. EMILIO PORTES GIL UNIT 4	389.24 million Mexican pesos	102.43 million Mexican pesos	389.24 million Mexican pesos	<u>Principal</u> \$ 234.67 million
				<u>Interest</u> \$ 86.77 million
RM C. T. FRANCISCO PEREZ RIOS UNIT 5	345.18 million Mexican pesos	113.18 million Mexican pesos	345.18 million Mexican pesos	<u>Principal</u> \$ 224.37 million
				<u>Interest</u> \$ 102.40 million
RM CT PDTE. ADOLFO LOPEZ MATEOS UNITS 3, 4, 5 & 6	481.60 million Mexican pesos	145.51 million Mexican pesos	481.60 million Mexican pesos	<u>Principal</u> \$ 268.80 million
				<u>Interest</u> \$ 120.77 million
RM CT PDTE. PLUTARCO ELIAS CALLES UNITS 1 & 2	224.01 million Mexican pesos	66.15 million Mexican pesos	224.01 million Mexican pesos	<u>Principal</u> \$ 129.93 million
				<u>Interest</u> \$ 55.79 million
SE 811 NORTHWEST	120.48 million Mexican pesos	39.45 million Mexican pesos	120.48 million Mexican pesos	<u>Principal</u> \$ 78.31 million
				<u>Interest</u> \$ 35.69 million
SE 812 NORTH GULF	57.31 million Mexican pesos	18.49 million Mexican pesos	57.31 million Mexican pesos	<u>Principal</u> \$ 36.20 million
				<u>Interest</u> \$ 16.53 million
SE 813 BAJIO DIVISION	582.59 million Mexican pesos	167.97 million Mexican pesos	582.59 million Mexican pesos	<u>Principal</u> \$ 288.74 million
				<u>Interest</u> \$ 130.96 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December
		Interest, taxes, other and fees	Principal	
SLT 801 ALTIPLANO	924.70 million Mexican pesos	277.47 million Mexican pesos	924.70 million Mexican pesos	<u>Principal</u> \$ 571.88 million <u>Interest</u> \$ 241.66 million
SLT 802 TAMAULIPAS	776.33 million Mexican pesos	241.12 million Mexican pesos	776.33 million Mexican pesos	<u>Principal</u> \$ 426.98 million <u>Interest</u> \$ 200.33 million
SLT 803 NOINE	721.47 million Mexican pesos	214.39 million Mexican pesos	721.47 million Mexican pesos	<u>Principal</u> \$ 402.73 million <u>Interest</u> \$ 176.27 million
SLT 806 BAJIO	1,044.56 million Mexican pesos	342.32 million Mexican pesos	1,044.56 million Mexican pesos	<u>Principal</u> \$ 541.85 million <u>Interest</u> \$ 251.68 million
C. E. LA VENTA II	1,178.20 million Mexican pesos	559.06 million Mexican pesos	1,178.20 million Mexican pesos	<u>Principal</u> \$ 432.01 million <u>Interest</u> \$ 375.99 million
L. T. 904 RAT A CE LA VENTA II	74.80 million Mexican pesos	30.03 million Mexican pesos	74.80 million Mexican pesos	<u>Principal</u> \$ 44.88 million <u>Interest</u> \$ 25.23 million
SE 911 NORTHEAST	98.36 million Mexican pesos	29.11 million Mexican pesos	98.36 million Mexican pesos	<u>Principal</u> \$ 54.10 million <u>Interest</u> \$ 24.31 million
OPF 139 SE 912 EAST DIVISION	160.79 million Mexican pesos	54.88 million Mexican pesos	160.79 million Mexican pesos	<u>Principal</u> \$ 59.19 million <u>Interest</u> \$ 31.23 million
OPF 140 SE 914 CENTER SOUTH DIVISION	28.05 million Mexican pesos	9.20 million Mexican pesos	28.05 million Mexican pesos	<u>Principal</u> \$ 8.41 million <u>Interest</u> \$ 4.31 million
SE 915 WESTERN	122.00 million Mexican pesos	34.17 million Mexican pesos	122.00 million Mexican pesos	<u>Principal</u> \$ 54.90 million <u>Interest</u> \$ 25.14 million
SLT 901 PACIFIC	431.09 million Mexican pesos	117.51 million Mexican pesos	431.09 million Mexican pesos	<u>Principal</u> \$ 189.50 million <u>Interest</u> \$ 85.12 million
SLT 902 ISTMO	893.03 million Mexican pesos	269.65 million Mexican pesos	893.03 million Mexican pesos	<u>Principal</u> \$ 474.32 million <u>Interest</u> \$ 218.73 million
SLT 903 CABO NORTE	619.45 million Mexican pesos	203.78 million Mexican pesos	619.45 million Mexican pesos	<u>Principal</u> \$ 386.91 million <u>Interest</u>

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2023
		Interest, taxes, other and fees	Principal	
				\$ 176.15 million
OPF 146 CH LA YESCA	13,361.28 million Mexican pesos	15,726.33 million Mexican pesos	13,361.28 million Mexican pesos	<u>Principal</u> \$ 0.00 million <u>Interest</u> \$ 0.00 million
OPF 147 CCC BAJA CALIFORNIA	1,157.02 million Mexican pesos	517.39 million Mexican pesos	1,157.02 million Mexican pesos	<u>Principal</u> \$ 404.96 million <u>Interest</u> \$ 281.85 million
FIBER OPTICS SOUTH PROJECT	305.28 million Mexican pesos	87.26 million Mexican pesos	305.28 million Mexican pesos	<u>Principal</u> \$ 176.65 million <u>Interest</u> \$ 72.02 million
FIBER OPTICS CENTER PROJECT	491.87 million Mexican pesos	224.70 million Mexican pesos	491.87 million Mexican pesos	<u>Principal</u> \$ 284.77 million <u>Interest</u> \$ 183.17 million
FIBER OPTICS NORTH PROJECT	512.87 million Mexican pesos	149.04 million Mexican pesos	512.87 million Mexican pesos	<u>Principal</u> \$ 275.08 million <u>Interest</u> \$ 124.97 million
OPF 151 SE 1006 CENTER SOUTH	201.32 million Mexican pesos	77.52 million Mexican pesos	201.32 million Mexican pesos	<u>Principal</u> \$ 14.20 million <u>Interest</u> \$ 10.26 million
OPF 152 SE 1005 NORTHWEST	615.60 million Mexican pesos	136.18 million Mexican pesos	615.60 million Mexican pesos	<u>Principal</u> \$ 227.09 million <u>Interest</u> \$ 92.62 million
OPF 156 RM INFIERNILLO	168.34 million Mexican pesos	45.15 million Mexican pesos	168.34 million Mexican pesos	<u>Principal</u> \$ 51.70 million <u>Interest</u> \$ 22.67 million
OPF 157 RM CT FRANCISCO PEREZ RIOS UNITS 1 & 2	1,333.13 million Mexican pesos	482.44 million Mexican pesos	1,333.13 million Mexican pesos	<u>Principal</u> \$ 399.94 million <u>Interest</u> \$ 226.48 million
RM CT PUERTO LIBERTAD UNIT 4	142.73 million Mexican pesos	45.13 million Mexican pesos	142.73 million Mexican pesos	<u>Principal</u> \$ 85.64 million <u>Interest</u> \$ 39.76 million
RM CT VALLE DE MEXICO UNITS 5, 6 & 7	49.79 million Mexican pesos	13.14 million Mexican pesos	49.79 million Mexican pesos	<u>Principal</u> \$ 30.43 million <u>Interest</u> \$ 11.24 million
RM CCC SAMALAYUCA II	11.72 million Mexican pesos	3.39 million Mexican pesos	11.72 million Mexican pesos	<u>Principal</u> \$ 7.16 million <u>Interest</u> \$ 2.94 million
RM CCC EL SAUZ	46.16 million Mexican pesos	13.51 million Mexican pesos	46.16 million Mexican pesos	<u>Principal</u> \$ 24.24 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December
		Interest, taxes, other and fees	Principal	
				<u>Interest</u> \$ 10.86 million
RM CCC HUINALA II	19.66 million Mexican pesos	5.26 million Mexican pesos	19.66 million Mexican pesos	<u>Principal</u> \$ 8.84 million
				<u>Interest</u> \$ 3.80 million
SE 1004 DYNAMIC COMPENSATION CENTRAL AREA	171.76 million Mexican pesos	48.33 million Mexican pesos	171.76 million Mexican pesos	<u>Principal</u> \$ 108.48 million
				<u>Interest</u> \$ 42.13 million
SE 1003 WESTERN ELECTRIC SUBSTATIONS	326.87 million Mexican pesos	76.67 million Mexican pesos	326.87 million Mexican pesos	<u>Principal</u> \$ 36.32 million
				<u>Interest</u> \$ 21.67 million
LT TRANSMISSION NETWORK ASSOCIATED TO LA CC SAN LORENZO	63.38 million Mexican pesos	19.01 million Mexican pesos	63.38 million Mexican pesos	<u>Principal</u> \$ 28.53 million
				<u>Interest</u> \$ 14.32 million
SLT 1002 COMPENSATION AND TRANSMISSION NORESTE - SURESTE	700.56 million Mexican pesos	212.79 million Mexican pesos	700.56 million Mexican pesos	<u>Principal</u> \$ 287.93 million
				<u>Interest</u> \$ 136.53 million
SLT 1001 TRANSMISSION BAJA - NOGALES	350.98 million Mexican pesos	107.88 million Mexican pesos	350.98 million Mexican pesos	<u>Principal</u> \$ 193.04 million
				<u>Interest</u> \$ 88.88 million
OPF 170 1001 TRANSMISSION NETWORK ASSOCIATED TO CH LA YEZCA	1,098.41 million Mexican pesos	344.52 million Mexican pesos	1,098.41 million Mexican pesos	<u>Principal</u> \$ 66.48 million
				<u>Interest</u> \$ 42.05 million
OPF 176 1001 TRANSMISSION NETWORK ASSOCIATED TO CC AGUA PRIETA II	67.63 million Mexican pesos	23.91 million Mexican pesos	67.63 million Mexican pesos	<u>Principal</u> \$ 3.38 million
				<u>Interest</u> \$ 0.70 million
OPF 177 LT TRANSMISSION NETWORK ASSOCIATED TO CE LA VENTA III	15.36 million Mexican pesos	4.96 million Mexican pesos	15.36 million Mexican pesos	<u>Principal</u> \$ 4.61 million
				<u>Interest</u> \$ 2.28 million
OPF 181 RM CN LAGUNA VERDE	1,836.95 million Mexican pesos	400.55 million Mexican pesos	1,836.95 million Mexican pesos	<u>Principal</u> \$ 0.00 million
				<u>Interest</u> \$ 159.24 million
OPF 182 RM C.T. PUERTO LIBERTAD UNITS 2 & 3	332.70 million Mexican pesos	90.47 million Mexican pesos	332.70 million Mexican pesos	<u>Principal</u> \$ 145.07 million
				<u>Interest</u> \$ 65.22 million
OPF 183 RM C.T. PUNTA PRIETA UNIT 2	61.56 million Mexican pesos	17.63 million Mexican pesos	61.56 million Mexican pesos	<u>Principal</u> \$ 27.70 million
				<u>Interest</u> \$ 13.07 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2020
		Interest, taxes, other and fees	Principal	
OPF 185 SE 1110 COMPENSACION CAPACITIVA DEL NORTE	97.46 million Mexican pesos	25.43 million Mexican pesos	97.46 million Mexican pesos	<u>Principal</u> \$ 15.37 million <u>Interest</u> \$ 7.71 million
OPF 188 SE 1116 TRANSFORMATION OF THE NORTHEAST	1,605.57 million Mexican pesos	532.77 million Mexican pesos	1,605.57 million Mexican pesos	<u>Principal</u> \$ 315.25 million <u>Interest</u> \$ 226.37 million
OPF 189 SE 1117 TRANSFORMATION OF GUAYMAS	206.67 million Mexican pesos	63.88 million Mexican pesos	206.67 million Mexican pesos	<u>Principal</u> \$ 12.00 million <u>Interest</u> \$ 10.63 million
OPF 190 SE 1120 NORTHWEST	427.30 million Mexican pesos	85.36 million Mexican pesos	427.30 million Mexican pesos	<u>Principal</u> \$ 75.31 million <u>Interest</u> \$ 43.60 million
OPF 191 SE 1121 BAJA CALIFORNIA	29.27 million Mexican pesos	6.82 million Mexican pesos	29.27 million Mexican pesos	<u>Principal</u> \$ 3.56 million <u>Interest</u> \$ 1.96 million
OPF 192 SE 1122 NORTH GULF	349.75 million Mexican pesos	141.90 million Mexican pesos	349.75 million Mexican pesos	<u>Principal</u> \$ 92.41 million <u>Interest</u> \$ 56.15 million
OPF 193 SE 1123 NORTH	49.51 million Mexican pesos	13.38 million Mexican pesos	49.51 million Mexican pesos	<u>Principal</u> \$ 9.90 million <u>Interest</u> \$ 5.23 million
OPF 194 SE 1124 BAJIO CENTER	365.28 million Mexican pesos	94.18 million Mexican pesos	365.28 million Mexican pesos	<u>Principal</u> \$ 53.84 million <u>Interest</u> \$ 27.91 million
OPF 195 SE 1125 DISTRIBUTION	1,005.86 million Mexican pesos	159.78 million Mexican pesos	1,005.86 million Mexican pesos	<u>Principal</u> \$ 175.85 million <u>Interest</u> \$ 107.20 million
OPF 197 SE 1127 SOUTHEAST	194.62 million Mexican pesos	51.52 million Mexican pesos	194.62 million Mexican pesos	<u>Principal</u> \$ 46.08 million <u>Interest</u> \$ 22.95 million
OPF 198 SE 1128 CENTER SOUTH	86.86 million Mexican pesos	23.48 million Mexican pesos	86.86 million Mexican pesos	<u>Principal</u> \$ 9.21 million <u>Interest</u> \$ 5.35 million
OPF 199 SE 1129 COMPENSATION NETWORKS	140.91 million Mexican pesos	42.77 million Mexican pesos	140.91 million Mexican pesos	<u>Principal</u> \$ 43.98 million <u>Interest</u> \$ 21.23 million
SLT 1111 TRANSMISSION AND TRANSFORMATION OF CENTER - OCCIDE	221.80 million Mexican pesos	78.23 million Mexican pesos	221.80 million Mexican pesos	<u>Principal</u> \$ 11.54 million <u>Interest</u> \$ 5.37 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December
		Interest, taxes, other and fees	Principal	
OPF 203 SLT 1118 TRANSMISSION AND TRANSFORMATION OF THE NORTH	237.47 million Mexican pesos	62.64 million Mexican pesos	237.47 million Mexican pesos	<u>Principal</u> \$ 104.53 million <u>Interest</u> \$ 44.81 million
OPF 204 SLT 1119 TRANSMISSION AND TRANSFORMATION OF THE SOUTHEAST	1,339.02 million Mexican pesos	500.52 million Mexican pesos	1,339.02 million Mexican pesos	<u>Principal</u> \$ 297.43 million <u>Interest</u> \$ 193.92 million
OPF 205 SUV SUPPLY OF I970 T/H TO CERRO PRIETO CENTRALS	1,499.99 million Mexican pesos	522.94 million Mexican pesos	1,499.99 million Mexican pesos	<u>Principal</u> \$ 445.16 million <u>Interest</u> \$ 251.97 million
OPF 206 SE 1206 CONVERSION TO 400 KV OF LA LT MAZATLAN II - LA HIGUERA	564.38 million Mexican pesos	257.28 million Mexican pesos	564.38 million Mexican pesos	<u>Principal</u> \$ 197.53 million <u>Interest</u> \$ 142.39 million
OPF 207 SE 1213 COMPENSATION OF NETWORKS	475.73 million Mexican pesos	152.16 million Mexican pesos	475.73 million Mexican pesos	<u>Principal</u> \$ 114.64 million <u>Interest</u> \$ 66.18 million
OPF 209 SE 1212 SOUTH - PENINSULAR	295.97 million Mexican pesos	54.39 million Mexican pesos	295.97 million Mexican pesos	<u>Principal</u> \$ 49.69 million <u>Interest</u> \$ 26.75 million
OPF 210 SLT 1204 CONVERSION TO 400 KV OF PENINSULAR AREA	1,699.98 million Mexican pesos	424.70 million Mexican pesos	1,699.98 million Mexican pesos	<u>Principal</u> \$ 332.89 million <u>Interest</u> \$ 164.41 million
OPF 211 SLT 1203 TRANSMISSION AND TRANSFORMATION OF EASTERN - SOUTHEAST	2,104.80 million Mexican pesos	468.83 million Mexican pesos	2,104.80 million Mexican pesos	<u>Principal</u> \$ 371.33 million <u>Interest</u> \$ 193.38 million
OPF 212 SE 1202 ENERGY SUPPLY TO MANZANILLO ZONE	449.76 million Mexican pesos	146.16 million Mexican pesos	449.76 million Mexican pesos	<u>Principal</u> \$ 86.67 million <u>Interest</u> \$ 49.74 million
OPF 213 SE 1211 NORTHEAST- CENTRAL	82.33 million Mexican pesos	25.60 million Mexican pesos	82.33 million Mexican pesos	<u>Principal</u> \$ 20.04 million <u>Interest</u> \$ 9.82 million
OPF 214 SE 1210 NORTH - NORTHWEST	986.77 million Mexican pesos	267.93 million Mexican pesos	986.77 million Mexican pesos	<u>Principal</u> \$ 145.03 million <u>Interest</u> \$ 85.17 million
OPF 215 SLT 1201 TRANSMISSION AND TRANSFORMATION OF BAJA CALIFORNIA	372.29 million Mexican pesos	150.89 million Mexican pesos	372.29 million Mexican pesos	<u>Principal</u> \$ 83.36 million <u>Interest</u> \$ 55.78 million
OPF 218 LT 1220 TRANSMISSION NETWORK ASSOCIATED TO PROY DE TEMP ABIERTA & OAX. II, III, IV	488.77 million Mexican pesos	181.85 million Mexican pesos	488.77 million Mexican pesos	<u>Principal</u> \$ 108.60 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December
		Interest, taxes, other and fees	Principal	
				<u>Interest</u> \$ 65.39 million
OPF 219 SLT TRANSMISSION NETWORK ASSOCIATED TO MANZANILLO I U-1 & 2	540.08 million Mexican pesos	163.03 million Mexican pesos	540.08 million Mexican pesos	<u>Principal</u> \$ 54.01 million
				<u>Interest</u> \$ 24.17 million
OPF 222 CC CC REPOWERING CT MANZANILLO I U-1,2	5,059.24 million Mexican pesos	1,657.32 million Mexican pesos	5,059.24 million Mexican pesos	<u>Principal</u> \$ 503.05 million
				<u>Interest</u> \$ 302.29 million
OPF 223 LT TRANSMISSION AND TRANSFORMATION NETWORK BAJA - NORTHWEST	59.10 million Mexican pesos	13.15 million Mexican pesos	59.10 million Mexican pesos	<u>Principal</u> \$ 3.98 million
				<u>Interest</u> \$ 2.72 million
OPF 225 LT TRANSMISSION NETWORK ASSOCIATED TO CI GUERRERO NEGRO III	14.86 million Mexican pesos	6.89 million Mexican pesos	14.86 million Mexican pesos	<u>Principal</u> \$ 2.23 million
				<u>Interest</u> \$ 2.28 million
OPF 228 LT TRANSMISSION NETWORK ASSOCIATED TO CI GUERRERO NEGRO III	258.77 million Mexican pesos	11.44 million Mexican pesos	258.77 million Mexican pesos	<u>Principal</u> \$ 0.00 million
				<u>Interest</u> \$ 0.00 million
OPF 231 SLT 1304 TRANSMISSION AND TRANSFORMATION OF EAST	80.88 million Mexican pesos	26.76 million Mexican pesos	80.88 million Mexican pesos	<u>Principal</u> \$ 20.22 million
				<u>Interest</u> \$ 10.93 million
OPF 233 SLT 1303 TRANSMISSION AND TRANSFORMATION OF BAJA - NORTHWEST	108.06 million Mexican pesos	35.66 million Mexican pesos	108.06 million Mexican pesos	<u>Principal</u> \$ 27.02 million
				<u>Interest</u> \$ 14.50 million
OPF 236 CCI BAJA CALIFORNIA SUR III	1,215.68 million Mexican pesos	426.54 million Mexican pesos	1,215.68 million Mexican pesos	<u>Principal</u> \$ 60.78 million
				<u>Interest</u> \$ 9.15 million
OPF 242 SE 1323 DISTRIBUTION SOUTH TRANSFORMATION BAJA - NORTHWEST	168.69 million Mexican pesos	39.86 million Mexican pesos	168.69 million Mexican pesos	<u>Principal</u> \$ 18.74 million
				<u>Interest</u> \$ 11.48 million
OPF 243 SE 1322 DISTRIBUTION CENTER TRANSFORMATION BAJA - NORTHWEST	61.19 million Mexican pesos	14.44 million Mexican pesos	61.19 million Mexican pesos	<u>Principal</u> \$ 6.80 million
				<u>Interest</u> \$ 4.15 million
OPF 244 SE 1321 DISTRIBUTION NORTHEAST	321.58 million Mexican pesos	86.73 million Mexican pesos	321.58 million Mexican pesos	<u>Principal</u> \$ 64.32 million
				<u>Interest</u> \$ 33.80 million
OPF 245 SE 1320 DISTRIBUTION NORTHWEST	260.58 million Mexican pesos	56.09 million Mexican pesos	260.58 million Mexican pesos	<u>Principal</u> \$ 19.76 million
				<u>Interest</u> \$ 11.87 million

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2019
		Interest, taxes, other and fees	Principal	
OPF 248 SLT 1401 SES Y LTS OF AREAS BAJA CALIFORNIA AND NORTHEAST	835.34 million Mexican pesos	268.62 million Mexican pesos	835.34 million Mexican pesos	<u>Principal</u> \$ 57.86 million <u>Interest</u> \$ 28.43 million
OPF 250 SLT 1402 CHANGE OF VOLTAGE OF LA LT CULIACAN - LOS MOCHIS	592.32 million Mexican pesos	151.00 million Mexican pesos	592.32 million Mexican pesos	<u>Principal</u> \$ 42.66 million <u>Interest</u> \$ 30.48 million
OPF 252 SE 1403 COMPENSACION CAPACITIVA OF NORHEAST AREAS - NORTH	92.43 million Mexican pesos	21.40 million Mexican pesos	92.43 million Mexican pesos	<u>Principal</u> \$ 14.59 million <u>Interest</u> \$ 6.59 million
OPF 073 RM ALTAMIRA	123.98 million UDIS	27.52 million UDIS	123.98 million UDIS	<u>Principal</u> \$ 181.29 million pesos 37.19 UDIS <u>Interest</u> \$ 60.35 million pesos 12.38 UDIS
OPF 140 SE 914 CENTER SOUTH DIVISION	30.33 million UDIS	11.37 million UDIS	30.33 million UDIS	<u>Principal</u> \$ 25.49 million pesos 5.23 UDIS <u>Interest</u> \$ 19.40 million pesos 3.98 UDIS
OPF 147 CCC BAJA CALIFORNIA	285.09 million UDIS	69.14 million UDIS	285.09 million UDIS	<u>Principal</u> \$ 486.39 million pesos 99.78 UDIS <u>Interest</u> \$ 183.63 million pesos 37.67 UDIS
OPF 152 SE 1005 NORTHWEST	48.91 million UDIS	18.48 million UDIS	48.91 million UDIS	<u>Principal</u> \$ 47.67 million pesos 9.78 UDIS <u>Interest</u> \$ 29.30 million pesos 6.01 UDIS
OPF 156 RM INFIERNILLO	12.59 million UDIS	2.97 million UDIS	12.59 million UDIS	<u>Principal</u> \$ 18.43 million pesos 3.78 UDIS <u>Interest</u> \$ 7.02 million pesos 1.44 UDIS
OPF 157 RM CT FRANCISCO PEREZ RIOS UNITS 1 & 2	140.72 million UDIS	31.90 million UDIS	140.72 million UDIS	<u>Principal</u> \$ 205.81 million pesos 42.22 UDIS <u>Interest</u> \$ 71.75 million pesos 14.72 UDIS
OPF 167 CC SAN LORENZO CONVERSION FROM TG TO CC	421.94 million UDIS	159.75 million UDIS	421.94 million UDIS	<u>Principal</u> \$ 411.37 million pesos 84.39 UDIS <u>Interest</u> \$ 254.60 million pesos 52.23 UDIS
OPF 191 SE 1121 BAJA CALIFORNIA	8.47 million UDIS	3.13 million UDIS	8.47 million UDIS	<u>Principal</u> \$ 8.24 million pesos

Type of asset	Credit value	Amount of payments agreed upon equivalent to lease		Payments up to December 31, 2023
		Interest, taxes, other and fees	Principal	
				1.69 UDIS
				<u>Interest</u> \$ 4.78 million pesos 0.98 UDIS
OPF 192 SE 1122 GULF NORTH	8.88 million UDIS	3.02 million UDIS	8.88 million UDIS	<u>Principal</u> \$ 8.14 million pesos 1.67 UDIS
				<u>Interest</u> \$ 4.34 million pesos 0.89 UDIS
OPF 195 SE 1125 DISTRIBUTION	51.69 million UDIS	12.21 million UDIS	51.69 million UDIS	<u>Principal</u> \$ 75.61 million pesos 15.51 UDIS
				<u>Interest</u> \$ 28.71 million pesos 5.89 UDIS
OPF 199 SE 1129 COMPENSATION NETWORKS	14.67 million UDIS	5.71 million UDIS	14.67 million UDIS	<u>Principal</u> \$ 14.28 million pesos 2.93 UDIS
				<u>Interest</u> \$ 9.60 million pesos 1.97 UDIS
OPF 201 SLT 1112 TRANSMISSION AND TRANSFORMATION OF NORTHWEST	97.07 million UDIS	22.57 million UDIS	97.07 million UDIS	<u>Principal</u> \$ 141.95 million pesos 29.12 UDIS
				<u>Interest</u> \$ 52.26 million pesos 10.72 UDIS
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> \$ 39.19 million pesos 8.04 UDIS
				<u>Interest</u> \$ 25.35 million pesos 5.20 UDIS
OPF 207 SE 1213 NETWORKS COMPENSATION	28.61 million UDIS	7.30 million UDIS	28.61 million UDIS	<u>Principal</u> \$ 34.51 million pesos 7.08 UDIS
				<u>Interest</u> \$ 13.45 million pesos 2.76 UDIS
OPF 208 SE 1205 COMPENSATION EASTERN - PENINSULAR	28.13 million UDIS	10.81 million UDIS	28.13 million UDIS	<u>Principal</u> \$ 22.44 million pesos 5.63 UDIS
				<u>Interest</u> \$ 17.74 million pesos 3.64 UDIS
TOTAL INTERNAL DEBT				
TOTAL INTERNAL AND EXTERNAL DEBT OF PIDIREGAS				

- a) At December 31, 2012, minimum payment commitments for PIDIREGAS amount to:

PIDIREGAS	\$ 128,610,654
less:	
Unaccrued interest	<u>(33,902,279)</u>
Present value of obligations	94,708,375
less:	
Current value of obligations	<u>(13,385,680)</u>
Long-term portion of PIDIREGAS	<u>\$ 81,322,695</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 CEBURES were issued with three tranches in an accumulated amount of \$ 6 billion nominal pesos. The first two tranches were in an amount of 2 billion 500 million nominal pesos each one, and they were carried out on October 6 and November 7, 2003, respectively. The third tranche was realized on December 11, 2003 in the amount of 800 million nominal pesos.

The fourth tranche of this issue was issued in the amount of \$ 665 million notional pesos on March 5, 2004.

The term of these operations is approximately 10 years, at a Federal Treasury Certificate ("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 a hedge against inflation (inflation ceiling), that is, that for each interest that applies thereto, if applicable, the rate will be adjusted as the result of comparing 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.

In August 2005, issues were carried out of the first three tranches of a new CEBURES program in a total amount of \$ 7 billion 700 million nominal pesos. The first tranche in the amount of \$ 2 billion 200 million nominal pesos on March 18, 2005; the second tranche in the amount of \$ 3 billion nominal pesos; and the third tranche in the amount of \$ 2 billion

500 million nominal pesos on August 19, 2005. Their term is approximately 10 years, with a Cetes interest rate at 182 days plus 0.79 percentage points.

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.

As of December 31, 2005, of the \$ 7 billion 700 million issued that year, only \$ 6 billion 112 million 196 thousand had been disbursed to pay the PIDIREGAS financed debt, and a balance not yet drawn down remained in the amount of \$ 1 billion 587 million 804 thousand. This balance was totally drawn down in 2006.

On April 24, 2006, the National Banking and Securities Commission authorized a new CEBURES Program, having been issued on April 28, June 9, and October 20, 2006, in the amount of 2 billion nominal pesos in each one of these three operations. A fourth issue was made in the amount of \$ 1 billion pesos on November 30, 2006.

The term of the operations discussed 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 operations, and that of the fourth operation is set at 7.41%.

At December 31, 2006, of the \$ 7 billion nominal pesos of the four issues, a total of \$ 3 billion 631 million 952 thousand had been disbursed from the Trusts to refinance Financed Public Works 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 paying the successful contractors awarded the PIDIREGAS projects. This first issue has a 30 year term and it pays an 8.58% annual gross interest rate payable every 182 days. On February 28, 2007, the amount of \$ 1 billion 384.7 million pesos were disbursed that were used for the partial payment to the contractor awarded the PIDIREGAS project known as "el Cajon".

On August 30, 2007, the second issue at 30 years was made in the amount of \$ 1 billion pesos to cover the second payment to the contractor awarded the PIDIREGAS "El Cajon" project.

In fiscal 2007, the following 10 year issues were realized: on March 9, 2007, an issue in the amount of \$ 1 billion 750 million nominal pesos at Cetes plus 0.345% annual; on June 8, another issue also in the amount of \$ 1 billion 750 million nominal pesos, with a Cetes interest rate plus annual 0.25%; on August 17, 2007, the issue amounted to \$ 1 billion 750 million pesos at 182 day Cetes plus 0.25%, and finally on November 23, 2007, in the amount of \$ 1 billion 200 million pesos at a 182 day Cetes plus 0.30%.

During fiscal 2007, a total amount of \$ 9 billion 946.2 million pesos were disbursed from the trust for financing various payments of Financed Public Works projects.

During 2008, two issues were made: one on January 25, 2008 in the amount of \$ 2 billion pesos, and the second one on May 23, 2008 in the amount of \$ 1 billion 700 million, both at a CETES rate at 91 days plus 0.45%.

In fiscal 2008, a total amount of \$ 4 billion 827.3 million pesos were disbursed from the trust for financing various payments of Financed Public Works projects.

The following 10 year issues were realized in fiscal 2009: Three (3) issues in Investment Units (UDIs): on April 29, 2009, an issue of 285.1 million UDIs at a fixed UDIs rate of 4.80 annual, on August 7, 2009, an issue of 457.0 million UDIs at a fixed rate in UDIs of 4.60% annual, and on October 2, 2009, an issue for 618.5 million UDIs at a fixed rate in UDIs in 5.04% annual, as well as Two (2) issues in pesos: the first issue on April 29, 2009 in the amount of \$ 2 billion 594.6 million nominal pesos, and the second issue on August 7, 2009 in the amount of \$ 1 466.7 million pesos, both at a fixed annual 8.85% rate.

During fiscal 2009, a total amount of \$ 4 billion 618.3 million pesos and 676.2 million UDIs were disbursed from the trust for financing various payments of Financed Public Works projects.

During fiscal 2010, two issues were carried out: the first issue on March 26 in two tranches: the first tranche at a 10 year term for \$ 2 billion 400 million nominal pesos, and interest was paid at a 8.05% fixed annual rate, and the other tranche at a 7 year term for \$ 2 billion 600 million nominal pesos, and interest was paid at an annual rate equivalent to EIIR plus 0.52%. This issue was placed in two tranches: the first tranche at a 10 year term for \$ 3 billion 250 million nominal pesos, and interest was paid at a 0.45% fixed annual rate, and the second tranche at a 9 year term for \$ 1 billion 750 million nominal pesos, and interest was paid at an annual rate equivalent to EIIR plus 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.

14. CONDITIONED INVESTMENT (INDEPENDENT ENERGY PRODUCERS OR PEE)

At December 31, 2012, 25 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 lease agreements

The Agency has evaluated that 22 of the contracts with independent producers have lease characteristics of the power generating plant, in accordance with IFRS 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 of those lease agreements is 11.19% on the average.

	<u>Minimum lease payments</u>			<u>Present value of minimum lease payments</u>		
	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>	<u>12/31/2012</u>	<u>12/31/2011</u>	<u>12/31/2010</u>
Short-term	11,802,544	12,691,856	11,210,154	2,053,048	1,990,341	1,586,339
Between one and five years	59,012,721	63,459,279	56,050,768	14,262,059	13,785,718	10,954,980
More than five years	122,783,637	144,727,136	139,041,216	69,935,238	78,963,518	72,724,288
Final accumulated patrimony	181,796,358	208,186,415	195,091,983	86,250,345	94,739,577	85,265,607

At December 31, 2012, the financial lease obligation is itemized as follows:

Name	Date of inception of operation	Original amount of the obligation (usd)	Foreign Currency (usd)		Local currency	
			Long-term	Short-term	Long-term	Short-term
CT MERIDA III	June / 2000	242,685	190,470	7,322	2,478,030	95,255
CC HERMOSILLO	Oct/2001	156,144	133,359	3,593	1,735,008	46,741
CC SALTILLO	Nov/2001	152,383	124,669	3,983	1,621,960	51,820
TUXPAN II	Dec/2001	283,133	242,482	6,356	3,154,719	82,690
EL SAUZ BAJIO	March/2002	399,773	355,472	7,546	4,624,721	98,177
CC MONTERREY	March/2002	330,440	250,466	10,146	3,258,586	131,998
CC ALTAMIRA II	May/2002	233,234	212,076	3,791	2,759,126	49,326
CC RIO BRAVO II	May/2002	232,108	189,016	6,096	2,459,117	79,313
CC CAMPECHE	May/2002	196,554	166,488	4,543	2,166,028	59,106
CC TUXPAN III Y IV	May/2002	587,064	512,716	11,947	6,670,486	155,430
CC MEXICALI	July / 2003	569,345	452,883	15,849	5,892,051	206,196
CC CHIHUAHUA III	Sept/2003	275,327	218,746	7,701	2,845,906	100,188
CC NACO NOGALES	Oct/2003	238,016	165,202	8,379	2,149,290	109,016
CC ALTAMIRA III Y IV	Dec/2003	600,897	495,639	15,171	6,448,307	197,370
RIO BRAVO III	Apr/2004	312,602	274,831	6,115	3,575,580	79,561
CC LA LAGUNA II	March/2005	367,578	328,760	6,634	4,277,203	86,315
CC RIO BRAVO IV	Apr/2004	270,697	246,234	4,312	3,203,534	56,100
CC VALLADOLID III	June / 2006	288,160	257,660	5,443	3,352,188	70,810
CC TUXPAN V	Sept/2003	284,997	267,834	3,465	3,484,543	45,083
CC ALTAMIRA V	Oct/2003	532,113	509,949	4,783	6,634,484	62,230
CC TAMAZUNCHALE	June / 2007	482,562	452,240	6,326	5,883,691	82,306
CCC NORTE	Aug/2010	450,097	424,496	8,303	5,522,741	108,017
TOTAL			6,471,688	157,804	84,197,297	2,053,048

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
Coal Terminal

These service providing contracts are not considered as financial leases, since they do not comply with the provisions of IFRS.

15. Taxes and fees payable

Taxes payable at December 31, 2012 and 2011 are summarized as follows:

	2012	2011
Payable by CFE:		
Income Tax on		
distributable remaining balance	\$ 1,559,813	\$ 1,483,360
Income Tax for account of third parties	251,064	299,928
Contributions to the Mexican Institute of Social Security (includes Retirement Insurance)	599,980	543,820
National water use and exploitation rights	327,643	295,766
Payroll tax	31,378	42,045
Contributions to the Mexican National Workers' Housing Fund Institute	12,505	10,839
Subtotal	2,782,383	2,675,758
Withholdings by CFE		
Income Tax withheld from employee	469,529	622,348
Value added tax withholdings.	121,368	147,616
Income Tax interest abroad	7,348	9,729
Income Tax on foreign residents	4,303	2,291
Five to the thousandth to contractors	70,983	20,100
Income tax on fees and leases	8,658	10,404
Two to the thousandth to contractors	13,822	1,989
Others	85	161
Subtotal	696,096	814,638
Total	\$ 3,478,479	\$ 3,490,396

16. Unrealized Proceeds

At December 31, 2012 and 2011, 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:

	2012	2011
Contributions Government	\$ 1,888,980	\$ 774,519
Contributions from private persons	11,479,712	6,224,342
Contributions Others	667,637	289,737
	14,036,329	7,288,598
Electric power products and other related products	11,889	12,240
Unrealized products optic fiber	953,337	1,643,776
	\$ 15,001,555	\$ 8,944,614

During the year ended December 31, 2012, the Agency recorded realized products or proceeds in the statement of income in a total amount of \$568,835.

17. 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 2012 and 2011 at present value amounts to \$3,719,810 and \$3,062,733, respectively.

18. 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:

Item	2012	2011
Discount rate	6.30%	6.90%
Expected rate of return on assets	3.50%	3.50%
Rate of salary increase	3.50%	4.40%

b. Net cost of the period is summarized as follows:

Item	2012	2011
Service cost of the year	\$ 13,381,000	\$ 12,833,000
Financial cost	29,529,000	31,532,000
Net actuarial gain or loss of the period	5,656,000	7,848,000
Adjustment on early liquidation of obligations	6,616,000	3,074,000
Net cost for the period	\$ 55,182,000	\$ 54,911,000

- c. The amount included as a liability in the statements of financial position in connection with the amount that the Agency has with respect to its defined benefit plans is summarized as follows:

Item	2012	2011
Defined benefit obligations	\$ 477,026,000	446,865,473
Fair value of plan Assets	5,363,000	4,791,000
Projected net liability	\$ 471,663,000	442,074,473

In accordance with the policy described in Note 4-I, the amount of \$858,420 is capitalized in the investment in construction-in-progress.

In addition to the policy discussed in the above paragraph, CFE recognized the amount of \$1,875,153 for recognition of workers' seniority of primarily temporary workers as a cost of investment of the year, related directly to the works realized for the Entity for the modernization of its Electric Infrastructure.

- d. The economic hypotheses in nominal and real terms used were:

Item	2012	2011
Discount rate	6.30%	6.90%
Expected rate of return on assets	3.50%	3.50%
Rate of salary increase	3.50%	4.40%

- e. Net cost of the period is summarized as follows:

Item	2012	2011
Service cost of the year	\$ 13,381,000	\$ 12,833,000
Financial cost	29,529,000	31,532,000
Net actuarial gain or loss of the period	5,656,000	7,848,000
Adjustment on early liquidation of obligations	6,616,000	3,074,000
Net cost for the period	\$ 55,182,000	\$ 54,911,000

- f. The amount included as a liability in the statements of financial position in connection with the amount that the Agency has with respect to its defined benefit plans is summarized as follows:

Item	2012	2011
Defined benefit obligations	\$ 477,026,000	446,865,473
Fair value of plan assets	5,363,000	4,791,000
Projected net liability	\$ 471,663,000	442,074,473

In accordance with the policy described in Note 4-I, the amount of \$858,420 is capitalized in the investment in construction-in-progress.

In addition to the policy discussed in the above paragraph, CFE recognized the amount of \$1,875,153 for recognition of workers' seniority of primarily temporary workers as a cost of investment of the year, related directly to the works realized for the Entity for the modernization of its Electric Infrastructure.

- g. Reconciliation between opening and final balances of the present value of the Defined Benefit Obligation (DBO).

Item	2012	2011
Opening balance: (nominal)	\$ 446,865,000	\$ 407,988,473
Labor cost of present service	13,381,000	12,833,000
Financial cost	29,859,000	31,531,000
Actuarial gains and losses	8,788,000	(24,994,000)
Benefits paid	(21,867,000)	19,507,000
Defined benefit obligations	\$ 477,026,000	\$ 446,865,473

- h. Reconciliation between opening and final balances of fair value of plan assets.

Item	2012	2011
Opening balance: (nominal)	\$ 4,791,000	\$ 4,418,000
Return on assets included in plan	241,000	-
Benefits paid	-	-
Expected returns	331,000	375,000
Early liquidations actuarial Gain or Loss AP	4,791,000	(2,000)
Defined benefit obligations	\$ 5,363,000	\$ 4,791,000

- i. The most significant assumptions used in the determination of the net cost of the period of the plans are as follows:

Item	2012	2011
Discount rate	6.90%	6.90%
Rate of salary increase	4.40%	4.40%
Expected rate of return on plan assets	3.50%	4.50%

- j. Amortization period of unamortized items for the pension plan and seniority bonus for retirement or substitutive retirement.

<u>Retirement benefits:</u>		<u>Years</u>
Seniority bonus	Amendments of plan and wage growth	2
Pensions	Amendments of plan and wage growth	2
<u>Termination benefits</u>		
Seniority bonus	Amendment of plan	2
Compensations and indemnifications	Amendment of plan	2

k. Collective bargaining agreement

On August 18, 2008, the CFE and the Sole Union of Electricity Workers of the Mexican Republic (SUTERM) signed the CFESUTERM 20/2008 agreement about the pension regime for workers who joined the Agency, 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%), thereby resulting in a total of 12.5%.
- Contributions will increase in the same proportion until they reach a total of 16.7% in a 10 year period. Accordingly, 6.7% applies to the worker and 10% to CFE.
- 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 to obtain their retirement is increased by five years, except for those life lines that maintain the same number of years of service.

19. Patrimony

The restatement of patrimony is distributed among each one of its distinct components, as shown below

	2012			2011
	Par value	Restatement	Total	Total
Accumulated patrimony	\$ (96,645,915)	\$ 239,243,076	\$ 142,597,161	\$ 209,859,851
Payment of public use tax Federal Revenue Law of the Federal Government	(24,757,200)		(24,757,200)	(23,920,000)
Contributions received from Federal Government	15,000,000		15,000,000	19,134,600
Charge to patrimony for employee benefits	(2,876,382)		(2,876,382)	
Effect of adoption of IFRS				(2,136,110)
Effect of financial instruments on patrimony:	(1,603,750)		(1,603,750)	154,653
Net income for the period	(19,215,614)		(19,215,614)	(60,495,833)
	<u>\$ (130,098,861)</u>	<u>\$ 239,243,076</u>	<u>\$ 109,144,215</u>	<u>\$ 142,597,161</u>

20. Other (expenses) income, net

At December 31, 2012 and 2011, other net (expenses) incomes are summarized as follows:

	2012	2011
Other revenue	\$ 7,889,433	\$ 5,846,592
Other expenses	(4,171,530)	(5,000,105)
External electric power producers, net	71,125	32,661
Total	<u>\$ 3,789,028</u>	<u>\$ 879,148</u>

21. Income tax on the distributable remaining balance

In accordance with the provisions of the Income Tax Law, the Agency 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, pursuant to the provisions of Article 95 (last paragraph of the Income Tax Law).

During the periods ended December 31, 2012 and 2011, the Agency was subject to Income Tax on the distributable remaining balance in the amount of \$1,579,811 and \$1,489,568, respectively, which were determined in accordance with Article 95 last paragraph and Article 192 of the Income Tax Law.

The agency is not a taxpayer of IETU, in accordance with the provisions set forth in Subsection I of Article 4 of the IETU Law.

22. Transactions with the Federal Government

The main transactions carried out with the Federal Government in the years ended December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Rate Insufficiency	\$ 77,036,195	\$ 84,685,944
Less: Public us tax payable by CFE by applying a 9% rate on the net fixed assets in operation of the prior year	<u>44,779,134</u>	<u>57,292,226</u>
Net gain or loss on insufficiency and public use tax	32,257,061	27,393,718
Less: Charge off of insufficiency not covered by the public use tax	<u>32,257,061</u>	<u>27,393,718</u>
	\$ <u>-</u>	\$ <u>-</u>

During fiscal 2012, public use tax was determined in the amount of \$44,779,134 (\$57,292,228 in 2011), which was reduced in the same amount for rate insufficiency for both years.

The amount of the public use tax of fiscal 2012 was calculated based on the amendment realized to the Regulations of the LSPEE, which sets forth the concept of "net fixed asset in operation", as described in Note 4q1.

23. Comprehensive Loss

Comprehensive loss at December 31, 2012 and 2011 is summarized as follows:

	<u>2012</u>	<u>2011</u>
Loss as per statements of income	\$ (19,215,614)	\$ (60,495,833)
Effect of the period for financial instruments recorded in accumulated patrimony	(1,603,750)	154,653
Charge to patrimony for employee benefits	(2,876,382)	
Effect of adoption of IFRS	-	(2,136,110)
	<u>(4,480,132)</u>	<u>(1,981,457)</u>
Comprehensive loss	\$ <u>_(23,695,746)</u>	\$ <u>(62,477,290)</u>

24. Foreign currency position

	Assets			Liabilities		
	Cash and cash equivalents	Trade payables		Internal debt	Foreign Debt	Short position in foreign currency
US dollars	1,690	68,826	1,181	3,659,907	8,949,020	12,677,244
Euros				31,121	-	31,121
Japanese yen	5,410,738			37,955,827		32,545,089
Swiss francs				77,682		77,682
Swedish krona				11,434		11,434

These foreign currency assets and liabilities were translated into local currency at the exchange rate established by the Governmental Accounting Unit and Reports on Public Management, in the service of the SHCP, in accordance with the administrative order denominated "Exchange rates of foreign currencies for accounting closings" at December 31, 2012, as follows:

Currency	2012	2011
US dollars	\$ 13.0101	\$ 13.9904
Euros	17.1968	18.1595
Japanese yen	0.1507	0.1813
Swiss francs	14.2451	14.9199
Swedish krona	2.0007	2.0378

25. Contingencies and commitments

Contingencies

The Agency has approximately 35,282 lawsuits and administrative proceedings pending at December 31, 2012, whose economic effects are varied. The contingent amounts claimed against the Agency 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 GNL storage plant and / or continental natural gas with the supplier Sempra LNG Marketing Mexico, S. de R. L. de C. V.
- 2.- Service Contract for the Receipt, Storage, and Reclassification of Liquid Natural Gas and deliveries of Natural Gas to the Commission 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., Kopgamex Investment Manzanillo B.V, SAM Investment Manzanillo B.
- 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.

Due to some Force Majeure events, as well as tanker delays and cancellations, Gas del Litoral has been incurring in a deficit in the delivery of gas on an average of 3,878 MMBtu/Month (3500 MMPC/ Month): therefore, consumption does not coincide with the firm base.

b. Financed Public Works Contracts

At December 31, 2012, 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 Agency. 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:

Projects	Capacity		Estimated amount of the contract stated in thousands of		Operating _ stage
	Km-c	MVA	US dollars	Pesos	
SLT 1201 Transmission and Transformation Baja California F3 SE 1110 Capacitative	5.6	40.0	8,660	112,667	January 2013
Compensation North F1 C2			16,380	213,105	July 2012 (*)
SLT 1111 Transmission and Transformation Central Western F1 C2	150.5		23,970	311,852	February 2012
SE 1003 Electric Substations West F1 C3	29.0	500.0	36,980	481,113	February 2013
LT 1106 Transmission Network Assoc with CC Agua Prieta II	164.4		34,500	448,8480	February 2013
SE 1124 Central Bajío (Dist) F3	28.8		6,890	89,640	Dec. 2012 (*)
SLT 1203 Transmission and Transformation East Southeast F2	42.6	30.0	8,920	116,050	January 2013
SE 1210 North Northwest Dist F7	46.9	30.0	6,470	84,175	January 2013
SLT 1601 Transmission and Transformation Northwest North F1	29.2	133.3	15,110	196,583	January 2013
SLT 1114 Transmission and Transformation Eastern F1 C3	183.2	1,000.0	81,960	1,066,308	January 2013
SE 1420 Distribution North F1		50.0	5,110	66,482	February 2013
SLT 1111 Transmission and Transformation Central Western F1 F2	35.4	300.0	19,990	260,072	February 2013
SE 1211 Northeast Bajío (Dist) F2	15.7	90.0	15,260	198,534	February 2013
SE 1320 Distribution Northwest F2	4.2	2.0	7,640	99,397	February 2013
SE 1212 South Peninsular Dist F7	2.3	30.0	10,200	132,703	February 2013
SE 1321 Distribution Northeast F3	2.5	30.0	3,820	49,699	March 2013
SE 1116 Transformation Northeast F3	85.7	500.0	44,300	576,347	April 2013
SLT 1404 East Substations	48.6	325.0	16,720	217,529	April 2013
SE 1120 Northeast Dist F2	20.1	30.0	6,300	81,964	May 2013
SE 1321 Distribution Northeast F4			1,900	24,719	June 2013
SE 1431 Distribution South F1 C2	8.9	50.0	10,380	135,045	July 2013
SE 1322 Distribution Central F2	47.5	20.0	8,400	109,285	July 2013
SE 1212 South Peninsular Dist F2		60.0	3,590	46,706	July 2013
SE 1520 Distribution Central F2		1.0	0.630	8,200	August 2013
SE 1320 Distribution Northwest F4	88.0	80.0	12,920	168,091	September 2013
SLT 1112 Transmission and	201.0		45,880	596,903	

Projects	Capacity		Estimated amount of the contract stated in thousands of		Operating stage
	Km-c	MVA	US dollars	Pesos	
Transformation Northwest F3					November 2013
SLT 1601 Transmission t Transfor	130.6		17,980	233,922	December 2013

Note: (*) These OPF projects were re-scheduled due to the delay of the work for its delivery

Power stations:

Project	Capacity MVA	Estimated amount of the contract stated in thousands of		Operating stage
		US dollars	Pesos	
CG Los Humeros II Stage B	25.0	48,100	625,786	January 2013
CCI Guerrero Negro III	11.0	25,300	329,156	April 2013
CC Re-potential Manzanillo I U1 y U2	1,413.4	981,300	12,766,811	February 2013
Acq. Gas Turbines Steam CC Agua Prieta II		121,000	1,574,222	April 2013
CC Agua Prieta II C2	394.1	251,700	3,274,642	April 2013
CCC Cogeneration Salamanca F1	373.1	319,900	4,161,931	February 2014
CCI Baja California Sur IV	42.3	91,200	1,186,521	December 2013
TG Baja California II F1 C2 (Ensenada)	135.0	103,900	1,351,749	October 2013
CC Power Station I	642.3	439,800	5,721,842	December 2013

Rehabilitation and/or Modernization Projects

Stage	Estimated amount of the contract stated in thousands of		Project transaction
	US dollars	Pesos	
RM CCC Poza Rica	136,800	\$ 1,779,782	May 2013
RM CCC El Zauz Package 1	150,000	1,951,515	July 2013
RM CCC El Zauz Package 1 F2	8,700	113,188	July 2013

These projects are recorded under the PIDIREGAS scheme, and CFE applies the accounting policy described in Note 4-f. 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 21 (twenty-one) 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 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 Públicos, S.N.C.;	CFE

The Trust for Thermal Insulation of Housing (FIPATERM) has assets at December 2012 amounting to \$1,172,400 and liabilities amounting to \$ 25,255.

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 20930, organized on June 30, 2000	CFE	Primary beneficiary Winners of the contracts. Secondary beneficiary CFE	Banobras, S.N.C.	Conditioned investment

The Prior Expenses Management Trust has assets amounting to \$4,516,025 and liabilities amounting to \$4,269,208.

The Management and Transfer of Ownership Trust 2030 has assets amounting to \$ 338,586 and liabilities amounting to \$ 10.

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 Controllershship 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
	Trutor	Beneficiary of the trust:	
**Topolobampo II (Electrolyser, S. A. de C. V.), organized on November 14, 1991	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: Electrolyser, S. A. de C. V., with respect to its contribution and Secondary beneficiary: CFE	Santander, S. A.

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-Electrica del Pacifico, S.A. de C.V. and CFE.	CFE	BANCOMEXT
C.C.C. Monterrey II, built on October 17, 1997	Monterrey Power, S.A. de C. V. and CFE.	CFE	Nacional Financiera, S.N.C.
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 Thursday, 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,
SE 212 Substations SF6 Potencia, built on August 21, 1997	Siemens Proyecto de Energía, S.A. de C.V.	CFE	Nacional Financiera, S.N.C.
SE 213 Substations, built on August 25, 1997	Siemens Proyecto de Energía, S.A. de C.V.	CFE	Nacional Financiera, S.N.C.
LT 215 Alstom CEGICA, built on December 5, 1997	CEGICA, S. A. de C. V.	CFE	BANCOMEXT
SE 218 Northwest, built on December 5, 1997	Dragados y CYMI, S. A. de C. V.	CFE	BANCOMEXT
SE 221 Western, built on November 7, 1997	SPE Subestaciones AEG, S. A. de C. V.	CFE	Nacional Financiera, S.N.C.

At December 31, 2012, CFE has liabilities amounting to \$6,644,344 and fixed assets amounting to \$18,523,585, applicable to the CATs of the trusts referred to above.

Terminal de Carbón de CT Presidente Plutarco Elías Calles

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Terminal de Carbón CT Presidente Plutarco Elías 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.

Installation	Book entry of fixed charge for capacity of Jan-Dec 2012
Carbon Petacalco	\$ 89,763

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-d).

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	Equity 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	Primary beneficiary Each one of the preferred holders of each issue	Banamex

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
	Grupo Financiero Secondary beneficiary Deutsche Securities, S. A. de C. V. and Casa de Bolsa.	Secondary beneficiary: CFE	
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 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 México, S.A., Grupo Financiero HSBC
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, 2012, there are funds available in trust No. 232246 amounting to \$130,140.

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 14 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

Registry of Trusts with SHCP		
No.	Trusts	Registry
6	C. T. Monterrey II	199818TOQ00850
7	C. G. Cerro Prieto IV	199818TOQ00860

26. Off-balance sheet items

The off-balance sheet items presented in the balance sheet at December 31, 2012 and 2011 consist of the following items:

Item	2012	2011
Off-balance sheet items of assets under gratuitous loan		
Assets	\$ <u>106,933,274</u>	\$ <u>106,496,000</u>
Liabilities	\$ <u>(106,933,274)</u>	\$ <u>(106,496,000)</u>
Off-balance sheet items of management of portfolio of extinguished Luz y Fuerza del Centro		
Assets	\$ <u>5,965,846</u>	\$ <u>13,860,274</u>
Liabilities	\$ <u>(5,965,846)</u>	\$ <u>(13,860,274)</u>
Total off-balance sheet items	\$ <u>112,899,120</u>	\$ <u>120,356,274</u>
Total off-balance sheet items liabilities	\$ <u>(112,899,120)</u>	\$ <u>(120,356,274)</u>

27. Direct and conditioned financed investment

In accordance with Article 4 of the Revenue Law for fiscal 2012, annual revenues generated by direct and conditioned financed investment projects during the effectiveness of their financing may only be appropriated to the payment of obligations attributable to the project itself every year, including all their operating, maintenance and other associated expenses in the terms of the Federal Spending Budget.

The net (cash) flow of direct investment long-term productive infrastructure projects in operation is shown in the chart, in accordance with the following distribution with amounts in millions of pesos:

	Name of project	Revenues	Amortization of capital	Conservation and non-programmable	financial maintenance	Remaining balance
CC	Chihuahua	5,415.2	292.8	845.3	56.1	4,221.2
CC	Monterrey II	5,623.1	12.2	1,017.1	14.4	4,579.4
CC	Rosarito III (Units 8 and 9)	1,670.7	282.7	999.1	270.0	119.0
CC	El Sauz conversion from TG to CC	5,389.9	127.2	1,565.1	17.9	3,679.8
CC	Hermosillo conversion from TG to CC	3,187.7	85.7	603.3	13.5	2,485.2
CC	El Encono conversion from TG to CC	3,039.3	81.0	168.5	26.8	2,763.0
CC	San Lorenzo conversion from TG to CC	5,663.7	134.2	325.2	87.2	5,117.1
CC	Re-potentialization CT Manzanillo I U-1 and 2	1,930.6	503.0	144.7	299.3	983.6

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	<u>Name of project</u>	<u>Revenues</u>	<u>Amortization of capital</u>	<u>Conservation and non- programmable</u>	<u>financial maintenance</u>	<u>Remaining balance</u>
CCC	Pacific	8,167.4	890.4	177.1	338.1	6,761.9
CCC	Baja California	870.1	252.1	558.0	123.0	-62.9
CCI	Guerrero Negro II	223.9	31.0	0.1	6.8	185.9
CCI	Baja California Sur I	543.1	68.0	356.8	15.0	103.3
CCI	Baja California Sur II	758.1	73.2	431.1	15.1	238.7
CCI	Baja California Sur III	27.5	60.8	138.4	9.1	-180.9
CD	Puerto San Carlos II	232.6	0.0	245.4	0.0	-12.8
CE	La Venta II	322.3	78.5	49.4	40.2	154.1
CG	Cerro Prieto IV	365.0	13.7	178.3	15.6	157.5
CG	Los Azufres II and Geothermal Field	1,356.7	156.6	122.3	16.5	1,061.3
CH	Manuel Moreno Torres (2nd Stage)	5,742.5	137.9	68.0	35.5	5,501.0
CH	La Yesca	126.7	0.0	0.0	0.0	126.7
CH	El Cajón	756.1	356.2	44.1	307.2	48.6
CT	Samalayuca II	7,505.9	168.9	1,287.5	325.3	5,724.2
	Total power stations	58,918.1	3,806.1	9,324.8	2,032.6	43,754.9

	<u>Name of project</u>	<u>Revenues</u>	<u>Amortization of capital</u>	<u>Conservation and non- programmable</u>	<u>financial maintenance</u>	<u>Remaining balance</u>
RM	Adolfo Lopez Mateos	729.6	33.8	0.0	5.3	690.5
RM	Altamira	403.1	58.7	0.0	21.2	323.2
RM	Botello	74.4	8.5	0.0	1.5	64.4
RM	Carbón II	523.8	14.6	0.0	3.0	506.2
RM	Carlos Rodríguez Rivero	347.2	21.1	0.0	4.3	321.8
RM	Dos Bocas	693.7	19.2	0.0	3.5	671.0
RM	Emilio Portes Gil	55.8	0.3	0.0	0.1	55.4
RM	Gómez Palacio	426.0	35.9	0.0	7.0	383.1
RM	Ixtaczoquitlán	12.4	1.2	0.0	0.2	10.9
RM	Gral. Manuel Álvarez Moreno (Manza.)	791.7	53.9	0.0	8.5	729.4
RM	Puerto Libertad	208.5	14.2	0.0	2.2	192.0
RM	Punta Prieta	175.0	13.2	0.0	2.7	159.1
RM	Salamanca	302.3	35.4	0.0	5.7	261.2
RM	Tuxpango	219.2	20.1	0.0	3.3	195.8
RM	Valle de México	135.9	7.7	0.0	1.4	126.7
RM	Cerro Prieto (U 5)	111.4	41.3	0.0	28.7	41.4
RM	Carbón II Units 2 and 4	492.5	16.1	0.0	2.8	473.7
RM	Pdte. Plutarco Elías Calles Units 1 and 2	194.5	23.6	0.0	5.4	165.5
RM	Infiernillo	62.0	26.0	0.0	9.4	26.6
RM	Puerto Libertad Unit 4	282.5	14.3	0.0	3.1	265.1
RM	Huinalá II	49.0	2.0	0.0	0.6	46.5
RM	Laguna Verde	3,077.3	349.9	0.0	372.7	2,354.7
RM	Punta Prieta Unit 2	80.4	6.2	0.0	1.8	72.5
RM	Francisco Pérez Ríos	1,063.0	138.5	0.0	38.1	886.4
RM	Huinalá	52.3	0.7	0.0	0.1	51.5
RM	José Aceves Pozos (Mazatlán II)	245.7	15.8	0.0	3.3	226.6
RM	Tula	83.5	6.2	0.0	1.3	76.0
RM	Emilio Portes Gil Unit 4	168.5	42.7	0.0	9.1	116.8
RM	Francisco Perez Rios Unit 5	513.9	34.5	0.0	7.0	472.4
RM	Pdte. Adolfo Lopez Mateos Units 3, 4, 5 and 6	1,213.1	48.8	0.0	12.0	1,152.4

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	<u>Name of project</u>	<u>Revenues</u>	<u>Amortization of capital</u>	<u>Conservation and non- programmable</u>	<u>financial maintenance</u>	<u>Remaining balance</u>
RM	Francisco Perez Rios Unit 1 and 2	1,530.2	247.1	0.0	103.8	1,179.4
RM	Valle de Mexico Units 5, 6 and 7	9.3	5.5	0.0	1.1	2.6
RM	Samalayuca II	63.7	1.3	0.0	0.3	62.1
RM	El Sauz	154.9	4.6	0.0	1.2	149.0
RM	Puerto Libertad Unidades 2 y 3	518.8	34.1	0.0	10.4	474.4
Total Rehabilitation and Modernization		15,065.1	1,397.0	0.0	682.1	12,986.3

	<u>Name of project</u>	<u>Revenues</u>	<u>Amortization of capital</u>	<u>Conservation and non- programmable</u>	<u>financial maintenance</u>	<u>Remaining balance</u>
PRR	Reguladora Amata Dam	144.6	14.4	19.3	2.3	108.6
RFO	Optic Fiber Network South Project	348.4	32.7	75.3	7.8	232.6
RFO	Optic Fiber Network Central Project	514.8	51.8	153.7	22.0	287.3
RFO	Optic Fiber Network North Project	436.8	51.3	106.5	13.4	265.7
Total Others		1,444.6	150.2	354.8	45.5	894.2

	<u>Name of project</u>	<u>Revenues</u>	<u>Amortization of capital</u>	<u>Conservation and non- programmable</u>	<u>financial maintenance</u>	<u>Remaining balance</u>
LT	211 Submarine Cable	0.0	0.0	0.0	0.0	0.0
LT	214 and 215 Southeast - Peninsular	626.1	118.0	29.4	56.8	422.0
LT	216 and 217 Northeast	0.0	0.0	0.0	0.0	0.0
LT	301 Central	1.3	0.0	1.3	0.0	0.0
LT	302 Sureste	1.2	0.0	1.2	0.0	0.0
LT	303 Ixtapa - Pie de la Cuesta	0.7	0.0	0.7	0.0	0.0
LT	304 Northwest	1.1	0.0	1.1	0.0	0.0
LT	406 Network associated with Tuxpan II, III and IV	1,779.5	76.1	17.7	8.0	1,677.7
LT	407 Network associated with Altamira II, III and IV	1,660.2	227.1	68.0	17.9	1,347.2
LT	408 Naco - Nogales - Northwest Area	164.8	44.5	16.8	2.6	100.9
LT	411 National System	545.0	140.4	24.4	12.8	367.4
LT	Manuel Moreno Torres Associated Network (2nd Stage)	540.0	328.1	50.4	38.3	123.2
LT	414 North - West	339.4	86.2	14.9	9.4	228.9
LT	502 East - North	92.0	17.7	9.0	3.7	61.6
LT	506 Saltillo-Cañada	1,100.8	286.8	37.8	32.8	743.3
LT	Network Associated with Tamazunchale Power Station	1,142.7	120.6	27.3	32.9	961.9
LT	Network Associated to the Rio Bravo III Power Station	826.1	49.7	22.1	7.3	746.9
LT	609 Transmission Northwest - West	585.7	137.9	31.7	21.8	394.3
LT	610 Transmission Northwest - North	489.7	175.2	42.1	44.0	228.4
LT	612 Subtransmission North - Northeast	137.8	33.4	4.4	6.9	93.1
LT	613 Subtransmission Western	140.9	32.7	5.4	7.7	95.1
LT	614 Subtransmission Eastern	81.0	21.1	1.1	3.9	54.9
LT	615 Subtransmission Peninsular	120.0	29.2	4.1	5.7	81.0
LT	Transmission Network Associated with the CCI Baja California Sur I	18.3	27.5	4.6	3.0	-16.9
LT	1012 Transmission Network Associated with the CCC Baja California	80.4	14.6	0.5	4.3	61.0
LT	Central Lines	30.9	7.3	1.4	1.3	20.8

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LT	Transmission Network Associated with the CH El Cajon	159.9	76.8	13.7	15.8	53.6
LT	Transmission Network Associated with Altamira V	1,081.7	87.6	21.8	26.5	945.7
LT	Transmission Network Associated with the La Laguna II	316.9	23.3	2.2	6.1	285.3
LT	Transmission Network Associated with the Pacific	1,006.1	81.6	30.6	53.4	840.5
LT	707 North-South Link	208.4	37.9	23.0	8.3	139.3
LT	Riviera Maya	199.9	42.2	12.2	11.1	134.5
LT	807 Durango 1	164.1	37.3	9.0	7.4	110.5
LT	Transmission Network Associated with the CE La Venta II	29.4	11.8	0.7	6.7	10.2
LT	Transmission Network Associated with the CC San Lorenzo	273.0	6.3	0.2	1.9	264.6
LT	Transmission Network Associated with the CH La Yesca	12.3	66.5	10.7	42.0	-107.0
LT	Transmission Network Associated with the CC Agua Prieta II	0.0	3.4	1.3	0.7	-5.4
LT	Transmission Network Associated with the CE La Venta III	22.2	2.3	0.5	0.9	18.5
LT	Transmission Network Associated with temp. open proj. and Oax. II, III and IV	192.9	55.8	32.4	34.1	70.6
LT	Transmission Network Associated with the CG Los humeros II	0.0	4.0	0.1	2.5	-6.6
LT	Transmission Network Associated with the CI Guerrero Negro II	0.0	1.5	0.3	1.3	-3.0
LT	Transmission Network Associated with the CCC Norte II	0.0	0.0	0.9	0.0	-0.9
Total Transmission Lines		14,172.4	2,512.4	577.0	539.8	10,543.1

	<u>Name of project</u>	<u>Revenues</u>	<u>Amortization of capital</u>	<u>Conservation and non- programmable</u>	<u>financial maintenance</u>	<u>Remaining balance</u>
SE	212 and 213 SF6 Power and Distribution	940.6	131.6	40.3	134.0	634.7
SE	218 Northwest	202.1	28.9	26.5	12.1	134.6
SE	219 Southeast - Peninsular	0.0	0.0	0.0	0.0	0.0
SE	220 Eastern - Central	0.0	0.0	0.0	0.0	0.0
SE	221 Occidental	380.0	65.2	35.7	24.3	254.7
SE	305 Central - Eastern	1.3	0.0	1.3	0.0	0.0
SE	306 Southeast	1.5	0.0	1.5	0.0	0.0
SE	307 Northeast	1.3	0.0	1.3	0.0	0.0
SE	308 Northwest	2.5	0.0	2.5	0.0	0.0
SE	401 Western - Central	285.4	76.7	11.2	4.8	192.7
SE	402 Eastern - Peninsular	393.8	107.1	13.3	6.7	266.7
SE	403 Northeast	115.8	23.5	13.6	1.3	77.4
SE	404 Northwest - North	0.8	0.0	0.8	0.0	0.0
SE	405 High Tension Compensation	57.4	11.5	6.8	0.7	38.4
SE	410 National System	1,196.3	288.5	85.6	17.9	804.2
SE	412 Compensation North	117.7	29.7	7.0	1.8	79.2
SE	413 Northwest - West	312.4	69.1	24.2	9.2	209.8
SE	503 Eastern	104.9	28.6	3.8	1.7	70.9
SE	504 North - Western	216.5	56.5	8.6	5.1	146.3
SE	607 Bajio System - Eastern	420.8	87.0	41.9	10.0	281.8
SE	611 Subtransmission Baja California	156.5	35.0	7.2	8.7	105.5

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	- Northwest					
SE	Norte	38.4	8.8	2.4	1.4	25.9
SE	705 Condensers	76.5	3.7	9.0	0.6	63.2
SE	708 Dynamic Compensation Eastern					
	- North	241.3	48.2	23.8	7.6	161.7
SE	811 Northwest	52.8	12.0	2.7	2.4	35.6
SE	813 Bajío Division	248.5	59.0	5.5	15.9	168.1
SE	911 Northeast	44.6	9.8	2.3	1.8	30.7
SE	912 Eastern Division	35.9	12.6	2.8	4.5	15.9
SE	915 Western	52.1	12.2	1.1	3.6	35.3
SE	1004 Dynamic Compensation					
	Central Area	90.0	18.1	7.8	3.7	60.4
SE	1110 Capacitative Compensation -					
	North	60.2	10.2	20.7	4.8	24.4
SE	1116 Transformation - North	548.8	163.2	44.7	109.8	231.1
SE	1117 Transformation of Guaymas	44.3	11.6	3.2	10.4	19.1
SE	1120 Northwest	161.9	44.0	8.5	22.3	87.2
SE	1122 North Gulf	248.8	40.4	7.4	27.2	173.7
SE	1124 Central Bajío	91.0	38.2	5.3	18.0	29.5
SE	1125 Distribution	539.6	101.9	17.2	55.7	364.9
SE	1127 Southeast	54.5	26.7	1.3	11.4	15.1
SE	1128 Central South	33.0	9.2	7.0	4.9	11.9
SE	1129 Network Compensation	48.2	23.6	4.3	9.9	10.5
SE	1205 Eastern Compensation -					
	Peninsular	44.4	10.1	3.9	6.3	24.2
SE	1212 South Peninsular	139.5	28.0	14.1	15.0	82.4
SE	1202 Power Supply to the Manzanillo					
	Zone	281.1	48.8	14.6	28.4	189.4
SE	1211 Northeast - Central	39.1	11.8	12.7	4.7	10.0
SE	1210 North-Northwest	234.8	101.1	14.8	53.0	65.9
SE	1320 Northwest Distribution	62.7	19.8	9.9	10.9	22.2
SE	1403 Capacitative Compensation of					
	the Northwest-North Areas	29.6	9.7	7.1	4.3	8.5
SE	812 North Gulf	26.1	6.0	1.2	1.2	17.6
SE	914 Central South Division	81.7	14.2	4.4	8.1	55.0
SE	1006 Central South	23.5	12.1	2.3	7.5	1.6
SE	1005 Northwest	180.5	82.5	6.4	32.1	59.4
SE	1003 West Electric Substations	87.6	36.3	14.7	16.0	20.5
SE	1121 Baja California	32.2	5.9	1.4	3.2	21.7
SE	1123 North	35.5	5.0	4.7	2.2	23.7
SE	1206 Conversion to 400 kV of the LT					
	Mazatlan II - La Higuera	186.4	56.4	21.1	36.6	72.2
SE	1213 Network Compensation	262.9	66.9	12.8	34.0	149.1
SE	1323 South Distribution	59.0	18.7	14.5	8.3	17.5
SE	1322 Central Distribution	19.4	6.8	4.3	3.0	5.3
SE	1321 Northeast Distribution	76.5	32.2	12.4	14.2	17.7
SLT	701 West - Central	357.8	89.1	3.1	23.1	242.5
SLT	702 Southeast - Peninsular	146.9	32.6	2.9	12.0	99.4
SLT	703 Northeast - North	99.9	21.2	6.3	5.1	67.2
SLT	704 Baja California - Northwest	285.6	7.7	15.3	1.2	261.4
SLT	706 North Systems	828.3	187.5	41.3	41.2	558.3
SLT	709 South Systems	1,024.0	113.2	68.9	17.9	824.1
SLT	801 Altiplano (Plateau)	447.4	95.0	31.2	20.5	300.8
SLT	803 NOINE	244.7	74.6	0.6	18.5	150.9
SLT	806 Bajío	204.8	121.6	18.6	34.5	30.1
SLT	901 Pacific	106.4	44.6	16.8	12.9	32.0
SLT	902 Istmo (Isthmus)	382.2	89.4	18.7	23.1	250.9

	<u>Name of project</u>	<u>Revenues</u>	<u>Amortization of capital</u>	<u>Conservation and non- programmable</u>	<u>financial maintenance</u>	<u>Remaining balance</u>
SLT	1002 Northeast -Southeast Compensation and Transmission	202.4	84.8	23.0	27.4	67.2
SLT	1111 Transmission and Transformation / Central-Western	37.5	11.5	12.0	5.4	8.6
SLT	1112 Transmission and Transformation / Northeast	315.4	45.9	17.3	16.6	235.6
SLT	1119 Transmission and Transformation of the Southeast	788.5	153.0	26.5	93.8	515.3
SLT	1204 Conversion to 400 kv of the Peninsular Area	485.3	192.9	62.4	85.2	144.9
SLT	1203 Transmission and Transformation / Eastern Southeast	618.0	189.8	13.2	95.3	319.7
SLT	1201 Transmission and Transformation / Baja California	235.9	40.6	8.5	27.5	159.3
SLT	Transmission Network Associated with Manzanillo I U-I and 2	446.8	54.0	0.3	24.4	368.0
SLT	1303 Transmission and Transformation / Baja Northwest	30.1	16.2	5.9	6.3	1.7
SLT	1401 Ses and LTS of the Baja California and Northwest Areas	227.7	57.9	20.5	28.4	120.9
SLT	802 Tamaulipas	390.0	77.6	31.0	19.5	261.9
SLT	903 Cabo - North	291.1	64.7	14.2	16.0	196.2
SLT	1001 Transmission Network / Baja- Nogales	151.1	35.1	5.1	8.9	102.0
SLT	1118 Transmission and Transformation / North	134.3	37.8	12.6	15.5	68.4
SLT	1304 Transmission and Transformation of the East	34.6	12.1	10.5	4.7	7.2
SLT	1402 Change of LT Tension Culiacan-Los Mochis	164.9	42.7	19.1	29.4	73.7
SUV	Steam Supply to Cerro Prieto Power Stations	278.7	127.9	190.6	23.2	-63.1
SUV	970 T/h Supply to Cerro Prieto Power Stations	174.8	187.2	126.7	83.9	-223.1
Total Substations		18,655.6	4,572.8	1,510.5	1,664.6	10,907.0
Total Direct Investment Projects		108,255.8	12,438.5	11,767.1	4,964.6	79,085.5

The amounts shown are those reported up to December 2012.

The net (cash) flow of conditioned investment long-term productive infrastructure projects in operation is shown in the chart (in millions of pesos), in accordance with the following distribution:

		(Millions of pesos)			
		Revenues	Charges		Net flow
Name of project			Fixed	Variable	
CT	Merida III	5,124.2	628.1	921.4	3,574.7
CC	Altamira II	5,498.8	395.7	846.7	4,256.4
CC	Bajío	7,728.4	905.5	1,629.4	5,193.5
CC	Campeche	2,358.2	518.3	440.4	1,399.4
CC	Hermosillo	4,474.5	455.9	684.5	3,334.2
CC	Monterrey III	6,374.8	748.9	917.8	4,708.1
CC	Naco-Nogales	3,907.5	413.2	586.4	2,907.9
CC	Rio Bravo II	5,860.4	508.4	984.5	4,367.6
CC	Mexicali	1,592.6	850.2	735.0	7.5
CC	Saltillo	3,169.5	387.9	475.0	2,306.5
CC	Tuxpan II	7,361.4	826.9	1,026.2	5,508.3
CC	Altamira III y IV	12,536.9	1,511.1	2,227.1	8,798.6
CC	Chihuahua III	3,497.3	440.0	602.6	2,454.6
CC	La Laguna II	7,742.9	1,152.7	1,226.2	5,364.0
CC	Rio Bravo III	6,025.0	875.8	1,012.4	4,136.9
CC	Tuxpan III y IV	12,626.3	1,070.4	2,016.6	9,539.3
CC	Altamira V	11,201.5	1,674.4	1,923.0	7,604.1
CC	Tamazunchale	13,002.3	1,720.5	2,077.5	9,204.3
CC	Río Bravo IV	6,138.9	716.2	923.2	4,499.5
CC	Tuxpan V	5,125.0	756.8	802.0	3,566.2
CC	Valladolid III	4,579.5	614.6	617.5	3,347.4
CE	La Venta III	220.4	0.0	203.6	16.8
CE	Oaxaca I	304.6	0.0	117.8	186.8
CE	Oaxaca II and CE Oaxaca III and CE Oaxaca IV	1,964.8	0.0	1,200.6	764.2
CCC	Norte	6,843.9	933.7	1,097.6	4,812.6
SUBTOTAL CCC		145,259.6	18,105.2	25,295.0	101,859.4
TRN	Cd. Pemex Valladolid Gas Pipeline	334.2	302.7	28.2	3.3
SUBTOTAL TRN		334.2	302.7	28.2	3.3
TRN	CT Pdte. Coal Terminal Plutarco Elias Calles	472.7	378.8	89.2	4.7
TERMINAL SUBTOTAL		472.7	378.8	89.2	4.7
TOTAL CONDITIONED INVESTMENT PROJECTS		146,066.5	18,786.7	25,412.4	101,867.4

28. Segment information

At December 31, 2012, CFE has a National Optic Fiber Network of 38,802.04 kilometers that are divided into an Internodal Network: 36,349.85 Kilometers and Access Network and Local Access; 2,452.19 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.

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 extendible years.

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 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.

Up to December 2012, 149 contracts have been signed with 96 Customers of the industrial, Business, and Governmental segments. These customers are listed below:

No.	Clientes
1.	Petróleos Mexicanos (PEMEX)
2.	Secretaría de Comunicaciones y Transportes (SCT)
3.	Tribunal Electoral del Poder Judicial de la Federación (TRIFE)
4.	Comisión Nacional para el Desarrollo de los Pueblos Indígenas (CDI)
5.	Pegaso PCS, S. A. de C. V.
6.	Protel I-Next, S. A. de C. V.
7.	MarcatelCom, S. A. de C. V.
8.	Televisión Internacional, S. A. de C. V.
9.	Total Play S.A. de C.V., antes Iusatel, S. A. de C. V.
10.	Axtel, S.A.B. de C. V.
11.	G.TelComicación S.A.P.I., antes B.TEL, S. A. de C. V.
12.	Compañía Hidroeléctrica La Yesca, S. A. de C. V.
13.	Cementos Moctezuma, S. A. de C. V.
14.	Cable Visión Regional, S. A. de C. V.
15.	Econo Cable, S. A. de C. V.
16.	TV Ojo Caliente, S. A. de C. V.
17.	Industriales Peñoles, S. A. de C. V.
18.	Compañía Minera La Parreña, S. A. de C. V.
19.	XC Networks, S. A. de C. V.
20.	Cablemas Telecomunicaciones, S. A. de C. V.
21.	Universidad Autónoma de Coahuila
22.	Megacable, S.A. de C.V.
23.	Operbes, S. A. de C. V.
24.	Ica Infraestructura, S. A. de C. V.
25.	Cablevisión Red, S. A. de C. V.
26.	Comisión Estatal de Energía de Baja California

27. México Red de Telecomunicaciones, S. de R. L. de C. V.
28. Secretaría de Medio Ambiente y Recursos Naturales
29. José Guadalupe Manuel Trejo García
30. Minera Peñasquito, S. A. de C. V.
31. Comisión Nacional Forestal
32. Sociedad de la Información y el Conocimiento (SCT)
33. RadiomóvilDipsa, S. A. de C. V.
34. Minera Maple, S. A. de C. V.
35. Secretaría de Economía
36. Fondo de Información y Documentación para la Industria INFOTEC
37. Instituto Nacional de Investigaciones Nucleares
38. Televisión por Cable del Norte de Sonora, S. A. de C. V.
39. Servicios Administrativos CIT, S. C.
40. Nacional Financiera, S. N. C.
41. Alestra, S. de R. L. de C. V.
42. Grupo de Telecomunicaciones Mexicanas, S. A. de C. V. (GTM)
43. TV de Uruapan, S. A.
44. Centro de Contacto Avanzado, S. A. de C. V.
45. Compañía de Generación Valladolid, S.A. de C.V.
46. Fideicomiso para el ahorro de energía eléctrica
47. Kbest Technologies de México, S.A. de C.V.
48. Micro enlace de México S. de R. L. de C. V.
49. Desarrollos Mineros de San Luis, S.A. de C.V.
50. SAGARPA
51. Productora Nacional de Biológicos Veterinarios
52. Instituto Nacional de las Mujeres
53. Spacenet Comunications Services de México, S.A. de C.V.
54. Minera Tizapa S.A, de C.V.
55. Fuerza Eólica del Istmo, S. A. de C. V
56. Repotenciación CT Manzanillo, S.A. de C. V.
57. Compañía de Energía Mexicana, S. A. de C. V.
58. Compañía de Energías Ambientales de Oaxaca, S.A. de C.V.
59. Moda en Distribución, S. A. de C. V.
60. Productora Virtual Académica, S.A. de C.V.
61. Sistemas de Televisión por Cable de Michoacán, S.A. de C.V.
62. Geny Margarita Moguel Rejón
63. Compañía Mexicana de Gerencia y Operación, S.A. de C.V.
64. Instituto Estatal de Educación Pública de Oaxaca
65. Megacable Comunicaciones de México, S.A. de C.V.
66. Telecomunicaciones Brihmca, S.A. de C.V.
67. Sergio Pelayo López
68. Constructora Industrial de Monclova, S.A. de C.V.
69. Maya Cable de Carrillo Puerto, S.A. de C.V.
70. Instituto Tecnológico y de Estudios Superiores de Monterrey, S.A. de C.V.
71. Banco Nacional de Obras y Servicios Públicos, Sociedad Nacional de Crédito.
72. Suprema Corte de Justicia de la Nación
73. Centro de Investigación en Matemáticas, A.C.
74. Desarrollos Eólicos Mexicanos de Oaxaca 1, S.A. De C.V.
75. NGN, S.A. de C.V.
76. Instituto Nacional de Psiquiatría Ramón de la Fuente Muñiz
77. Maxcom Telecomunicaciones, S.A.B. de C.V.
78. Universidad Autónoma de Guerrero
79. Comisión Nacional del Agua
80. StipaNayaa, S.A. de C.V.
81. Comisión Federal de Telecomunicaciones

82. Tribunal Superior Agrario
83. Clearcom Comunicaciones, S.A. de C.V.
84. Gobierno del Estado de Tlaxcala
85. SabbiaTelecomm, S.A. de C.V.
86. Minera del Norte, S.A. de C.V.
87. Ivonne Jacqueline Yerbes Salazar
88. Eoliatec del Istmo, S.A.P.I de C.V.
89. Impacto Telecomunicaciones, S.A. de C.V.
90. Eólica Zopiloapan, S.A. de C.V.
91. Convergía de México, S.A. de C.V.
92. Joaquín León Pérez
93. Datamax, S.R.L. de C.V.
94. U Red Tecnologías de Información, S.A.P.I. de C.V.
95. Nextiraone México, S.A. de C.V.
96. Instituto Tecnológico Superior de Calkini in the State of Campeche

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.

The concession granted by the Ministry of Communications and Transportation (SCT) is to install and operate the public communications network granted by the Federal Government through the SCT in favor of the CFE.

a. Operating segment information

Item	At Monday, December 31, 2012		
	ENERGY	CFE TELECOM	TOTAL
Revenues	\$ 310,131,967	\$ 888,910	\$ 311,020,877
Depreciation and amortization	35,043,982	1,387	35,045,369
Financial Cost	10,929,225	63	10,929,288
Operating loss	10,758,424	(262,681)	10,495,743
Investment in productive assets	813,383,077	19,670 (*)	813,402,747
Total assets	989,778,844	145,293	989,924,137

Item	As of December 31, 2011		
	ENERGY	CFE TELECOM	TOTAL
Revenues	\$ 291,500,768	\$ 438,362	\$ 291,939,130
Depreciation and amortization	33,476,049	1,577	33,477,626
Financial cost	40,752,508	(1,726)	40,750,783
Operating loss	(19,298,600)	163,970	(19,134,630)
Investment in productive assets	787,608,909	21,052	787,629,261
Total assets	974,995,476	234,862	975,230,338

(*) 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, 2012 amounting to \$4,893,961.

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:

		2012		2011
Loss incurred	\$	333,903,247	\$	319,401,187
Transmission and Transformation		123,449,151		123,562,261
Optic Fiber		4,761,766		4,585,632
Control		641,465		690,734
Distribution		217,521,436		202,835,085
Construction		1,070,316		998,880
Corporate Headquarters		326,414		1,166,324
		<u>681,637,795</u>		<u>653,240,103</u>
Equipment under lease agreements External Producers, Net		81,938,804		86,866,150
Dismounting of Laguna Verde Nuclear Station		328,379		328,379
Total property, plants and equipment (net)	\$	<u>763,940,978</u>	\$	<u>740,434,632</u>

c. Revenues per division (geographical zone)

	2012	2011
Baja California	\$ 18,213,177	\$ 16,916,400
Norwest	20,758,333	19,235,839
North	21,025,376	19,913,825
North Gulf	44,405,305	41,758,648
Central West	12,777,885	12,036,967
Central South	12,227,175	11,559,332
East	16,207,146	15,029,675
Southeast	12,732,233	11,802,085
Bajío	29,901,800	28,266,433
Central Gulf	14,322,565	13,236,741
East Central	17,916,496	16,664,774
Peninsular	13,135,017	12,205,073
Jalisco	20,080,950	18,684,041
Central Zone of the Country	49,762,595	45,810,426
Subtotal retail sales	303,466,053	283,120,259
Block for resale	1,213,264	1,345,722
Other programs:		
Consumption in manufacturing process	(345,465)	1,961,780
Illegal Uses	1,470,263	1,246,429
Due to measurement failure	1,357,753	1,109,912
Due to a billing error	1,639,514	1,388,532
	4,122,065	5,706,653
Other operating proceeds	2,219,495	1,766,496
Total operating proceeds	\$ 311,020,877	\$ 291,939,130

d. Revenues from homogeneous customer groups

	2012	2011
Retail sales		
Domestic service	\$ 59,974,307	\$ 59,821,744
Commercial service	39,087,677	36,068,085
Service for public lighting	16,510,626	15,122,822
Agricultural service	6,082,163	5,888,024
Industrial service	<u>181,811,280</u>	<u>166,219,584</u>
Total retail sales	303,466,053	283,120,259
Block for resale	1,213,264	1,345,722
Other programs:		
Consumption in manufacturing process	(345,465)	1,961,780
Illegal Uses	1,470,263	1,246,429
Due to measurement failure	1,357,753	1,109,912
Due to billing error	<u>1,639,514</u>	<u>1,388,532</u>
Total	4,122,065	5,706,653
Other operating proceeds	<u>2,219,495</u>	<u>1,766,496</u>
Total operating proceeds	\$ <u>311,020,877</u>	\$ <u>291,939,130</u>

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.

29. Explanation of transition to IFRS

The date of transition to IFRS is January 01, 2011. In the preparation of the first consolidated financial statements under IFRS, the transition rules considered in IFRS 1 "First-time adoption of IFRS" have been applied to the amounts previously reported in conformity with MFRS. IFRS generally require the retrospective application of the standards and interpretations applicable at the date of the first report. However, IFRS 1 itself permits certain exceptions in the application of some rules to prior periods, in order to assist entities in the transition process.

The Agency applied the following mandatory obligations to the retrospective application of IFRS as follows:

- a. Calculations of estimates - Estimates made under IFRS at the date of transition are consistent with the estimates at that same date under MFRS, unless there is evidence of error in those estimates.

- b. Retirement and transfer of financial assets and liabilities - Financial assets and liabilities that were retired prior to the date of transition to IFRS are not recognized, unless:
- CFE decides to recognize them; and
 - The information required for applying criteria for retirements of financial assets and liabilities, in accordance with IAS 39 "Financial Instruments: Recognition and Measurements" have been gathered at the time of the initial recording of transactions.
- c. Hedge accounting - The Company applied hedge accounting at the date of transition, only if the hedge ratio complied with the criteria set forth in IAS 30.

The Agency applied the following voluntary exemptions to the retrospective application of IFRS as follows:

- a. Assumed cost - CFE has chosen to use the amount recorded under MFRS at the date of transition as its assumed cost for assets of the caption of Plant, Facilities and Equipment.
- b. Leases - CFE has chosen to apply the lease exemption; therefore, it determined if an existing contract at the date of transition to IFRS contains a lease agreement based on facts and circumstances existing at that date.
- c. Employee benefits -CFE has chosen to apply the employee benefit exemption; therefore, it recognizes all accumulated actuarial gains and losses at the date of transition to IFRS.
- d. Liabilities from asset retirements included in the cost of property, plant and equipment - CFE has chosen to apply the exemption for the calculation of items relative to the dismantling of assets. Accordingly, it followed the procedure in paragraph D21 of IFRS 1 for the calculation of the asset and liability generated at the date of transition to IFRS.
- e. Transfers of assets from customers - CFE has chosen to apply the exemption relative to transfers made by bidders; therefore, it will apply the interpretation IIFRS 18 "Transfer of customers' assets" prospectively, beginning the date of transition.
- f. Costs of loans - CFE has chosen to apply the exemption relative to the cost of loans; therefore, it will apply the interpretation IAS 23 prospectively.

During the preparation of the financial statements under IFRS and subsequent to the issue of the financial statements under MFRS, CFE identified differences that lead to a reissue of the financial statements at December 31, 2012. Accordingly the financial position under IFRS presented at that date differs from that which was previously published by the agency.

The following reconciliations provide the quantification of the effects of transition at the date of transition from January 1, 2011 and for the year ended December 31, 2011, respectively.

At the date of transition January 1, 2011

A S S E T S		FRS 2010	Adjustments	IFRS 2011
CURRENT				
Cash and cash equivalents		\$ 25,019,937	a. \$ 1,108,571	\$ 26,128,508
Public consumers and other accounts receivable (Net)		72,428,049	a. 488,376	72,916,425
Total accounts and notes receivable		72,428,049	488,376	72,916,425
Operation materials, (Net)		26,301,745	b. (9,843,130)	16,458,615
Total current assets		123,749,731	(8,246,183)	115,503,548
Long-term employee loans		5,928,981	-	5,928,981
Plants, installations and equipment, net				
Property, Plant and Equipment		636,580,288	a. 268,791	636,849,079
Equipment under lease agreements external producers		-	c. 91,793,496	91,793,496
Dismounting of Laguna Verde Nuclear Station		-	d. 328,379	328,379
Net in operation		636,580,288	92,390,666	728,970,954
Idle assets		1,434,062	-	1,434,062
Replacement parts		-	b. 9,427,569	9,427,569
Construction in progress		33,191,944	-	33,191,944
Fixed Assets, net		671,206,294	101,818,235	773,024,529
Derivative financial instruments		17,254,628	-	17,254,628
Other assets				
Deposits and advances		2,271,410	a. (10,210)	2,261,200
Other investments		93,835	-	93,835
Debt issuance expenses		-	-	-
External producers expenses to be amortized		20,697,394	e. (16,784,477)	3,912,917
Total other assets		23,062,639	(16,794,687)	6,267,952
SUM ASSETS		\$ 841,202,273	\$ 76,777,365	\$ 917,979,638
LIABILITIES AND EQUITY		FRS 2011	Adjustments	IFRS 2011
Total short-term liabilities		\$ 75,119,467	a. \$ 19,658,843	\$ 94,778,310
Total long-term liabilities		137,012,135		137,012,135
External producers leasing liabilities		-	c. 85,265,606	85,265,606
Unrealized products		1,383,561	-	1,383,561
Nuclear plant dismantling		10,009,251	d. (7,169,727)	2,839,524
Employee benefits		265,021,097	f. 121,819,554	386,840,651
Total Liabilities		488,545,511	219,574,276	708,119,787
EQUITY				
Accrued equity		380,702,406	-	380,702,406
Effect from adoption of IFRS		-	g. (142,796,911)	(142,796,911)
Payment of public use taxes Federal Revenue Law		(34,187,258)	11,187,258	(23,000,000)
Contributions received		7,596,561	23,000,000	30,596,561
Derivative financial instruments		(2,264,014)	-	(2,264,014)
Net loss for the period		809,067	(34,187,258)	(33,378,191)
Total equity		352,656,762	(142,796,911)	209,859,851
Total liabilities and equity		\$ 841,202,273	\$ 76,777,365	\$ 917,979,638

Explanation of the effects on the financial statements of the CFE due to the adoption of IFRS at the date of transition at January 1, 2011

- a. The agency determined that it has control of certain trusts; therefore, it presented financial statements upon adding the assets and liabilities thereof to its own assets and liabilities.
- b. The Agency identified that there are some assets of Operating Materials in its assets of the same nature that apply to backup equipment of Property, Plants and Equipment; therefore, it reclassified them to this caption. The useful life of these assets is determined by the useful life of the equipment that serves as a backup; therefore, it is depreciated from the time at which it becomes available to be used.
- c. The Agency determined that certain contracts in which it participates have a lease, some of which classified as financial leases. Therefore, it is recognizing the net carrying value of the financial assets and liabilities for those contracts at the date of transition, in conformity with IIFRS 4, Determination of contracts that include a lease.
- d. The Agency transferred the dismantling of the Laguna Verde nuclear plant from the caption of Other Assets to that of Fixed Assets, and it adjusted the provision for dismantling the plant, considering the effect of discounting it or writing it down to its present value at the date of transition.
Under IFRS, the amount of provisions must be discounted when the effect of doing so is significant.
- e. Pursuant to the recognition of contracts classified as financial leases, the Agency wrote off the balance of Unamortized Expenses that existed for this item at the date of transition.
Likewise, it wrote off the balance applicable to the dismantling of the Laguna Verde nuclear plant at January 1, 2011.
- f. At the date of transition, the Agency recognized the unrecognized actuarial losses, in accordance with MFRS, in accordance with the exemption set forth in IFRS 1 "First-time adoption of IFRS", which was recorded against patrimony. See Note g.
- g. The Agency reflects the amount derived from the recognition of the initial effects in Patrimony, due to the application of IFRS at the date of transition. The most significant thereof refers to the recognition of unrecognized actuarial losses in the Liability for Employee Benefits. See Note 1.

At December 31, 2011

A S S E T S		FRS 2011	Adjustments	IFRS 2011
CURRENT				
Cash and cash equivalents		\$ 48,619,636	a. \$ 1,314,382	\$ 49,934,018
Public consumers and other accounts receivable (Net)		86,222,412	a. 862,115	87,084,527
Total accounts and notes receivable		86,222,412	862,115	87,084,527
Operation materials, (Net)		29,861,064	b. (10,908,553)	18,952,511
Total current assets		164,703,112	(8,732,056)	155,971,056
Long-term employee loans		6,657,303	-	6,657,303
Plants, installations and equipment, net				
Property, Plant and Equipment		653,254,669	a. 13,736	653,268,405
Equipment under lease agreements external producers		-	c. 86,866,150	86,866,150
Dismounting of Laguna Verde Nuclear Station		-	d. 313,814	313,814
Net in operation		653,254,669	87,193,700	740,448,369
Idle assets		1,434,062	-	1,434,062
Replacement parts		-	b. 10,330,832	10,330,832
Construction in progress		35,416,697	-	35,416,697
Fixed Assets, net		690,105,428	97,524,532	787,629,960
Derivative financial instruments		18,014,998	-	18,014,998
Other assets				
Deposits and advances		2,134,127	a. (10,211)	2,123,916
Other investments		93,835	-	93,835
Debt issuance expenses		-	e. 374,008	374,008
External producers expenses to be amortized		24,702,755	f. (20,337,493)	4,365,262
Total other assets		26,930,717	(19,973,696)	6,957,021
SUM ASSETS		\$ 906,411,558	\$ 68,818,780	\$ 975,230,338
LIABILITIES AND EQUITY		NIF 2011	Adjustments	NIIF 2011
Total short-term liabilities		\$ 92,213,255	a. \$ 30,383,791	\$ 122,597,046
Total long-term liabilities		187,278,815		187,278,815
External producers leasing liabilities		-	c. 90,542,205	90,542,205
Unrealized products		1,656,016	g. 7,288,598	8,944,614
Nuclear plant dismantling		11,332,224	d. (8,269,491)	3,062,733
Employee benefits		300,747,473	h. 119,460,291	420,207,764
Total Liabilities		593,227,783	239,405,394	832,633,177
EQUITY				
Accrued equity		352,656,762	i. (142,796,911)	209,859,851
Effect from adoption of IFRS		-	(2,136,110)	(2,136,110)
Payment of public use taxes Federal Revenue Law		(26,090,867)	2,170,867	(23,920,000)
Contributions received		3,631,695	15,502,905	19,134,600
Derivative financial instruments		154,653	-	154,653
Net loss for the period		(17,168,468)	j. (43,327,365)	(60,495,833)
Total equity		313,183,775	(170,586,614)	142,597,161
Total liabilities and equity		\$ 906,411,558	\$ 68,818,780	\$ 975,230,338

Explanation of the effects on the financial statements of the CFE due to the adoption of IFRS at December 31, 2011

- a. The agency determined that it has control of certain trusts; therefore, it presented financial statements upon adding the assets and liabilities thereof to its own assets and liabilities.
- b. The Agency identified that there are some assets of Operating Materials in its assets of the same nature that apply to backup equipment of Property, Plants and Equipment; therefore, it reclassified them to this caption. The useful life of these assets is determined by the useful life of the equipment that serves as a backup; therefore, it is depreciated from the time at which it becomes available to be used.
- c. The Agency determined that certain contracts in which it participates have a lease, some of which classified as financial leases. Therefore, it is recognizing the net carrying value of the short and long-term financial assets and liabilities for those contracts at the date of transition, in conformity with IIFRS 4, Determination of contracts that include a lease.
- d. The Agency transferred the dismantling of the Laguna Verde nuclear plant from the caption of Other Assets to that of Fixed Assets, and it adjusted the provision for dismantling the plant, considering the effect of discounting it or writing it down to its present value at the date of transition.
Under IFRS, the amount of provisions must be discounted when the effect of doing so is significant.
- e. The Agency identified capitalized debt origination expenses related to the issues of bonds and loans, which it reclassified from the comprehensive gain or loss on financing to other unamortized assets.
- f. Pursuant to the recognition of contracts classified as financial leases, the Agency wrote off the balance of Unamortized Expenses that existed for this item at the date of transition.
Likewise, it wrote off the balance applicable to the dismantling of the Laguna Verde nuclear plant at January 1, 2011.
Upon adopting the interpretation of IFRS 18 "Transfer of customers' assets" prospectively, beginning the date of transition, the Agency has transferred the amount applicable to the assets of fiscal 2011 to the caption of Intangible Assets.
- g. The Agency reclassified the donations of property, plant and equipment (including cash donations for the acquisition thereof) from Patrimony, received from state governments, municipal governments, and customers, which must be used to render electric power service to them and recognize a credit in unrealized revenues.
- h. At the date of transition, the Agency recognized the unrecognized actuarial losses, in accordance with MFRS, in accordance with the exemption set forth in IFRS 1 "First-time adoption of IFRS".
- i. i. The Agency reflects the amount derived from the recognition of the initial effects in Accumulated Patrimony at December 31, 2011, due to the application of IFRS at the date of transition, that is, the initial effect due to adoption. The most significant thereof refers to the recognition of unrecognized actuarial losses in the Liability for Employee Benefits.

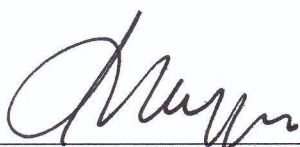
- j. As an effect of the adoption of IFRS, income for fiscal 2011 is modified due to the following causes:
1. Due to the recognition of some contracts with External Energy Producers and the dismantling of the nuclear plant in fixed assets in the following captions:
 - Entry booked of depreciation, applicable to the fiscal year.
 - Recognition of a financial cost for interest and exchange fluctuations.
 - Write-off in the cost of operation of fixed costs for capacity that had been recorded in accordance with Mexican Financial Reporting Standards.
 - Book entry of other expenses not related to the write-off of liabilities.
 2. The write-off of capitalized debt origination expenses that were included in the comprehensive cost of financing.
 3. The foregoing effects have an impact on the determination of the rate insufficiency of the year. Accordingly, this amount changed substantially.

Effects of the Net Loss on the adoption of IFRS at December 31, 2011

	FRS 2011		Adjustments	IFRS 2011
Income for sale of energy	\$ 291,939,130		\$ -	\$ 291,939,130
Costs and expenses:				
Exploitation	(226,663,306)	j1.	8,253,621	(218,409,685)
Depreciation	(28,373,756)	j1.	(5,103,870)	(33,477,626)
Administrative expenses	(6,289,864)		-	(6,289,864)
Actuarial estimated cost of the period for labor related obligations	(52,896,585)		-	(52,896,585)
Total operation costs and expenses	(314,223,511)		3,149,751	(311,073,760)
Operation gain (loss)	(22,284,381)		3,149,751	(19,134,630)
Other income, net	(249,346)	j1.	1,128,494	879,148
Income tax on distributable remaining balance	(1,489,568)		-	(1,489,568)
Subsidy to consumers	83,383,093	j3.	(26,090,867)	57,292,226
Leverage	(57,292,226)		-	(57,292,226)
Net result of leverage on subsidy	26,090,867		(26,090,867)	-
Financing comprehensive result:				
Interest expense, net	(8,925,717)	j1., j2.	(9,059,102)	(17,984,819)
Exchange rate profit, net	(10,310,323)	j1.	(12,455,641)	(22,765,964)
	(19,236,040)		(21,514,743)	(40,750,783)
Net loss for the period	\$ (17,168,468)		\$ (43,327,365)	\$ (60,495,833)
Other items of the comprehensive income (loss)				
Effect of conversion into IFRS	(2,136,110)			(2,136,110)
Effect of financial instruments on equity	154,653		-	154,653
Comprehensive loss for the period	\$ (19,149,925)		\$ (43,327,365)	\$ (62,477,290)

30. Issue of the financial statements

These financial statements have been approved on March 12, 2013 by Francisco Rojas, General Director, Francisco J. Santoyo Vargas, Director of Finance; Oscar H. Lara Andrade, Deputy Director of Financial Control, and Aurora Navarrete Díaz, Accounting Manager, persons responsible for the Agency's Financial Information.



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