

U.S.\$ 700,000,000



Comisión Federal de Electricidad

Comisión Federal de Electricidad

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

6.125% Notes due 2045

We made an offer of U.S.\$ 700,000,000 aggregate principal amount of our 6.125% notes due 2045, which we refer to as the “notes.” The notes will mature on June 16, 2045. Interest on the notes began to accrue from June 16, 2015 and will be payable on June 16 and December 16 of each year, beginning on December 16, 2015.

The notes rank without any preference among themselves and equally 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 these provisions, which differ from the terms of our public external indebtedness issued prior to June 9, 2015, we may amend the payment provisions of any series of debt securities issued under the indenture (including the notes) and other reserved matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66²/₃% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed modification, taken individually. See “Description of the Notes—Meetings, Amendments and Waivers.”

Investing in the notes involves risks. See “Risk Factors” beginning on page 15.

ISSUE PRICE: 99.146%, PLUS ACCRUED INTEREST, IF ANY, FROM JUNE 16, 2015

THE INFORMATION CONTAINED IN THIS LUXEMBOURG LISTING PROSPECTUS IS EXCLUSIVELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE COMISIÓN NACIONAL BANCARIA Y DE VALORES (MEXICAN BANKING AND SECURITIES COMMISSION, THE “CNBV”). THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE REGISTRO NACIONAL DE VALORES (MEXICAN NATIONAL SECURITIES REGISTRY) MAINTAINED BY THE CNBV AND THEREFORE THE NOTES MAY NOT BE PUBLICLY OFFERED OR SOLD NOR BE THE SUBJECT OF BROKERAGE ACTIVITIES IN MEXICO, EXCEPT THAT THE NOTES MAY BE OFFERED IN MEXICO TO INSTITUTIONAL AND QUALIFIED INVESTORS, PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE LEY DEL MERCADO DE VALORES (MEXICAN SECURITIES MARKET LAW). AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW, WE WILL NOTIFY THE CNBV OF THE OFFERING OF THE NOTES 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 LUXEMBOURG LISTING PROSPECTUS 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 Luxembourg Listing Prospectus can only be used for the purposes for which it has been published. This Luxembourg Listing Prospectus constitutes a prospectus for purposes of the Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended.

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

The initial purchasers delivered the notes to purchasers on June 16, 2015 in book-entry form through the facilities of The Depository Trust Company for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*.

Joint Lead Managers and Joint Bookrunners

BBVA

BofA Merrill Lynch

Goldman, Sachs & Co.

June 29, 2015

TABLE OF CONTENTS

	<u>Page</u>
Notice to New Hampshire Residents	iii
Enforceability of Civil Liabilities	iv
Where You Can Find More Information	v
Special Note Regarding Mexican Energy Reform.....	v
Presentation of Financial and Other Information.....	v
Forward-Looking Statements	vii
Technical Terms Relating to the Electricity Industry	viii
Summary.....	1
Risk Factors.....	15
Use of Proceeds	24
Exchange Rates	25
Capitalization.....	26
Management’s Discussion and Analysis of Financial Condition and Results of Operations	27
Comisión Federal de Electricidad.....	54
United Mexican States.....	81
Management	95
Description of the Notes	103
Taxation.....	120
European Union Directive on the Taxation of Savings Income	124
Form of Notes, Clearing and Settlement	126
Transfer Restrictions.....	129
Plan of Distribution	132
Legal Matters.....	136
Independent Accountants.....	136
Listing and General Information.....	137
Index to Financial Statements.....	F-1

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

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

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

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

You must:

- comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Luxembourg Listing Prospectus and the purchase, offer or sale of the notes, and
- obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales; and neither we nor the initial purchasers shall have any responsibility therefor.

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

You acknowledge that:

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

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

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

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

The initial purchasers are not making any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Luxembourg Listing Prospectus. You should not rely upon the information set forth in this Luxembourg Listing Prospectus, as a promise or representation, whether as to the past or the future. 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, regulatory and related aspects of an investment in the notes. You must comply with all laws applicable in any place in which you buy, offer or sell the notes or possess or distribute this Luxembourg Listing Prospectus, and you must obtain all applicable consents and approvals. None of us 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 *empresa productiva del Estado* (productive state enterprise 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 U.S. federal courts located in the Borough of Manhattan in The City of New York and, to the extent permitted by law, have waived immunity from the jurisdiction of these courts in connection with any action based upon the notes brought by any holder of notes. We have, however, reserved the right to plead immunity under the U.S. Foreign Sovereign Immunities Act of 1976 (the “Foreign Sovereign Immunities Act”) in actions brought against us under the U.S. federal securities laws or any state securities laws. Unless we waive our immunity against such actions, a U.S. court judgment could be obtained against us only if a U.S. court were to determine that we are not entitled to sovereign immunity under the Foreign Sovereign Immunities Act with respect to that action.

Our directors and officers, as well as certain experts named in this Luxembourg Listing Prospectus, reside outside the United States, and all or a substantial portion of their assets and our assets are located outside of the United States. As a result, it may not be possible for holders of the notes to effect service of process outside 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 productive state enterprise 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 Congress if it determines that we cease to fulfill the purpose for which we were created or for any other reason. In the event that we are liquidated and dissolved by the Mexican Congress, it is uncertain whether or to what extent the rights of holders of the notes would be honored.

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

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

WHERE YOU CAN FIND MORE INFORMATION

We prepare annual audited financial statements and quarterly summary financial information in both Spanish and English. This information is available on our website (www.cfe.gob.mx). In addition, we are required to file certain annual, quarterly and 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 Luxembourg Listing Prospectus.

SPECIAL NOTE REGARDING MEXICAN ENERGY REFORM

On December 20, 2013, amendments to Articles 25, 27 and 28 of the *Constitución Política de los Estados Unidos Mexicanos* (Political Constitution of the United Mexican States, or the “Mexican Constitution”) were published as the *Decreto por el que se reforman y adicionan diversas disposiciones de la Constitución Política de los Estados Unidos Mexicanos, en Materia de Energía* (Decree that amends and supplements various provisions of the Mexican Constitution relating to energy matters, or the “Energy Reform Decree”), in the Official Gazette of the Federation and took effect on December 21, 2013. The Energy Reform Decree included *artículos transitorios* (transitional articles) that set forth the general framework for the secondary legislation or implementing laws that are required to give effect to the Energy Reform Decree (the “Secondary Legislation”). On August 6, 2014, the Mexican Congress completed the process of approving the Secondary Legislation, which was signed into law by President Enrique Peña Nieto and published in the Official Gazette of the Federation on August 11, 2014. The Secondary Legislation includes nine laws, among others, the new *Ley de la Comisión Federal de Electricidad* (the “CFE Law”) and the *Ley de la Industria Eléctrica* (the “Electric Industry Law”). As of the date of this Luxembourg Listing Prospectus, certain provisions of the Secondary Legislation, including some provisions of the Electric Industry Law, are not yet effective. On October 31, 2014, the President of Mexico published in the Official Gazette of the Federation 26 regulations and amendments in respect of the Secondary Legislation (the “Regulations”) including, among others, the *Reglamento de la Comisión Federal de Electricidad* (Regulations to the CFE Law) and the *Reglamento de la Ley de la Industria Eléctrica* (Regulations to the Electric Industry Law). See “Comisión Federal de Electricidad—General Regulatory Framework” for more details regarding the implementation of the Secondary Legislation and the Regulations.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise specified or the context otherwise requires, references in this Luxembourg Listing Prospectus to “CFE,” “we,” “us” and “our” refer to Comisión Federal de Electricidad.

This Luxembourg Listing Prospectus includes our audited financial statements as of and for the years ended December 31, 2014, 2013 and 2012, 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 March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014, 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 (“IASB”). Our date of transition to IFRS was January 1, 2011 and our adoption of IFRS became effective on January 1, 2012.

Currency Information

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

This Luxembourg Listing Prospectus contains translations of certain peso amounts into dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the

peso amounts actually represent such dollar amounts or could be converted into dollars at the rate indicated. Unless otherwise indicated, dollar equivalent information for amounts in pesos is based upon the rate published by *Banco de México* in effect as of March 31, 2015, which was Ps. 15.1542 per U.S.\$ 1.00.

Rounding

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

FORWARD-LOOKING STATEMENTS

This Luxembourg Listing Prospectus contains words, such as “believe,” “expect” 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:

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

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

- significant economic or political developments in Mexico, particularly developments affecting the electricity sector;
- developments relating to the implementation of the Energy Reform Decree and the Secondary Legislation, including the creation of *empresas productivas subsidiarias* (subsidiary productive state enterprises) and *empresas filiales* (subsidiary enterprises) to undertake certain activities and adjustments to the tariff rates that we charge our customers;
- 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;
- effects on us from competition, including on our ability to hire and retain skilled personnel; and
- changes in our regulatory environment, including tax and environmental regulations, or the interpretation thereof.

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

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

TECHNICAL TERMS RELATING TO THE ELECTRICITY INDUSTRY

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

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

“distribution” means the part of the electric power system that takes power from a bulk power 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 described in more detail elsewhere in this Luxembourg Listing Prospectus. This summary may not include all of the information you should consider before making a decision to invest in the notes. You should carefully read this entire Luxembourg Listing Prospectus, including the risk factors and financial statements.

Comisión Federal de Electricidad

Overview

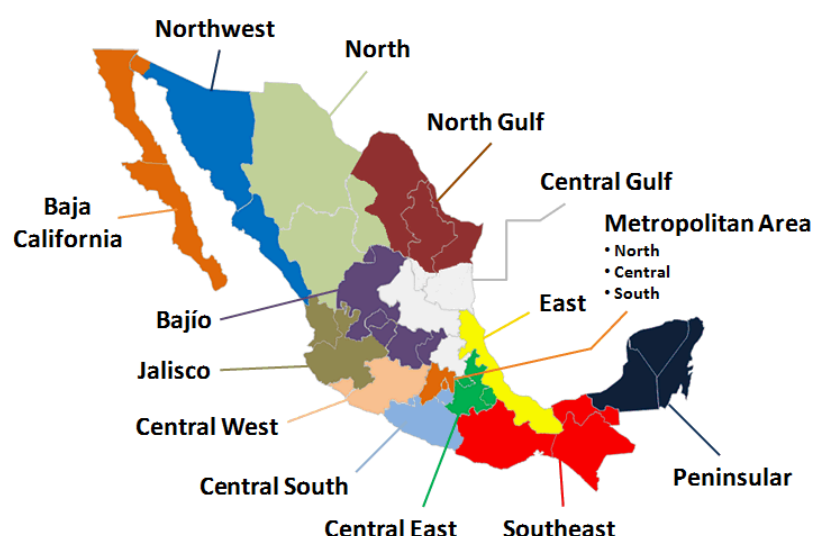
We are the national electricity company of Mexico and, following the energy reform described below, remain 100% owned by the Mexican government. We generate over 90% of the electricity consumed in Mexico, including electricity generated by Independent Power Producers (“IPPs”), and we are solely responsible for the transmission and distribution of electricity for public service purposes throughout Mexico. As of March 31, 2015, we provided electricity to 38.4 million customer accounts, which we estimate represented 98.4% of the Mexican population. Since 2005, our customer base has grown at an average rate of 5.8% per year.

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

Our Business

We continually invest in electricity generation, transmission and distribution infrastructure in order to address Mexico’s growing electricity demand. In 2014, we invested Ps. 50.9 billion (U.S.\$ 3.4 billion) in new electricity generation, transmission and distribution infrastructure. Our Board of Directors now defines our five-year business plan, determines our annual budget and approves investment priorities and projects. Our *balance financiero* (financial balance) and *techo de gasto de servicios personales* (personal services expenditure ceiling) is updated annually and requires the approval of the Mexican Congress. Our expected investment for 2015 is approximately Ps. 43.3 billion (U.S.\$ 2.9 billion), of which we had invested Ps. 13.6 billion (U.S.\$ 0.9 billion) as of March 31, 2015.

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



Source: CFE.

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

As of March 31, 2015, our total liabilities, including obligations in respect of our *Proyectos de Infraestructura Productiva de Largo Plazo* (Long-term Productive Infrastructure Projects or “PIDIREGAS”) was Ps. 1,053,690.0 million (U.S.\$ 69,531.2 million) and our total equity was Ps. 139,439.2 million (U.S.\$ 9,201.4 million). For further information on our existing and contemplated indebtedness, including Ps. 9,000,000,000 aggregate principal amount of 7.35% Certificados Bursátiles due 2025 (the “Cebures due 2025”) and Ps. 1,000,000,000 aggregate principal amount of floating rate Certificados Bursátiles due 2020 (the “Cebures due 2020”) that we issued on June 9, 2015, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” Our total assets were Ps. 1,193,129.0 million (U.S.\$ 78,732.5 million) as of March 31, 2015. We were the fourth largest company in Mexico in terms of revenues as of December 31, 2013. Our revenues from the sale of electricity and net loss for three-month period ended March 31, 2015 were Ps. 73,449.3 million (U.S.\$ 4,846.8 million) and Ps. 16,305.0 million (U.S.\$ 1,075.9 million), respectively. Our revenues from the sale of electricity and net loss for 2014 were Ps. 333,397.1 million (U.S.\$ 22,000.3 million) and Ps. 46,831.9 million (U.S.\$ 3,090.4 million), respectively. Our revenues from the sale of electricity and net loss for 2013 were Ps. 318,409.6 million (U.S.\$ 21,011.3 million) and Ps. 37,552.4 million (U.S.\$ 2,478.0 million), respectively.

Energy Reform

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

- **Legal Form:** We have been converted into a productive state enterprise. While we have generally retained the same rights, powers and privileges we had as a decentralized public entity, we now operate under a new legal framework, which gives us increased managerial and budgetary autonomy to generate economic value, as described more fully below.
- **Scope of Mandate:** As a productive state enterprise, our corporate purpose is to create economic value and increase the income of the Mexican nation. We remain solely responsible for the transmission and distribution of electricity for public service purposes. The scope of our mandate has been enlarged, which enables us to convert from being solely an electricity company to being an energy company involved in additional aspects of the energy value chain in Mexico, including natural gas commercialization. Our new corporate purpose gives us greater flexibility to deploy resources in high return opportunities to maximize profitability. We believe this focus on the most profitable generation opportunities will enable us to optimize our operating costs.
- **Operational Focus:** In addition to our main activities, we are now able to sell natural gas for power generation and other purposes. We believe this may generate incremental revenue opportunities for us as demand for natural gas in Mexico increases.
- **Strategic Importance:** We will continue to operate Mexico’s electricity transmission and distribution networks and sell electricity to residential consumers and small and medium industrial and commercial consumers. We also expect to continue to be the sole entity of the Mexican government engaged in the generation of electricity for sale to third parties. In light of the foregoing, as well as our increasing participation in the growing natural gas industry in Mexico described above, we believe that we will continue to be a key participant in Mexico’s energy sector.
- **Organizational Structure:** The CFE Law mandates that we create subsidiaries and undertake a vertical and horizontal separation of each of our key electric sector activities—generation,

transmission, distribution and commercialization. In addition, consistent with our expanded mandate, our Board of Directors has been empowered to create additional subsidiaries to engage in any new lines of business that we pursue without the need to obtain approval from the Mexican Congress. We believe that this new organizational structure will make our operations more efficient and transparent, and allow us to focus on maximizing our profitability along the entire energy sector value chain.

- **Rates:** Pursuant to the Secondary Legislation, the rates that we can charge our customers are expected to be modified significantly, particularly with respect to certain of our industrial and commercial customers. The rates that we charge our residential and agricultural customers will continue to be determined and regulated by the Mexican government; however, the formula for determining rates for these customers is expected to allow us to recover our operating costs and receive a profit in an amount that the Mexican government determines to be reasonable. The rates that we charge our large industrial and commercial customers that qualify as “qualified users” by registration with the *Comisión Reguladora de Energía* (Energy Regulatory Commission) (provided existing demand exceeds certain thresholds) will no longer be regulated, which will grant us greater flexibility in determining our pricing strategy for “qualified users” and enable us to compete on equal terms with private electricity producers. We also expect to generate additional revenue from the new rates applicable to our transmission and distribution activities, which are designed to allow us to obtain a profit that the Mexican government determines to be reasonable from services that we provide to third parties. We believe that the new rate regime will also provide greater transparency regarding our results of operations.
- **Fiscal Regime:** We are no longer required to pay a public use tax to the Mexican government based on the value of our net fixed assets. The Secondary Legislation modified our fiscal regime by eliminating this public use tax and replacing it with a conventional income tax comparable to that paid by private-sector companies in Mexico. In addition, starting in 2016, we will be required to pay a dividend to the Mexican government based on our net income. The *Secretaría de Hacienda y Crédito Público* (the Ministry of Finance and Public Credit, or the “Ministry of Finance”) will determine the amount of any dividend we will pay to the Mexican government each year after taking into account our business plan and capital investment needs for the upcoming fiscal year. The proposed amount will then be incorporated into the *Ley de Ingresos de la Federación* (the “Federal Revenue Law”) and approved by the Mexican Congress on an annual basis. Upon congressional approval, the Ministry of Finance will determine the terms on which we are to pay such dividend. We believe these reforms will make our results of operations more transparent and enable us to report our results in a manner that will facilitate our profit-focused decision-making.
- **Energy Procurement:** Frequent shortages of natural gas due to low domestic production and the lack of transportation infrastructure have restricted our transition to using lower-cost natural gas to generate electricity, which is three to four times less expensive than fuel oil. We believe that the full implementation of the Energy Reform Decree will result in an increase in the supply of natural gas as private-sector participants are able to explore, extract and produce natural gas in Mexico and the natural gas pipeline network continues to expand. We currently purchase a substantial portion of our natural gas from *Petróleos Mexicanos* (“PEMEX”), which has, at times, limited the amount of natural gas it makes available to us. Following the full implementation of the Energy Reform Decree, we believe that we will have a greater number of suppliers from which to purchase natural gas. Assuming that the increased supply of natural gas will have the expected effect of reducing the price for natural gas in Mexico, we expect our margins, which are substantially dependent on the prices we pay for the fuel that powers our generation activities, will be improved.
- **Partnership Flexibility:** We are permitted to enter into joint ventures with private-sector companies for electricity generation, transmission and distribution activities, as well as for the distribution and commercialization of natural gas to industrial customers. We believe that our knowledge of Mexico’s hydrologic conditions and our ability to be a supplier of natural gas will make us a strategic partner. We expect that these collaborations will, in turn, help us gain access

to new technologies that will allow us to modernize our transmission and distribution networks and thereby reduce the quantity of electricity that is used in Mexico but not paid for. Moreover, by participating in joint ventures, we believe we will also be able to optimize our use of capital, potentially reduce our costs and share in any returns generated by these joint ventures.

- **Budgetary Autonomy:** Our conversion to a productive state enterprise is designed to provide us with greater budgetary autonomy and flexibility than we had as a decentralized public entity. The Mexican Congress will still approve our financial balance and personal services expenditure ceiling, but our Board of Directors is now able to define our five-year business plan, determine our annual budget and freely approve investment priorities and projects. In addition, the Secondary Legislation grants us greater autonomy and flexibility with respect to our procurement, contracting and compensation policies, which we believe will enable us to reduce contracting costs by adopting terms that are market standard in our service contracts and enhance our ability to attract and retain highly-skilled employees.
- **Corporate Governance:** In connection with our conversion to a productive state enterprise, we have adopted a corporate governance framework based on international best practices that is more closely aligned to the governance frameworks of private-sector companies. Following our conversion to a productive state enterprise, our Board of Directors now consists of five representatives of the Mexican government, including the Minister of Energy and the Minister of Finance, four independent directors and one representative of our union. In addition, our internal auditing, control and accountability functions are now undertaken by three separate and independent bodies rather than a single body, in an effort to align our internal oversight practices with those of private-sector companies. We believe that the new composition of our Board of Directors and the reorganization of our internal auditing, control and accountability functions will provide greater transparency and accountability.

Business Strategy

As a result of the energy reform described above, we are in the process of implementing a new strategy to comply with the new CFE Law and to optimize our business portfolio and our overall performance, and increase our current profitability levels. In order to implement this strategy, on April 24, 2015, our Board of Directors approved the *Plan de Negocios de la CFE 2015-2019* (Business Plan of CFE 2015-2019, or the “Business Plan”) together with the *Programa de Inversiones* (the “Investments Program”).

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

Improve our Electricity Generation Performance

We intend to maximize our current electricity generation capacity through the optimization and segmentation of our generation plants, the incorporation of new technologies and by replacing currently-underperforming thermal power plants. Our market share of electricity generation is currently close to 85%, and between 2010 and 2015 our generation output increased by 8.3% (19.6TWh), while our non-fossil fuel generation output increased by 23.9% (10.1TWh). We expect electricity demand to increase between 3 to 5% by 2019, and consumption to increase between 45 to 60 TWh during the same period. Our goal is to increase our electricity output at a rate that will correspond with the anticipated increase in electricity demand in Mexico, while improving the profitability of our business portfolio. We also intend to increase the competitiveness of our generation plants, 26% of which have operating costs that we believe may be substantially reduced.

We also plan to expand our generation capacity in clean and renewable energy sources. We rely, and expect to continue to rely, on the use of cleaner burning fuels, such as natural gas, in our generation activities (as compared to fuels that emit higher levels of contaminants into the environment, such as fuel oil). As of March 31, 2015, 78.5% of our electricity generation capacity derived from fossil fuels (natural gas, coal, diesel and fuel oil), 37.2% of which derived from natural gas-fired plants of IPPs. The remaining 21.5% of our electricity generation capacity derived 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, geothermal and wind-driven power generation, each of which use renewable primary sources of energy. In accordance with our Business Plan, we expect that, by 2019, we will have expanded our generation capacity by 15.5GW, and we expect that renewable energy sources will account for approximately 18-20% of our total generation.

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

Transmission and distribution remain strategic activities for the Mexican government and represent our core business line. Our main objective in the mid- to long- term is to reduce our technical losses and the quantity of electricity that is used in Mexico but not paid for (*i.e.*, “non-technical losses”). Specifically, our goal is to reduce non-technical losses by 9.5% in 2019 through the modernization of our metering systems, strengthening our commercial processes, regularizing our services in areas affected by irregular land-use and strengthening our electric infrastructure. This strategy is expected to allow us to recover 37,000 GWh between 2015 and 2019, and reach annual electricity savings of 10,000 GWh beginning in 2019.

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

We seek to reduce electricity service interruptions. Much of our equipment is installed outdoors and is subject to the varying weather conditions and natural disasters that affect Mexico from time to time. As a result, this equipment (including, in particular, our transmission towers and utility poles) often incurs weather-related damage, which in certain instances causes electricity service interruptions for our customers. We maintain a well-trained staff of technicians that repair damaged equipment upon our receipt of notice of any such damage. Between 2009 and 2014, the duration of service interruptions resulting from failures in our distribution network decreased by 46.5%, and the current duration of service interruptions per user has been reduced to 36.7 minutes per year, the lowest in our history. We continually assess the quality and speed of these repairs, and we expect that our dedication to delivering fast and effective repair services will continue into the future.

Supply and Commercialization

A key aspect to our growth strategy is increasing the profitability of our commercialization activities in the mid- to long- term. We intend to continue servicing our approximately 38.4 million customers and future qualified users by developing client-focused strategies that focus on differentiating our clients by segment. We also plan to take advantage of our client base to develop new lines of business and increase our overall commercialization capacity.

In parallel, we plan to continue to develop our transportation and commercialization of natural gas business. We currently purchase 42% of the natural gas that is commercialized in Mexico, and within five years we expect to become the main consumer of natural gas in North America. Considering our unique position in the industry and the opportunities available in Mexico’s undeveloped sector, we seek to gradually increase our presence in the market as we continue to commercialize, import, export, transport and store natural gas in Mexico and the United States. By 2019, our goal is to commercialize 25% of our total installed capacity.

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

Investments and Financing Capabilities

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

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

We expect that our total capital expenditures relating to the Investments Program for the period from 2015 to 2019 will be allocated as follows: Ps. 104 billion (U.S.\$ 6.9 billion) for the improvement and expansion of our electricity generation capacity; Ps. 42 billion (U.S.\$ 2.8 billion) for the improvement and expansion of our transmission network; and Ps. 116 billion (U.S.\$ 7.7 billion) for the improvement and expansion of our distribution network. In addition, we expect to invest approximately Ps. 2.3 billion in our commercialization line of business during 2015.

In connection with our transmission projects, we expect to invest Ps. 20 billion (U.S.\$ 1.3 billion) in the expansion of our *Red Nacional de Transmisión* (National Transmission Network), and Ps. 22 billion (U.S.\$ 1.5 billion) in the modernization of its sub-stations. These investments aim to meet the increase of electricity demand in regions such as Baja California, as well as to improve the reliability of our transmission system.

With respect to our distribution projects, we expect to invest Ps. 85 billion (U.S.\$ 5.6 billion) in the modernization of our distribution network, and Ps. 35 billion (U.S.\$ 2.3 billion) in its expansion. We expect these investments to improve the infrastructure required to transport natural gas by means of entering into 25 year agreements with service providers, which we expect will allow us to develop our business of transportation and commercialization of natural gas in the mid- to long- term and substantially increase our revenue stream.

We intend to continue to develop our current private capital investment program, PIDIREGAS. Under the PIDIREGAS initiative, we currently benefit from private investments through the use of IPPs and OPFs in the development of our electricity generation and transmission capacity.

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

The IPP program has also allowed us to obtain competitive prices for the purchased electricity via an international bidding process, in which we award projects to bidders that offer the lowest KW/h price for the sale of electricity to us. As of March 31, 2015, a total of 23 IPP projects relating to generation facilities were operational.

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. We enter into relatively short-term (1-2 years) agreements under which a private company, which we select in an international public bidding process, is responsible for the construction of a project, but not for its ongoing operation and maintenance. Bidders that are selected for OPF agreements receive a total payment upon the completion of the project. The main advantage of this program is that we avoid risks relating to the development of the project that may arise during the construction stage, such as cost escalation and failure of the completed project to meet technical specifications. As with IPPs, we are able to secure competitive prices for the OPFs as a result of an international bidding process. As of March 31, 2015, a total of 265 OPF projects had been authorized, which include 198 facilities that are currently operational. As of the date of this Luxembourg Listing Prospectus, we are assessing alternative investments schemes, such as joint ventures and public private partnerships, under which we may raise private capital in order to meet our investment needs.

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

In the past, our financings have been mostly limited to public and private financing transactions in the Mexican loan and bond markets, and certain private financings in the United States, Europe and Japan. In May 2011, February 2012 and October 2013, we sought financing in the international bond markets. We believe that the

further development of this financing option, together with our objective to diversify our financing sources, will improve our liquidity and debt maturity profile and help fund our investment activities.

New Organizational and Operational Structure and Strong Performance Culture

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

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

Services and Support

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

Labor Liabilities, Costs Optimization and Productivity

Our estimated labor liabilities amount to approximately 48% of our total assets and we estimate that, unless we take affirmative actions, our labor liabilities will continue to increase as a result of our collective bargaining agreement. In accordance with the Federal Law of Budget and Fiscal Accountability, the Federal government will contribute to reducing our labor obligations in an amount equal to the reductions that we are able to reach by our own actions. We intend to renegotiate some of the provisions of our collective bargaining agreement, in particular those relating to our employee benefit programs that have a higher impact on our pension liability, which renegotiation will require the consent of the SUTERM.

Strategic Regulatory Action

As a productive state enterprise, we intend to influence and participate in the implementation of the new policies and the regulatory agenda to further develop the *Sistema Eléctrico Nacional* (National Power System). We are currently assessing comparable international experiences relating to the liberalization of electricity markets. We will continue to develop our relationship with each of the regulatory entities that oversee our businesses. In particular, regarding our tariff-regulated business, we will coordinate and maintain a channel of communication in order to align the tariffs that we charge our customers with our costs and operating expenses.

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

Social Responsibility

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

Implementation of Business Plan

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

- Initial Implementation (2015-2016): During this period, we intend to improve our operational efficiency to make our business portfolio more sustainable, finalize the new organizational and operational structure, implement our corporate reorganization, as mandated by the CFE Law, in order to fully operate through subsidiary productive state enterprises and subsidiaries, and restructure our financial balance to secure our future operation.
- Consolidation of our Core Lines of Businesses (2017-2018): Maximize the value of our core businesses through performance programs, optimize our generation portfolio, and prepare the basis for a future expansion into other businesses.
- Expansion (2019): Develop and implement policies and controls to ensure our improved performance in each of our core businesses and increase our profitability levels in other lines of business.

Our principal executive office is located at 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 Luxembourg Listing Prospectus. For a more complete description of the terms of the notes, see “Description of the Notes.”

Issuer	Comisión Federal de Electricidad.
Notes Offered.....	U.S.\$ 700,000,000 aggregate principal amount of 6.125% notes due 2045.
Issue Date.....	June 16, 2015.
Issue Price	99.146% of the principal amount thereof, plus accrued interest, if any, from June 16, 2015.
Maturity Date	June 16, 2045 at a redemption price equal to 100% of the then outstanding principal amount of the notes.
Interest Rate	The notes bear interest at the rate of 6.125% per annum from June 16, 2015. 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 June 16 and December 16 of each year, beginning on December 16, 2015.
Status.....	The notes constitute our direct, general, unconditional, unsecured and unsubordinated Public External Indebtedness (as defined below). The notes rank and will rank without any preference among themselves and equally with all of our other unsubordinated Public External Indebtedness. It is understood that this provision shall not be construed so as to require us to make payments under the notes ratably with payments being made under any other of our Public External Indebtedness. See “Description of the Notes—General—Status.”
Payments of Additional Amounts	We are required by Mexican law to deduct Mexican withholding taxes from payments of interest to investors who are not residents of Mexico for tax purposes as described under “Taxation—Mexican Tax Considerations.” We will pay additional amounts in respect of those payments of interest so that the amount holders receive after Mexican withholding tax will equal the amount that they would have received if no such Mexican withholding taxes had been applicable, subject to some limitations and exceptions as described under “Description of the Notes—Additional Amounts.”
Negative Covenants.....	The indenture governing the notes contains certain negative covenants relating to us, including: • a negative pledge, under which we will agree to a limitation on our ability to incur certain liens securing Public External Indebtedness; and • a limitation on fundamental changes, under which we will agree not to engage in certain mergers, consolidations or sales of assets. These covenants are subject to significant qualifications and exceptions. See “Description of the Notes—Negative Covenants.”
Optional Redemption.....	We may redeem the notes, in whole or in part, at any time by paying the greater of 100% of the principal amount of the notes and a “make-whole” amount, plus accrued interest to the redemption date, as described under “Description of the Notes—Redemption and Purchase—Optional “Make-Whole” Redemption.”

Tax Redemption	We may redeem the notes, in whole but not in part, at a price equal to 100% of their principal amount, plus accrued interest to the redemption date, upon notice, if we are obligated to pay any additional amounts under the notes in excess of those attributable to a Mexican withholding tax rate of 4.9% as a result of certain changes in Mexican tax laws applicable to payments under the notes. See “Description of the Notes—Redemption and Purchase—Redemption for Taxation Reasons.”
Purchase at the Option of Holders	Upon the occurrence of certain fundamental changes in our ownership or business (including, among others, if we cease to be a public-sector entity of, or majority-owned by, the Mexican government), we will be required to offer to purchase the notes, at a price equal to 100% of their principal amount, plus accrued interest to the purchase date. See “Description of the Notes—Redemption and Purchase—Purchase at the Option of Holders.”
Further Issues	We may, from time to time without the consent of holders of the notes, issue additional notes having the same terms and conditions as the notes in all respects, except for the issue date, issue price and, if applicable, the date of first payment of interest, the date from which interest will accrue, CUSIP and/or other securities numbers and, to the extent necessary, certain temporary securities law transfer restrictions; <i>provided, however</i> , that any such additional notes issued with the same CUSIP as the notes issued pursuant to the offering shall be issued either in a qualified reopening for U.S. federal income tax purposes or with no more than <i>de minimis</i> original issue discount for U.S. federal income tax purposes. Additional notes issued in this manner will increase the aggregate principal amount of, and be consolidated with and will form a single series with, the previously outstanding notes.
Collective Action Clauses	The notes contain “collective action clauses.” Under these provisions, which differ from the terms of our Public External Indebtedness issued prior to the date of this Luxembourg Listing Prospectus, we may amend the payment provisions of any series of debt securities issued under the indenture (including the notes) and other reserved matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, whether or not the “uniformly applicable” requirements are met, more than 66 2/3% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, <i>and</i> more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed modification, taken individually. See “Description of the Notes—Meetings, Amendments and Waivers.”
Transfer Restrictions	The notes have not been and will not be registered under the Securities Act and are subject to transfer restrictions. See “Transfer Restrictions.”
Form and Denomination	The notes were issued in fully registered book-entry form, with a minimum denomination of U.S.\$ 200,000 and integral multiples of U.S.\$ 1,000 in excess thereof. The notes sold in the United States in reliance on Rule 144A were evidenced by one or more notes in global form (collectively, the “Restricted global note”), which were deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (“DTC”). The notes sold outside of the United States in reliance on Regulation S were evidenced by one or more

	separate notes in global form (collectively, the “Regulation S global note”), which also were deposited with a custodian for, and registered in the name of a nominee of, DTC. Transfer of beneficial interests between the Restricted global note and the Regulation S global note will be subject to certain certification requirements.
Use of Proceeds	We intend to use the net proceeds from the offering of the notes for working capital and general corporate purposes in accordance with the Mexican laws and regulations applicable to us.
Listing	Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market.
Trustee, Registrar, Principal Paying Agent and Transfer Agent	Deutsche Bank Trust Company Americas.
Luxembourg Paying Agent, Transfer Agent and Listing Agent	Deutsche Bank Luxembourg S.A.
Governing Law	The indenture and the notes are governed by, and construed in accordance with, the laws of the State of New York, except that matters relating to the authorization and execution of the indenture and the notes by us are governed by and construed in accordance with the laws of Mexico.
Risk Factors	Prospective purchasers of the notes should consider carefully all of the information set forth in this Luxembourg Listing Prospectus and, in particular, the information set forth under “Risk Factors” in this Luxembourg Listing Prospectus, before making an investment in the notes.

SUMMARY FINANCIAL AND OPERATING 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, 2014, 2013 and 2012, and our unaudited financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014. The data should be read in conjunction with, and are qualified in their entirety by reference to, our financial statements included elsewhere in this Luxembourg Listing Prospectus.

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

	As of and for the Three-Month Period Ended March 31,				As of and for the Year Ended December 31,									
	2015		2015		2014		2014		2013		2012			
	(in thousands of dollars, except for ratios, percentages and GWh) (1)		(in thousands of pesos, except for ratios, percentages and GWh)		(in thousands of dollars, except for ratios, percentages and GWh) (1)		(in thousands of pesos, except for ratios, percentages and GWh)							
	(Unaudited)						(Audited)							
Income Statement Data														
Revenues on sale of electric power	U.S.\$	4,846,795	Ps.	73,449,296	Ps.	78,290,887	U.S.\$	22,000,307	Ps.	333,397,051	Ps.	318,409,598	Ps.	311,020,877
Total operating costs and expenses (2)		5,238,427		79,384,170		80,753,576		22,359,725		338,843,743		337,137,670		321,516,620
Operating income (loss)		(391,632)		(5,934,874)		(2,462,689)		(359,418)		(5,446,692)		(18,728,072)		(10,495,743)
Other (expenses) income, net		79,680		1,207,481		1,485,698		332,028		5,031,612		5,198,651		3,789,028
Income tax on the distributable remaining balance (3)		N/A		N/A		(382,782)		(164,415)		(2,491,581)		(1,580,509)		(1,579,611)
Rate insufficiency (4)		753.4		11,417.9		21,550,465		5,690,006		86,227,484		85,770,342		77,036,195
Public use tax (5)		N/A		N/A		(14,698,041)		(3,879,595)		(58,792,164)		(46,012,501)		(44,779,134)
Write-off of insufficiency not covered by public use taxes		(753.4)		(11,417.9)		(6,852,424)		(1,810,411)		(27,435,320)		(39,757,841)		(32,257,061)
Net result of the subsidy and non-tax charges		N/A		N/A		—		—		—		—		—
Financial cost		(763,989)		(11,577,649)		(4,454,530)		(2,898,551)		(43,925,240)		(22,442,424)		(10,929,288)
Net income (loss)	U.S.\$	(1,075,942)	Ps.	(16,305,042)	Ps.	(5,814,304)	U.S.\$	(3,090,357)	Ps.	(46,831,901)	Ps.	(37,552,354)	Ps.	(19,215,614)
Balance Sheet Data														
Current assets	U.S.\$	10,068,372	Ps.	152,578,125	Ps.	170,562,712	U.S.\$	9,185,673	Ps.	139,201,528	Ps.	137,193,593	Ps.	143,643,853
Plants, facilities and equipment, net		66,051,065		1,000,951,042		952,215,763		65,860,078		998,056,787		954,246,405		813,402,747
Derivative financial instruments		930,289		14,097,778		13,997,464		921,055		13,957,858		13,989,058		15,869,179
Long-term loans to workers		627,089		9,503,039		8,606,919		609,280		9,233,151		8,311,746		7,483,560
Other assets		1,055,752		15,999,078		12,709,678		1,022,750		15,498,951		11,377,522		9,524,798
Total assets	U.S.\$	78,732,567	Ps.	1,193,129,062	Ps.	1,158,092,536	U.S.\$	77,598,836	Ps.	1,175,948,275	Ps.	1,125,118,324	Ps.	989,924,137
Employee benefits and other (6)		35,911,743		544,213,733		507,849,596		35,339,343		535,539,470		504,260,756		451,788,800
Short-term debt and leases (7)		3,327,840		50,430,760		59,061,554		2,033,505		30,816,162		48,484,492		30,486,253
Short-term employee benefits		1,892,543		28,679,977		26,921,750		1,881,533		28,513,123		23,267,799		19,874,200
Other current liabilities (8)		4,023,069		60,966,387		64,786,379		4,239,976		64,253,441		57,196,309		72,751,766
Documented debt and leases (9)		21,322,977		323,132,663		289,372,760		20,876,795		316,371,127		276,872,272		270,171,663
Derivative financial instruments		968,186		14,672,062		15,178,083		960,485		14,555,378		15,036,137		16,985,875
Other long-term liabilities		2,084,851		31,594,254		25,010,172		2,003,104		30,355,444		24,023,021		18,721,365
Total equity		9,201,358		139,439,226		169,912,242		10,264,095		155,544,130		175,977,538		109,144,215
Total liabilities and equity	U.S.\$	78,732,567	Ps.	1,193,129,062	Ps.	1,158,092,536	U.S.\$	77,598,836	Ps.	1,175,948,275	Ps.	1,125,118,324	Ps.	989,924,137
Other Financial and Operating Information														
Operating EBITDA (10)	U.S.\$	857,748	Ps.	12,998,479	Ps.	14,922,432	U.S.\$	4,260,610	Ps.	64,566,130	Ps.	42,945,802	Ps.	47,623,672
Ratio of operating EBITDA to net interest expense		2.9x		2.9x		3.9x		3.4x		3.4x		2.2x		2.5x
Ratio of debt to operating EBITDA		N/A		N/A		N/A		5.4x		5.4x		7.6x		6.3x
Ratio of debt to equity		267.9%		267.9%		205.1%		223.2%		223.2%		184.9%		275.6%
Capital expenditures	U.S.\$	857,638	Ps.	12,996,812	Ps.	8,131,891	U.S.\$	3,089,737	Ps.	46,822,499	Ps.	37,370,292	Ps.	60,764,564
GWh sold		48,271		48,271		47,681		209,253		209,253		206,760		207,281

N/A = Not applicable.

- Translations into dollars of amounts in pesos have been made at the peso/dollar exchange rate in effect as of March 31, 2015 of Ps. 15.1542 = 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.
- Includes, among others, costs of operations of Ps. 51,636,482,000 and Ps. 55,440,629,000 for the three-month periods ended March 31, 2015 and 2014, respectively, and costs of operations of Ps. 234,037,359, Ps. 243,672,586 and Ps. 234,973,803 for the years ended December 31, 2014, 2013 and 2012, respectively.
- Represents taxes paid on distributable remaining balance, under the tax regime that was in effect until December 31, 2014. Since January 1, 2015, upon the repeal of the *Ley del Servicio Público de Energía Eléctrica* (the Electric Power Utilities Law, or the "LSPEE"), and our conversion into a productive state enterprise, we are now obligated to pay income taxes based on our taxable income, instead of only on third party transactions. For further detail, see Note 20 to our audited financial statements as of and for the years ended December 31, 2014 and 2013 and Note 20 to our unaudited financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014, and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

- (4) Represents non-cash transfers that the Mexican government provided to us to compensate for the subsidized rates of electricity that we charge certain of our customers. We have calculated the rate insufficiency as of and for the three-month period ended March 31, 2015 on the same basis that we calculated the rate insufficiency for the previous periods. However, our ability to receive such rate insufficiency in the future is uncertain. Since January 1, 2015, upon the repeal of the LSPEE, and our conversion into a productive state enterprise, there is no current agreement with the Ministry of Finance relating to this subsidy. For further detail, see Note 21 to our audited financial statements as of and for the years ended December 31, 2014 and 2013 and Note 21 to our unaudited financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors—Risk Factors Related to CFE—Our operating costs may not be fully covered by our electricity rates, which are set by the Mexican government; and, as a result, a reduction of our electricity rates could adversely affect our results of operations and financial condition.”
- (5) Represents a non-cash charge from the Mexican government for the use of our assets. The charge was calculated as a percentage of our net fixed assets. The percentage was determined on an annual basis by the Mexican government. Such percentage is 9% for the periods presented herein. Since January 1, 2015, upon the repeal of the LSPEE, and our conversion into a productive state enterprise, we are no longer subject to this charge.
- (6) Represents employee benefits plus provision for labor obligations upon retirement and other contingencies.
- (7) Represents current portion of documented debt plus current portion of the leases of plants, facilities and equipment and PIDIREGAS.
- (8) Represents liabilities derived from suppliers and contractors plus taxes and fees payable plus other accounts payable and accrued liabilities plus deposits from users and contractors.
- (9) Represents long-term documented debt plus long-term leases of plants, facilities and equipment and PIDIREGAS.
- (10) 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 equity are presented in this Luxembourg Listing Prospectus because we believe that they are widely accepted as financial indicators of our ability to internally fund capital expenditures and service or incur debt. 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 Three-Month Period Ended March 31,			For the Year Ended December 31,			
	2015	2015	2014	2014	2014	2013	2012
	(in thousands of dollars)	(in thousands of pesos)		(in thousands of dollars)	(in thousands of pesos)		
Operating income (loss)	U.S.\$ (391,632)	Ps. (5,934,874)	Ps. (2,462,689)	U.S.\$ (359,418)	Ps. (5,446,692)	Ps. (18,728,072)	Ps. (10,495,743)
Depreciation.....	668,831	10,135,599	10,180,111	2,742,798	41,564,905	36,235,532	35,045,369
Net cost of labor obligations ^(A)	580,549	8,797,754	7,205,010	1,877,230	28,447,917	25,438,342	23,074,046
Operating EBITDA	U.S.\$ 857,748	Ps. 12,998,479	Ps. 14,922,432	U.S.\$ 4,260,610	Ps. 64,566,130	Ps. 42,945,802	Ps. 47,623,672

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

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

RISK FACTORS

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

Risk Factors Related to Mexico

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

The Energy Reform Decree, which was enacted in December 2013, included transitional articles that set forth the framework for the implementation of the Secondary Legislation and provided for certain transitional steps. On August 6, 2014, the Mexican Congress completed the process of approving the Secondary Legislation, which was signed into law by President Enrique Peña Nieto and published in the Official Gazette of the Federation on August 11, 2014. Certain provisions of the Secondary Legislation, including some provisions of the Electric Industry Law relating to the *Mercado Eléctrico Mayorista* (Wholesale Electricity Market), are not yet effective as of the date of this Luxembourg Listing Prospectus. On October 31, 2014, President Enrique Peña Nieto enacted Regulations in respect of the Secondary Legislation, which were published in the Official Gazette of the Federation. We expect that the effects of these developments on our business and operations will be material.

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

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

In addition, the implementation of the Secondary Legislation modified our fiscal regime by eliminating the public use tax and replacing it with an income tax comparable to that paid by private-sector companies in Mexico. As of the date of this Luxembourg Listing Prospectus, we are not accruing income tax pursuant to the Mexican Income Tax Law. However, if we generate profits in the future we will be required to pay taxes based on our taxable income in accordance with the Mexican Income Tax Law. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies—Income Tax Regime.” Furthermore, starting in 2016, we will be expected to pay a dividend to the Mexican government based on our net income. The Ministry of Finance will determine the amount of any dividend we are expected to pay to the Mexican government each year, after taking into account our business plan and capital investment needs for the upcoming

fiscal year and, after congressional approval, the Ministry of Finance will determine the terms on which we are to pay such dividend.

As of the date of this Luxembourg Listing Prospectus, we are assessing the impact that the Energy Reform Decree, the Secondary Legislation and the Regulations will have on us, which will depend in part on how they are implemented by further regulations. As a result, at this time we cannot predict the long-term effects of the implementation of this new legal framework, although these effects could be adverse to our interests in significant respects. For more information, see “Comisión Federal de Electricidad—General Regulatory Framework.” In addition, as a result of longstanding restrictions included in certain of our agreements, including certain financing agreements that were based on the legal framework in effect before the Energy Reform Decree and the Secondary Legislation were enacted, these effects may cause us to default on these agreements in the event that we are unable to amend them or obtain waivers from our lenders, as may be required in connection with the ongoing implementation of the Secondary Legislation. These restrictions include representations, covenants or events of default related to (a) our former status as a decentralized public entity of the Mexican government, (b) maintaining a determined market share in certain aspects of the electricity market and (c) our ability to reorganize or to transfer a substantial portion of our assets to our new subsidiary productive state enterprises or subsidiary enterprises.

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

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. A deterioration in Mexico’s economic condition, social instability, political unrest or other adverse social developments in Mexico could adversely affect our business and financial condition. These events could also lead to increased volatility in the foreign exchange and financial markets, thereby affecting our ability to obtain new financing and service our debt. The Mexican government recently cut spending in response to a downward trend in international crude oil prices, and it may cut spending in the future. See “—Risk Factors Related to CFE—The Mexican government controls us and could limit our ability to satisfy our external debt obligations.” These cuts could adversely affect the Mexican economy and, consequently, our business, financial condition, operating results and prospects.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation and other economic problems. In 2012, 2013 and 2014, inflation in Mexico, as measured by the change in the national consumer price index, was 3.6%, 4.0% 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 4.2%, 3.8% and 3.0%, 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.

A worsening of international 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 have adverse effects on the Mexican economy, our financial condition and our ability to service our debt.

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

Political events in Mexico may significantly affect Mexican economic policy and, consequently, our operations. On December 1, 2012, Enrique Peña Nieto, a member of the *Partido Revolucionario Institucional* (Institutional Revolutionary Party, or PRI), formally assumed office for a six-year term as the President of Mexico. As of the date of this Luxembourg Listing Prospectus, no political party holds a simple majority in either house of the Mexican Congress. On June 7, 2015, federal elections will take place in Mexico to elect 500 seats of the *Cámara de Diputados* (Chamber of Deputies) of the Mexican Congress. The result of these elections and the composition of the Mexican Congress is uncertain and could alter the current political environment, which in turn could have a material adverse effect on our operations.

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

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

The peso has been subject to significant devaluations against the dollar in the past and has recently been subject to significant fluctuations. Mexican government policies affecting the value of the peso could prevent us from paying our foreign currency obligations. During the period from December 31, 2011 to December 31, 2014, the value of the peso (in dollar terms) depreciated 6.7%.

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, 34.5% as of December 31, 2014, is denominated in dollars or other foreign currencies, and we may incur additional indebtedness denominated in dollars or other foreign currencies in the future. The depreciation of the peso against the dollar during 2014 resulted in a Ps. 21,822.7 million decrease in our foreign exchange, net, from a loss of Ps. 979.5 million in 2013 to a loss of approximately Ps. 22,802.2 million in 2014. The value of the peso in dollar terms depreciated by 12.7% in 2014, as compared to a 0.9% depreciation of the peso in dollar terms in 2013. 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 under the control of the Mexican government, such as the regulation of electricity rates throughout Mexico. Consequently, a change in applicable law, regulations or policies in Mexico, including as a result of the implementation of the Secondary Legislation, if adverse to us, could have a negative impact on our business, financial condition and results of operations. For additional discussion of the impact of potential regulatory developments, see “—Risk Factors Related to Mexico—The effects of the implementation of the new legal framework applicable to the energy sector in Mexico are uncertain but likely to be material” and “Comisión Federal de Electricidad—General Regulatory Framework.”

Risk Factors Related to CFE

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

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

Pursuant to the CFE Law, on October 7, 2014, we were converted from an *organismo descentralizado de la Administración Pública Federal* (decentralized public entity of the Mexican government) into a productive state enterprise. As a productive state enterprise, we have additional technical, managerial and budgetary autonomy, which is designed to allow us to compete effectively with other companies participating in the Mexican electric energy sector. See “—Risk Factors Related to Mexico—The effects of the implementation of the new legal framework applicable to the energy sector in Mexico are uncertain but likely to be material” and “Comisión Federal de Electricidad—General Regulatory Framework.” Notwithstanding this increased autonomy, we remain under the Mexican government's supervision and strict regulation, and, under such regulation, the Minister of Energy acts as chairman of our board. Our activities are monitored by the Ministry of Energy and the Energy Regulatory Commission, and our annual budget can be adjusted by the Mexican government in certain respects. In addition, our

financial balance and personal services expenditure ceiling are included in the overall public sector financing plans and expenditure budget, which requires the approval of the Mexican Congress. As a result, our financing and payment capacity is directly aligned with that of the Mexican government, which could adversely affect our ability to make payments under any securities issued by us, including the notes. Although we are wholly owned by the Mexican government, our financing obligations do not constitute obligations of, and are not guaranteed by, the Mexican government.

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

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

The Mexican government may set some of our electricity rates at levels below our operating costs in order to maintain the affordability of electricity, in particular with respect to our residential and agricultural customers, which rates will continue to be determined by the Mexican government following the implementation of the Secondary Legislation. In addition, upon the repeal of the LSPEE and our conversion into a productive state enterprise, we are no longer subject to the public use tax and rate insufficiency regime that was historically applicable to us. We are working with the Ministry of Finance with the goal of creating a framework whereby we do not absorb the impact of the subsidies granted to consumers, due to the effect of the electricity rates, but we can provide no assurances that we will not have to absorb such impact in the future, or whether the new framework will adversely affect our results of operations and financial position.

As of the date of this Luxembourg Listing Prospectus, we are assessing the impact that the Energy Reform Decree, the Secondary Legislation and the Regulations will have on us, which will depend in part on how the electricity rates are determined pursuant to regulations that have not yet been enacted. If the Mexican government sets some of our electricity rates at levels below our operating costs, our business, financial condition and results of operations may be adversely affected. For more information relating to our rates, see "Comisión Federal de Electricidad—Electricity Rates."

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 78.5% of our installed capacity for generation (including IPPs) as of March 31, 2015, 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 Gas de Litoral, S. de R.L. de C.V., IEnova LNG, S. de R.L. de C.V., Grupo Iberdrola and its affiliates, CIC Corporativo Industrial Coahuila and Fuerza y Energía de Tuxpan) at indexed prices pursuant to long-term (15-year) contracts awarded pursuant to an international bidding process. For 2014 and the three-month period ended March 31, 2015, fuel oil and natural gas accounted for an average of approximately 77.2% and 64.4%, respectively, of the aggregate amounts that we spent for the generation of electricity. As of March 31, 2015, approximately 9.8% of our installed capacity relied on the use of coal, which we purchase pursuant to three-year contracts with various foreign suppliers that we select through international bidding processes. A small percentage of our generating plants use diesel fuel, which we purchase from PEMEX at prices regulated by the Mexican government.

Any variation in fuel prices could affect our results of operations and financial condition, since an increase in fuel prices has a direct impact on our net operating cost. Since 2006, increased demand for natural gas in Mexico and diminished national supply has forced PEMEX to limit the amount of natural gas it makes available to us, which has, in turn, increased our demand for fuel oil and placed upward pressure on the prices we pay for natural gas and fuel oil. To mitigate our exposure to fuel prices, the electricity rates that we charged our industrial, commercial and high-consumption residential customers, which accounted for 75.4% of our revenues from electricity sales for 2014, were adjusted on a monthly basis pursuant to a formula that accounts for changes in fuel costs. However, in the future, we may not be able to successfully reduce our exposure to the volatility of fuel prices and their impact on our results of operations and financial condition.

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

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

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

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

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

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

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

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

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

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

Although we conduct a comprehensive maintenance program, we may not be able to prevent service interruptions due to technical failures. Much of our equipment is installed outdoors and is subject to the varying weather conditions that affect Mexico from time to time. As a result, this equipment, including, in particular, our transmission towers and utility poles, often incurs weather-related damage as well as wear-and-tear from aging,

which in certain instances causes electricity service interruptions for our customers. Furthermore, we may suffer from significant and prolonged interruptions of service in any one or more of our facilities due to natural disasters (e.g., hurricanes, earthquakes, flooding and/or tsunamis), accidents, sabotage, terrorist acts, copper wire theft or failure of our technical systems or emergency maintenance plans, which could adversely affect our business, financial condition and results of operations. We currently do not hold insurance policies for business interruptions and we cannot assure you that we will do so in the future.

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

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

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

Natural disasters, such as hurricanes, earthquakes, or massive rain storms could adversely affect our operations, in particular the supply of energy to the affected regions. Although we have contingency plans in place and insurance against some or all of the risks that we face, we cannot assure you that we will be able to respond to the effects of natural disasters in an effective manner and that our insurance coverage will be adequate.

Unfavorable hydrologic conditions may adversely affect our operations

Our power generation activities depend, to a certain extent, on adequate flows and supplies of water, as 22.3% of our total installed capacity as of March 31, 2015 is from hydroelectric sources. Hydrological conditions largely influence plant dispatch and generation and therefore affect our operations. In the event of adverse hydrologic conditions and if alternative sources of generation are not available to us at a low cost, our financial performance may be negatively affected.

We may not be successful in implementing our business strategies

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

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

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

The Secondary Legislation requires us to create subsidiaries and undertake a vertical and horizontal separation of each of our generation, transmission, distribution and commercialization activities

The Secondary Legislation, particularly the Electric Industry Law and the CFE Law, requires us to create subsidiaries and undertake a vertical separation of each of our core activities—generation, transmission, distribution and commercialization, and a horizontal separation regarding our generation activities, which must be legal, and our distribution activities, which may be legal or accounting, operating and functional, in accordance with guidelines to be published by the Ministry of Energy and the Energy Regulatory Commission. As of the date of this Luxembourg Listing Prospectus, the guidelines to implement our new organizational structure are subject to further review and revision by the Ministry of Energy and the Energy Regulatory Commission. In addition, the Mexican government has the power, if the Mexican Constitution and federal law were further amended, to reorganize us, including a transfer of all or a portion of our assets to an entity not controlled by the Mexican government. The reorganization contemplated by the Energy Reform Decree and the Secondary Legislation, or any other reorganization or transfer that the Mexican government could adversely affect our operations, cause a disruption in our workforce and cause us to default on certain obligations. See “Comisión Federal de Electricidad—General Regulatory Framework.”

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

As of March 31, 2015, approximately 79.6% of our employees were members of the *Sindicato Único de Trabajadores Electricistas de la República Mexicana* (Sole Union of 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 March 31, 2015, we recorded a liability of Ps. 572,893.7 million on our balance sheet in respect of our future employee short-term and long-term benefits obligations, which represented approximately 54.4% of our total liabilities. Any inability to meet these obligations at any time in the future may result in labor unrest, which could adversely affect our business, financial condition and results of operations.

As of March 31, 2015, we had 13,253 labor-related lawsuits filed against us by current and past employees. As of March 31, 2015, we had established a provision included in the liability for employee benefits of Ps. 4,719 million for our estimated liability in respect of these lawsuits, which provision is based on the trend of labor-related lawsuits resolved in the last five years. Although we have established reserves that we believe are sufficient to cover the risks associated with these lawsuits, we cannot guarantee that the assumptions underlying the

establishment of our reserves will prove to be accurate, nor can we assure you that we will not become the subject of a further lawsuits that may have an adverse effect on our business, results of operations and financial condition.

Risk Factors Related to the Notes

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

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

The notes are subject to certain transfer restrictions

The notes have not been and will not be registered under the Securities Act or any state securities laws, and we are not required to make and currently do not plan on making any such registration in the immediate future. Accordingly, the notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable 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 the bankruptcy laws of Mexico, and certain of our assets cannot be attached by creditors

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

Under the CFE Law, real property owned by us is deemed to be property in the public domain, and neither attachment prior to judgment nor attachment in aid of execution will be ordered by Mexican courts against our real property. As a result, a Mexican court would not recognize an attachment order against such assets. In addition, the transmission and distribution of electric energy as a public service are reserved to the Mexican government, through the Issuer, and to that extent the assets related thereto are subject to immunity. As a result, the ability to enforce judgments against us in the courts of Mexico may be limited.

We have irrevocably submitted to the jurisdiction of the U.S. federal courts located in the Borough of Manhattan in The City of New York and, to the extent permitted by law, have waived immunity from the jurisdiction of these courts in connection with any action based upon the notes brought by any holder of notes. However, a holder of notes would not be able to enforce that judgment against our property in the United States except under the limited circumstances specified in the Foreign Sovereign Immunities Act. Moreover, most of our

assets are located in Mexico, not in the United States. Therefore, even if a U.S. judgment against us were obtained, and an action to enforce that judgment were to be brought in Mexico, or an action seeking to enforce our obligations under the notes were brought against us in Mexico, satisfaction of those obligations may be made in pesos, pursuant to the laws of Mexico, at the rate of exchange in effect on the date on which payment is made. This rate of exchange is currently determined by *Banco de México* every business day in Mexico, based on an average of wholesale foreign exchange market quotes, and is published the following business banking day in the Official Gazette and on *Banco de México*'s website (www.banxico.org.mx). See "Exchange Rates."

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

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

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.\$ 691.6 million. We intend to use the net proceeds from the offering of the notes for working capital and general corporate purposes in accordance with the Mexican laws and regulations applicable to us.

EXCHANGE RATES

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

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

Year ended December 31,	Exchange Rate			
	End of Period	Average ⁽¹⁾	High	Low
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
2013.....	13.084	12.770	13.439	11.981
2014.....	14.741	13.303	14.785	12.846
Monthly (2015)				
January.....	14.989	14.693	14.989	14.556
February.....	14.955	14.921	15.110	14.755
March.....	15.265	15.228	15.584	14.935
April.....	15.371	15.226	15.452	14.800
May.....	15.382	15.265	15.494	15.023

⁽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 June 8, 2015 was 15.672 pesos per dollar.

CAPITALIZATION

The following table sets forth our consolidated capitalization under IFRS (1) on an actual basis as of March 31, 2015 and (2) as adjusted to reflect the issuance and sale of the notes, but not the use of proceeds therefrom, or the expected issuance of an aggregate of Ps. 10 billion of peso-denominated debt securities on June 9, 2015.

		As of March 31, 2015			
		Actual (in millions of Mexican pesos)	Actual (in millions of dollars) ⁽¹⁾	As Adjusted for this Offering (in millions of Mexican pesos)	As Adjusted for this Offering (in millions of dollars) ⁽¹⁾
Debt					
Current portion of long-term debt	Ps.	33,738.2	U.S.\$ 2,226.3	Ps. 33,738.2	U.S.\$ 2,226.3
Current portion of the lease of plants, installation, equipment and PIDIREGAS		<u>16,692.5</u>	<u>1,101.5</u>	<u>16,692.5</u>	<u>1,101.5</u>
Total short-term debt		50,430.7	3,327.8	50,430.7	3,327.8
Long-term documented debt		140,526.2	9,273.1	140,526.2	9,273.1
6.125% Notes due 2045 offered hereby		—	—	10,607.9	700.0
Long-term leases of plants, installation, equipment and PIDIREGAS		182,606.5	12,049.9	182,606.5	12,049.9
Total long-term debt		323,132.7	21,323.0	333,740.6	22,023.0
Total debt	Ps.	373,563.4	U.S.\$ 24,650.8	Ps. 384,171.3	U.S.\$ 25,350.8
Equity					
Accumulated equity	Ps.	155,544.1	U.S.\$ 10,264.1	Ps. 155,544.1	U.S.\$ 10,264.1
Contributions from the Federal Government		—	—	—	—
Payment of Public Use Tax Federal Revenue Law		—	—	—	—
Charge to equity for employee benefits		—	—	—	—
Revaluation surplus		200.1	13.2	200.1	13.2
Transfers to CENACE		—	—	—	—
Derivative financial instruments		—	—	—	—
Net loss for the period		(16,305.0)	(1,075.9)	(16,305.0)	(1,075.9)
Total equity		139,439.2	9,201.4	139,439.2	9,201.4
Total capitalization (total debt and equity)...	Ps.	513,002.6	U.S.\$ 33,852.2	Ps. 523,610.5	U.S.\$ 34,552.2

(1) Peso amounts have been translated into dollars, solely for the convenience of the reader, at the peso/dollar exchange rate in effect as of March 31, 2015 of Ps. 15.1542 = U.S.\$ 1.00, as published by *Banco de México*.

There has been no material change in our capitalization since March 31, 2015, other than the issuance of the Cebures due 2025 and the Cebures due 2020, as described further in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

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 Luxembourg Listing Prospectus 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 Luxembourg Listing Prospectus.

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

Significant Accounting Policies

The following is a summary of the significant accounting policies that we follow in preparing our financial information, including our financial statements included herein. See Note 3 to our audited financial statements as of and for the years ended December 31, 2014, 2013 and 2012 and Note 3 to our unaudited financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014.

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."

Cash and Cash Equivalents

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

Inventory of Operating Materials and Costs of Consumption

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

Plants, Facilities and Equipment

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

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

	Annual rate %
Geothermal power stations	From 2.00 to 3.70
Steam generating power stations	From 1.33 to 2.86
Hydroelectric power stations	From 1.25 to 2.50
Internal combustion power stations	From 1.33 to 3.03
Turbogas and combined-cycle power stations	From 1.33 to 3.03

Nuclear power station	From 1.33 to 2.50
Substations	From 1.33 to 2.56
Transmission lines	From 1.33 to 2.86
Distribution networks	From 1.67 to 3.33

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

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

Land is not depreciated.

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

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

Long-term Productive Infrastructure Projects (PIDIREGAS)

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

- 1) Direct investment: Upon our receipt of a completed project that we deem acceptable under the standards set forth in the contract, we record the asset in the PIDIREGAS fixed asset account and the corresponding total liabilities in accordance with our accounting policies relating to the characterization of liabilities. The assets acquired through the PIDIREGAS scheme, as well as the related liabilities, are recorded at the contracted value of the respective projects.
- 2) Conditioned investment: Since 1992, IPPs have been permitted to sell power produced by them to CFE. Of the 26 contracts between CFE and IPPs, we determined that 23 have the characteristics of a financial lease of the power generating plant, in accordance with Interpretation of IFRS-12, "Concession Service Agreements". Accordingly, such leases qualify as financial leases, in accordance with IAS 17, "Leases" and are recorded in a fixed asset account denominated "Independent Producers" together with the corresponding total liability that applies to the value of the asset.

Intangible Assets

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

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

Impairment of Long-Lived Assets in Use

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

Financial Instruments

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

Derivative Financial Instruments

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

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

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

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

We conduct effectiveness tests on coupon swap cash flows that are carried out during the year. The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the measurement method. In addition, the most significant elements of each swap were disclosed such as the date of the swap, the interest rates used for the calculation of the cash flow of the primary position, as well as the cash flow of the derivative financial instrument, the surcharge added to each calculation rate, the basis of calculation for each cash flow, the frequency of periods and date of the calculation of both rates.

Obligations Associated with the Retirement of Plants, Facilities and Equipment.

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

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

Employee Benefits

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

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

Income Tax Regime

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

As 2015 will be the first fiscal year that we are subject to the provisions of Title II of the Mexican Income Tax Law, we will not make monthly estimated income tax payments during 2015, and it is expected that we will begin making such monthly estimated payments, if applicable, during 2016 once we determine a *coeficiente de utilidad* or profitability coefficient in accordance with article 14 of the Mexican Income Tax Law.

Segment Information

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

Revenue Recognition

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

Foreign Currency Transactions

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

Transactions with Mexican Federal, State, and Municipal Governments

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

(1) Transactions with Mexican government:

- Public use taxes payable to the Mexican government. In accordance with Article 46 of the LSPEE, enacted on December 28, 1992, we were 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. As discussed under “Comisión Federal de Electricidad—Electricity Rates,” we are no longer obligated to pay a public use tax. The amount of any public use tax was determined based on the profitability rate established by state-owned entities on an annual basis. For the year ended December 31, 2014, a 9% rate was ratified by the Ministry of Finance. That rate was applied to the value of the net fixed assets in operation during the immediately preceding fiscal year. The resulting amount was charged to income for the year. The public use tax represented a decrease in profit for CFE as a result of a payment to the Mexican government, which is why it was recorded as an operating expense. This public use tax was offset against the rate insufficiency determined to supplement the revenue. Consequently, there was no payment made to the Mexican government in respect of the public use tax. During 2012, an amendment to the regulations of the LSPEE was published in the Official Daily Gazette, which defined the concept of “net fixed asset in operation” as follows:

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

- Invested equity. In accordance with Article 1 of 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 equity. Similarly, the executive branch of the Mexican government can determine its reinvestment annually in entities as an equity contribution for CFE.
- Rate insufficiency to supplement revenue. In accordance with Article 46 of the LSPEE, the public use tax mentioned above may be offset against the rate insufficiency, which corresponds to the resources that the Mexican government grants to the users of the electric service through CFE, by imposing rates on the sale of energy. Any rate insufficiency that is offset against the public use tax represents an increase in economic benefits for CFE and, thus, is recorded as revenue, and the unrecoverable surplus of the rate insufficiency is recognized and written off in our financial statements.

The public use tax was repealed by the Electric Industry Law and, accordingly, is not reflected in our financial statements for the three-month period ended March 31, 2015.

(2) Transactions with Mexican state and municipal governments:

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

Financial Cost

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

Contingencies and Commitments

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.

During 2012, Mexican GDP growth was primarily driven by increases in external and domestic demand. During 2013, GDP growth slowed as compared to 2012 as a result of the Mexican government's effort to manage inflation by restricting its spending. During 2014, GDP growth increased by 2.1% as compared to 2013, primarily due to increased activities in the services sector, mainly wholesale and retail trade.

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, 2010 through 2014

	2010	2011	2012	2013	2014
Real GDP (% change) ¹	5.1	4.0	4.0	1.4	2.1
National consumer price index (% change) ¹	4.4	3.8	3.6	4.0	4.1
National producer price index (% change) ¹	3.8	6.6	4.8	-0.5	1.4
Merchandise export growth (% change) ²	29.9	17.1	6.1	2.5	4.0
Interest rates (average % based on 28-day <i>Cetes</i>) ²	4.4	4.2	4.2	3.8	3.0
Change in Electricity Demand in Mexico (% change) ³	3.8	7.2	2.0	1.4	3.1

Sources:

¹ INEGI (National Institute of Statistics and Geography).

² Banco de México.

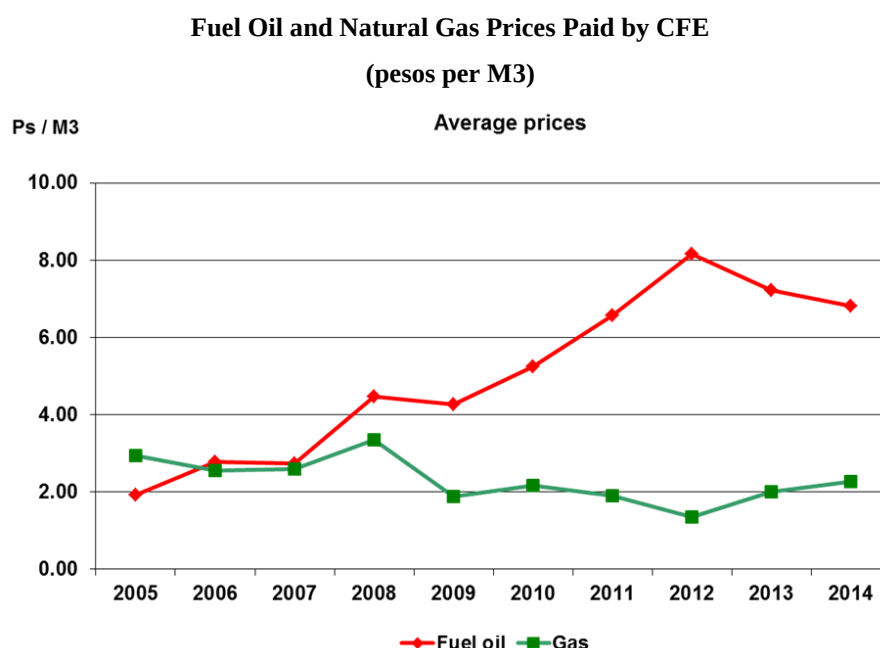
³ CFE.

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

Our margins are substantially dependent on the prices that we charge for electricity and that we are required to pay for the fuel that powers our generation activities. For the year ended December 31, 2014, fuel oil represented 28.5% of the various primary sources on which we rely for our generation activities and natural gas represented 44.6%. For the year ended December 31, 2014, fuel oil and natural gas represented 77.2%, and for the three-month period ended March 31, 2015, fuel oil and natural gas represented 64.4%, of the aggregate amounts that we spent on the generation of electricity. Although several of our generating plants can use either fuel oil or natural gas, our generation plants are generally limited to the use of a single fuel type. As a result, our ability to change fuel sources in the event of a price increase is limited.

The prices we pay for fuel oil and natural gas have been and may continue to be affected by, among other factors, the availability of fuel oil and natural gas in Mexico, our ability to enter into agreements with local companies producing or transporting fuel oil and natural gas, the prices established by the Mexican government for these products and international supply and demand. For further discussion on our purchasing of fuel oil and natural gas, see “Risk Factors—Risk 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 2014:



Source: CFE.

The electricity rates we currently charge to customers are determined annually by the Mexican government. Electricity rates reflect our anticipated production and long-term marginal costs, as well as other variables including the category and location of the consumer and the time of day that the electricity is expected to be consumed. For more information on pricing, see “Comisión Federal de Electricidad—Electricity Rates.”

Changes in Interest Rates

As of December 31, 2014, we had approximately Ps. 248,320.0 million (U.S.\$ 16,386.2 million) in total indebtedness, of which approximately Ps. 137,617.4 million (U.S.\$ 9,081.1 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 6.5% of our floating rate peso-denominated debt and approximately 3.1% 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 34.5% of our total indebtedness as of December 31, 2014). 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 March 31, 2015, approximately 79.6% of our employees were members of the SUTERM labor union. Historically, our relationship with SUTERM has been cordial and respectful despite our differing interests. Every two years, we renegotiate the terms of our collective bargaining agreement with SUTERM, while wages are reviewed on an annual basis. The current collective bargaining agreement was renegotiated in May 2014, and CFE

employee wages were adjusted in May 2015. The next renegotiation of the terms of our collective bargaining agreement will take place in May 2016.

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 December 31, 2014, our obligations in respect of employee benefits for employees that were employed as of or prior to August 18, 2008 represented approximately 55% of our total liabilities. See “Risk Factors—Risk Factors Related to CFE—Labor unrest, employee benefits obligations and labor-related lawsuits may adversely affect our business, financial condition and results of operations.”

Competition in Supply and Generation

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

Results of Operations

Three-Month Period Ended March 31, 2015 Compared to Three-Month Period Ended March 31, 2014

Revenue on Sale of Electric Power

During the three-month period ended March 31, 2015, we reported revenue on sale of electric power of Ps. 73,449.3 million (U.S.\$ 4,846.8 million), which represented a 6.2% decrease as compared to our revenues from electricity sales of Ps. 78,290.9 million (U.S.\$ 5,166.3 million) for the same period in 2014. Our revenue decreased as a result of a 7.6% decrease in the average price of sales, which was partially offset by a 1.2% increase in the volume of electricity sold.

The average price per kWh of our electricity retail sales decreased by 8.3%, from Ps. 1.610 per kWh during the three-month period ended March 31, 2014 to Ps. 1.477 per kWh for the same period in 2015, mainly due to a decrease in the average price of electricity charged to our industrial customers, which is our largest customer type (representing 57.8% of our electricity revenues for the three-month period ended March 31, 2015). This decrease in the average price of electricity charged to industrial customers can be attributed to a decrease in the price of fuel oil and natural gas. During the three-month period ended March 31, 2015, we sold 48,271 GWh of electricity, which was a 1.2% increase in total sales volume as compared to the same period in 2014 (47,681 GWh). Of this total, 47,849 GWh, or 99.1%, were sold directly to customers and 422 GWh, or 0.9%, 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 three-month period ended March 31, 2015 as compared to the same period in 2014 (excluding revenues that derive from (i) exports and (ii) domestic sales for which the billing process is still ongoing), was as follows: industrial customers 57.8% in 2015 as compared to 61.9% in 2014; residential customers 20.5% in 2015 as compared to 19.0% in 2014; commercial customers 12.8% in 2015 as compared to 12.3% in 2014; service customers 7.4% in 2015 as compared to 6.4% in 2014; and agricultural customers 1.5% in 2015 as compared to 0.5% in 2014.

Revenue on sale of electric power attributable to direct sales of electricity to each of our customer types during the three-month period ended March 31, 2015, as compared to the same period in 2014, is set forth in the following table.

Revenues from Electricity Sales

	March 31,		% Change
	2015	2014	
Customer Type	(in millions of pesos)		
Residential	14,488.7	14,460.9	0.2
Commercial.....	9,070.8	9,332.4	(2.9)
Agricultural.....	1,055.0	364.4	189.5
Industrial	40,863.8	47,121.3	(13.3)
Services.....	5,194.2	4,845.0	7.2
Total⁽¹⁾	70,672.5	76,124.0	(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 Operating Costs and Expenses

Our costs of generating, transmitting and distributing electricity (collectively, “exploitation costs”) decreased by 6.9% during the three-month period ended March 31, 2015 as compared to the same period in 2014, mainly due to lower fuel costs resulting from a decrease in the average price of fuel oil and natural gas as well as lower consumption of oil-based fuels used to generate electricity. Our total operating costs and expenses, which include exploitation costs, depreciation, administrative expenses and costs related to our actuarial reserve for pension and seniority premiums, or “labor obligation costs,” decreased by 1.7% during the three-month period ended March 31, 2015 as compared to the same period in 2014. This decrease was mainly due to the decrease in our exploitation costs described above, which was partially offset by a 20.5% increase in labor obligation costs, resulting from the increased costs we are now subject to under the collective bargaining agreement that we renegotiated in May 2014.

The table below presents our costs and expenses for the three-month period ended March 31, 2015 as compared to the same period in 2014:

Total Operating Costs and Expenses

	Three-Month Period Ended March 31,		
	2015	2014	% Change
	(in millions of pesos)		
Labor costs	11,091.9	10,696.8	3.7
Fuel.....	31,584.7	37,390.1	(15.5)
Maintenance and services	3,918.4	2,799.2	40.0
Maintenance materials.....	1,625.0	2,019.1	(19.5)
Taxes and duties	1,910.6	1,780.7	7.3
Other	2,086.0	1,502.3	38.9
Complementary account ⁽¹⁾	(580.1)	(747.6)	22.4
Federal government transfers to cover cost of fuels	—	—	—
Exploitation costs.....	51,636.5	55,440.6	(6.9)
Depreciation	10,135.6	10,180.1	(0.4)
Administrative expenses.....	1,523.6	1,782.9	(14.5)
Labor obligation costs (Actuarial)	16,088.5	13,349.9	20.5
Total operating costs and expenses.....	79,384.2	80,753.5	(1.7)

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

Operating (Loss) Income

Our operating losses increased from Ps. 2,462.7 million (U.S.\$ 162.5 million) during the three-month period ended March 31, 2014 to Ps. 5,934.9 million (U.S.\$ 391.6 million) during the same period in 2015, primarily as a result of the decrease in revenue on the sale of electric power described above.

As a result of the increase in our operating loss, our net operating margin decreased from a negative 3.1% during the three-month period ended March 31, 2014 to a negative 8.1% for the same period in 2015.

The following table sets forth our non-operating revenues, costs and expenses for the three-month period ended March 31, 2015 as compared to the same period in 2014:

Non-Operating Revenues, Costs and Expenses

	Three-Month Period Ended March 31,		% Change
	2015	2014	
	(in millions of pesos)		
Other (expenses) income, net	1,207.5	1,485.7	(18.7)
Income tax on distributable remaining balance	—	382.8	N/A
Rate insufficiency	11,417.9	21,550.5	(47.0)
Public use tax	—	14,698.0	N/A
Write-off of rate insufficiency not covered by public use tax ..	(11,417.9)	(6,852.4)	66.6
Financial Cost:			
Interest income (expense), net	(5,004.6)	(4,250.0)	17.8
Foreign exchange gain (loss), net	(6,573.0)	(204.5)	3,114.2%
	(11,577.6)	(4,454.5)	159.9
Non-operating income (loss)	(10,370.1)	(3,351.6)	209.4

Source: CFE.

Other (Expenses) Income, Net

Other (expenses) income, net reflects miscellaneous revenues, such as rental payments from telecommunications companies for their use of our transmission towers and distribution poles, and miscellaneous expenses, such as expenses relating to abandoned projects. Other (expenses) income, net decreased from revenues of Ps. 1,485.7 million during the three-month period ended March 31, 2014 to revenues of Ps. 1,207.5 million for the same period in 2015, mainly due to a decrease in revenues from IPPs with whom we have supply contracts. This decrease in revenues from IPPs resulted primarily from a decrease in the average price of fuel oil and natural gas, and a decrease in our supply of gas to IPPs.

Income Tax Regime

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

As 2015 will be the first fiscal year that we are subject to the provisions of Title II of the Mexican Income Tax Law, we will not make monthly estimated income tax payments during 2015, and it is expected that we will begin making such monthly estimated payments, if applicable, during 2016 once we determine a *coeficiente de utilidad* or profitability coefficient in accordance with article 14 of the Mexican Income Tax Law.

Rate Insufficiency and Public Use Taxes

Effective January 1, 2015, upon the repeal of the LSPEE, and the conversion of CFE into a productive state enterprise, we are no longer required to pay a public use tax to the Mexican government on the assets we use to generate electric power. The public use tax was determined based on a profitability rate established annually by the

Mexican government. We were permitted to offset this public tax through the “rate insufficiency” regime, which allowed us to transfer losses incurred from subsidized electricity rates to the Mexican government. Any rate insufficiency that was offset against the public use tax was recorded as revenue.

We have calculated the rate insufficiency as of and for the three-month period ended March 31, 2015 on the same basis that we calculated the rate insufficiency for the previous periods. However, our ability to receive such rate insufficiency in the future is uncertain. Since January 1, 2015, upon the repeal of the LSPEE, and our conversion into a productive state enterprise, there is no current agreement with the Ministry of Finance relating to this subsidy. For further detail, see Note 21 to our unaudited financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014 or “Risk Factors—Risk Factors Related to CFE—Our operating costs may not be fully covered by our electricity rates, which are set by the Mexican government; and, as a result, a reduction of our electricity rates could adversely affect our results of operations and financial condition.”

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. 4,454.5 million (U.S.\$ 293.9 million) during the three-month period ended March 31, 2014 to a cost of Ps. 11,577.6 million (U.S.\$ 764.0 million) for the same period in 2015. This increase was primarily due to significant foreign exchange losses, which increased from a loss of Ps. 204.5 million (U.S.\$ 13.5 million) during the three-month period ended March 31, 2014 to a loss of Ps. 6,573.0 million (U.S.\$ 433.7 million) for the same period in 2015, mainly as a result of the depreciation of the peso against the dollar in 2015, which increased the costs of servicing our indebtedness denominated in dollars.

Net Loss

Net loss increased from Ps. 5,814.3 million (U.S.\$ 383.7 million) during the three-month period ended March 31, 2014 to Ps. 16,305.0 million (U.S.\$ 1,075.9 million) for the same period in 2015. This increase in net loss resulted primarily from the increase in financial cost and the increase in our operating losses described above.

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

Revenue on Sale of Electric Power

During 2014, we reported revenue on sale of electric power of Ps. 333,397.1 million (U.S.\$ 22,000.3 million), which represented a 4.7% increase as compared to our revenues from electricity sales of Ps. 318,409.6 million (U.S.\$ 21,011.3 million) for 2013. Our revenue increased as a result of a 1.2% increase in the volume of electricity sold and a 3.4% increase in the average price of sales.

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

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

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

Revenues from Electricity Sales

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

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

Source: CFE.

Total Operating Costs and Expenses

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

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

Total Operating Costs and Expenses

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

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

Operating (Loss) Income

Our operating losses decreased from Ps. 18,728.1 million (U.S.\$ 1,235.8 million) in 2013 to Ps. 5,446.7 million (U.S.\$ 359.4 million) in 2014, primarily as a result of the increase in revenue on the sale of electric power described above.

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

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

Non-Operating Revenues, Costs and Expenses

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

Source: CFE.

Other (Expenses) Income, Net

Other (expenses) income, net reflects miscellaneous revenues, such as rental payments from telecommunications companies for their use of our transmission towers and distribution poles, and miscellaneous expenses, such as expenses relating to abandoned projects. Other (expenses) income, net decreased from revenues of Ps. 5,198.7 million for 2013 to revenues of Ps. 5,031.6 million for 2014, mainly due to a decrease in revenues from IPPs, with whom we have supply contracts. This decrease in revenues resulted primarily from a decrease in the average price of fuel oil and natural gas, and a decrease in our supply of gas to IPPs.

Income Tax on the Distributable Remaining Balance

Under the Mexican Income Tax Law, until December 31, 2014, we were only required to pay income tax on distributable remaining balance payments to third parties. Our income tax on distributable remaining balance increased by 57.6%, from Ps. 1,581 million (U.S.\$ 104.3 million) in 2013 to Ps. 2,492 million (U.S.\$ 164.4 million) in 2014, mainly due to increased labor costs and the commitment to pay certain taxes on behalf of our employees, resulting from the collective bargaining agreement that we renegotiated in May 2014.

Rate Insufficiency and Public Use Taxes

The Mexican government sets electricity prices at rates that are insufficient to cover our operating costs. To compensate us for the shortfall, the Mexican government provided us with rate insufficiencies. Total rate insufficiencies from the Mexican government in 2014 increased by only 0.5% as compared to 2013, consistent with the percentage increase in our total operating costs and expenses during 2014. The public use tax payable to the Mexican government increased from Ps. 46,012.5 million (U.S.\$ 3,036.3 million) in 2013 to Ps. 58,792.2 million (U.S.\$ 3,879.6 million) in 2014, representing an increase of 27.8%, mainly as a result of our fixed assets revaluation that took place at the end of 2013 in accordance with IFRS.

The difference between the rate insufficiency and the public use tax was Ps. 27,435.3 million (U.S.\$ 1,810.4 million) in 2014, as compared to Ps. 39,757.8 million (U.S.\$ 2,623.5 million) in 2013. In accordance with IFRS and our accounting policies, this amount was written off in the income statement.

Financial Cost

Financial cost reflects interest income (including gains and losses on certain derivative instruments), interest expense and foreign exchange gain or loss. Our financial cost increased from a cost of Ps. 22,442.4 million (U.S.\$ 1,480.9 million) in 2013 to a cost of Ps. 43,925.2 million (U.S.\$ 2,898.5 million) in 2014. This increase was primarily due to significant foreign exchange losses, which increased from a loss of Ps. 979.5 million (U.S.\$ 64.6 million) in 2013 to a loss of Ps. 22,802.2 million (U.S.\$ 1,504.7 million) in 2014, mainly as a result of the depreciation of the peso against the dollar in 2014, which increased the costs of servicing our indebtedness denominated in dollars.

Net Loss

Net loss increased from Ps. 37,552.4 million (U.S.\$ 2,478.0 million) in 2013 to Ps. 46,831.9 million (U.S.\$ 3,090.4 million) in 2014. This increase in net loss resulted primarily from the increase in financial cost, which was partially offset by a decrease in our operating losses.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues on Sale of Electric Power

During 2013, we reported revenue on sale of electric power of Ps. 318,409.6 million (U.S.\$ 21,011.3 million), which represented a 2.4% increase as compared to our revenue on sale of electric power of Ps. 311,020.9 million (U.S.\$ 20,523.7 million) for 2012. 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 2.4%, from Ps. 1.490 per kWh in 2012 to Ps. 1.526 per kWh in 2013, mainly due to tariff adjustments in connection with the increase in the cost of fuel oil and natural gas. During 2013, we sold 206,760 GWh of electricity, a 0.3% decrease as compared to 2012, mainly due to a lower demand from our service customers. Of this total, 206,131 GWh, or 99.7%, were sold directly to customers and 629 GWh, or 0.3%, 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 2013 as compared to 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 60.3% in 2013 as compared to 59.9% in 2012; residential customers 19.2% in 2013 as compared to 19.8% in 2012; commercial customers 12.7% in 2013 as compared to 12.9% in 2012; agricultural customers 1.8% in 2013 as compared to 2.0% in 2012; and service customers 6.0% in 2013 as compared to 5.4% in 2012.

Revenues on sale of electric power attributable to direct sales of electricity to each of our customer types during 2013 as compared to 2012, is set forth in the following in the table.

Customer Type	Year Ended December 31,		% Change
	2013	2012	
	(in millions of pesos)		
Residential	59,383.0	Ps. 59,974.3	(1.0)
Commercial.....	39,286.4	39,087.7	0.5
Agricultural.....	5,466.3	6,082.2	(10.1)
Industrial	186,183.4	181,811.3	2.4
Services.....	18,586.0	16,510.6	12.6
Total⁽¹⁾	308,905.1	Ps. 303,466.1	1.8

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

Source: CFE.

Total Operating Costs and Expenses

Our exploitation costs increased by 3.7% in 2013 as compared to 2012, mainly due to an extraordinary charge of Ps. 5,000 million reflected in other costs, attributable to an increase in the reserve for doubtful accounts, as well as higher labor costs, which was partially offset by a decrease in fuel costs. Our total operating costs and expenses, which include exploitation costs, depreciation, administrative expenses and the estimated labor obligation costs, increased by 4.9% in 2013 as compared to 2012, primarily as a result of increased exploitation costs and, to a lesser extent, an increase in the estimated labor obligation costs.

The table below presents our costs and expenses for 2013 as compared to 2012.

Total Operating Costs and Expenses

	Year Ended December 31,		% Change
	2013	2012	
	(in millions of pesos)		
Labor costs	42,695.6	40,756.8	4.8
Fuel.....	169,089.1	173,866.5	(2.7)
Maintenance and services	16,969.5	15,442.4	9.9
Maintenance materials.....	9,519.7	9,219.3	3.3
Taxes and duties	5,842.9	5,456.6	7.1
Other	10,085.9	4,733.2	113.1
Complementary account ⁽¹⁾	(3,056.2)	(3,105.8)	(1.6)
Federal government transfer to cover cost of fuels	(7,473.9)	(11,395.2)	(34.4)
Exploitation costs.....	243,672.6	234,973.8	3.7
Depreciation	37,871.7	35,045.4	8.1
Administrative expenses.....	6,904.0	6,556.7	5.3
Labor obligation costs (Actuarial)	48,689.3	44,940.7	8.3
Total operating costs and expenses.....	337,137.7	Ps. 321,516.6	4.9

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

Source: CFE.

Operating (Loss) Income

Our operating loss increased from Ps. 10,495.7 million (U.S.\$ 692.6 million) in 2012 to Ps. 18,728.1 million (U.S.\$ 1,235.8 million) in 2013, representing an increase of 78.4% in 2013. This increase was primarily the result of the increase in total operating costs and expenses described above, which was only partially offset by the increase in our revenue on the sale of electric power.

The following table sets forth our non-operating revenues, costs and expenses for 2013 as compared to 2012:

Non-Operating Revenues, Costs and Expenses

	Year Ended December 31,		% Change
	2013	2012	
	(in millions of pesos)		
Other (expenses) income, net.....	5,198.7	3,789.0	37.2
Income tax on distributable remaining balance	(1,580.5)	(1,579.6)	0.1
Rate insufficiency	85,770.3	77,036.2	11.3
Public use tax	(46,012.5)	(44,779.1)	2.8
Write-off of rate insufficiency not covered by public use tax ...	(39,757.8)	(32,257.1)	23.3
Financial Cost:			
Interest income (expense), net...	(21,462.9)	(21,457.8)	0.0
Foreign exchange gain (loss), net	(979.5)	10,528.5	(109.3)
	<u>(22,442.4)</u>	<u>(10,929.3)</u>	105.3
Non-operating income (loss)	<u>(18,824.2)</u>	<u>(8,719.9)</u>	115.9

Source: CFE.

Other (Expenses) Income, Net

Other (expenses) income, net, reflects miscellaneous revenues, such as rental payments from telecommunications companies for their use of our transmission towers and distribution lines, and miscellaneous expenses, such as expenses relating to abandoned projects. Other (expenses) income, net, increased significantly from Ps. 3,789.0 million (U.S.\$ 250.0 million) in 2012 to Ps. 5,198.7 million (U.S.\$ 343.1 million) in 2013, mainly due to higher recoveries from insured assets as a result of hurricanes. Recoveries from insured assets increased from Ps. 473.9 million (U.S.\$ 31.3 million) in 2012 to Ps. 2,425.9 million (U.S.\$ 160.1 million) in 2013.

Income Tax on the Distributable Remaining Balance

Under the Mexican Income Tax Law, we were only required to pay income tax on distributable remaining balance payments to third parties. Our income tax on distributable remaining balance remained relatively constant and only increased slightly, from Ps. 1,579.6 million in 2012 to Ps. 1,580.5 million in 2013.

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. 77,036.2 million (U.S.\$ 5,083.5 million) in 2012 to Ps. 85,770.3 million (U.S.\$ 5,659.8 million) in 2013, as a result of higher total operating costs and expenses in 2013. The public use tax payable to the Mexican government increased by 2.8%, from Ps. 44,779.1 million (U.S.\$ 2,955.0 million) in 2012 to Ps. 46,012.5 million (U.S.\$ 3,036.3 million) in 2013, 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 by 23.3%, from Ps. 32,257.1 million (U.S.\$ 2,128.6 million) in 2012 to Ps. 39,757.8 million (U.S.\$ 2,623.5 million) in 2013. 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 increased from a cost of Ps. 10,929.3 million (U.S.\$ 721.2 million) in 2012 to a cost of Ps. 22,442.4 million (U.S.\$ 1,480.9 million) in 2013. This increase in financial cost was primarily due to a foreign exchange loss of Ps. 979.5 million (U.S.\$ 64.6 million) in 2013, as compared to a foreign exchange gain of Ps. 10,528.5 million (U.S.\$ 694.8 million) in 2012.

Net Loss

Net loss increased by 95.4%, from Ps. 19,215.6 million (U.S.\$ 1,268.0 million) in 2012 to Ps. 37,552.4 million (U.S.\$ 2,478.0 million) in 2013. Net loss during 2013 increased sharply as a consequence of the foreign exchange loss in 2013 instead of the significant foreign exchange gain in 2012 and the increased operating loss described above.

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, 2014, our net cash flow provided by operating activities was Ps. 12,673.1 million (U.S.\$ 836.3 million) and our cash flow used in financing activities was Ps. 27,305.9 million (U.S.\$ 1,801.9 million), as the incurrence of new debt was exceeded by the repayment of outstanding debt (principal and interest) during the period. For the three-month period ended March 31, 2015, our net cash flow provided by operating activities was Ps. 14,654.2 million (U.S.\$ 967.0 million) and our cash flow used in financing activities was Ps. 16,389.8 million (U.S.\$ 1,081.5 million), as the incurrence of new debt exceeded the repayment of outstanding debt (principal and interest) during the period.

As of December 31, 2014, we had working capital of Ps. 15,618.8 million (U.S.\$ 1,030.7 million) and as of March 31, 2015, we had working capital of Ps. 12,501.0 million (U.S.\$ 824.9 million). The decrease in our working capital during the three-month period ended March 31, 2015 was due primarily to higher short-term debt, including a syndicated loan we entered into, which will be due and payable at the end of 2015. 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 March 31, 2015, excluding IPPs.

		Payments Due by December 31 of Each Year (as of March 31, 2015)					
		(in millions of pesos)					
	Total	2015	2016	2017	2018	2019	2020 and beyond
Total debt...	Ps. 272,394	Ps. 47,303	Ps. 23,564	Ps. 23,034	Ps. 33,159	Ps. 14,932	Ps. 130,402

Source: CFE.

We have a total amount of Ps. 47,303 million (U.S.\$ 3,121 million) in debt that will come due in 2015, 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. 248,320 million (U.S.\$ 16,386 million) as of December 31, 2014 compared to total indebtedness (including obligations in respect of PIDIREGAS) of Ps. 240,729 million (U.S.\$ 15,885 million) as of December 31, 2013, representing an increase of 3.2%.

The major categories of our indebtedness are as follows:

Total Indebtedness			
	As of March 31, 2015	As of December 31 2014	As of December 31 2013
	(in millions of pesos)		
Domestic Debt			
Bank loans.....	Ps. 41,467	Ps. 41,467	Ps. 41,133
Export credit agency loans.....	-	-	0
Bonds (<i>Certificados Bursátiles</i>).....	53,500	53,500	51,000
Total domestic debt.....	94,967	94,967	92,133
External debt			
Bank loans.....	Ps. 22,670	Ps. 3,844	Ps. 3,196
Export credit agency loans.....	4,247	4,454	4,579
Bonds.....	52,380	50,833	45,310
Total external debt.....	79,297	59,131	53,085
PIDIREGAS obligations			
Domestic.....	Ps. 68,979	Ps. 65,383	Ps. 67,165
External.....	29,151	28,839	28,346
Total debt, PIDIREGAS obligations and capital leases.....	Ps. 272,394	Ps. 248,320	Ps. 240,729

Source: CFE.

For a breakdown of our indebtedness by currency, see Note 11 to our audited financial statements as of and for the years ended December 31, 2014 and 2013, and Note 11 to our unaudited financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014.

As of December 31, 2014, 61.6% of our total indebtedness was denominated in Mexican pesos and 38.4% was denominated in other currencies (primarily U.S. dollars). Our currency hedging practices are described under “—Derivatives and Hedging.”

As of December 31, 2014, 55.4% of our debt obligations bore interest at floating rates. The weighted average cost of all borrowed funds as of December 31, 2014 (including interest and reimbursement of certain lenders for Mexican taxes withheld, but excluding fees and the effect of interest-rate swaps) was approximately 5.2%. 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, 2014 would increase such cost by 0.8% to approximately 6.0%. Such cost does not include the effect of exchange rate variations. We have not pledged any assets as security for our debt.

On April 24, 2015, our board of directors approved a *Programa Global de Financiamiento* (Global Program for Financing) for the year ended December 31, 2015 that contemplates an increase of our net indebtedness during this year in an amount equal to approximately Ps. 18 billion, comprised of the issuance and sale of peso-denominated notes, including an issuance of Mexican *Certificados Bursátiles*, and the issuance of U.S. dollar-denominated notes, which notes are to be sold in the United States in reliance on Rule 144A and outside of the United States in reliance on Regulation S.

On June 4, 2015, we agreed to issue Ps. 9,000,000,000 aggregate principal amount of Cebures due 2025 that we offered in a global offering consisting of an international offering outside Mexico and a concurrent public offering in Mexico registered with the CNBV. The Cebures due 2025 will constitute a further issuance of our outstanding 7.35% *Certificados Bursátiles* due 2025. Additionally, on June 4, 2015, we agreed to issue Ps. 1,000,000,000 aggregate principal amount of Cebures due 2020 that we offered in a public offering in Mexico registered with the CNBV. Each of the Cebures due 2025 and the Cebures due 2020 will be represented on issue in the form of a global security deposited with S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., the

Mexican licensed central clearing system. We issued the Cebures due 2025 and the Cebures due 2020 on June 9, 2015.

Conditioned Investment Liabilities (IPPs)

In addition to our indebtedness discussed above, as of March 31, 2015, we had 23 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 23 IPP contracts:

Conditioned Investment Liabilities (IPPs)

	As of March 31,		As of December 31,	
	2015	2015	2014	2013
	(in thousands of dollars)	(in thousands of pesos)	(in thousands of pesos)	(in thousands of pesos)
Short-term.....	U.S.\$ 206,289	Ps. 3,126,155	Ps. 2,964,984	Ps. 2,291,039
Long-term.....	6,469,683	98,042,870	95,902,133	61,999,670
Total.....	U.S.\$ 6,675,972	Ps. 101,169,025	Ps. 98,867,117	Ps. 82,335,978

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

Capital Expenditures and Investment

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

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

	Installed Capacity as of December 31,	Generation For Year Ended December 31,
	(MW)	(TWh)
2006	47,857	221.9
2007	49,854	228.5
2008	49,931	231.4
2009	50,384	230.6
2010	51,611	241.5
2011	51,177	254.7
2012	51,780	257.5
2013	52,906	254.6
2014	54,577	250.0
2015*	54,997	56.8

* As of the three-month period ended March 31, 2015.

Source: CFE

We expect that our total capital expenditures relating to the Investments Program for the period from 2015 to 2019 will be allocated as follows: Ps. 104 billion (U.S.\$ 6.9 billion) for the improvement and expansion of our electricity generation capacity; Ps. 42 billion (U.S.\$ 2.8) for the improvement and expansion of our transmission network; and Ps. 116 billion (U.S.\$ 7.7 billion) for the improvement and expansion of our distribution network. In addition, we expect to invest approximately Ps. 2.3 billion (U.S.\$ 151.8 million) in our commercialization line of business during 2015.

The following table sets forth our projected capital expenditures for the 2015-2019 period:

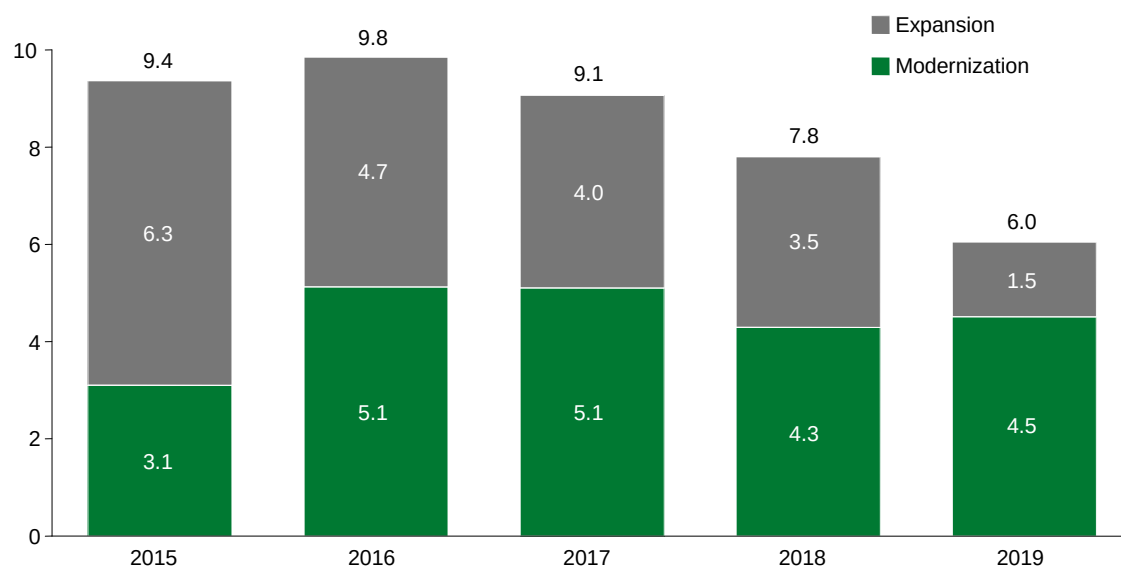
Capital Investments

	2015		2016		2017		2018		2019		Total
Transmission	Ps.	9.4	Ps.	9.8	Ps.	9.1	Ps.	7.8	Ps.	60.	Ps. 42.1
Distribution		13.2		23.8		30.9		28.9		19.0	115.8
Total	Ps.	22.6	Ps.	33.6	Ps.	40.0	Ps.	36.7	Ps.	25.0	Ps. 157.9
Total (in millions of dollars)	U.S.\$	1.5	U.S.\$	2.2	U.S.\$	2.6	U.S.\$	2.4	U.S.\$	1.6	U.S.\$ 10.4

Source: CFE

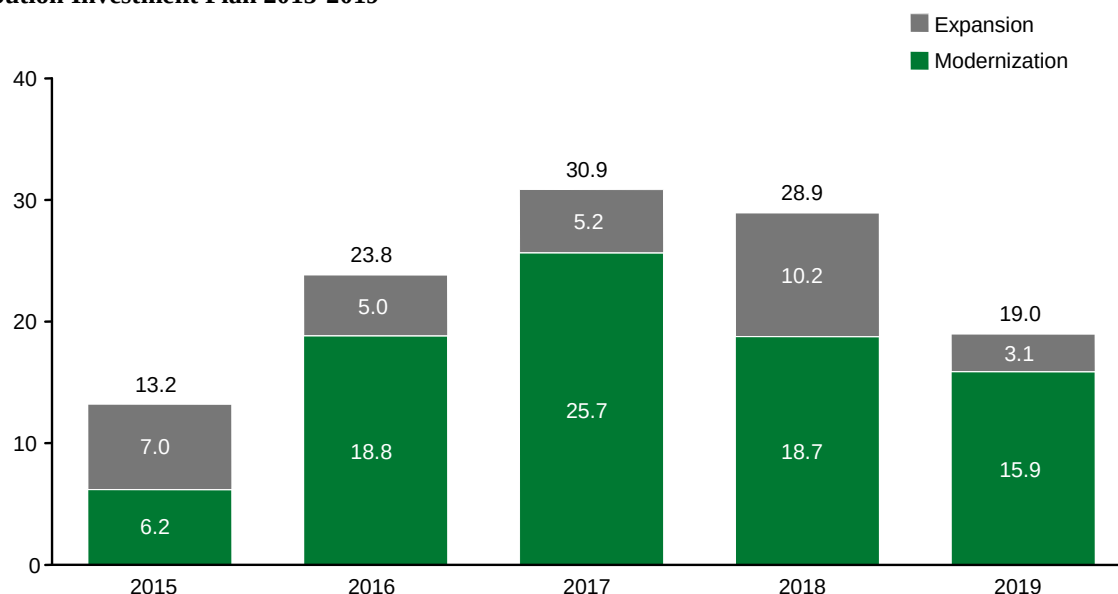
Total projected investment for the 2015-2019 period is distributed as follows:

Transmission Investment Plan 2015-2019 (BPs)



Source: CFE

Distribution Investment Plan 2015-2019 (BPs)



Source: CFE

Long-Term Productive Infrastructure Projects (PIDIREGAS)

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

The *Ley 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) is important in that, due to the private financing of PIDIREGAS projects during the planning and construction stages, they are immune from across-the-board budget cuts by the Mexican Congress, while non-PIDIREGAS investments are not.

PIDIREGAS has three stages:

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

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

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

Productores Externos de Energía (Independent Power Producer Program). The IPP program allows private companies to bid to operate a generation plant in Mexico and sell the generated power to CFE. Under the program, CFE enters into a long-term agreement (25 years) under which the private producer is responsible for the construction, operation and maintenance of the generation facility during the life of the contract and CFE is obligated to purchase the electricity produced by that facility. The IPP program helps CFE meet generation demands without the costs of construction and maintenance. The IPP program also allows CFE to obtain competitive prices for the purchased energy through an international bidding process. Prior to our adoption of IFRS, under MFRS, these were reported as off balance sheet items. Pursuant to IFRS, 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 third quarter of 2016, we will complete the construction of "Norte II," a combined-cycle power generation plant located in the State of Chihuahua that is expected to have an installed capacity of 435

MW. Norte II is being built under PIDIREGAS as an IPP, and therefore, we are not incurring capital expenditures in respect of the construction.

Derivatives and Hedging

Foreign Exchange Rate Risk

A substantial part of our indebtedness, 38.4% as of December 31, 2014, 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, 2014, our dollar-denominated indebtedness, including our dollar-denominated PIDIREGAS debt, amounted to Ps. 85,906 million (U.S.\$ 5,668.8 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, 2014, we had outstanding cross-currency swaps covering foreign currency liabilities of Ps. 10,738 million (U.S.\$ 709 million), including our dollar-denominated PIDIREGAS debt.

Our Japanese Yen-denominated debt, as of December 31, 2014, amounted to Ps. 4,381.7 million (U.S.\$ 289.1 million) or 2.0% of our total indebtedness. In 2002 we also entered into derivative financial instruments to offset the foreign exchange rate risk of our Yen 32 billion private placement.

This derivative financial instrument consists of an FX Forward string purchase contract under which we have agreed to purchase Japanese Yen at a fixed dollar exchange rate during the established transaction term. We have also purchased a call option for the purchase of Japanese Yen at the end of this transaction term. The mark-to-market value of this transaction is a liability of Ps. 950 million (U.S.\$ 63 million) as of December 31, 2014. For further discussion relating to our derivative and hedging transactions, see Note 10 to our audited financial statements as of and for the years ended December 31, 2014 and 2013 and Note 10 to our unaudited financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014.

Interest Rate Risk

A substantial part of our indebtedness bears interest at variable rates (55.4% as of December 31, 2014). As a result, we are exposed to risks from changing interest rates.

We enter into derivative financial instruments with large financial institutions to minimize the impact of fluctuations in variable interest rates on our indebtedness. The types of derivative instruments we have typically entered into in recent periods include interest-rate swaps (in which we generally pay amounts based on fixed interest rates and receive amounts based on variable interest rates). The general effect of these swaps is to replace an obligation to pay variable-rate interest on our debt with an obligation to pay fixed-rate interest. As of December 31, 2014, the aggregate notional amount of our peso-denominated variable rate to fixed rate interest-rate swaps was Ps. 6,795 million (U.S.\$ 448 million).

The fair value of our derivative instruments was a liability of Ps.123 million (U.S.\$8 million) as of December 31, 2014.

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 10 to our audited financial statements as of and for the years ended December 31, 2014 and 2013 and Note 10 to our unaudited financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014.

Off-Balance Sheet Arrangements

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

COMISIÓN FEDERAL DE ELECTRICIDAD

Overview

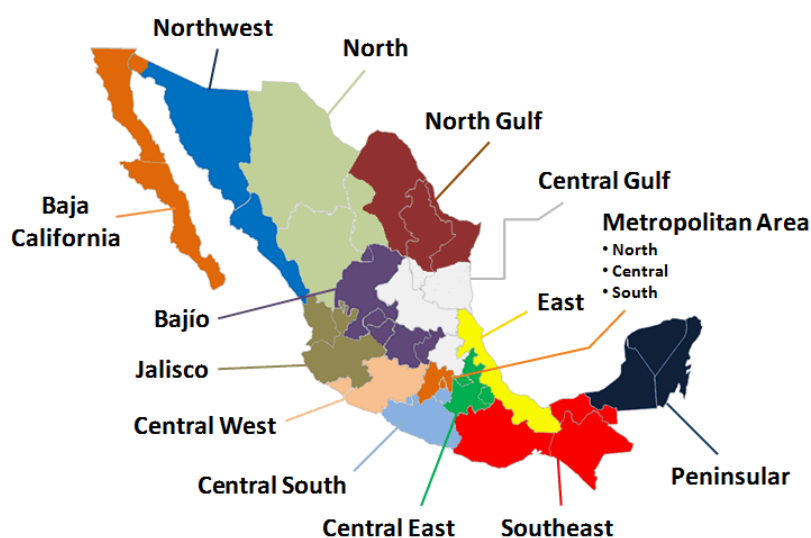
We are the national electricity company of Mexico and, following the energy reform described below, remain 100% owned by the Mexican government. We generate over 90% of the electricity consumed in Mexico, including electricity generated by IPPs, and we are solely responsible for the transmission and distribution of electricity for public service purposes throughout Mexico. As of March 31, 2015, we provided electricity to 38.4 million customer accounts, which we estimate represented 98.4% of the Mexican population. Since 2005, our customer base has grown at an average rate of 5.8% per year.

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

Our Business

We continually invest in electricity generation, transmission and distribution infrastructure in order to address Mexico's growing electricity demand. In 2014, we invested Ps. 50.9 billion (U.S.\$ 3.4 billion) in new electricity generation, transmission and distribution infrastructure. Our Board of Directors now defines our five-year business plan, determines our annual budget and approves investment priorities and projects. Our *balance financiero* (financial balance) and *techo de gasto de servicios personales* (personal services expenditure ceiling) is updated annually and requires the approval of the Mexican Congress. Our expected investment for 2015 is approximately Ps. 43.3 billion (U.S.\$ 2.9 billion), of which we had invested Ps. 13.6 billion (U.S.\$ 0.9 billion) as of March 31, 2015.

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



Source: CFE.

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

As of March 31, 2015, our total liabilities, including obligations in respect of our PIDIREGAS, was Ps. 1,053,690.0 million (U.S.\$ 69,531.2 million) and our total equity was Ps. 139,439.2 million (U.S.\$ 9,201.4 million). For further information on our existing and contemplated indebtedness, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” Our total assets were Ps. 1,193,129.0 million (U.S.\$ 78,732.5 million) as of March 31, 2015. We were the fourth largest company in Mexico in terms of revenues as of December 31, 2013. Our revenues from the sale of electricity and net loss for three-month period ended March 31, 2015 were Ps. 73,449.3 million (U.S.\$ 4,846.8 million) and Ps. 16,305.0 million (U.S.\$ 1,075.9 million), respectively. Our revenues from the sale of electricity and net loss for 2014 were Ps. 333,397.1 million (U.S.\$ 22,000.3 million) and Ps. 46,831.9 million (U.S.\$ 3,090.4 million), respectively. Our revenues from the sale of electricity and net loss for 2013 were Ps. 318,409.6 million (U.S.\$ 21,011.3 million) and Ps. 37,552.4 million (U.S.\$ 2,478.0 million), respectively.

Energy Reform

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

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

- *Rates*: Pursuant to the Secondary Legislation, the rates that we can charge our customers are expected to be modified significantly, particularly with respect to certain of our industrial and commercial customers. The rates that we charge our residential and agricultural customers will continue to be determined and regulated by the Mexican government; however, the formula for determining rates for these customers is expected to allow us to recover our operating costs and receive a profit in an amount that the Mexican government determines to be reasonable. The rates that we charge our large industrial and commercial customers that qualify as “qualified users” by registration with the Energy Regulatory Commission (provided existing demand exceeds certain thresholds) will no longer be regulated, which will grant us greater flexibility in determining our pricing strategy for “qualified users” and enable us to compete on equal terms with private electricity producers. We also expect to generate additional revenue from the new rates applicable to our transmission and distribution activities, which are designed to allow us to obtain a profit that the Mexican government determines to be reasonable from services that we provide to third parties. We believe that the new rate regime will also provide greater transparency regarding our results of operations.
- *Fiscal Regime*: We are no longer required to pay a public use tax to the Mexican government based on the value of our net fixed assets. The Secondary Legislation modified our fiscal regime by eliminating this public use tax and replacing it with a conventional income tax comparable to that paid by private-sector companies in Mexico. In addition, starting in 2016, we will pay a dividend to the Mexican government based on our net income. The Ministry of Finance will determine the amount of any dividend we will pay to the Mexican government each year after taking into account our business plan and capital investment needs for the upcoming fiscal year. The proposed amount will then be incorporated into the Federal Revenue Law and approved by the Mexican Congress on an annual basis. Upon congressional approval, the Ministry of Finance will dictate the terms on which we are to pay such dividend. We believe these reforms will make our results of operations more transparent and enable us to report our results in a manner that will facilitate our profit-focused decision-making.
- *Energy Procurement*: Frequent shortages of natural gas due to low domestic production and the lack of transportation infrastructure have restricted our transition to using lower-cost natural gas to generate electricity, which is three to four times less expensive than fuel oil. We believe that the full implementation of the Energy Reform Decree will result in an increase in the supply of natural gas as private-sector participants are able to explore, extract and produce natural gas in Mexico and the natural gas pipeline network continues to expand. We currently purchase a substantial portion of our natural gas from PEMEX, which has, at times, limited the amount of natural gas it makes available to us. Following the full implementation of the Energy Reform Decree, we believe that we will have a greater number of suppliers from which to purchase natural gas. Assuming that the increased supply of natural gas will have the expected effect of reducing the price for natural gas in Mexico, we expect our margins, which are substantially dependent on the prices we pay for the fuel that powers our generation activities, will be improved.
- *Partnership Flexibility*: We are permitted to enter into joint ventures with private-sector companies for electricity generation, transmission and distribution activities, as well as for the distribution and commercialization of natural gas to industrial customers. We believe that our knowledge of Mexico’s hydrologic conditions and our ability to be a supplier of natural gas will make us a strategic partner. We expect that these collaborations will, in turn, help us gain access to new technologies that will allow us to modernize our transmission and distribution networks and thereby reduce the quantity of electricity that is used in Mexico but not paid for. Moreover, by participating in joint ventures, we believe we will also be able to optimize our use of capital, potentially reduce our costs and share in any returns generated by these joint ventures.
- *Budgetary Autonomy*: Our conversion to a productive state enterprise is designed to provide us with greater budgetary autonomy and flexibility than we had as a decentralized public entity. The Mexican Congress will still approve our financial balance and personal services expenditure

ceiling, but our Board of Directors is now able to define our five-year business plan, determine our annual budget and freely approve investment priorities and projects. In addition, the Secondary Legislation grants us greater autonomy and flexibility with respect to our procurement, contracting and compensation policies, which we believe will enable us to reduce contracting costs by adopting terms that are market standard in our service contracts and enhance our ability to attract and retain highly-skilled employees.

- *Corporate Governance:* In connection with our conversion to a productive state enterprise, we have adopted a corporate governance framework based on international best practices that is more closely aligned to the governance frameworks of private-sector companies. Following our conversion to a productive state enterprise, our Board of Directors now consists of five representatives of the Mexican government, including the Minister of Energy and the Minister of Finance, four independent directors and one representative of our union. In addition, our internal auditing, control and accountability functions are now undertaken by three separate and independent bodies rather than a single body, in an effort to align our internal oversight practices with those of private-sector companies. We believe that the new composition of our Board of Directors and the reorganization of our internal auditing, control and accountability functions will provide greater transparency and accountability.

Business Strategy

As a result of the energy reform described above, we are in the process of implementing a new strategy to comply with the new CFE Law and to optimize our business portfolio and our overall performance, and increase our current profitability levels. In order to implement this strategy, on April 24, 2015, our Board of Directors approved the Business Plan together with the Investments Program.

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

Improve our Electricity Generation Performance

We intend to maximize our current electricity generation capacity through the optimization and segmentation of our generation plants, the incorporation of new technologies and by replacing currently-underperforming thermal power plants. Our market share of electricity generation is currently close to 85%, and between 2010 and 2015 our generation output increased by 8.3% (19.6TWh), while our non-fossil fuel generation output increased by 23.9% (10.1TWh). We expect electricity demand to increase between 3 to 5% by 2019, and consumption to increase between 45 to 60 TWh during the same period. Our goal is to increase our electricity output at a rate that will correspond with the anticipated increase in electricity demand in Mexico, while improving the profitability of our business portfolio. We also intend to increase the competitiveness of our generation plants, 26% of which have operating costs that we believe may be substantially reduced.

We also plan to expand our generation capacity in clean and renewable energy sources. We rely, and expect to continue to rely, on the use of cleaner burning fuels, such as natural gas, in our generation activities (as compared to fuels that emit higher levels of contaminants into the environment, such as fuel oil). As of March 31, 2015, 78.5% of our electricity generation capacity derived from fossil fuels (natural gas, coal, diesel and fuel oil), 37.2% of which derived from natural gas-fired plants of IPPs. The remaining 21.5% of our electricity generation capacity derived 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, geothermal and wind-driven power generation, each of which use renewable primary sources of energy. In accordance with our Business Plan, we expect that, by 2019, we will have expanded our generation capacity by 15.5GW, and we expect that renewable energy sources will account for approximately 18-20% of our total generation.

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

Transmission and distribution remain strategic activities for the Mexican government and represent our core business line. Our main objective in the mid- to long- term is to reduce our technical losses and the quantity of electricity that is used in Mexico but not paid for (*i.e.*, “non-technical losses”). Specifically, our goal is to reduce non-technical losses by 9.5% in 2019 through the modernization of our metering systems, strengthening our commercial processes, regularizing our services in areas affected by irregular land-use and strengthening our electric infrastructure. This strategy is expected to allow us to recover 37,000 GWh between 2015 and 2019, and reach annual electricity savings of 10,000 GWh beginning in 2019.

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

We seek to reduce electricity service interruptions. Much of our equipment is installed outdoors and is subject to the varying weather conditions and natural disasters that affect Mexico from time to time. As a result, this equipment (including, in particular, our transmission towers and utility poles) often incurs weather-related damage, which in certain instances causes electricity service interruptions for our customers. We maintain a well-trained staff of technicians that repair damaged equipment upon our receipt of notice of any such damage. Between 2009 and 2014, the duration of service interruptions resulting from failures in our distribution network decreased by 46.5%, and the current duration of service interruptions per user has been reduced to 36.7 minutes per year, the lowest in our history. We continually assess the quality and speed of these repairs, and we expect that our dedication to delivering fast and effective repair services will continue into the future.

Supply and Commercialization

A key aspect to our growth strategy is increasing the profitability of our commercialization activities in the mid- to long- term. We intend to continue servicing our approximately 38.4 million customers and future qualified users by developing client-focused strategies that focus on differentiating our clients by segment. We also plan to take advantage of our client base to develop new lines of business and increase our overall commercialization capacity.

In parallel, we plan to continue to develop our transportation and commercialization of natural gas business. We currently purchase 42% of the natural gas that is commercialized in Mexico, and within five years we expect to become the main consumer of natural gas in North America. Considering our unique position in the industry and the opportunities available in Mexico’s undeveloped sector, we seek to gradually increase our presence in the market as we continue to commercialize, import, export, transport and store natural gas in Mexico and the United States. By 2019, our goal is to commercialize 25% of our total installed capacity.

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

Investments and Financing Capabilities

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

We estimate that 32% of our total projected investment amount through 2019 will be financed pursuant to existing procurement processes, including the construction and development of 16 generation plants that are expected to increase our installed capacity by 7.1GW. Also, we expect that 22% of our projected investments

through 2019 will originate from our own budgeted resources and the remaining 46% from investments schemes under the new strategic platform we are developing, which is expected to rely substantially on raising private capital.

We expect that our total capital expenditures relating to the Investments Program for the period from 2015 to 2019 will be allocated as follows: Ps. 104 billion (U.S.\$ 6.9 billion) for the improvement and expansion of our electricity generation capacity; Ps. 42 billion (U.S.\$ 2.8 billion) for the improvement and expansion of our transmission network; and Ps. 116 billion (U.S.\$ 7.7 billion) for the improvement and expansion of our distribution network. In addition, we expect to invest approximately Ps. 2.3 billion in our commercialization line of business during 2015.

In connection with our transmission projects, we expect to invest Ps. 20 billion (U.S.\$ 1.3 billion) in the expansion of our *Red Nacional de Transmisión* (National Transmission Network), and Ps. 22 billion (U.S.\$ 1.5 billion) in the modernization of its sub-stations. These investments aim to meet the increase of electricity demand in regions such as Baja California, as well as to improve the reliability of our transmission system.

With respect to our distribution projects, we expect to invest Ps. 85 billion (U.S.\$ 5.6 billion) in the modernization of our distribution network, and Ps. 35 billion (U.S.\$ 2.3 billion) in its expansion. We expect these investments to improve the infrastructure required to transport natural gas by means of entering into 25 year agreements with service providers, which we expect will allow us to develop our business of transportation and commercialization of natural gas in the mid- to long- term and substantially increase our revenue stream.

We intend to continue to develop our current private capital investment program, PIDIREGAS. Under the PIDIREGAS initiative, we currently benefit from private investments through the use of IPPs and OPFs in the development of our electricity generation and transmission capacity.

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

The IPP program has also allowed us to obtain competitive prices for the purchased electricity via an international bidding process, in which we award projects to bidders that offer the lowest KW/h price for the sale of electricity to us. As of March 31, 2015, a total of 23 IPP projects relating to generation facilities were operational.

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. We enter into relatively short-term (1-2 years) agreements under which a private company, which we select in an international public bidding process, is responsible for the construction of a project, but not for its ongoing operation and maintenance. Bidders that are selected for OPF agreements receive a total payment upon the completion of the project. The main advantage of this program is that we avoid risks relating to the development of the project that may arise during the construction stage, such as cost escalation and failure of the completed project to meet technical specifications. As with IPPs, we are able to secure competitive prices for the OPFs as a result of an international bidding process. As of March 31, 2015, a total of 265 OPF projects had been authorized, which include 198 facilities that are currently operational. As of the date of this Luxembourg Listing Prospectus, we are assessing alternative investments schemes, such as joint ventures and public private partnerships, under which we may raise private capital in order to meet our investment needs.

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

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

New Organizational and Operational Structure and Strong Performance Culture

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

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

Services and Support

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

Labor Liabilities, Costs Optimization and Productivity

Our estimated labor liabilities amount to approximately 48% of our total assets and we estimate that, unless we take affirmative actions, our labor liabilities will continue to increase as a result of our collective bargaining agreement. In accordance with the Federal Law of Budget and Fiscal Accountability, the Federal government will contribute to reducing our labor obligations in an amount equal to the reductions that we are able to reach by our own actions. We intend to renegotiate some of the provisions of our collective bargaining agreement, in particular those relating to our employee benefit programs that have a higher impact on our pension liability, which renegotiation will require the consent of the SUTERM.

Strategic Regulatory Action

As a productive state enterprise, we intend to influence and participate in the implementation of the new policies and the regulatory agenda to further develop the *Sistema Eléctrico Nacional* (National Power System). We are currently assessing comparable international experiences relating to the liberalization of electricity markets. We will continue to develop our relationship with each of the regulatory entities that oversee our businesses. In particular, regarding our tariff-regulated business, we will coordinate and maintain a channel of communication in order to align the tariffs that we charge our customers with our costs and operating expenses.

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

Social Responsibility

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

Implementation of Business Plan

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

- Initial Implementation (2015-2016): During this period, we intend to improve our operational efficiency to make our business portfolio more sustainable, finalize the new organizational and operational structure, implement our corporate reorganization, as mandated by the CFE Law, in order to fully operate through subsidiary productive state enterprises and subsidiaries, and restructure our financial balance to secure our future operation.
- Consolidation of our Core Lines of Businesses (2017-2018): Maximize the value of our core businesses through performance programs, optimize our generation portfolio, and prepare the basis for a future expansion into other businesses.
- Expansion (2019): Develop and implement policies and controls to ensure our improved performance in each of our core businesses and increase our profitability levels in other lines of business.

History

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

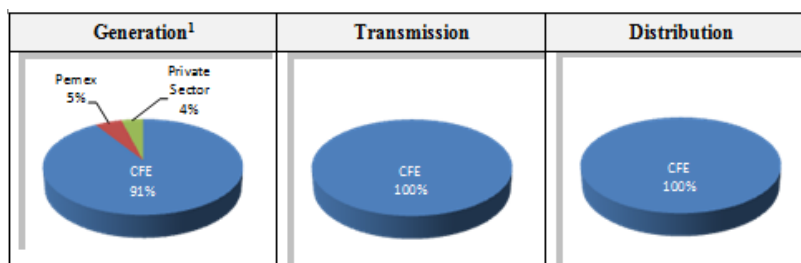
Luz y Fuerza del Centro

Luz y Fuerza del Centro (“LFC”), which was the utility previously responsible for the transmission and distribution of electricity in Distrito Federal 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 Distrito Federal 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 March 31, 2015:



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

Generation

As of March 31, 2015, our installed capacity was 54,997 MW, which includes the installed capacity of IPPs. Of our total installed capacity, 76.6% corresponds to our own generation units, while the remaining 23.4% corresponds to 28 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 March 31,
	2009	2010	2011	2012	2013	2014	2015
Installed Capacity (MW)							
CFE	38,927	39,704	39,270	39,362	40,055	41,726	42,146
IPPs	11,457	11,907	11,907	12,418	12,851	12,851	12,851
Total	50,384	51,611	51,177	51,780	52,906	54,577	54,997
Generation (TWh)							
CFE	154.1	160.4	170.4	175.8	167.5	169.9	35.0
IPPs	76.5	78.4	84.3	81.7	87.1	85.7	21.8
Total	230.6	238.8	254.7	257.5	254.6	255.6	56.8

Source: CFE.

We generate a substantial amount (78.7% as of March 31, 2015) 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, wind-driven and photovoltaic plants. As of March 31, 2015, our installed capacity, excluding IPPs, consisted of 21,950 MW from our thermal power plants consuming hydrocarbons, 12,269 MW from hydroelectric power plants, 5,379 MW from coal-fired power plants, 1,610 MW from nuclear power plants, 847 MW from geothermal power plants and 92 MW from wind-driven and photovoltaic power plants. IPPs also contributed to our total installed capacity with 12,851 MW from combined cycle and wind-driven plants, as of March 31, 2015. 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 2014, we generated 255.6 TWh of electricity, representing a 0.4% increase over the 254.6 TWh we generated in 2013. Of this total, 34.3% was generated by IPPs and the remainder was generated from facilities owned by us.

The table below sets forth the installed capacity as of March 31, 2015 of the various sources of energy on which we rely.

Installed Capacity by Source as of March 31, 2015

Type	Capacity (MW)	% of Total
Fuel oil and natural gas	21,950	39.9%
Coal-fired and dual	5,379	9.8%
Nuclear power	1,610	2.9%
Geothermal	847	1.5%
Total thermal (excluding IPPs)	29,786	54.1%
Hydroelectric	12,269	22.3%
Wind-driven and photovoltaic	92	0.2%
IPPs (combined cycle and wind-driven)	12,851	23.4%
Total CFE (including IPPs)	54,997	100.0%

Source: CFE.

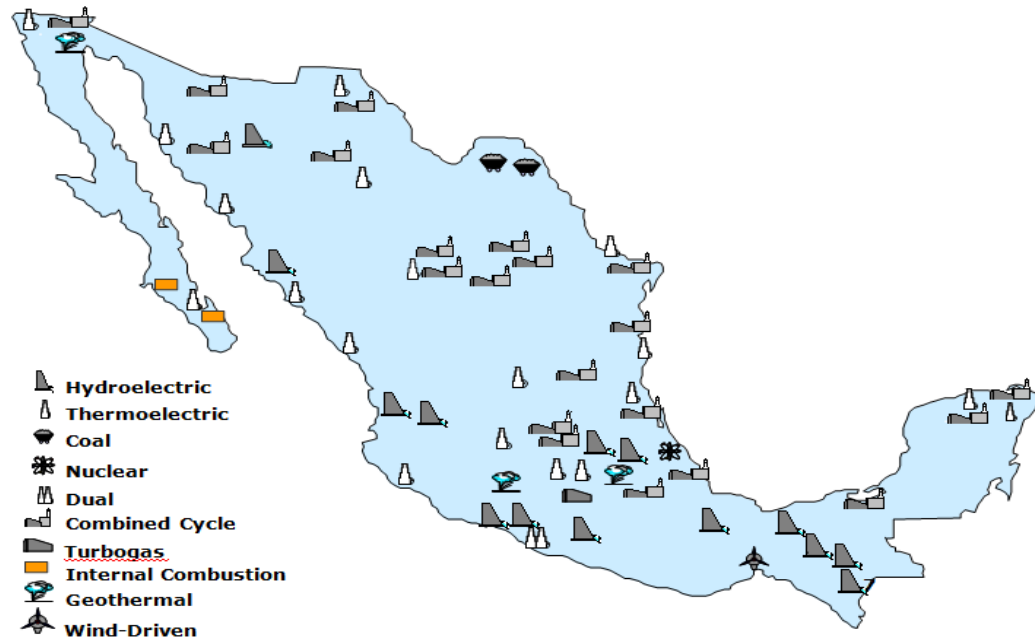
Our electricity generation capacity as of March 31, 2015 consists of 214 plants with 1,085 active units (including IPPs) throughout Mexico as follows:

Generation Plants and Units by Type as of March 31, 2015

Type	Plants	Active Units
IPPs (combined cycle and wind-driven)	26	453
Hydroelectric	80	218
Turbo gas	47	113
Steam	26	89
Internal combustion (diesel)	9	78
Combined cycle	13	68
Geothermal	4	39
Coal-fired and dual	3	15
Wind-driven and photovoltaic	5	10
Nuclear power	1	2
TOTAL	214	1,085

Source: CFE.

As of March 31, 2015, our generation plants and generation units were located throughout Mexico, as illustrated in the map below.



Source: CFE.

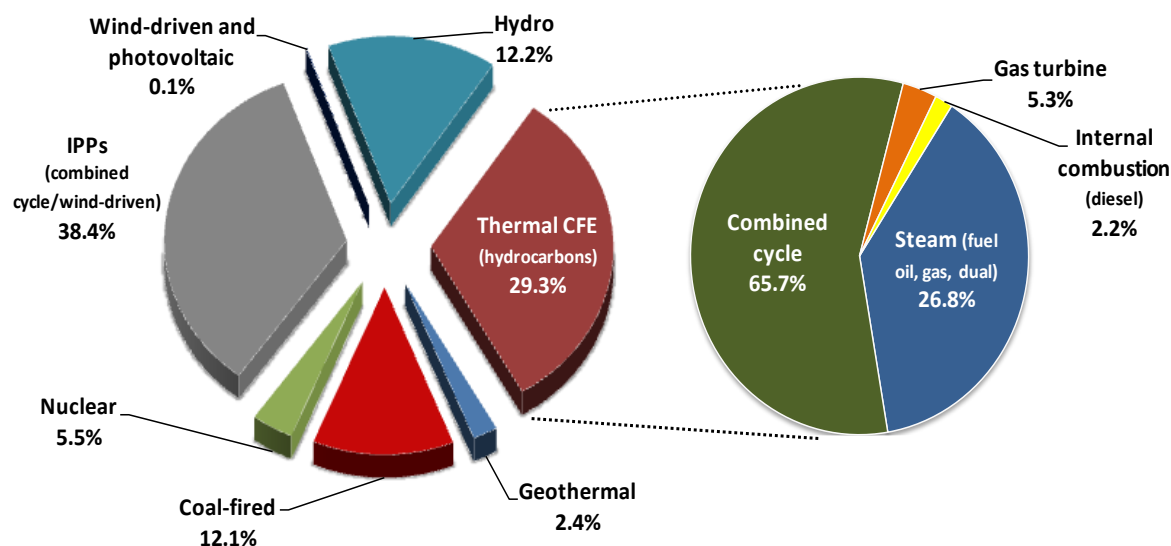
Thermal Power Generation

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

The graph below illustrates the distribution of the electricity generated among the various production processes, including hydrocarbon-based thermal power generation.

Thermal Power Generation (16.6 out of 56.8 TWh) for the Three-Month Period Ended March 31, 2015



Source: CFE.

As of March 31, 2015, 76.6% of our installed capacity (including IPPs) consisted of thermal power plants (including coal-fired, geothermal and nuclear plants). Thermal power plants generated 212.3 TWh during 2014, representing 84.9% of the total energy generated by us and IPPs for the year.

We purchase approximately all of our fuel oil from PEMEX at spot prices pursuant to a fuel oil supply contract. We currently purchase natural gas from PEMEX and five other suppliers in Mexico (Gas de Litoral, S. de R.L. de C.V., IENova LNG, S. de R.L. de C.V., Grupo Iberdrola and its affiliates, CIC Corporativo Industrial Coahuila and Fuerza y Energía de Tuxpan) at indexed prices pursuant to long-term (15-year) contracts awarded pursuant to an international bidding process. For 2014 and the three-month period ended March 31, 2015, fuel oil and natural gas accounted for an average of approximately 77.2% and 64.4%, respectively, of the aggregate amounts that we spent on the generation of electricity. As of March 31, 2015, approximately 9.8% of our installed capacity relied on the use of coal. A small percentage of our generating plants use diesel fuel, which we purchase from PEMEX at prices regulated by the Mexican government.

Nuclear Power Generation

We operate Mexico's only nuclear power plant, Laguna Verde. The Laguna Verde plant is located on the coast of the Gulf of Mexico in the municipality of Alto Lucero in the state of Veracruz. The plant is a strategic facility due to its high power generation capacity, low operating cost and frequency and voltage regulation capacity. Laguna Verde is comprised of two power generating units. The nuclear reactor contained in each power generating unit is a "Boiling Water" (BWR-5) reactor equipped with direct cycle Mark II containment. Since operations at Laguna Verde began in 1990, Unit 1 has generated more than 105.1 million MWh, while Unit 2 has generated more than 89.3 million MWh. In 2011, we completed a substantial renovation of both generating units as a result of an investment of approximately Ps. 7,300 million (U.S.\$ 482 million), which was financed as an OPF under PIDIREGAS. As a result of the renovations, the installed capacity of Laguna Verde increased by a total of 210 MW to 1,610 MW as of March 31, 2015.

The two units of the Laguna Verde plant together account for 2.9% of our total installed capacity (including IPPs) as of March 31, 2015, and represented 5.5% of our total generation for the three-month period ended March

31, 2015. Laguna Verde's operations are subject to regulation and oversight by both national and international nuclear regulatory bodies. Laguna Verde has operated in compliance with ISO-14000 international standards for environmental management since 1999 based on its quality and safety standards. See "Risk Factors—Risks Factors Related to CFE—We are subject to environmental risks and possible claims and lawsuits inherent to the generation, transmission, and distribution of electricity."

Hydroelectric Power Generation

Our largest hydroelectric generating plant is Manuel Moreno Torres, which has 2,400 MW of installed capacity and is located in Chicoasén, Chiapas. The plant utilizes the water flow from the Grijalva River to power its turbines. The second and third largest plants are C.H. Infiernillo, which has 1,200 MW of installed capacity and is located in La Unión, Guerrero, and C.H. Malpaso, which has 1,080 MW of installed capacity and is located in Tecpatán, Chiapas. During the three-month period ended March 31, 2015, our hydroelectric power plants generated 6,936 GWh, and had a total capacity of 12,269 MW, or 29.1% of our total installed capacity (excluding IPPs).

Coal-Fired Power Generation

We have three coal-fired power generation plants located just south of the U.S. border in the State of Coahuila. These three plants are comprised of fifteen generation units, which have a combined installed capacity of 5,379 MW and were responsible for 9.8% of our total installed capacity as of March 31, 2015.

Geothermal Power Generation

Our geothermal energy is generated by four plants with a total installed capacity of 847 MW as of March 31, 2015, which represents 1.5% of the total electricity generated by us (including IPPs). Our largest geothermal power station is *Cerro Prieto*, which generates 67.3% of the geothermal electricity generated in Mexico. Geothermal energy is the only renewable source other than hydroelectric power that currently contributes significantly to the total mix of the electricity we generate.

Wind-Driven Power Generation

We own and operate three wind-driven power plants, the largest of which is the *La Venta* power plant located 30 km northeast of the city of Juchitán, Oaxaca. *La Venta* was the first wind-driven power plant developed in Mexico and in Latin America, with an effective installed capacity of 84.2 MW as of March 31, 2015. The five wind-driven power plants operated by IPPs have a combined installed capacity of 510.9 MW, all of them located in the State of Oaxaca. As of March 31, 2015, wind-driven plants (including IPPs) contributed to 1.1% of our 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 March 31, 2015, 78.5% of our electricity generation capacity derived from fossil fuels (natural gas, coal, diesel and fuel oil), 37.2% of which derived from natural gas-fired plants of IPPs. The remaining 21.5% of our electricity generation capacity derived 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, geothermal and wind-driven power generation, each of which use renewable primary sources of energy.

Transformation, Transmission and Distribution

Electric power generated in our facilities, as well as by IPPs, is made available to consumers after being transformed, transmitted and distributed. Transformation is the process by which the current and voltage of electricity is converted to a form suitable for its transmission or distribution. This process is carried out by our network of electrical transmission and distribution substations, which has grown in size and capacity in parallel with

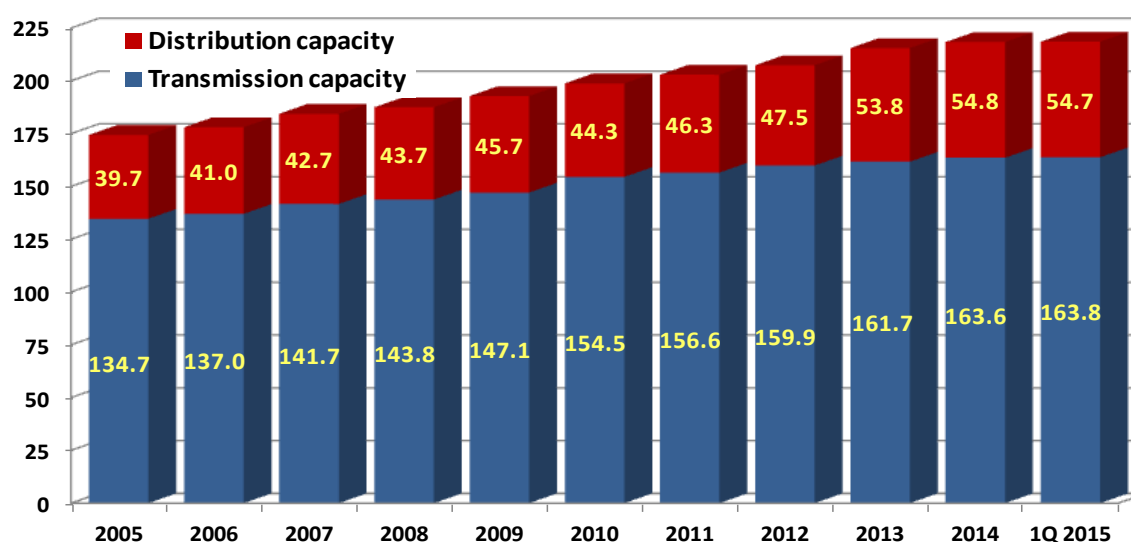
the growth of our transmission and distribution networks. As of March 31, 2015, our transformation capacity was 218.5 GVA, of which 75.0% related to transmission sub-stations and 25.0% to distribution sub-stations.

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 March 31, 2015, the transmission network was 57,500 kilometers (35,736 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.

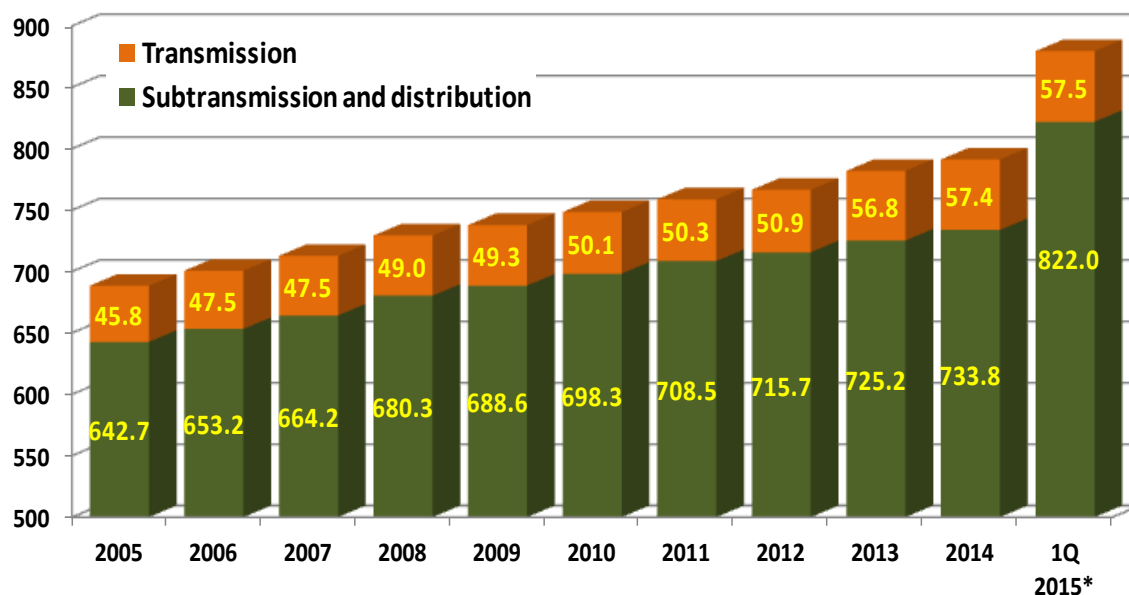
As of March 31, 2015, we had a total of 822,000 kilometers (510,770 miles) of sub-transmission and distribution lines. Including transmission, sub-transmission and distribution lines, our transmission and distribution network is 879,500 kilometers (546,500 miles) long.

Capacity of Transmission and Distribution Substations (GVA)



Source: CFE.

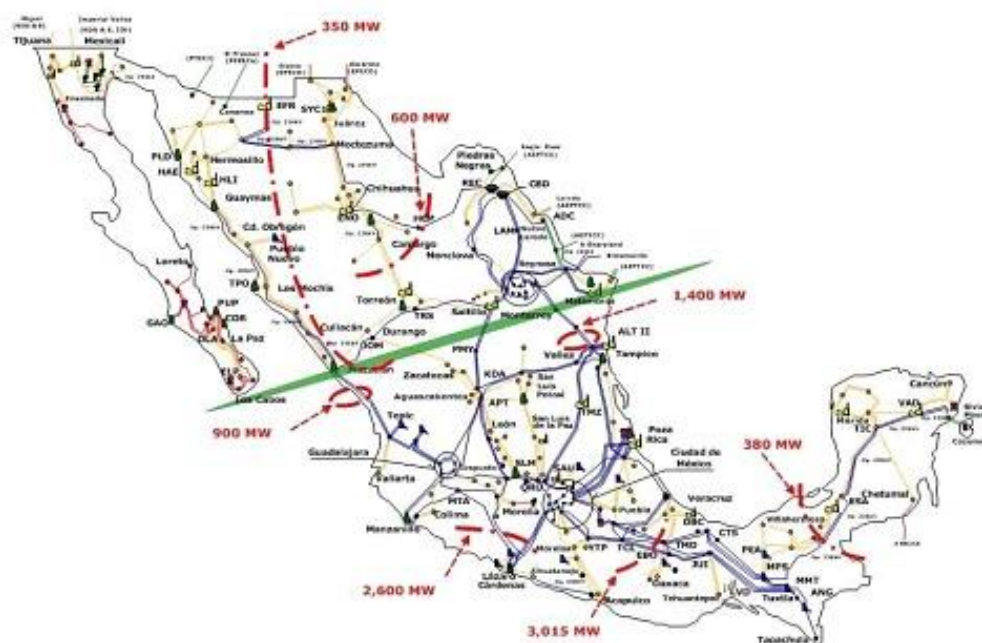
Length of Transmission and Distribution Lines (thousands of kilometers)



*1Q 2015 figure incorporates Distrito Federal and its metropolitan area distribution lines (86,809 kms not reported in preceding years).

Source: CFE.

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



Source: CFE.

CENACE

Pursuant to the Electric Industry Law, we were required to transfer to the *Centro Nacional de Control de Energía* (National Center of Energy Control, or “CENACE”) the necessary human, material and financial resources

for the operation of the National Power System and the Wholesale Electricity Market. Accordingly, on November 28, 2014, we transferred to CENACE the following assets:

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

In accordance with Note 18 of our unaudited financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014, the assets transferred had a value of approximately Ps. 492 million. As of the date of this Luxembourg Listing Prospectus, CFE and CENACE jointly operate the National Power System. For more information regarding CENACE, see “—General Regulatory Framework” below.

Fiber Optic Network

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

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

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

On June 11, 2013, the *Decreto por el que se reforman y adicionan diversas disposiciones de los artículos 6, 7, 27, 28, 73, 78, 94 y 105 de la Constitución Política de los Estados Unidos Mexicanos, en materia de telecomunicaciones* (Decree that amends and supplements Articles 6, 7, 27, 28, 73, 78, 94 and 105 of the Mexican Constitution relating to telecommunication matters, or the “Telecommunications Reform Decree”) was published in the Official Gazette of the Federation. Pursuant to the transitional regime of the Telecommunications Reform Decree, on December 17, 2014, we submitted a request to the *Instituto Federal de Telecomunicaciones* (Federal Telecommunications Institute) for the assignment of the Fiber Optic Network Concession to *Telecomunicaciones de México* (Mexico Telecommunications), a decentralized public entity of the Mexican government. As of the date of this Luxembourg Listing Prospectus, we continue to hold the Fiber Optic Network Concession. As of December 31, 2014, 0.31% of our revenues were attributable to fiber optic services.

Service Quality

During the past several years, the Mexican government has implemented various programs in an effort to modernize CFE. Currently, through the Program for Corporate Transformation developed by our *Dirección de Modernización y Cambio* (Department of Modernization and Change), all of our operational units are evaluated by

simulating their performance under a competitive environment. This practice allows us to identify our strengths and weaknesses, and to set benchmarks for productivity, competitiveness and technology programs, including the reduction of energy losses, the establishment of quality indicators and the implementation of pricing and maintenance programs. Our energy savings programs consist of efforts to promote replacement of high-consumption appliances and air conditioning units as well as internal programs for energy savings in generation plants and the creation of incentives for customers to use energy-friendly equipment.

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

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

Service Indicators	2009	2010	2011	2012	2013	2014	1Q 2015
Service Quality							
Connection lead-time for new user (days)	1.8	1.0	0.8	0.8	0.9	0.7	0.9
Fulfillment of service commitments (%)	96.2	97.2	98.4	98.5	97.4	94.6	97.7
Receipt of non-conforming electricity (for every 1,000 users per month)	4.5	4.4	4.3	3.9	3.6	3.5	2.9
Quality of Electric Power Supply							
Outage time per user (minutes per year)	71	60	50	46	39	37	36
Population with access to electric power (%)	96.8	97.8	97.9	98.1	98.2	98.4	N.A.
Operation and Productivity							
Gross generation (TWh), including IPPs	230.6	241.5	254.7	257.5	254.6	250.0	56.8
Users per operations worker	401.5	417.9	415.7	419.3	431.2	444.3	460.8
Collection accuracy (%)	99.8	99.2	99.6	100.2	101.6	99.7	98.8*
ISO 9001 certified work centers	467	447	452	477	474	462	461

Source: CFE.

* As of February, 2015.

N.A.: Data not yet available.

Client Base and Demand

Since CFE's inception in 1937, Mexico's population has quintupled in size, growing to over 120 million inhabitants as of December 31, 2014. 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 (LFC 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 Distrito Federal and the metropolitan area). The following table sets forth CFE's response to population growth in Mexico during the last 44 years:

	As of December 31,						As of March 31,
	1970	1980	1990	2000	2010	2014	1Q 2015
Population of Mexico* (in millions of people)	48.2	66.8	81.2	97.5	112.3	120.2**	N.A.
Number of CFE Customer Accounts (in millions)	4.88	6.84	11.95	18.68	34.2	38.4	N.A.
Total Installed Capacity of CFE (in MW)	5,401	13,692	24,442	35,869	51,611	54,577	54,997

Source: CFE.

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

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

N.A.: Data not yet available.

We provide electricity to approximately 118.3 million people in Mexico, and as of December 31, 2014, we had 38.4 million customer accounts. Since 2005, our customer base has grown by an average rate of 5.8% per year. We classify our customers into five categories: residential, commercial, agricultural, service and large industry. As of December 31, 2014, CFE's customer base consisted of 88.6% residential accounts and 9.8% commercial accounts, with the remainder of our accounts attributed to agricultural, industrial and services customers.

The following table sets forth a customer breakdown per sector as of December 31, 2009 through 2014 and as of March 31, 2015:

Customer breakdown by Sector	As of December 31,						As of March 31,
	2009	2010	2011	2012	2013	2014	1Q 2015
Sector	Percentage of Customers						
Residential	88.2%	88.3%	88.4%	88.4%	88.5%	88.6%	88.6%
Commercial	10.0%	9.9%	10.0%	10.0%	9.9%	9.8%	9.8%
Agricultural	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%
Industrial	0.8%	0.8%	0.7%	0.8%	0.8%	0.8%	0.8%
Services	0.6%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%

Source: CFE.

For the year ended December 31, 2014, 99.4% of our total electricity sales were (by volume of KWh) direct sales to customers in Mexico and the remaining 0.6% represented exports, mainly to Central America.

Although the residential sector represented 88.6% of our customer base as of December 31, 2014, it constituted only 22.4% of our sales during 2014. Inversely, the industrial sector represented approximately 0.8 percent of our customer base, but as of December 31, 2014, it accounted for 60.7% of our sales volume. The following table sets forth the percentage of our sales volume attributable to each sector that we service for the years ended December 31, 2009 through 2014 and for the three month period ended March 31, 2015:

Sales Volume (GWh) breakdown by Sector	As of December 31,						As of March 31,
	2009	2010	2011	2012	2013	2014	2015
Sectors	Percentage of Volume Sold*						
Residential	26.8%	25.5%	24.4%	23.9%	24.2%	24.8%	22.4%
High-Consumption Residential	1.1%	1.5%	1.4%	1.3%	1.2%	1.2%	1.1%
Commercial	6.4%	6.0%	6.7%	6.7%	6.7%	6.7%	6.7%
Agricultural	6.0%	5.5%	5.7%	5.2%	5.0%	4.8%	4.5%
Industrial	55.7%	57.8%	57.9%	58.8%	58.5%	58.2%	60.7%
Services	4.0%	3.8%	3.9%	4.1%	4.5%	4.3%	4.6%

Source: CFE.

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

Electricity Rates

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

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

The rate insufficiencies that we received for the years ended December 31, 2012, 2013 and 2014 were offset by a public use tax in amounts that were measured as a percentage of our net fixed assets as of the end of the immediately preceding year. The following table sets forth the rate insufficiency we received and the public use tax we incurred for the years ended December 31, 2012, 2013 and 2014, as well as the balance that has been charged to our results of operations for each respective year.

	For the Year Ended December 31,			
	2014	2014	2013	2012
	(in millions of dollars)	(in millions of Mexican pesos)		
Rate insufficiency	5,690.0	86,227.5	85,770.3	77,036.2
Public use tax	3,879.6	58,792.2	46,012.5	44,779.1
Balance	1,810.4	27,435.3	39,757.8	32,257.1

Source: CFE.

To mitigate our exposure to fuel prices, the electricity rates that we currently charge our industrial, commercial and high-consumption residential customers, which account for 75.4% of our revenues, were adjusted on a monthly basis pursuant to a formula that accounts for changes in fuel costs and inflation. The formula, which is set forth below, provides us with a weighted average of the monthly changes in prices of each of the five hydrocarbon-based fuels on which we rely. We then either increase or decrease the electricity rates for our industrial, commercial and high-consumption residential customers from the previous month by the weighted average determined from this formula.

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

where,

ICC = fuel costs index

m = month subject to price adjustment

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

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

c = each of the five fuels subject to monthly adjustment

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

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

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

Historic Price Trends		
Year	Period Average Price of Electricity Ps/kWh	Percentage Change in Period Average Price (as compared to the immediately preceding period)
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	1.50	6.4%
2014	1.55	3.3%
1Q 2015	1.48	(8.0%)

Source: CFE.

Billing and Collection

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

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

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

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

Pursuant to the Electric Industry Law and the regulations issued thereunder, our current billing and collection practices will remain in effect until the Energy Regulatory Commission issues new regulations modifying such practices.

Labor

As of March 31, 2015, we had 93,710 employees (including temporary employees), as compared to 95,942 employees as of December 31, 2014. As of March 31, 2015, approximately 79.6% of our employees were unionized under the SUTERM labor union and the remainder were not unionized. We have never experienced a labor-related work stoppage or strike, and we consider our overall relationship with our unionized employees to be stable. The average tenure of our full-time employees (union and non-union) is 15 years.

The following table sets forth the breakdown of our labor force between unionized and non-unionized employees for the years ended December 31, 2009 through 2014, and for the three month period ended March 31, 2015:

	As of December 31,						As of March 31,
Employees*	2009	2010	2011	2012	2013	2014	2015**
Non-unionized Employees	16,575	19,084	20,034	20,047	19,648	19,277	19,110
Unionized Employees	<u>63,909</u>	<u>74,245</u>	<u>77,329</u>	<u>77,320</u>	<u>75,946</u>	<u>74,665</u>	<u>74,600</u>
Total Active Employees	<u>80,484</u>	<u>93,329</u>	<u>97,363</u>	<u>97,367</u>	<u>95,594</u>	<u>93,942</u>	<u>93,710</u>

* Includes temporary employees.

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

Source: CFE.

The increase in our labor force between 2009 and 2010 (approximately 16%) was the result of our increased labor needs in Distrito Federal 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 Distrito Federal and the surrounding areas.

In 2008, as a result of our collective bargaining negotiations with SUTERM, we entered into a new “defined contribution” employee benefits program, wherein we have agreed to establish individual retirement accounts for each employee that we hire after August 18, 2008. As currently set forth in the collective bargaining agreement with SUTERM, employees subject to the defined contribution plan are required to contribute 5% of their monthly salary into their individual retirement account, and we provide a corresponding contribution in the amount of 7.5% of each employee’s monthly salary (although these percentages are subject to change in accordance with terms of the collective bargaining agreement). This new program replaces our previous defined benefits plan, which entitled our employees to certain retirement benefits, including a pension and health insurance, which were allocated to our retired employees in amounts that corresponded, in large part, to their years of service and seniority level at CFE. The new defined contribution plan does not apply retroactively to our employees that were employed as of or prior to August 18, 2008, nor does it apply to temporary employees. As of December 31, 2014, approximately 55% of our total liabilities comprise of our short and long-term obligations in respect of employee benefits for employees that were employed as of or prior to August 18, 2008. See “Risk Factors—Risk Factors Related to CFE—Labor unrest may adversely affect our business, financial condition and results of operations.”

Environmental and Sustainability Matters

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

stability, quality and safety for the public service we provide. This mandate is consistent with our longer-term strategy to focus on clean energy as we expand our generation capacity.

To maintain compliance with and mitigate our risk under the Mexican environmental legal and regulatory framework, we maintain an environmental policy program known as the *Programa Institucional para la Competitividad y la Sustentabilidad de la Comisión Federal de Electricidad* (Program for the Competitiveness and Sustainability of the Comisión Federal de Electricidad, or the “PICS”), designed primarily to reduce the environmental impact and increase the efficiency of our operations, increase the use of alternative fuels and promote energy savings programs. To satisfy these objectives, PICS focuses on plant modernizations, emissions controls, the construction of water treatment plants and programs to promote the use of clean energy and increase the efficiency of fossil fuel-based plants, each of which is consistent with the *Programa Especial de Cambio Climático 2009-2012* (Mexican government’s Special Climate Change Program for 2009-2012) which establishes the objective of reduction of 50% of greenhouse gases emissions by 2050. Furthermore, PICS requires each participant in the bidding processes relating to the construction, maintenance and operation of power plants to prove their ability to perform these activities in compliance with all existing environmental rules and regulations and with CFE’s standards, which in some cases are more stringent than those in applicable environmental laws. Additionally, it requires winning bidders to perform an environmental impact study sanctioned by the *Procuraduría Federal de Protección al Ambiente* (Federal Environmental Protection Agency), which is part of the *Secretaría del Medio Ambiente y Recursos Naturales* (Ministry of Environment and Natural Resources).

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

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

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

General Regulatory Framework

Mexican Energy Reform

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

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

- Continued government participation: The Mexican government remains exclusively responsible for the planning and administration of Mexico’s National Power System and the transmission and distribution of electric energy, which remains a public service.
- Private-sector participation: The Mexican government may permit private-sector companies to enter into contracts with us related to the financing, installation, maintenance, management, operation and expansion of electricity transmission and distribution infrastructure, although concessions continue to

be prohibited with respect to these activities. In addition, private-sector companies are now able to invest and participate in all aspects of electricity generation and commercialization activities.

- Our conversion to a productive state enterprise: The Energy Reform Decree provided for our conversion from a decentralized public entity to a productive state enterprise no later than December 21, 2015. As contemplated by the Secondary Legislation, pursuant to the CFE Law, CFE was converted from a decentralized public entity to a productive state enterprise on October 7, 2014, upon the integration of our Board of Directors. In addition, our new regime granting us with additional autonomy for purposes of determining our budget, incurring new debt, entering into procurement contracts and establishing anticorruption measures and remunerations schemes, among others, became effective on February 16, 2015, upon the confirmation by the Ministry of Energy that relevant internal controls and transparency and accountability mechanisms mandated by the CFE Law have been put in place by us.
- Vertical and Horizontal Division of CFE: Pursuant to the CFE Law and the transitional articles of the Electric Industry Law, we are required to undertake a vertical and horizontal separation of each of our core activities of generation, transmission, distribution and commercialization of electric power, which shall be legal and include appropriate accounting and operational characteristics, and horizontal regarding generation and distribution. The Ministry of Energy and Energy Regulatory Commission will establish guidelines with additional legal, accounting or operative controls that must be implemented by us to undertake our activities in a non-discriminatory manner.
- Creation of subsidiaries: The CFE Law also requires us to create subsidiary productive state enterprises to undertake the transmission and distribution of electric power. Regarding the generation and commercialization activities, we may operate through subsidiary productive state enterprises, subsidiary enterprises and/or any other legal entities or joint ventures. The Ministry of Energy will also determine the manner in which some of our agreements with third parties will be assigned to our subsidiary productive state enterprises and other subsidiary enterprises.
- Regulatory oversight and authority: The Ministry of Energy and the Energy Regulatory Commission were granted additional technical and administrative authority over certain of our operations and the electric energy sector generally. The Ministry of Energy is in charge of designing, implementing and coordinating Mexico's energy policy, implementing the infrastructure programs, monitoring the profitability and return on equity of productive state enterprises and its subsidiaries and establishing mechanisms to promote clean energy generation through tradable energy certificates. The Energy Regulatory Commission was vested with its own legal status and technical and administrative autonomy and was entrusted with regulating and issuing permits for power generation and implementing regulations to encourage the sustainability and efficiency of the National Power System. In addition, the CENACE, a decentralized public entity of the Mexican government, was created to manage the National Power System, operate the Wholesale Electricity Market and ensure an open and non-discriminatory access to the electric transmission grid and the distribution systems.
- Electric Industry Law: The Electric Industry Law established a new regulatory framework that enables private-sector companies to obtain permits for generation and commercialization of electric power. Participants in Mexico's electric sector, including us, will now be able to sell electricity to large industrial and commercial customers at rates set by the market in a new Wholesale Electricity Market to be created. Pursuant to the Electric Industry Law, we are subject to a permits regime in order to continue to generate electricity, and will continue to sell electricity to residential consumers and small and medium industrial and commercial consumers subject to regulated tariffs. We also have authority to enter into contracts with private-sector companies, including contracts for the financing, installation, maintenance, procurement, operation and expansion of the electric network infrastructure. The Electric Industry Law repealed the LSPEE.

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

Organizational Structure of CFE

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

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

The CFE Law allows us to create subsidiary productive state enterprises, subsidiary enterprises, joint ventures or hold minority ownership interests, either directly or indirectly, in other companies. Subsidiary productive state enterprises are required to be created by an *Acuerdo* (Resolution) of our Board of Directors, which will determine their corporate purpose and the powers, attributions and responsibilities of its governing bodies, subject to certain requirements contained in the CFE Law. As of the date of this Luxembourg Listing Prospectus, we have not created any subsidiary productive state enterprises. Subsidiary enterprises will be organized as private entities, in accordance with the laws and regulations applicable in the jurisdiction in which they are incorporated. As of the date of this Luxembourg Listing Prospectus, our Board of Directors has approved the creation of two subsidiary enterprises: CFE International LLC, which has been incorporated and organized under the laws of the State of Delaware, United States of America and CFE Gas Natural S.A. de C.V., which will be incorporated and organized under the laws of Mexico. The purpose of these two subsidiaries is to concentrate and coordinate our operations relating to the international natural gas market.

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

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

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

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

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

Private Participation in the Electricity Sector

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

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

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

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

As of the date of this Luxembourg Listing Prospectus, most of the private sector participation in the generation of electricity continues to occur through IPPs. IPPs are permitted to build, finance, operate and maintain electricity generation plants, provided that these plants meet certain quality and technical standards promulgated by the Ministry of Energy in Mexico. The electricity generated by IPPs must be sold to CFE under long-term generation agreements at fixed prices. As of March 31, 2015, we were under contract to purchase electricity from 26 IPPs.

National Center for Energy Control (CENACE)

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

General Distribution Networks. The Wholesale Electricity Market, when operational, is expected to allow generators, suppliers and qualified users to purchase and sell electricity through competitive processes managed by the CENACE, and the CENACE will also be permitted to enter into contracts or partnerships with private companies for the provision of ancillary services related to the operation of the Wholesale Electricity Market.

As of the date of this Luxembourg Listing Prospectus, the Ministry of Energy has not issued the Market Regulations that will establish, among others, the regulatory framework applicable to the Wholesale Electricity Market, and consequently, the Wholesale Electricity Market is not yet operational. We cannot predict when this regulatory framework will be established.

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 March 31, 2015, we had established a provision included in the liability for employee benefits of Ps. 4,719 million for our estimated liability in respect of these lawsuits, which provision is based on the trend of labor-related lawsuits resolved in the last five years. We do not believe that the resolution of these lawsuits will have a material adverse effect on our financial condition or results of operations.

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

For more information on our legal and administrative proceedings, see Note 24 to our audited financial statements as of and for the years ended December 31, 2014, 2013 and 2012 included herein and Note 24 to our unaudited financial statements as of March 31, 2015 and for the three-month periods ended March 31, 2015 and 2014 included herein.

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 Ministry of Finance.

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 Deputies). Congressional elections for all 128 seats in the Senate and 500 seats in the Chamber of Deputies were held on July 1, 2012. On June 7, 2015, federal elections will take place with respect to the election of the 500 representatives of the Chamber of Deputies. 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%	214	42.8%
National Action Party	38	29.7	113	22.6
Democratic Revolution Party	22	17.2	99	19.8
Ecological Green Party of Mexico	7	5.5	27	5.4
Labor Party	6	4.7	11	2.2
Citizen Movement Party	0	0.0	12	2.4
New Alliance	0	0.0	10	2.0
National Regeneration Movement	0	0.0	12	2.4
Unaffiliated	1	0.8	2	0.4
Total	128	100.0%	500	100.0%

Note: Numbers may not total due to rounding.

Source: Senate and Chamber of Deputies.

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, 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 Distrito Federal;
- 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											
	2009		2010		2011		2012		2013		2014 ⁽¹⁾	
	(in billions of constant pesos) ⁽²⁾											
Primary Activities:												
Agriculture, forestry, fishing, hunting and livestock ⁽³⁾	Ps.	383.2	Ps.	386.1	Ps.	377.2	Ps.	405.3	Ps.	409.4	Ps.	420.7
Secondary Activities:												
Mining		1,012.1		1,021.0		1,017.2		1,026.4		1,025.4		1,002.1
Utilities		255.8		267.4		286.0		292.1		293.6		298.8
Construction.....		968.2		975.5		1,015.1		1,040.0		990.3		1,009.6
Manufacturing.....		1,857.9		2,016.7		2,109.3		2,194.3		2,218.4		2,301.1
Tertiary activities:												
Wholesale and retail trade.....		1,563.5		1,749.0		1,919.1		2,010.6		2,057.4		2,126.2
Transportation and warehousing		650.0		700.1		728.4		758.0		777.5		793.1
Information		352.0		355.3		371.1		431.6		453.1		463.2
Finance and insurance.....		403.9		488.6		523.3		563.4		618.6		631.2
Real estate, rental and leasing.....		1,464.0		1,504.5		1,548.5		1,587.2		1,603.1		1,637.4
Professional, scientific and technical services		274.5		274.2		288.3		291.4		294.8		299.2
Management of companies and enterprises		68.2		71.8		74.4		80.8		79.4		84.5
Administrative and support and waste management and remediation services.....		370.8		373.4		395.7		412.9		430.7		430.5
Education services		473.0		473.9		481.3		492.0		495.9		503.4
Health care and social assistance		255.2		254.9		260.3		265.9		272.5		274.3
Arts, entertainment and recreation		55.0		57.3		56.9		58.5		60.6		60.1
Accommodation and food services		251.1		255.9		259.8		273.9		279.0		286.9
Other services (except public administration)		254.1		256.7		261.5		270.0		274.9		278.7
Public administration		467.4		478.8		472.1		489.5		488.8		501.1
Gross value added at basic values.....		11,379.9		11,961.21		12,445.4		12,943.8		13,123.2		13,402.0
Taxes on products, net of subsidies		300.8		316.5		328.8		342.3		347.8		355.2
GDP	Ps.	11,680.7	Ps.	12,277.7	Ps.	12,774.2	Ps.	13,286.2	Ps.	13,470.9	Ps.	13,757.2

Note: Numbers may not total due to rounding.

(1) Preliminary figures.

(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, or INEGI).

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 (% change against prior years)⁽¹⁾						
	2009	2010	2011	2012	2013	2014⁽²⁾
GDP (constant 2008 prices).....	(4.7)%	5.1%	4.0%	4.0%	1.4%	2.1%
Primary Activities:						
Agriculture, forestry, fishing, hunting and livestock.....	(2.5)	0.5	(2.3)	7.4	0.9	2.8
Secondary Activities:						
Mining	(4.0)	0.9	(0.4)	0.9	(0.1)	(2.3)
Utilities	1.3	4.5	6.9	2.1	0.5	1.8
Construction.....	(6.1)	0.8	4.1	2.5	(4.8)	1.9
Manufacturing.....	(8.4)	8.5	4.6	4.0	1.1	3.7
Tertiary activities:						
Wholesale and retail trade.....	(12.5)	11.9	9.7	4.8	2.3	3.3
Transportation and warehousing.....	(7.2)	7.7	4.0	4.1	2.6	2.0
Information	8.5	1.0	4.4	16.3	5.0	2.2
Finance and insurance.....	3.4	20.0	7.1	7.7	9.8	2.0
Real estate, rental and leasing.....	1.1	2.8	2.9	2.5	1.0	2.1
Professional, scientific and technical services	(5.0)	(0.1)	5.1	1.1	1.2	1.5
Management of companies and enterprises	(8.2)	5.3	3.5	8.6	(1.8)	6.4
Administrative support, waste management and remediation services ...	(7.0)	0.7	6.0	4.4	4.3	0.0
Education services	0.2	0.2	1.6	2.2	0.8	1.5
Health care and social assistance	2.0	(0.1)	2.1	2.1	2.5	0.7
Arts, entertainment and recreation	(4.1)	4.1	(0.7)	2.9	3.4	(0.8)
Accommodation and food services	(9.6)	1.9	1.5	5.4	1.8	2.8
Other services (except public administration)	(0.6)	1.0	1.9	3.3	1.8	1.4
Public administration	2.0	2.4	(1.4)	3.7	(0.1)	2.5

Note: Numbers may not total due to rounding.

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

(2) Preliminary figures. GDP figures for the nine-month period ended September 30, 2014 have been annualized. Further, nominal GDP figures for 2013 reflect the latest INEGI release.

Source: INEGI.

Prices and Wages

During 2014, consumer inflation (as measured by the change in the national consumer price index) was 4.1%, 0.1 percentage points higher than consumer inflation during 2013. This was due to the implementation of recent tax reforms, the effect of which began to diminish in November 2014.

Consumer inflation for the first two months ended February 28, 2015 was 3.0%, 1.2 percentage points lower than during the same period of 2014. This was due to a decline in the price of processed foods, housing, fruits and vegetables and other services, and a decline in the cost of energy and authorized government rates.

Employment and Labor

According to preliminary figures, Mexico's unemployment rate was 4.4% as of December 31, 2014, a 0.5 percentage point decrease from the rate registered on December 31, 2013. As of December 31, 2014, the total economically active population in Mexico older than 15 years of age consisted of 52.1 million individuals, while the unemployed population in Mexico older than 15 years of age consisted of 2.3 million individuals.

According to preliminary figures, Mexico's unemployment rate was 4.3% as of February 28, 2015, a 0.3 percentage point decrease from the rate during the same period of 2014.

Interest Rates

During 2014, interest rates on 28-day *Cetes* (Mexico's Federal Treasury certificates) averaged 3.0%, as compared to 3.75% during 2013, and interest rates on 91-day *Cetes* averaged 3.12%, as compared to 3.81% during 2013.

On April 1, 2015, the 28-day *Cetes* rate was 3.0% and the 91-day *Cetes* rate was 3.2%.

Principal Sectors of the Economy

Manufacturing

The following table sets forth the change in industrial manufacturing output by sector for the periods indicated.

Industrial Manufacturing Output Differential by Sector
(% change against prior years) ⁽¹⁾

	2010	2011	2012	2013	2014 ⁽²⁾
Food	1.7%	2.2%	2.6%	0.2%	0.9%
Beverage and tobacco products	0.6	4.6	2.6	0.6	4.8
Textile mills	10.9	(4.4)	3.1	(3.2)	(3.3)
Textile product mills	2.5	(2.9)	(0.1)	3.7	5.8
Apparel.....	4.6	0.2	(0.5)	3.3	(3.5)
Leather and allied products	7.7	(0.7)	3.5	1.0	(1.4)
Wood products	5.5	5.1	13.0	(2.8)	1.2
Paper	3.7	(0.8)	4.8	2.2	3.2
Printing and related support activities	10.0	4.2	(4.1)	(7.0)	(2.4)
Petroleum and coal products	(7.2)	(3.6)	1.1	3.2	(4.5)
Chemicals.....	(0.4)	(0.1)	(0.3)	2.4	(0.4)
Plastics and rubber products.....	13.5	6.7	9.0	(1.2)	5.3
Nonmetallic mineral products	4.7	3.7	2.3	(2.9)	2.2
Primary metals	12.4	4.3	2.2	(0.2)	9.5
Fabricated metal products.....	8.8	7.0	3.9	(5.4)	8.4
Machinery	47.2	13.3	5.3	1.6	(3.0)
Computers and electronic products	3.7	6.7	0.5	4.2	5.8
Electrical equipment, appliances and components.....	10.1	(1.1)	1.8	(3.7)	6.3
Transportation equipment.....	42.2	16.6	14.1	5.4	11.5
Furniture and related products.....	7.1	1.2	2.8	(6.0)	(1.8)
Miscellaneous.....	1.9	5.1	0.4	1.3	7.0
Total expansion/contraction	8.5	4.6	4.0	1.1	3.7

(1) Percent change reflects differential in constant 2008 pesos.

(2) Preliminary figures.

Source: INEGI.

According to preliminary figures, the manufacturing sector expanded by 3.7% in real terms during 2014 as compared to 2013. This expansion was primarily due to an increase in the manufacturing of primary metals and transportation equipment sectors. In total, eight manufacturing sectors contracted during 2014, while 13 sectors expanded during 2014, each as compared to 2013.

Tourism

Mexico's tourism sector expanded in 2014. As compared to 2013, this sector experienced increases in the following areas:

- revenues from international travelers (including both tourists and visitors who enter and leave the country on the same day) totaled U.S. \$16.3 billion, a 16.6% increase from 2013;
- revenues from tourists to the interior of Mexico (as opposed to border cities) totaled U.S.\$ 13.6 billion, a 19.9% increase from 2013;

- the number of tourists to the interior of Mexico totaled 16.0 million, a 9.6% increase from 2013;
- the average expenditure per tourist to the interior of Mexico totaled U.S.\$ 850.00, a 9.4% increase from 2013;
- expenditures by Mexican tourists abroad totaled U.S.\$ 6.2 billion, a 7.2% increase from 2013; and
- expenditures by Mexicans traveling abroad (which include both tourists and one-day visitors) totaled U.S.\$ 9.7 billion, a 5.8% increase from 2013.

In total, the Mexican tourism sector recorded a U.S.\$ 6.6 billion surplus in the balance of payments in 2014, a 36.8% increase from the U.S.\$ 4.8 billion surplus recorded in 2013.

Financial System

2013 and 2014 Monetary Programs

Consistent with Mexico's monetary program for 2013, the principal objective of Mexico's monetary program for 2014 is to achieve an inflation rate that is not higher than its annualized target of 3.0% (+/-1.0%), which is intended to stabilize the purchasing power of the Mexican peso. Mexico's monetary program for 2014 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.

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, 2014, the M1 money supply increased by 24.8%, the amount of bills and coins held by the public increased by 12.5% and the aggregate amount of checking account deposits denominated in pesos increased by 7.8%, each as compared to December 31, 2013.

At February 28, 2015, Mexico's M1 money supply was 14.2% greater in real terms than the level at February 28, 2014. The amount of bills and coins held by the public was 15.4% greater in real terms than at February 28, 2014. In addition, the aggregate amount of checking account deposits denominated in pesos was 12.6% greater in real terms than on the same date in 2014.

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, 2014, financial savings increased by 10.2%, savings generated by Mexican residents increased by 6.0% and savings generated by non-residents increased by 14.7%, each as compared to December 31, 2013.

At February 28, 2015, financial savings in Mexico were 8.2% greater in real terms than financial savings at February 28, 2014. Savings generated by Mexican residents increased by 7.3% and savings generated by non-residents increased by 14.7%, both in real terms, as compared to the same period of 2014.

At December 31, 2014, the monetary base totaled Ps. 1,062.9 billion, a 15.7% nominal increase from the level of Ps. 917.9 billion at December 31, 2013, due to a higher demand for bills and coins.

At February 20, 2015, the monetary base totaled Ps. 1,013.0 billion, a 5.0% nominal decrease from the level of Ps. 1,066.3 billion at December 31, 2014, due to a decrease in the demand for bills and coins.

Banking Supervision and Support

At December 31, 2014, the total loan portfolio of the banking system was 5.5% greater in real terms than the total loan portfolio at December 31, 2013.

At December 31, 2014, the total amount of past-due commercial bank loans (excluding those banks undergoing government intervention and those in special situations) was Ps. 91.3 billion, as compared to Ps. 91.2 billion at December 31, 2013. Moreover, the past-due loan ratio of commercial banks was 2.8%, as compared to a ratio of 3.1% at December 31, 2013. The amount of loan loss reserves held by commercial banks at December 31, 2014 totaled Ps. 115.6 billion, as compared to Ps. 127.4 billion at December 31, 2013. As a result, commercial banks had reserves covering 126.7% of their past-due loans, well exceeding the minimum reserve level of 10.5%.

At January 31, 2015, the total loan portfolio of the banking system was 0.7% lower than the total loan portfolio at December 31, 2014.

According to preliminary figures, at January 31, 2015, the total amount of past-due commercial bank loans (excluding those banks undergoing government intervention and those in special situations) was Ps. 92.3 billion, as compared to Ps. 91.3 billion at December 31, 2014. Moreover, the past-due loan ratio of commercial banks was 2.8%, the same as at December 31, 2014. The amount of loan loss reserves held by commercial banks at January 31, 2015 totaled Ps. 114.2 billion, as compared to Ps. 115.6 billion at December 31, 2014. As a result, commercial banks had reserves covering 124% of their past-due loans, well exceeding the minimum reserve level of 10.5%.

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 April 1, 2015, the *Índice de Precios y Cotizaciones* (Stock Market Index, or the "IPC") stood at 44,203 points, representing a 2.5% increase from the level at December 31, 2014.

External Sector of the Economy

Foreign Trade

According to preliminary figures, during 2014, Mexico registered a trade deficit of U.S.\$ 2.4 billion, as compared to a trade deficit of U.S.\$ 1.2 billion during 2013. In particular, exports increased or decreased as follows (each as compared to 2013):

- merchandise exports increased by 4.6%, to U.S.\$ 397.5 billion, as compared to U.S.\$ 380.0 billion in 2013;
- petroleum exports decreased by 13.2%, while non-petroleum exports increased by 7.3%; and
- exports of manufactured goods (which represented 95.1% of total merchandise exports) increased by 7.2%.

According to preliminary figures, during 2014, Mexico's total imports increased by 4.9%, to U.S.\$ 400.0 billion, as compared to U.S.\$ 381.2 billion during 2013. In particular, imports increased or decreased as follows (each as compared to 2013):

- imports of intermediate goods increased by 6.0%;
- imports of capital goods increased by 1.5%; and

- imports of consumer goods increased by 1.7%.

According to preliminary figures, during the first two months of 2015, Mexico registered a trade deficit of U.S.\$ 2.7 billion, as compared to a trade deficit of U.S.\$ 2.3 billion for the same period of 2014. In particular, exports increased or decreased as follows, each as compared to the first two months of 2014:

- petroleum exports decreased by 47.1%;
- non-petroleum exports increased by 4.8%;
- merchandise exports decreased by 2.2%, to U.S.\$ 56.3 billion, as compared to U.S.\$ 57.5 billion during the first two months of 2014; and
- exports of manufactured goods (which represented 87% of total merchandise exports) increased by 4.6%.

According to preliminary figures, during the first two months of 2015, total imports decreased by 1.4%, to U.S.\$ 58.9 billion, as compared to U.S.\$ 59.8 billion for the same period of 2014. In particular, imports increased or decreased as follows, each as compared to the first two months of 2014:

- imports of intermediate goods decreased by 1.0%;
- imports of capital goods increased by 2.8%; and
- imports of consumer goods decreased by 6.3%.

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

	Exports and Imports					First two months of 2015 ⁽¹⁾
	2010	2011	2012	2013	2014 ⁽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.\$ 41,693	U.S.\$ 56,443	U.S.\$ 52,956	U.S.\$ 49,493	U.S.\$ 42,979	U.S.\$ 4,100
Crude oil	35,919	49,381	46,852	42,723	36,248	3,283
Other	5,775	7,063	6,103	6,770	6,731	818
Non-oil products.....	256,780	292,990	317,814	330,534	354,556	52,151
Agricultural.....	8,610	10,310	10,914	11,246	12,204	2,387
Mining	2,424	4,064	4,907	4,714	5,064	822
Manufactured goods ⁽²⁾	245,745	278,617	301,993	314,573	337,289	48,941
Total merchandise exports.....	298,473	349,433	370,770	380,027	397,535	56,251
Merchandise imports (f.o.b.)						
Consumer goods	41,423	51,790	54,272	57,329	58,299	8,368
Intermediate goods ⁽²⁾	229,812	264,020	277,911	284,823	302,031	44,354
Capital goods.....	30,247	35,032	38,568	39,057	39,647	6,219
Total merchandise imports	301,482	350,843	370,752	381,210	399,977	58,940
Trade balance	U.S.\$ (3,009)	U.S.\$ (1,410)	U.S.\$ 18	U.S.\$ (1,184)	U.S.\$ (2,442)	U.S.\$ (2,689)
Average price of						
Mexican oil mix ⁽³⁾	U.S.\$ 72.46	U.S.\$ 101.13	U.S.\$ 101.96	U.S.\$ 98.46	U.S.\$ 86.00	U.S.\$ 43.67

Note: Numbers may not total due to rounding.

(1) Preliminary figures.

(2) Includes the in-bond industries.

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

Source: Banco de México / PEMEX.

Balance of International Payments

According to preliminary figures, during 2014, Mexico's current account registered a deficit of 1.8% of GDP, or U.S.\$ 24.7 billion, as compared to a deficit of U.S.\$ 26.5 billion during 2013, which was primarily due to an increase in merchandise imports. Its capital account registered a surplus of U.S.\$ 58.1 billion during 2014, as compared to a surplus of U.S.\$ 63.8 billion during 2013. Foreign investment in Mexico totaled U.S.\$ 49.7 billion during 2014. This foreign investment was composed of direct foreign investment inflows totaling U.S.\$ 21.0 billion and net foreign portfolio investment inflows (including securities placed abroad) totaling U.S.\$ 28.7 billion.

At December 31, 2014, *Banco de México's* international reserves totaled U.S.\$ 192.6 billion, an increase of U.S.\$ 16.1 billion as compared to international reserves at December 31, 2013. At December 31, 2014, *Banco de México's* net international assets totaled U.S.\$ 195.1 billion, an increase of U.S.\$ 14.8 billion from the amount at December 31, 2013.

At March 20, 2015, *Banco de México's* international reserves totaled U.S.\$ 195.5 billion, an increase of U.S.\$ 2.9 billion as compared to international reserves at December 31, 2014. At March 20, 2015, *Banco de México's* net international assets totaled U.S.\$ 197.9 billion, an increase of U.S.\$ 2.9 billion from the amount at December 31, 2014.

On November 7, 2014, *Banco de México's* Foreign Exchange Commission submitted a request to the International Monetary Fund (the "IMF") for an advanced renewal and amendment of Mexico's contingent credit line with the IMF. This request would extend the term of the credit line another two years. On November 26, 2014, the IMF granted this request. Following this renewal and amendment, the amount available under Mexico's credit line with the IMF is approximately U.S.\$ 70 billion. As of the date of this Luxembourg Listing Prospectus, no amounts have been disbursed under this credit line.

Direct Foreign Investment in Mexico

According to preliminary figures, during 2014, net foreign investment in Mexico, as recorded in the balance of payments, totaled U.S.\$ 49.7 billion, as compared to U.S.\$ 63.1 billion during 2013, and was composed of direct foreign investment of U.S.\$ 21.0 billion and net foreign portfolio investment inflows of U.S.\$ 28.7 billion, as compared to U.S.\$ 42.1 billion and U.S.\$ 21.0 billion during 2013, respectively.

Exchange Controls and Foreign Exchange Rates

On December 31, 2014, the peso/dollar exchange rate closed at Ps. 14.7180 = U.S.\$ 1.00, a 12.6% depreciation in dollar terms as compared to the rate on December 31, 2013. The peso/U.S. dollar exchange rate announced by *Banco de México* on April 1, 2015 (which took effect on the second business day thereafter) was Ps. 15.1206 = 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.

Revenues and Expenditures

In nominal pesos and according to preliminary figures, the public sector balance registered a deficit of Ps. 545.0 billion (including physical investment expenditures by PEMEX) during 2014, compared to a Ps. 374.2 billion deficit registered during 2013. The public sector balance registered a deficit of Ps. 412.3 billion (excluding

physical investment expenditures by PEMEX) during 2014, as compared to a Ps. 338.6 billion deficit registered during 2013.

In nominal pesos and according to preliminary figures, including physical investment expenditures by PEMEX, the total primary balance registered a deficit of Ps. 193.3 billion during 2014, 208.5% higher in real terms than during 2013. This decrease was primarily due to a corresponding decrease in the Mexican government's budgetary balance.

According to preliminary figures, during 2014, public sector budgetary revenues amounted to Ps. 3,983.4 billion in nominal pesos, 0.8% greater in real terms as compared to 2013. In particular, during 2014, revenues have increased or decreased as follows, each in real terms and as compared to 2013:

- crude oil revenues decreased by 7.5;
- non-oil tax revenues increased by 6.1%; and
- non-tax revenues (as a percentage of total public sector budgetary revenues) increased by 2.8%.

2015 Budget

On September 9, 2014, President Peña Nieto submitted the proposed *Ley de Ingresos de la Federación para el Ejercicio Fiscal de 2015* (Federal Revenue Law for 2015, or the "2015 Revenue Law") and the proposed *Presupuesto de Egresos de la Federación para el Ejercicio Fiscal de 2015* (Federal Expenditure Budget for 2015, or the "2015 Expenditure Budget") to the Mexican Congress for its approval. The 2015 Revenue Law and the 2015 Expenditure Budget were approved on October 30, 2014 and November 13, 2014, and were published in the Official Gazette of the Federation on November 13, 2014 and December 3, 2014, respectively. Together, these two bills constitute Mexico's 2015 budget (the "2015 Budget").

The 2015 Budget allows ministries and budget-controlled agencies to request additional expenditures to the extent that oil revenues earned by PEMEX exceed the projected oil revenues set forth in the 2015 Budget. In addition, the 2015 Budget provides that the executive branch, acting through the Ministry of Finance and Public Credit, is authorized to approve, if certain conditions are met, additional expenditures requested by certain ministries or budget-controlled agencies in the event that these entities realize revenues greater than those projected in the 2015 Budget.

The 2015 Budget, as adopted by Congress, provides for a public sector budget deficit excluding physical investments by PEMEX of (1.0)% of GDP. Including PEMEX's physical investment program, the 2015 Budget provides for a public sector budget deficit of (3.5)% of GDP. The 2015 Budget contemplates public sector budgetary revenues totaling Ps. 4,003.6 billion, a 1.4% increase in real terms as compared to public sector budgetary revenues estimated for Mexico's 2014 budget (the "2014 Budget"). This is based on an assumed weighted average Mexican crude oil export price of U.S.\$ 82.00 per barrel and an estimated volume of oil exports of 2,400,000 barrels per day. Oil revenues are estimated at Ps. 1,198.7 billion in nominal pesos, a 7.1% decrease in real terms as compared to the estimated amount for the 2014 Budget. In addition, approved non-oil revenues are Ps. 2,804.9 billion, a 5.6% increase as compared to the estimated amount for the 2014 Budget. Finally, projected non-oil tax revenue also increased by 7.0% in real terms as compared to the amount approved for the 2014 Budget.

Mexico's 2015 Budget provides for a total of Ps. 4,154.1 billion in expenditures (excluding estimated physical investment expenditures by PEMEX totaling Ps. 540.6 billion), a 1.2% increase in real terms as compared to the amount approved in the *Presupuesto de Egresos de la Federación para el Ejercicio Fiscal de 2014* (Federal Expenditure Budget for 2014, or the "2014 Expenditure Budget"). Estimated budget expenditures include:

- Ps. 134.8 billion (3.0% of total budgetary programmable expenditures) on health;
- Ps. 305.1 billion (6.0% of total budgetary programmable expenditures) on education;
- Ps. 114.5 billion (2.0% of total budgetary programmable expenditures) on social development; and

- Ps. 68.5 billion for the servicing of the debt of the Federal Electricity Commission and PEMEX.

The 2015 Budget authorizes the Mexican government to incur net domestic debt in the amount of Ps. 595 billion in nominal pesos, or 26% of GDP. The 2015 Budget also authorizes the Mexican government to incur an additional U.S.\$ 6 billion in external indebtedness, which includes financing from international financial organizations.

2014 Budget

On September 8, 2013, President Peña Nieto submitted the *Ley de Ingresos de la Federación para el Ejercicio Fiscal de 2014* (Federal Revenue Law for 2014, or the “2014 Revenue Law”) and the proposed *Presupuesto de Egresos de la Federación para el Ejercicio Fiscal de 2014* (Federal Expenditure Budget for 2014, or the “2014 Expenditure Budget”) to the Mexican Congress for its approval. The 2014 Revenue Law and the 2014 Expenditure Budget were approved on October 31, 2013 and November 14, 2013, and were published in the Official Gazette of the Federation on November 20, 2013 and December 3, 2013, respectively. Together, these two bills constitute Mexico’s 2014 Budget.

The 2014 Budget allows ministries and budget-controlled agencies to request additional expenditures to the extent that oil revenues earned by PEMEX exceed the projected oil revenues set forth in the 2014 Budget. In addition, the 2014 Budget provides that the executive branch, acting through the Ministry of Finance and Public Credit, is authorized to approve, if certain conditions are met, additional expenditures requested by certain ministries or budget-controlled agencies in the event that these entities realize revenues greater than those projected in the 2014 Budget.

The 2014 Budget, as adopted by Congress, provides for a public sector budget deficit, excluding physical investments by PEMEX, of 1.5% of GDP. Including PEMEX’s physical investment program, the 2014 Budget provides for a public sector budget deficit of 3.5% of GDP. The 2014 Budget contemplates public sector budgetary revenues totaling Ps. 3,816.7 billion, a 2.1% increase in real terms as compared to public sector budgetary revenues estimated for Mexico’s 2013 budget (the “2013 Budget”). This is based on an assumed weighted average Mexican crude oil export price of U.S.\$ 85.0 per barrel and an estimated volume of oil exports of 1,170 thousand barrels per day. Oil revenues are estimated at Ps. 1,256.7 billion in nominal pesos, a 1.9% decrease in real terms as compared to the estimated amount for the 2013 Budget. In addition, approved non-oil revenues are Ps. 2,551.0 billion, a 4.2% increase as compared to the estimated amount for the 2013 Budget. Finally, projected non-oil tax revenue also increased by 3.7% in real terms as compared to the amount approved for the 2013 Budget.

2013 and Nine-Month Period Ended September 30, 2014 Results; 2014 Budget and 2015 Budget Assumptions and Targets

	2013 Results ⁽¹⁾	2014 Budget ⁽²⁾	Nine-Month Period Ended September 30, 2014 ⁽¹⁾	2015 Budget ⁽⁵⁾
Real GDP growth (%)	1.4%	3.9%	1.9%	3.7%
Increase in the national consumer price index (%)	4.0%	3.0%	2.2%	3.0%
Average export price of Mexican oil mix (U.S.\$/barrel)	U.S.\$ 98.46	U.S.\$ 85.00 ⁽³⁾	U.S.\$ 93.60	U.S.\$ 82.00
Current account deficit as % of GDP.....	(2.2)%	n.a.	(1.9)%	n.a.
Average exchange rate (Ps./\$1.00)	12.8	12.9	13.1	13.0
Average rate on 28-day Cetes (%).....	3.8%	4.0%	3.1%	3.5%
Public sector balance as % of GDP ⁽⁴⁾	(2.3)%	(3.5)%	(2.5)%	(3.5)%
Primary balance as % of GDP ⁽⁴⁾	(0.4)%	n.a.	(1.2)%	n.a.

n.a. = Not available.

(1) Preliminary figures.

(2) 2014 Budget figures represent budgetary estimates, based on the economic assumptions contained in the *Criterios Generales de Política Económica 2014* (General Economic Policy Guidelines for 2014) and in the *Programa Económico 2014* (Economic Program for 2014). These figures do not reflect actual results for the year or updated estimates of Mexico’s 2014 economic results.

- (3) The 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 2014 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 2014 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 PIDIREGAS obligations.
- (5) 2015 Budget figures represent budgetary estimates, based on the economic assumptions contained in the *Criterios Generales de Política Económica 2015* (General Economic Policy Guidelines for 2015) and in the *Programa Económico 2015* (Economic Program for 2015), as modified by the 2015 Budget adopted by the Mexican Congress.

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 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. According to preliminary figures, at December 31, 2014, 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 two decades, the Mexican government has actively sought to increase its average debt maturity date. Accordingly, the Mexican government has issued new debt instruments bearing longer maturities than those previously issued. In doing so, the Mexican government hopes to mitigate any risk associated with the refinancing of its internal public debt. This has had the effect of establishing a long-dated benchmark yield curve (the line that plots interest rates across different contract lengths for bonds having equal credit quality). These issuances have also encouraged long-term investments in the following areas: (1) fixed-rate contracts; (2) peso-denominated securities by Mexican companies; (3) Mexican financial hedging products; and (4) the use of long-term savings in financing long-term investment projects.

At December 31, 2014, the net internal debt of the public sector totaled Ps. 4,810.0 billion, according to preliminary figures, a 13.7% increase in nominal terms as compared to Ps. 4,230.9 billion outstanding at December 31, 2013. The gross internal debt of the public sector at December 31, 2014 totaled Ps. 5,049.5 billion, a 14.5% increase in nominal terms as compared to Ps. 4,408.9 billion outstanding at December 31, 2013. Of the total gross internal debt of the Mexican government at December 31, 2014, Ps. 520.8 billion represented short-term debt and Ps. 4,025.8 billion represented long-term debt, as compared to Ps. 480.6 billion of short-term debt and Ps. 3,582.6 billion of long-term debt at December 31, 2013.

The Mexican government’s financing costs on internal debt outstanding was Ps. 245.4 billion at December 31, 2014, or 1.5% of GDP, an increase of 14.5% as compared to 4,408.9 billion outstanding at December 31, 2013. As of December 31, 2014, the average maturity of the Mexican government’s internal debt increased to 8.1 years.

Mexico’s public debt policy for 2014 was 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 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 December 31, 2014, the Mexican government's net internal debt totaled Ps. 4,324.1 billion, an 11.1% increase in nominal terms as compared to Ps. 3,893.9 billion outstanding at December 31, 2013. This debt figure includes the Ps. 161.5 billion liability associated with social security under the ISSSTE Law. The Mexican government's gross internal debt totaled Ps. 4,546.6 billion at December 31, 2014, an 11.9% increase in nominal terms as compared to Ps. 4,063.2 billion outstanding at the end of 2013. Of the total gross internal debt at December 31, 2014, Ps. 520.8 billion represented short-term debt, as compared to Ps. 480.6 billion at the end of 2013, and Ps. 4,025.8 billion represented long-term debt, as compared to Ps. 3,582.6 billion at the end of 2013.

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

Net Internal Debt of the Government⁽¹⁾

	2009		2010		2011		2012		2013		2014 ⁽²⁾	
	(in billions of pesos, except percentages)											
Gross Debt												
Government Securities.....	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. 3,734.1	91.9%	Ps. 4,223.3	92.9%
<i>Cetes</i>	498.8	18.5	394.0	13.6	456.6	14.3	531.3	14.9	635.6	15.6	678.7	14.9%
Floating Rate Bonds	243.5	9.0	183.1	6.3	202.5	6.3	200.4	5.6	216.6	5.3	232.6	5.1%
Inflation-Linked Bonds ..	430.6	15.9	530.1	18.4	642.1	20.1	747.2	20.9	888.7	21.9	1,011.1	22.2%
Fixed Rate Bonds	1,206.5	44.6	1,446.8	50.1	1,581.6	49.5	1,777.9	49.7	1,989.6	49.0	2,295.8	50.5%
STRIPS of Udibonos.....	-	-	-	-	-	-	1.0	0.0	3.6	0.1	5.1	0.1%
Other ⁽³⁾	323.4	12.0	334.4	11.6	314.9	9.8	317.6	8.9	329.1	8.1	323.3	7.1%
Total Gross Debt.....	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. 4,063.2	100.0%	Ps. 4,546.6	100%
Net Debt												
Financial Assets ⁽⁴⁾	(231.4)		(79.4)		(85.6)		(74.2)		(169.3)		(222.5)	
Total Net Debt	Ps. 2,471.3		Ps. 2,808.9		Ps. 3,112.1		Ps. 3,501.1		Ps. 3,893.9		Ps. 4,324.1	
Gross Internal Debt/GDP		21.4%		20.6%		20.5%		22.1%		24.2%		27.1%
Net Internal Debt/GDP		19.6%		20.1%		19.9%		21.6%		23.2%		25.8%

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, Ps. 165.5 billion for 2013 and Ps. 161.5 billion for 2014 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

"External public sector debt" 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 by productive state-owned companies, 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.

According to preliminary figures, at December 31, 2014, outstanding gross public sector external debt totaled U.S.\$ 147.7 billion, an approximate U.S.\$ 13.3 billion increase from the U.S.\$ 134.4 billion outstanding at the end of 2013. Of this amount, U.S.\$ 142.9 billion represented long-term debt and U.S.\$ 4.8 billion represented short-term debt. 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) represented approximately 38.2% of nominal GDP, an increase of three percentage points from the end of 2013.

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,						
2009.....	U.S. \$47,350	U.S. \$41,048	U.S. \$6,202	U.S. \$94,600	U.S. \$ 1,754	U.S. \$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.....	66,912	50,063	5,626	122,601	3,125	125,726
2013.....	71,817	53,358	5,734	130,909	3,527	134,436
2014.....	78,379	58,863	5,627	142,869	4,797	147,666

By Currency⁽³⁾

At December 31,													
2009		2010		2011		2012		2013		2014			
(in millions of U.S. dollars, except for percentages)													
U.S. dollars	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. \$111,647	83.1%	U.S. \$121,927	82.6%	
Japanese yen	4,541	4.7	6,864	6.2	6,793	5.8	6,847	5.4	5,519	4.1	5,058	3.4	
Pounds sterling.....	1,981	2.1	1,920	1.7	1,906	1.6	1,993	1.6	1,369	1.0	401	0.3	
Swiss francs	716	0.7	953	0.9	910	0.8	961	0.8	969	0.7	2,848	1.9	
Others	11,197	11.6	9,809	8.9	9,763	8.4	10,089	8.0	14,932	11.1	17,432	11.8	
Total	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. \$134,436	100.0%	U.S. \$147,666	100.0%	

Net External Debt of the Public Sector

At December 31,						
2009	2010	2011	2012	2013	2014	
(in millions of U.S. dollars, except for percentages)						
Total Net Debt	U.S.\$91,721.9	U.S.\$104,679.1	U.S.\$113,631.6	U.S.\$121,659.0	U.S.\$130,949.7	U.S.\$ 145,284.7
Gross External Debt/GDP	9.85%	9.75%	10.43%	10.09%	10.48%	12.00%
Net External Debt/GDP	9.38%	9.24%	10.18%	9.77%	10.21%	11.80%

Note: Numbers may not total due to rounding.

(1) External debt denominated in foreign currencies other than U.S. dollars has been translated into U.S. dollars at exchange rates as of each of the dates indicated. External public debt does not include (a) repurchase obligations of *Banco de México* with the IMF (none of which were outstanding as of July 31, 2014) or (b) loans from the Commodity Credit Corporation to public sector Mexican banks. External debt is presented herein on a “gross” basis, and includes 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 net of certain financial assets held abroad. These financial assets include Mexican public sector external debt that is held by public sector entities but that has not been cancelled.

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

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

Source: Ministry of Finance and Public Credit.

Gross External Debt of the Federal Government

Gross External Debt of the Federal Government												
At December 31,												
2009			2010		2011		2012		2013		2014	
(in millions of U.S. dollars, except for percentages)												
U.S. dollars.....	U.S.\$41,578	85.4%	U.S.\$47,869	83.7%	U.S.\$51,704	84.3%	U.S.\$57,465	85.2%	U.S.\$ 62,285	86.3%	U.S.\$65,127	82.9%
Japanese yen.....	1,665	3.4%	3,756	6.6%	3,933	6.4%	4,433	6.6%	3,643	5.0%	3,686	4.7%
Swiss francs.....	242	0.5%	269	0.5%	267	0.5%	-	0.0%	-	0.0%	-	0.0%
Pounds sterling.....	770	1.6%	746	1.3%	741	1.2%	774	1.1%	789	1.1%	2,302	2.9%
Euros.....	4,454	9.2%	4,547	9.0%	4,708	7.7%	4,789	7.1%	5,463	7.6%	7,458	9.5%
Total.....	U.S.\$48,708	100.0%	U.S.\$ 57,187	100.0%	U.S.\$ 61,352	100.0%	U.S.\$67,461	100.0%	U.S.\$ 72,180	100.0%	U.S.\$78,573	100.0%

Net External Debt of the Federal Government

At December 31,						
	2009	2010	2011	2012	2013	2014
	(in millions of U.S. dollars, except for percentages)					
Total Net Debt	U.S.\$ 46,207.8	U.S.\$ 52,339	U.S.\$ 59,642.5	U.S.\$ 66,016.5	U.S.\$ 69,910.4	U.S.\$ 77,352.4
Gross External Debt/GDP	4.98%	5.05%	5.50%	5.42%	5.63%	6.40%
Net External Debt/GDP	4.72%	4.62%	5.35%	5.30%	5.45%	6.30%

Net Debt of the Federal Government

At December 31,					
2009		2010		2011	
External Debt	19.63%	18.72%	21.14%	19.70%	19.01%
Internal Debt	80.37%	81.28%	78.86%	80.30%	80.99%

MANAGEMENT

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

Board of Directors of CFE as of March 31, 2015

Name	Position	Year of Appointment
Lic. Pedro Joaquín Coldwell	Minister of Energy	2012
Dr. Luis Videgaray Caso	Minister of Finance	2012
Lic. Ildefonso Guajardo Villarreal	Minister of Economy	2012
Ing. Juan José Guerra Abud	Minister of Environment and Natural Resources	2014
Dr. César Emiliano Hernández Ochoa	Vice-minister of Electricity	2014
Ing. Enrique de Jesús Zambrano Benítez	Independent Board Member	2014
Dr. Luis Fernando Gerardo de la Calle Pardo	Independent Board Member	2014
Dr. José Mario Molina Pasquel y Henríquez	Independent Board Member	2014
Ing. Rubén Filemón Flores García	Independent Board Member	2014
Sr. Víctor Fuentes del Villar	General Secretary of SUTERM	2005

Biographical Information of our Board of Directors

Lic. Pedro Joaquín Coldwell – Minister of Energy

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

Dr. Luis Videgaray Caso – Minister of Finance

Luis Videgaray Caso has a degree in economics from the Instituto Tecnológico Autónomo de México (ITAM), with a doctorate in economics by the Massachusetts Institute of Technology (MIT). 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 Pedro Aspe Armella 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 and the states of Sonora, Oaxaca and Durango. In 2005, he was designated Secretary of Finance, Planning and Administration of the State of Mexico, a position he occupied until 2009. During 2008, he was nominated National Coordinator of State Finances Secretaries and later on President of the Federal Budget Commission. In 2011 he joined President Enrique Peña Nieto’s election team and was appointed Mexico’s Minister of Finance in 2012.

Lic. Idefonso Guajardo Villareal – Minister of Economy

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

Ing. Juan José Guerra Abud – Minister of Environment and Natural Resources

Juan José Guerra Abud received his degree in industrial engineering from the University of Anáhuac, and a master's degree in economics from the University of Southern California. He has occupied numerous positions both in the public administration and the private sector. In 1993, he was appointed Secretary of Economic Development by the State of Mexico government, serving for two different administrations. In 2000, Mr. Guerra Abud was appointed CEO of the National Truck and Auto Car Manufacturers Association (ANPACT) where he served until 2009, when he was nominated candidate for the Federal Congress by the PVEM (Green Party). After winning the election, he was appointed by his party as PVEM's coordinator in said House. In December 2012, he was appointed Ministry of Environment and Natural Resources by designation of President Enrique Peña Nieto.

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

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

Ing. Enrique de Jesús Zambrano Benítez – Independent Board Member

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

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

Luis Fernando Gerardo de la Calle Pardo has a degree in economics from the Instituto Tecnológico Autónomo de México (ITAM), as well as master's and doctorate degree in economics from the University of Virginia. His professional trajectory includes participating in the design and implementation of the North American Free Trade Agreement (NAFTA) and has been Vice-minister of International Commercial Negotiations in the Ministry of Economy. Currently he is Vice-president of International Trade and Investment Policy at the

International Chamber of Commerce, CEO and founding partner of the consulting firm De La Calle, Madrazo, Mancera, S.C., President of Hill & Knowlton Latino America and professor at the ITAM.

Ing. José Mario Molina Pasquel y Henríquez – Independent Board Member

José Mario Molina Pasquel y Henríquez received his chemistry degree from Universidad Nacional Autónoma de México (UNAM), holds a master's degree from the Albert Ludwigs University of Freiburg and a doctorate in chemistry from the University of California, Berkeley. He is a trained Mexican scientist specializing on earth's atmospheric chemistry and its stratosphere in particular. He studied the harmful effects of chlorofluorocarbons on the ozone layer and his research won him the Nobel Prize in Chemistry in 1995 as part of the team that discovered the Antarctic ozone hole and unveiled the causes behind it. The transcendence of his research was further attested by the 1994 signing of an international protocol banning the production of chlorofluorocarbons. He currently presides the Mario Molina Center for Strategic Studies on Energy and Environment.

Ing. Rubén Filemón Flores García – Independent Board Member

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

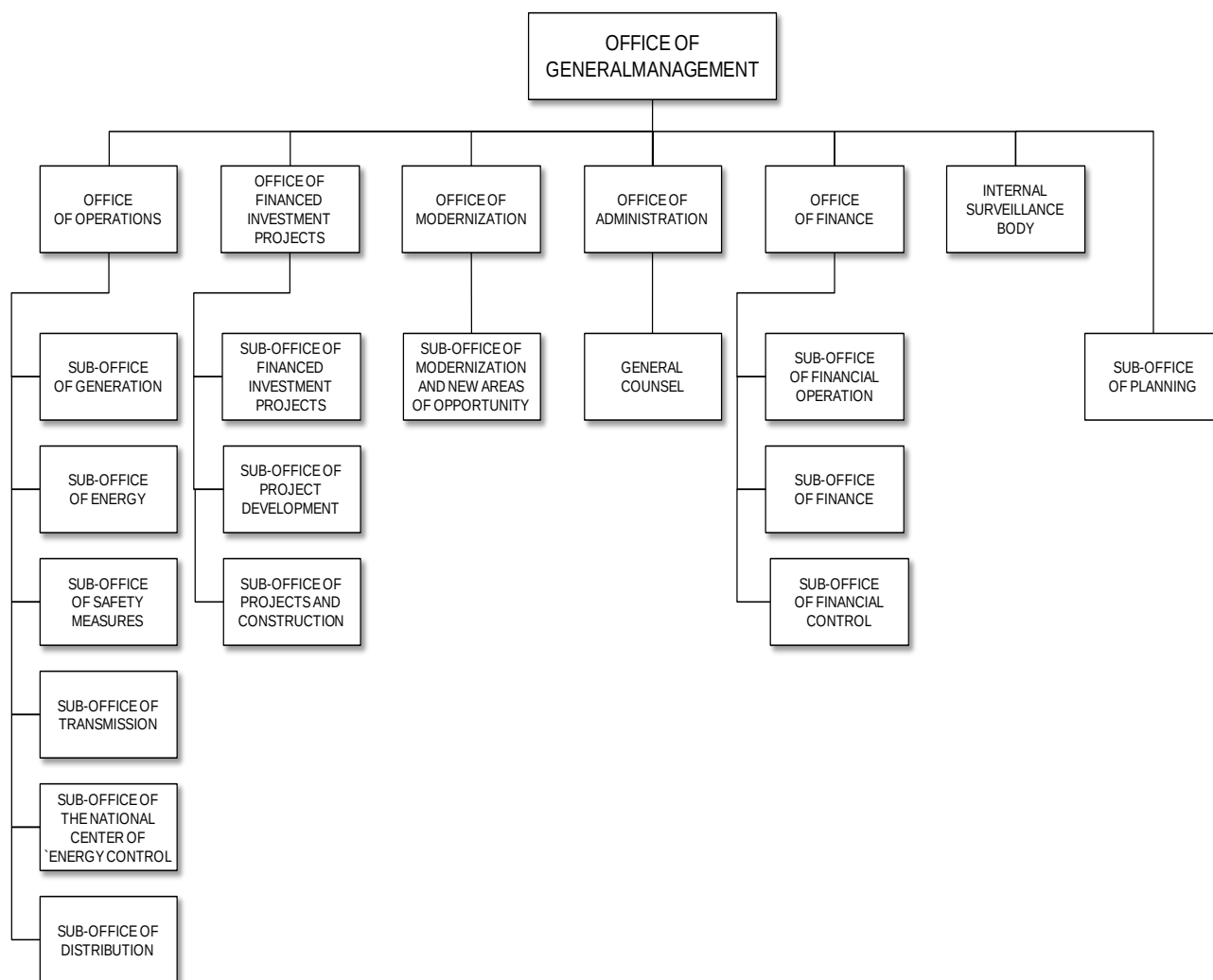
Víctor Fuentes del Villar – General Secretary of SUTERM

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

Compensation of Directors and Officers

For the year ended December 31, 2014, the total amount paid in staff salaries and benefits was Ps. 353,785.1 million. Independent Board Members were not paid during the year ended December 31, 2014.

CFE's Management Structure as of March 31, 2015



Source: CFE.

CFE Board Committees as of March 31, 2015

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

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

Audit Committee

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

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

The Audit Committee consists of the following members:

- Dr. Luis de la Calle Pardo, independent member of our Board of Directors and President of the Audit Committee;
- Rubén Flores García, independent member of our Board of Directors; and
- Dr. Mario Molina Pasquel, independent member of our Board of Directors.

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

Human Resources and Compensation Committee

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

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

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

Strategy and Investment Committee

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

The Strategy and Investment Committee consists of the following members:

- Ing. Enrique Zambrano Benítez independent member of our Board of Directors and President of the Strategy and Investment Committee;
- Dr. Luis de la Calle Pardo, independent member of our Board of Directors;
- Lic. Pedro Joaquín Coldwell, member of our Board of Directors;
- Dr. Luis Videgaray Caso, member of our Board of Directors; and
- Ing. Juan José Guerra Abud, member of our Board of Directors.

Acquisitions, Leasing, Public Works and Services Committee

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

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

- Ing. Rubén Flores García, independent member of our Board of Directors and President of the Acquisitions, Leasing, Public Works and Services Committee;
- Dr. Mario Molina Pasquel independent member of our Board of Directors;
- Lic. Pedro Joaquín Coldwell, member of our Board of Directors; and
- Dr. Luis Videgaray Caso, member of our Board of Directors.

Senior Management of CFE as of March 31, 2015

Name	Position	Year of Appointment to Current Position
Dr. Enrique Ochoa Reza	Chief Executive Officer	2014
Ing. Luis Carlos Hernández Ayala	Director of Operations	2011
Dr. Jaime Francisco Hernández Martínez	Director of Finance	2014
Mtro. Héctor Esteban de la Cruz Ostos	Director of Administration	2014
Ing. Benjamín Granados Domínguez	Director of Financed Investment Projects	2014
Act. Guillermo Turrent Schnaas	Director of Modernization and Structural Change	2013
Lic. Roberto Martínez Espinosa	General Counsel	2014
Lic. Gustavo Varela Ruiz	Comptroller	2013

Biographical Information of our Senior Management

Dr. Enrique Ochoa Reza – Chief Executive Officer

Enrique Ochoa Reza has a degree in economics from the Instituto Tecnológico Autónomo de México (ITAM) and a law degree from the Universidad Nacional Autónoma de México (UNAM), where is currently a professor. He holds a master's degree in political science and political philosophy, as well as a doctorate in political science from the University of Columbia in New York. His professional trajectory, which started in 1997 as advisor to the Ministry of Energy, includes positions in different institutions connected with Mexico's Federal Electoral Court (*Tribunal Electoral del Poder Judicial de la Federación*) and the Federal Electoral Institute (*Instituto Federal Electoral*), Vice-minister of Hydrocarbons at the Ministry of Energy, and from December 2012 to February 2014 acted as a member of Pemex's Board of Directors. In 2014 he was honored with the Liquid Petroleum Gas Industry Merit Prize. Dr. Ochoa is member of the Mexican Counsel of International Affairs (COMEXI) and author of books and articles published both in Mexico and the United States.

Ing. Luis Carlos Hernández Ayala – Director of Operations

Luis Carlos Hernández Ayala received his degree in industrial engineering specialized in electricity from the Durango Institute of Technology and holds a master's degree from the Universidad de Tamaulipas in Quality Control. From February 2010 to date, he has been pursuing a doctorate in Global Systems from the University of San Diego in a remote attending mode. He was hired in 1978 by CFE where has occupied numerous technical, supervision and management positions in 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 of Director of Operations. He has been at CFE for 33 years.

Dr. Jaime Francisco Hernández Martínez – Director of Finance

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

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

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

well as other similar top management positions in other ministries. In the private sector he worked at the international law firms Cleary, Gottlieb, Steen & Hamilton and in Basham, Ringe y Correa, as well as in GE Capital.

Ing. Benjamín Granados Domínguez – Director of Financed Investment Projects

Benjamín Granados Domínguez has a degree in a civil engineering from the Universidad Nacional Autónoma de México (UNAM), has pursued different studies in construction and administration, has been a speaker at national and international forums on civil engineering, and is a member of Mexico's Engineering Academy. In the public sector he has occupied different positions at the Ministry of Hydraulic Resources, was Public Construction Director at State of Mexico government and Sub director of Construction and Conservation at the Airports and Ancillary Services office (*Aeropuertos y Servicios Auxiliares*), Mexico's federal airport operator. He has worked in CFE since 2000 when he started as Construction and Projects Director.

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

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

Lic. Roberto Martínez Espinosa – General Counsel

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

Lic. Gustavo Varela Ruiz – Comptroller

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

DESCRIPTION OF THE NOTES

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

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

General

Indenture

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

Principal and Interest

The aggregate principal amount of the notes is U.S.\$ 700 million. The notes will mature on June 16, 2045.

The notes bear interest at a rate of 6.125% per year from June 16, 2015. Interest on the notes will be payable semi-annually on June 16 and December 16 of each year, beginning on December 16, 2015, to the holders in whose names the notes are registered at the close of business on the June 10 or December 10 (whether or not a business day) immediately preceding the related interest payment date.

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

Status

The notes constitute our direct, general, unconditional, unsecured and unsubordinated Public External Indebtedness. The notes rank and will rank without any preference among themselves and equally with all of our other unsubordinated Public External Indebtedness. It is understood that this provision shall not be construed so as to require us to make payments under the notes ratably with payments being made under any other of our Public External Indebtedness. The notes are not 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 March 31, 2015, we had Ps. 52,380 million (U.S.\$ 3,456.5 million) of Public External Indebtedness outstanding, none of which constituted secured indebtedness.

As of the date of this Luxembourg Listing Prospectus, we have one Subsidiary. 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, general, unconditional, unsecured and unsubordinated Public External Indebtedness of such Subsidiary Guarantor and will at all times rank without any preference among themselves and equally with all other present and future unsecured and unsubordinated Public External Indebtedness of such Subsidiary Guarantor.

Form and Denominations

The 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 having the same terms and conditions as the notes in all respects, except for the issue date, issue price and, if applicable, the date of first payment of interest, the date from which interest will accrue, CUSIP and/or other securities numbers and, to the extent necessary, certain temporary securities law transfer restrictions; *provided, however*, that any such additional notes issued with the same CUSIP as the notes issued pursuant to the offering shall be issued either in a qualified reopening for U.S. federal income tax purposes or with no more than *de minimis* original issue discount for U.S. federal income tax purposes. Additional notes issued in this manner will increase the aggregate principal amount of, and be consolidated with and will form a single series with, the previously outstanding notes.

Payment of Principal and Interest

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

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

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

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

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

Unclaimed Payments; Prescription

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

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

Redemption and Purchase

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

Optional “Make-Whole” Redemption

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

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

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

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

“Reference Treasury Dealer” means (a) each of Merrill Lynch, Pierce, Fenner & Smith Incorporated 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) two other Primary Treasury Dealers selected by us in good faith; *provided, however*, that if any of the foregoing ceases to be a Primary Treasury Dealer, we will substitute therefor another Primary Treasury Dealer.

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

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

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

Redemption for Taxation Reasons

The notes may be redeemed at our option in whole, but not in part, at any time, at a price equal to 100% of the outstanding principal amount thereof (the “Tax Redemption Price”), plus accrued interest thereon to the date fixed for redemption (the “Tax Redemption Date”), on giving not less than 30 nor more than 60 days’ notice to the holders (which notice shall be irrevocable), if:

- (a) we certify to the trustee immediately prior to the giving of such notice that we have or will become obligated to pay Additional Amounts (as defined under “—Additional Amounts”) in excess of the Additional Amounts that we would be obligated to pay 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 they shall be conclusive and binding on the holders of the notes; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which we would be obligated but for such redemption to pay such Additional Amounts were a payment in respect of such notes then due and, at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

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

Purchase at the Option of Holders

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

- (a) be a public-sector 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 75% of the electricity generated, transmitted and distributed by public-sector entities, in each case within Mexico (unless, in the case of this clause (d), if permitted by Mexican law, the Mexican government shall have assumed or guaranteed our obligations under the notes and the indenture)

(in each case, an “Optional Purchase Event”), then we will give the holders and the trustee written notice thereof not less than 60 days prior to the occurrence of such Optional Purchase Event or, if it is not possible to give 60 days’ notice, then we will give holders notice in a lesser number of days, but in no event less than 30 days, as shall be practicable given the circumstances. Such notice will contain a written, irrevocable offer (an “Optional Purchase Offer”) by us to purchase, on the date specified in such Optional Purchase Offer (the “Optional Purchase Date”), the notes held by each holder in full, and not in part, at a price equal to the 100% of the outstanding principal amount

thereof (the “Optional Purchase Price”) plus accrued interest thereon to the Optional Purchase Date. The Optional Purchase Date will be (i) not less than 30 days and not more than 60 days after the date of such notice and (ii) not later than the date of such Optional Purchase Event. The Optional Purchase Price with respect to the notes of holders accepting such Optional Purchase Offer will become due and payable on the Optional Purchase Date, upon presentation and surrender of such notes.

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

Purchases of Notes

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

Affirmative Covenants

The following affirmative covenants apply to us for so long as any 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 IFRS, and (b) will not be qualified or limited because of a restricted or limited examination by such accounting firm of any material portion of our records.

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

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

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

Maintenance of Government Approvals

We will obtain and maintain in full force and effect any actions, orders, authorizations, consents, approvals, licenses, rulings, permits, certifications, exemptions, filings or registrations by or with any governmental authority

that may be necessary under the laws of Mexico (each, a “Governmental Approval”) for the performance by us of our obligations under the indenture and the notes or for the validity or enforceability thereof and duly take all necessary and appropriate governmental and administrative action in Mexico in order to make all payments to be made thereunder as required by the indenture and the notes.

Compliance with Applicable Laws and Governmental Approvals

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

Performance of Obligations

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

Future Subsidiary Guarantees

We will cause any Subsidiary or Subsidiaries:

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

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

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

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

Negative Covenants

The following negative covenants apply to us for so long as any 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 such transaction, no Event of Default shall have occurred and be continuing.

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

Default and Acceleration of Maturity

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

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

- (l) any event occurs which under the laws of Mexico has an analogous effect to any of the events referred to in paragraphs (e) to (g) above.

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

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

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

Suits for Enforcement and Limitations on Suits by Holders

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

Additional Amounts

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

- (a) any Mexican Withholding Taxes that would not have been imposed or levied on a holder or beneficial owner of notes but for the existence of any present or former connection between the holder or beneficial owner of such notes and Mexico or any political subdivision or territory or possession thereof or area subject to its jurisdiction, including, without limitation, such holder or beneficial owner (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under, such notes;

- (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 or beneficial owner of such notes to comply with any certification, identification, information, documentation, declaration or other reporting requirement that is required or imposed by a statute, treaty, regulation, general rule or administrative practice as a precondition to exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Mexican Withholding Taxes; *provided* that at least 60 days prior to (i) the first payment date with respect to which we apply this clause (c) and, (ii) in the event of a change in such certification, identification, information, documentation, declaration or other reporting requirement, the first payment date subsequent to such change, we have notified the trustee and the holders in writing that the holders or beneficial owners of notes will be required to provide such certification, identification, information or documentation, declaration or other reporting;
- (d) any Mexican Withholding Taxes that would not have been so imposed but for the presentation by the holder of such note for payment on a date more than 20 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the holder of such note would have been entitled to the Additional Amounts on presenting such note on any date during such 20-day period;
- (e) any payment on such note to any holder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of such note;
- (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 Event of Default.

Notwithstanding the foregoing, the limitations on our obligation to pay Additional Amounts set forth in clause (c) above will not apply if the provision of the certification, identification, information, documentation, declaration or other evidence described in such clause (c) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note (taking into account any relevant differences between United States and Mexican law, regulation or administrative practice) than comparable information or other applicable reporting requirements imposed or provided for under U.S. federal income tax law (including the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and a Protocol thereto, both signed on September 18, 1992, as amended by Additional Protocols signed on September 8, 1994 and November 26, 2002), regulations (including proposed regulations) and administrative practice. In addition, the limitations on our obligation to pay Additional Amounts set forth in clause

(c) above will not apply if Article 166, Section II, paragraph a) of the Mexican Income Tax Law (or a substantially similar successor of such provision) is in effect, unless (i) the provision of the certification, identification, information, documentation, declaration or other evidence described in clause (c) is expressly required by statute, regulation, general rules or administrative practice in order to apply Article 166, Section II, paragraph a) (or a substantially similar successor of such provision), we cannot obtain such certification, identification, information, documentation, declaration or other evidence, or satisfy any other reporting requirements, on our own through reasonable diligence and we otherwise would meet the requirements for application of Article 166, Section II, paragraph a) (or such successor of such provision) or (ii) in the case of a holder or beneficial owner of a note that is a pension fund or other tax-exempt organization, such holder or beneficial owner would be subject to Mexican Withholding Taxes at a rate less than that provided by Article 166, Section II, paragraph a) if the information, documentation or other evidence required under clause (c) above were provided. In addition, clause (c) above will not be construed to require that a non-Mexican pension or retirement fund, a non-Mexican tax-exempt organization or a non-Mexican financial institution or any other holder or beneficial owner of a note register with the Mexican Ministry of Finance and Public Credit (*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.

Meetings, Amendments and Waivers — *Collective Action*

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

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

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

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

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

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

- change the date on which any amount is payable on the debt securities;
- reduce the principal amount of the debt securities (other than in accordance with the express terms of the debt securities and the indenture);
- reduce the interest rate on the debt securities;
- change the method used to calculate any amount payable on the debt securities (other than in accordance with the express terms of the debt securities and the indenture);
- change the currency or place of payment of any amount payable on the debt securities;
- modify our obligation to make any payments on the debt securities (including any redemption price therefor);
- change the identity of the obligor under the debt securities;
- change the definition of “Outstanding” debt securities or the percentage of affirmative votes or written consents, as the case may be, required to make a “reserved matter modification” (as defined in the indenture);
- change the definition of “uniformly applicable” or “reserved matter modification”;
- authorize the trustee, on behalf of all holders of the debt securities, to exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of us or any other Person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of the debt securities.

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

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

“Uniformly applicable,” as used herein, means a modification by which holders of debt securities of all series affected by that modification (including the notes, if so affected) are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be uniformly applicable if each exchanging, converting or substituting

holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

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

For so long as any series of debt securities (collectively, the “2011 debt securities”) issued under the indenture dated as of May 26, 2011 between us and the trustee (as supplemented from time to time, the “2011 indenture”) are outstanding, if we certify to the trustee under the indenture and to the trustee under the 2011 indenture that a proposed modification affecting more than one series of debt securities issued under the indenture (a “cross-series modification”) is being sought simultaneously with a “2011 indenture reserved matter modification,” the 2011 debt securities affected by such 2011 indenture reserved matter modification shall be treated as “series affected by that proposed modification” as that phrase is used in the indenture (as described in the preceding paragraphs); *provided*, that if we seek a cross-series modification with single aggregated voting, in determining whether such modification will be considered uniformly applicable, the holders of any series of 2011 debt securities affected by the 2011 indenture reserved matter modification shall be deemed “holders of debt securities of all series affected by that modification,” for the purpose of the uniformly applicable definition. It is the intention that in such circumstances, the votes of the holders of the affected 2011 debt securities be counted for purposes of the voting thresholds specified in the indenture for the applicable cross-series modification as though those 2011 debt securities had been affected by that cross-series modification although the holders of any notes will be deemed to have acknowledged and agreed that the effectiveness of any modification, as it relates to the 2011 debt securities, shall be governed exclusively by the terms and conditions of those 2011 debt securities and by the 2011 indenture.

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

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

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

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

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

Other Amendments

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

- adding to our covenants for the benefit of the holders of the debt securities of that series;
- surrendering any of our rights or powers with respect to the debt securities of that series;
- securing the debt securities of that series;
- curing any ambiguity or curing, correcting or supplementing any defective provision in the debt securities of that series or the indenture;
- amending the debt securities of that series or the indenture in any manner that we and the trustee may determine and that does not materially adversely affect the interests of any holders of the debt securities of that series;
- correcting a manifest error of a formal, minor or technical nature;
- reflecting the succession of another Person to us and the successor entity's assumption of our covenants and obligations under the debt securities of that series and the indenture in accordance with the provisions described under “—Negative Covenants—Merger, Consolidate or Sale of Assets”;
- providing, if permitted by Mexican law, for the guarantee of the debt securities of that series by any Subsidiary Guarantor and related revisions to the indenture to reflect the terms of the covenant described under “—Affirmative Covenants—Future Subsidiary Guarantors”;
- providing for a successor trustee or co-trustee in accordance with the provisions of the indenture, or adding or changing any of the provisions of the indenture as shall be necessary to provide for or facilitate the administration of the trusts by more than one trustee in accordance with the indenture.

Defeasance

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

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

Certain Definitions

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

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

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

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

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

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

- i. debt securities of that series theretofore canceled by the trustee or delivered to the trustee for cancellation or held by the trustee for reissuance but not reissued by the trustee;
- ii. debt securities of that series that have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof (and premium, if any) and any interest thereon shall have been made available to the trustee; *provided* that, if such debt securities are to be redeemed, notice of such redemption has been duly given pursuant to the indenture or provision therefor satisfactory to the trustee has been made; or
- iii. debt securities of that series in lieu of or in substitution for which other debt securities shall have been authenticated pursuant to the indenture;

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

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

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

“Project Financing” means any financing of the acquisition, construction or development of any properties in connection with a project if the Person or Persons providing such financing expressly agree to look to the properties financed and the revenues to be generated by the operation of, loss of or damage to, such properties as the principal source of repayment for the moneys advanced (with limited recourse, if any, to us) and have been provided

with a feasibility study prepared by competent independent experts on the basis of which it was reasonable to conclude that such project would generate sufficient foreign currency income to repay substantially all of the principal of and interest on all Public External Indebtedness incurred in connection therewith.

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

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

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

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

Trustee

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

Paying Agents; Transfer Agents; Registrar

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

Notices

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

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

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

Governing Law

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

Consent to Service, Jurisdiction and Waiver of Immunity

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

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

Currency Indemnity

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

Our Relationship with the Trustee

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

TAXATION

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

This summary is based on the federal tax laws of Mexico and the United States as in effect on the date of this Luxembourg Listing Prospectus (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 primary residence (*casa habitación*) in Mexico, unless he/she has a primary residence (*casa habitación*) available to him/her 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 citizen is presumed to be a resident of Mexico unless such person can demonstrate the contrary. If a legal entity or individual has a permanent establishment for tax purposes in Mexico, such legal entity or individual shall be required to pay taxes in Mexico on income attributable to such permanent establishment in accordance with Mexican federal tax law.

Taxation of Interest and Principal

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

Pursuant to the Mexican Income Tax Law and to rules issued by the Tax Administration Service, payments of interest (or amounts deemed to be interest) made by CFE in respect of the notes to a Foreign Holder will be

subject to a 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 Luxembourg Listing Prospectus and (b) information representing that no party related to CFE, directly or indirectly, is the effective beneficiary of five percent (5%) or more of the aggregate amount of each such interest payment, and (iv) CFE maintains records that evidence compliance with (iii)(b) above. If these requirements are not satisfied, the applicable withholding tax rate will be higher.

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 and (ii) is exempt from income tax in respect of such payments in such country.

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

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

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

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

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

Payments of Interest and Additional Amounts

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

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

Disposition of Notes

A U.S. Holder’s adjusted 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 Backup Withholding

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

Holder's federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is 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 (the “EU”) is required to provide to the tax authorities of another such 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 entity established in, that other Member State. However, for a transitional period, Austria will (unless during such period it elects otherwise) instead operate a withholding system in relation to such payments. The rate of withholding is 35%. However, the beneficial owner of the interest (or similar income) payment may elect that certain provision of information procedures should be applied instead of withholding, provided that certain conditions are met. The transitional period is to terminate at the end of the first full year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

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

The Council of the European Union has adopted a Directive amending the Savings Directive (the “Amending Directive”) which, if implemented, would broaden the Savings Directive’s scope. The Member States will have until January 1, 2016 to adopt national legislation necessary to comply with the Amending Directive, which legislation must apply from January 1, 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or secured for, certain other entities and legal arrangements (including certain trusts and partnerships), where certain conditions are satisfied. They also broaden the definition of “interest payment” to cover certain additional types of income. Investors who are in any doubt as to their position should consult their professional advisers.

However, the European Commission has proposed the repeal of the Savings Directive from January 1, 2017 in the case of Austria and from January 1, 2016 in the case of all other Member States (subject to ongoing requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment under a note were to be made and an amount of, or in respect of, tax were to be withheld from that 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, neither the Issuer nor any other person would be obliged to pay additional amounts under the terms of such note as a result of the imposition of such withholding tax.

The Proposed Financial Transactions Tax

The European Commission has published a proposal (the “Commission’s Proposal”) for a Directive for a common financial transactions tax (“FTT”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovenia, Slovakia and Spain (the “participating Member States”).

The Commission’s Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the notes (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT remains subject to negotiation between the participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Joint statements issued by several participating Member States indicate an intention to implement the FTT by January 1, 2016. Prospective holders of the notes are advised to seek their own professional advice in relation to the FTT.

FORM OF NOTES, CLEARING AND SETTLEMENT

Global Notes

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

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

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

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

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

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

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

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

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

Exchanges Between the Global Notes

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

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

Book-Entry Procedures for the Global Notes

All interests in the global notes will be subject to the operations and procedures of DTC, Euroclear and Clearstream. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and

may be changed at any time. Neither we nor the initial purchasers are responsible for those operations or procedures.

DTC has advised that it is:

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

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

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

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

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

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

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

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

Cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected within DTC through the DTC participants that are acting as

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—General—Payment of Principal and Interest” and “Description of the Notes—Paying Agents; Transfer Agents; Registrar.”

TRANSFER RESTRICTIONS

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

(1) You acknowledge that:

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

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

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

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

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

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

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

As a condition to registration of transfer of the notes pursuant to the exemption referred to in clause (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 issuer decides to remove the below legend (in the case of Restricted global notes) or 40 days (in the case of Regulation S global notes) after the later of the issue date and the last date that we or any of our affiliates was the owner of the notes or any predecessor of the notes (the “resale restriction period”), and will not apply after the applicable resale restriction period ends;
- each Restricted global note will contain a legend substantially to the following effect:

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

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

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

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

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

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

that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

PLAN OF DISTRIBUTION

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

<u>Initial Purchasers</u>	<u>Principal Amount of Notes</u>
BBVA Securities Inc.	U.S.\$ 233,334,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	233,333,000
Goldman, Sachs & Co.	233,333,000
Total	<u>U.S.\$ 700,000,000</u>

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

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

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

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

Notes Are Not Being Registered

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

The information contained in this Luxembourg Listing Prospectus is exclusively our responsibility and has not been reviewed or authorized by the CNBV. The notes have not been nor will otherwise be registered with the *Registro Nacional de Valores* (Mexican National Securities Registry) maintained by the CNBV and therefore the notes may not be publicly offered or sold 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 Luxembourg Listing Prospectus 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 Market. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

Short Positions

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

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

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

Sales Outside the United States

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

European Economic Area

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

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

provided that no such offer of notes shall result in a requirement for us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

In the United Kingdom, this Luxembourg Listing Prospectus is being distributed only to, and is directed only at, persons who are “qualified investors” (as defined in the Prospectus Directive) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute it, all such persons together being referred to as “Relevant Persons”. The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the notes will be engaged in only with, Relevant Persons. This Luxembourg Listing Prospectus and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this Luxembourg Listing Prospectus or its contents.

Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

Singapore

This Luxembourg Listing Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Luxembourg Listing Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Switzerland

This Luxembourg Listing Prospectus is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Luxembourg Listing Prospectus nor any other offering or marketing

material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Luxembourg Listing Prospectus nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Chile

The notes will not be registered under Law 18,045, as amended, of Chile with the Chilean Securities Commission and, accordingly, they cannot and will not be offered or sold to persons in Chile except in circumstances which have not resulted and will not result in a public offering under Chilean Law.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act, and the notes may not, directly or indirectly, be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Some of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us for which they received or will receive customary fees and expenses. Affiliates of the initial purchasers are lenders under a number of our loan agreements.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The initial purchasers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Settlement

Delivery of the notes was made to investors on June 16, 2015.

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 were 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, 2014, 2013 and 2012 have been audited by Gossler, S.C. and our unaudited financial statements as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013 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 Luxembourg Listing Prospectus.

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 AE0	US200447AE01	124831296
Regulation S Global Note	P30179 AR9	USP30179AR95	124831423

3. We have obtained all necessary consents, approvals and authorizations in Mexico in connection with the issuance of, and performance of our rights and obligations under, the notes, including the registration of the indenture and the form of notes attached to the indenture; *provided* that in connection with each issuance of notes under the indenture, we will register the notes and other necessary documentation with the Ministry of Finance and Public Credit. Resolutions of our Board of Directors, dated January 27, 2015, authorized the total net indebtedness of CFE for 2015.

4. Except as disclosed in this Luxembourg Listing Prospectus, there are no pending actions, suits or proceedings against or affecting us or any of our properties, which, if determined adversely to us would individually or in the aggregate have an adverse effect on our financial condition or would adversely affect our ability to perform our obligations under the notes or which are otherwise material in the context of the issue of the notes, and, to the best of our knowledge, no such actions, suits or proceedings are threatened.

5. Except as disclosed in this Luxembourg Listing Prospectus, since December 31, 2014, 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 Luxembourg Listing Prospectus in the form and context in which it is included.

7. For so long as any of the notes are outstanding and admitted for listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market, copies of the following items in English will be available free of charge from Deutsche Bank Luxembourg S.A., our Luxembourg listing agent, at its office at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg:

- our audited financial statements as of and for the years ended December 31, 2014 and 2013;
- our audited financial statements as of and for the years ended December 31, 2013 and 2012;
- our unaudited financial statements as of and for the three-month periods ended March 31, 2015 and 2014;
- our audited consolidated financial statements as of future dates and for future years; and
- any related notes to these items.

For as long as any of the notes are outstanding and admitted for listing on the Official List of on the Luxembourg Stock Exchange and trading on the Euro MTF Market, copies of our current annual financial statements and unaudited financial information may be obtained from our Luxembourg listing agent at its office listed above.

During the same period, the indenture, our by-laws and a copy of the CFE Law which provides for the regulatory framework of CFE will be available for inspection at the offices of our Luxembourg listing agent and the trustee.

We currently publish unaudited financial statements on a quarterly basis. These financial statements are available on our website (www.cfe.gob.mx). Information on our website is not a part of this Luxembourg Listing Prospectus.

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

INDEX TO FINANCIAL STATEMENTS

Unaudited Financial Statements for the Three-Month Periods ended March 31, 2015 and 2014	<u>Page</u>
Independent Auditors' Report	F-4
Consolidated statements of financial position at March 31, 2015 and December 31, 2014	F-5
Consolidated statements of comprehensive income for the three-month periods ended March 31, 2015 and 2014	F-6
Consolidated statements of changes in equity for the three-month periods ended March 31, 2015 and 2014	F-7
Consolidated statements of cash flows for the three-month periods ended March 31, 2015 and 2014	F-8
Notes to the consolidated financial statements at March 31, 2015 and 2014	F-9
 Audited Financial Statements for the Years ended December 31, 2014 and 2013	
Independent Auditors' Report	F-75
Consolidated statements of financial position at December 31, 2014 and 2013	F-77
Consolidated statements of comprehensive income for the years ended December 31, 2014 and 2013	F-78
Consolidated statements of changes in equity for the years ended December 31, 2014 and 2013	F-79
Consolidated statements of cash flows for the years ended December 31, 2014 and 2013	F-80
Notes to the consolidated financial statements at December 31, 2014 and 2013	F-81
 Audited Financial Statements for the Years ended December 31, 2013 and 2012	
Independent Auditors' Report	F-177
Consolidated statements of financial position at December 31, 2013 and 2012	F-179
Consolidated statements of comprehensive income for the years ended December 31, 2013 and 2012	F-180
Consolidated statements of changes in equity for the years ended December 31, 2013 and 2012	F-181
Consolidated statements of cash flows for the years ended December 31, 2013 and 2012	F-182
Notes to the consolidated financial statements at December 31, 2013 and 2012	F-183

Comision Federal de Electricidad
State-Owned Productive Company

**Independent auditor's report on the review
of interim financial information and consolidated
financial statements for the three month periods
ended March 31, 2015 and 2014
and for the year ended
December 31, 2014**

Comision Federal de Electricidad
State-Owned Productive Company

Independent auditor's report on the review of interim financial information and consolidated financial statements for the three month periods ended March 31, 2015 and 2014 and for the year ended December 31, 2014

Table of Contents

Exhibits

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS:

Consolidated statements of financial position at March 31, 2015 and at December 31, 2014	A
Consolidated statements of comprehensive income for the three month periods ended March 31, 2015 and 2014	B
Consolidated statements of changes in patrimony for the three month periods ended March 31, 2015 and 2014	C
Consolidated statement of Cash Flows for the three month periods ended March 31, 2015 and 2014	D
Notes to the consolidated financial statements at March 31, 2015 and at December 31, 2014	E

Independent auditor's report**To the Ministry of Public Function and
the Board of Directors of
Comisión Federal de Electricidad
State-Owned Productive Company**

We have audited the consolidated statement of financial position of Comisión Federal de Electricidad, State-Owned Productive Company (henceforth "the company"), at March 31, 2015, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the three month period then ended. Management is responsible for the preparation and fair preparation of these financial statements in accordance with International Financial Information Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

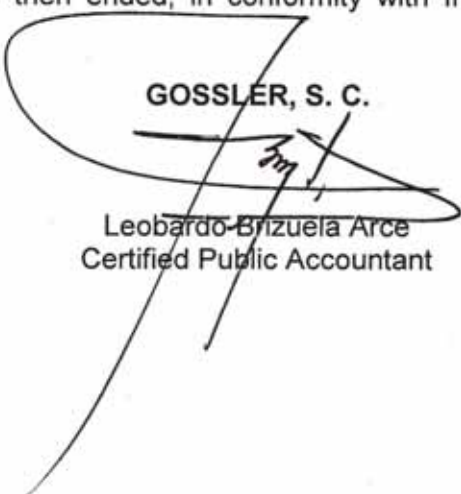
Scope of the review

We performed our review in accordance with the Standards of Review Engagements 9020 "Review of interim financial information realized by the company's independent auditor", issued by the Instituto Mexicano de Contadores Públicos, A.C. A review of interim financial information consists of carrying out investigations, mainly with the personnel responsible for financial and accounting matters, as well as applying analytical procedures and other audit procedures. A review is substantially less in scope than an audit performed in conformity with International Auditing Standards. Consequently, it does not allow for having the assurance of knowing all the significant matters that might be identified in an audit. Consequently, we express no audit opinion.

Conclusion

Based on our review, we were precluded from knowledge of any situation that might have drawn our attention to consider that the accompanying consolidated interim financial information presents fairly, in all material respects, the financial position of Comisión Federal de Electricidad at March 31, 2015, the results of its operations, changes in equity and cash flows for the three month period then ended, in conformity with International Financial Reporting Standards.

GOSSLER, S. C.


Leobardo Brizuela Arce
Certified Public AccountantMexico City, Mexico
April 24, 2015

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of financial position

At March 31, 2015 and December 31, 2014
(Notes 1, 2, and 3)
(Amounts stated in thousands of Pesos)

EXHIBIT A

	2015	2014	2015	2014
Assets				
Current assets:				
Cash and cash equivalents (note 5)	\$ 53,718,049	\$ 36,310,880	\$ 33,738,212	\$ 14,789,500
Accounts receivable, net (note 6)	79,331,288	81,511,112	16,692,548	16,026,662
Materials for operation, net (note 7)	18,928,788	21,279,536	16,503,157	16,301,377
Total current assets	152,578,125	139,201,528	66,933,917	47,117,539
Long-term assets:				
Long-term loans to workers	9,503,039	9,233,151	3,388,165	4,584,176
Plants, facilities and equipment, net (Note 8)	1,000,951,042	998,056,787	28,679,977	28,513,123
Derivative financial instruments (note 10)	14,097,778	13,957,898	21,873,708	24,629,896
Other assets	15,999,078	15,498,951	19,201,358	16,737,992
Total assets	\$ 1,193,129,062	\$ 1,175,948,275	\$ 140,077,125	\$ 123,582,726
Liabilities				
Short-Term				
Current portion of documented debt (note 11)			27,677,599	26,512,187
Current portion of PIDREGAS (note 12 and 13)			140,526,175	139,308,657
Suppliers and contractors			14,672,062	14,555,378
Taxes and fees payable (note 14)			182,606,488	177,062,470
Employee benefits (Note 17)			3,916,655	3,843,257
Other payables and accrued liabilities			544,213,733	535,539,470
Deposits from users and contractors			913,612,712	896,821,419
Total short-term liabilities			1,053,689,837	1,020,404,145
Long-term:				
Unrealized proceeds (note 15)				
Documented debt (note 11)				
Derivative financial instruments (note 10)				
PIDREGAS (note 12 and 13)				
Long-term debt (note 16)				
Employee benefits (note 17)				
Total long-term liabilities				
Total liabilities				
Patrimony:				
Accumulated patrimony (Note 18)			155,544,130	175,977,538
Payment of public use tax Federal Revenue Law Federal Government			-	(31,518,000)
Transfer of resources to CENACE OPD			-	(482,341)
Contributions received from the Federal Government			200,137	28,402,300
Derivative financial instruments			-	683,452
Charge to equity for employee benefits			-	(9,627,144)
Revaluation surplus			-	38,950,186
Net loss for the period			(16,305,042)	(46,831,901)
Total Patrimony			139,439,225	155,544,130
Total liabilities and patrimony			\$ 1,193,129,062	\$ 1,175,948,275

MEMORANDUM ACCOUNTS (note 25)

	2015	2014
Assets		
	\$105,865,325	\$105,865,325
Liabilities		
	\$(105,865,325)	\$(105,865,325)


Emilio Ochoa-Loza
Chief Executive Officer


Román Castillo Morquecho
Accounting Manager

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of comprehensive income

For the quarter from January 1 to March 31, 2015 and 2014

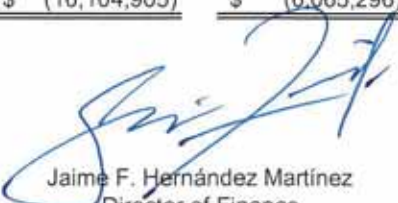
(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

EXHIBIT B

	2015	2014
Revenue on sale of electric power (note 26)	\$ 73,449,296	\$ 78,290,887
Cost of operation	51,636,482	55,440,629
Gross profit	21,812,814	22,850,258
Depreciation	10,135,599	10,180,111
Administrative expenses	1,523,589	1,782,920
Estimated actuarial cost of labor obligations of the period	16,088,500	13,349,916
Operating income	(5,934,874)	(2,462,689)
Rate insufficiency and public use taxes		
Rate insufficiency (note 21)	11,417,896	21,550,465
Public use taxes (note 21)	-	(14,698,041)
	11,417,896	6,852,424
Write-off of rate insufficiency not covered by public use taxes (note 21)	(11,417,896)	(6,852,424)
	-	-
Financial cost		
Interest payable, net	(5,004,654)	(4,250,084)
Exchange loss, net	(6,572,995)	(204,446)
	(11,577,649)	(4,454,530)
Other income, net (Note 19)	1,207,481	1,485,697
Income before taxes	(16,305,042)	(5,431,522)
Income tax on the distributable remaining balance (note 20)	-	(382,782)
Consolidated net loss for the period	\$ (16,305,042)	\$ (5,814,304)
Other comprehensive income (loss) items (note 22)		
Write-off of opening balance of financial instruments in patrimony and others	68,241	698,402
Effect of financial instruments on patrimony	131,896	(949,394)
Consolidated comprehensive loss for the period	\$ (16,104,905)	\$ (6,065,296)


 Enrique Ochoa Reza
 Chief Executive Officer


 Jaime F. Hernández Martínez
 Director of Finance


 Román Castillo Morquecho
 Accounting Manager

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

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of changes in patrimony
For the three month period ended March 31, 2015 and 2014
(Notes 1, 2, and 3)
(Amounts stated in thousands of Pesos)

	Patrimony effect	Payment of public use tax Federal Revenue Law	Transfer of resources to CENACE OPD	Contributions received	Derivative Financial instruments and others	Charge to Patrimony for employee benefits	Surplus on revaluation	Income for the Period	Total
Balances at December 31, 2013	\$ 113,624,347	\$ (30,600,000)	\$ -	\$ 23,126,100	\$ (640,887)	(33,299,708)	\$ 141,320,040	\$ (37,552,354)	\$ 175,977,538
Appropriation of prior year balances, approved by the Board of Directors	62,353,191	30,600,000		(23,126,100)	640,887	33,299,708	(141,320,040)	37,552,354	-
Comprehensive loss					(250,992)			(5,814,304)	(6,065,296)
Balances at March 31, 2014	\$ 175,977,538	\$ -	\$ -	\$ -	\$ (250,992)	\$ -	\$ -	\$ (5,814,304)	\$ 169,912,242
Balances at December 31, 2014	175,977,538	(31,518,000)	(492,341)	28,402,300	683,492	(9,627,144)	38,950,186	(46,831,901)	155,544,130
Appropriation of prior year balances, approved by the Board of Directors	(20,433,408)	31,518,000	492,341	(28,402,300)	(683,492)	9,627,144	(38,950,186)	46,831,901	-
Comprehensive loss					200,137			(16,305,042)	(16,104,905)
Balances at March 31, 2015	\$ 155,544,130	\$ -		\$ -	\$ 200,137	\$ -	\$ -	\$ (16,305,042)	\$ 139,439,225


Enrique Cerón Reza
Chief Executive Officer


Jaime F. Hernández Martínez
Director of Finance


Román Castillo Morquecho
Accounting Manager

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

Comision Federal de Electricidad
State-Owned Productive Company

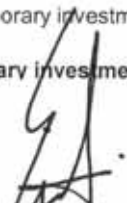
Consolidated statements of cash flows
At March 31, 2015 and 2014

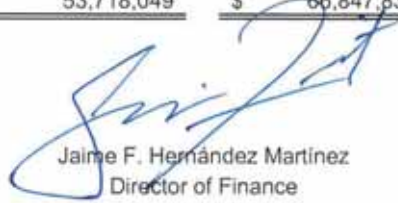
(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

EXHIBIT D

Operating activities	2015	2014
Consolidated net loss for the period	\$ (16,305,042)	\$ (5,814,304)
Cash flows from investing activities		
Depreciation in the period of plants, facilities and equipment	10,135,599	10,180,111
Net cost of the period derived from employee benefits	8,797,754	7,205,010
Estimates and allowances	(310,721)	496,279
Items in financing activities:		
Interest payable	5,004,655	4,729,627
Exchange loss (gain)	6,572,994	204,445
	13,895,239	17,001,168
Accounts receivable and others	831,118	(3,280,838)
Operating Materials	2,545,447	531,482
Suppliers and contractors	201,780	8,322,749
Other payables and accrued expenses	(2,819,367)	20,932
Net cash flow from operating activities	14,654,217	22,595,493
Investing activities		
Investment in plants, facilities and equipment	(12,996,812)	(8,131,891)
Other long-lived assets	(640,047)	(1,340,562)
Net cash flows used in investing activities	(13,636,859)	(9,472,453)
Cash surplus to be used in financing activities	1,017,358	13,123,040
Financing activities		
Debt contracted	20,401,913	23,273,967
Financing paid debt	598,774	173,365
Interest Paid	(4,225,170)	(4,804,974)
Other long-term debts	(385,706)	(433,115)
Net cash flows from financing activities	16,389,811	18,209,243
Net increase in cash and temporary investments	17,407,169	31,332,283
Cash and temporary investments at beginning of year	36,310,880	35,515,551
Cash and temporary investments at end of year	\$ 53,718,049	\$ 66,847,834


 Enrique Reza Ochoa
 Chief Executive Officer


 Jaime F. Hernández Martínez
 Director of Finance


 Román Castillo Morquecho
 Accounting Manager

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

COMISION FEDERAL DE ELECTRICIDAD
State-Owned Productive Company

Notes to Consolidated Financial Statements
At March 31, 2015 and December 31, 2014
(Amounts stated in thousands of pesos)

Exhibit E

1. Organization, nature of the Productive Company and relevant events.

• **Organization and description of business**

On August 11, 2014, The Decree was published in the Official Daily Gazette declaring that the Comision Federal de Electricidad Law ("LCFE" for its acronym in Spanish), would go into effect the day after the new Board of Directors of the Comision Federal de Electricidad is designated.

On October 13, 2014, the new Board of Directors was designated and, therefore, the Comision Federal de Electricidad ("CFE" or the "Company") became a State-Owned Productive Company with its own legal personality that will enjoy technical, operating, and administrative autonomy.

The Board of Directors (formerly Board of Governors) is the Supreme Administrative Body of the Company and responsible for defining policies, guidelines, and the strategic vision of CFE, its subsidiary productive companies and affiliate companies.

The Temporary Statute Fourteen of the LCFE sets forth that the special regime provided for therein for CFE and its subsidiary productive companies and affiliate companies, with respect to the budget, debt, acquisitions, leases, services and works, administrative responsibilities, assets and remunerations will not go into effect until the new Board of Directors (formerly Board of Governors) of CFE is on duty, and the inspection, transparency, and accountability mechanisms contained therein are in operation.

On February 16, 2015, the Ministry of Energy declared in the Official Daily Gazette that the new Board of Directors (formerly Board of Governors) of CFE was on duty, and the inspection, transparency and accountability mechanisms provided for in the LCFE are in operation.

Beginning that date, the purpose of CFE is to develop business, economic, industrial, and commercial activities, as well as generate economic value and profitability for the Mexican State as its owner.

Its purpose is to render public electric energy transmission and distribution service, in terms of the applicable Mexican legislation.

Moreover, in its public purpose, CFE may carry out the following activities:

I. Generation divided into units and marketing of electric energy and associated products, including the import and export thereof, in accordance with the Electric Industry Law, and in terms of strict legal separation established by the Ministry of Energy;

II. The import, export, transportation, storage, purchase and sale of natural gas, carbon, and any other fuel;

III. The development and execution of engineering projects, research, geological and geophysical activities, supervision, rendering services to third parties, as well as all those related to the generation, transmission, distribution, and marketing of electric energy, and other activities that form part of its purpose;

IV. Research, development, and implementation of sources of energy that enable it to comply with its purpose, in accordance with the applicable provisions;

V. Research and technological development required for the activities realized in the electric industry, marketing of products and technological services resulting from research, as well as the formation of highly specialized human resources;

VI. The use and management of property, industrial property, and technology that arranges and permits any additional services to be rendered or provided illustratively such as construction, leasing, maintenance and telecommunications. CFE may endorse and furnish guarantees in favor of third parties;

VII. Acquisition, holding or equity in the shareholding structure of companies that have a similar purpose, analogous or compatible with their own purpose; and

VIII. The other activities required for full compliance with its purpose.

CFE may carry out the activities referred to herein in the country or abroad.

Up to October 13, 2014, CFE was Decentralized Government Agency of the Federal Government of a technical, industrial, and commercial nature with legal personality and its own patrimony, created by the Legislative Decree dated August 14, 1937, published in the Official Daily Gazette (DOF) on March 24, 1937 (which repealed the Legislative Decree dated December 29, 1933, published in the DOF on January 29, 1934).

The Agency rendered public electric power service throughout Mexican territory, which consisted of generating, conducting, transforming, distributing, and supplying electric power, as well as planning and realizing all works, installations, and work required by the national electric system with respect to planning, execution, operation, and maintenance, with the participation of independent producers in terms of the Electric Power Utilities Law and its Regulations, the forgoing was repealed with the effectiveness of the LCFE.

Moreover, on February 28, 2006, the Agency amended different numerals of the internal bylaws to amend the Agency's purpose and be able to render telecommunications services in terms of the Federal Telecommunications Law.

The rates applicable to the sale of electric power in Mexico are defined and authorized by the Federal Government, through the Undersecretary of Revenue of the Ministry of Finance and Public Credit (SHCP).

- **Relevant events**

Tax Obligations

With the enactment of the LCFE (LCFE-DOF 11/VIII/2014) and the resulting repeal of the Electric Energy Public Service Law, the concept of public use tax provided for in Article 476 of this last body of laws disappears and, therefore, it is assumed that CFE as well as its subsidiary and affiliate companies will start to meet their tax obligations in terms of Title II of the Income Tax Law, which regulates the general regime of legal entities, in accordance with the provisions of Article 4 of the LCFE.

National Energy Control Center

The Decree published in the DOF on December 20, 2014 that amends and aggregates various provisions of the Constitution of the Mexican United States, as well as the Decree published on August 28, 2014 that creates the National Energy Control Center (CENACE) in order to exercise operating control of the national electric system. On November 28, 2014, CFE transferred material and financial resources to the CENACE. The transfer had an impact amounting to 492,341 thousand of pesos.

Public Telecommunications Network Concession

In terms of the provisions set forth in Temporary Statute of the "Decree that reforms and aggregates various provisions of Articles 6,7, 27, 28, 73, 78, 94, and 105 of the Constitution of the Mexican United States in Telecommunications matters", published in the Official Daily gazette on June 11, 2013, which sets forth that:

CFE will assign its concession to Telecomunicaciones de Mexico to install, operate, and exploit a public telecommunications network, and it will transfer all the resources and equipment thereto that are required for operating and exploiting that concession.

CFE will be responsible for optic fiber, rights of way, pole lines, buildings and facilities, thereby guaranteeing TELECOMM effective, shared access, and meeting its objectives. Telecomunicaciones de Mexico will have attributions and resources for promoting access to broad band services, plan, design, and execute the construction and growth of a solid telecommunications backbone network with nationwide coverage.

In compliance with the constitutional precept, CFE filed the petition with the Federal Telecommunications Institution ("IFT") for authorization to assign its certificate of assignment to install, operate, and exploit a public telecommunications network in favor of TELECOMM on December 17, 2014.

In accordance with Article 110 of the Federal Telecommunications and Broadcasting Act, the IFT has a term of 90 calendar days beginning when CFE delivered the Petition for issuing the corresponding resolution. The term expires on March 17, 2015.

TELECOMM will be the owner of the inherent Concession rights and obligations, and it should guarantee the continuity of the telecommunications services included therein, in the terms and conditions set forth by the IFT in the Concession assignment authorization resolution.

2. Basis of preparation of the Financial Statements

a) Declaration of Compliance

In conformity with the Rules for Public Companies and other Participants of the Mexican Securities Exchange, issued by the National Banking and Securities Commission on January 27, 2009, CFE is bound to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS), its amendments and interpretations issued by the International Accounting Standard Board (IASB), effective 2012. Consequently, the accompanying consolidated financial statements have been prepared in conformity with IFRS.

b) Basis of preparation

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

Up to December 31, 1996, fixed assets other than those acquired under Long-Term productive Infrastructure Project programs (PIDIREGAS) were restated by using capital price indexes of the electric industry, determined by specialized CFE experts. The constructions-in-progress programs continued to be restated by this method up to 1998 year end.

Fixed assets acquired under PIDIREGAS programs were restated up to December 31, 2007, based on the foreign exchange fluctuations of the contracting currency which is equivalent to their specific cost.

Beginning January 1, 1997 and up to December 31, 2007, fixed assets were restated by using the historical cost adjustments on the general price level method derived from the National Consumer Price Index (INPC), based on the replacement values determined at 1996 year end and the acquisition and/or construction values for those acquired beginning that date and up to December 31, 2007.

During fiscal 2013, the fixed assets comprising the electric infrastructure were revalued by calculating their fair value at 2013 year end, as explained in note 3-d. During fiscal 2014, the fixed assets that form the property of the Company were revalued by calculating their fair value, by preparing appraisals with the parametric methodology indicated by the Administration and Appraisals of National Assets (INDAABIN), as explained in note 3.d.

c) Monetary unit of the consolidated financial statements

The consolidated 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

CFE prepared consolidated statements of comprehensive income, and classified costs and expenses by their nature, pursuant to the specific essence of the type of cost or expense of the entity, as set forth in IAS 1 "Presentation of financial statements".

3. Summary of significant accounting policies

The main accounting policies followed by the Company are as follows:

a. Basis of consolidation

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

Trust	Equity of CFE			Type of project
	Trustor	Beneficiary of the trust:	Trustee	
Trust Management and Transfer of Ownership 2030	CFE	Primary beneficiaries: successful bidders who were awarded the contracts Secondary beneficiary: CFE	BANOBRAS, S. N. C.	Conditioned investment
Trust for the creation of a Revolving Financing Fund for the Housing Thermal Insulation Program of in the Valley of Mexicali, B.C.	CFE	CFE	BANOBRAS, S. N. C.	Power saved
Prior Expenses Trust	CFE	CFE	BANCOMEX, S. N. C	Direct investment:

b. Cash and cash equivalents

Cash and cash equivalents are represented by cash, bank deposits and short-term investments. Cash and bank deposits are presented at nominal value, and the yields generated are recognized in income as accrued.

Cash equivalents apply to marketable securities with very short-term maturities are valued at fair value, and they are subject to a low risk of change in their value.

c. Inventory of operating materials and costs of consumption

Inventories of operating materials are recorded at the lower of cost of acquisition or net realizable value, and costs of consumption are recorded at average cost.

Inventories are reviewed periodically to determine the existence of obsolete material, as well as to evaluate the sufficiency of the allowance or provision. When the case arises, the allowance is increased against income for the year. The 0.0004167 (zero point zero zero zero four one six seven) factor on the balance of the month recorded of the accounts of materials of stock on hand, equivalent to 0.5% annual to record the provision of the year.

d. Plants, facilities and equipment

Plants, facilities and equipment are initially recorded at their acquisition cost.

i. Plants, Facilities and Equipment in operation (electric infrastructure).

Plants, facilities and operating equipment, only of electric infrastructure, used for generation, transmission and/or distribution of electric power, are presented in the statement of financial position at their revalued amounts. Fair value is calculated at the revaluation date, less any accumulated depreciation or accumulated impairment losses. The Company will periodically review the fair values of plants, facilities and operating equipment. Further, it will evaluate the need to perform revaluations so that the carrying value does not differ significantly from what would have been calculated by using fair values at the end of the reporting period.

Any increase in the revaluation of those plants, facilities, and operating equipment is recognized in other comprehensive income as a surplus, except if a decrease is reversed in the revaluation of the same asset previously recognized in income. In that case, the increase is credited to income to the degree at which the expense is reduced by the decrease previously carried out. A decrease in carrying value generated by the revaluation of those plants, facilities, and operating equipment is recorded in income to the degree that it exceeds the balance of the surplus, if any.

Depreciation of revalued plants, facilities, and operating equipment is recognized in income. In the event of a subsequent sale or retirement of revalued property, the surplus on revaluation attributable to the revaluation allowance of the remaining properties is directly transferred to retained earnings.

Depreciation rates in keeping with the useful live thereof, determined by specialized CFE technicians, are as follows:

	<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 2.50
Substations	From 1.33 to 2.56
Transmission lines	From 1.33 to 2.86
Distribution networks	From 1.67 to 3.33

ii. Property and assets allocated to offices and general services.

Properties are presented in the statement of financial position at their revalued amounts. Fair value is calculated at the revaluation date, less any accumulated depreciation or accumulated impairment losses.

Assets allocated to offices and general services are presented at cost less accumulated depreciation and any accrued impairment loss.

Depreciation is recognized and expensed, considering their useful lives by using the straight-line method. Estimated useful life, residual value, and depreciation method are reviewed every year end and the effect of any change on the estimate recorded is recognized prospectively.

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

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

Land is not depreciated.

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

An element of plants, facilities and equipment is retired when it is held for sale or when it is not expected to obtain future economic benefits derived from the continued use of the asset. The gain or loss generated by the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources that are received from the sale and the carrying value of the asset, and it is recognized in income.

Capitalized replacement parts are depreciated from the time at which they are available for use.

iii. Long-term Productive Infrastructure Projects (PIDIREGAS)

CFE realizes investment projects to build revenue generating assets under two schemes:

Direct investment:

In order to build electric facility projects that are delivered to CFE upon completion thereof, at the time when the works are delivered, subject matter of the contract and received to the satisfaction of 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 CFE. The Company evaluated that 23 of the existing contracts with independent producers have leasing characteristics of the power generating plant, in accordance with Interpretations of IFRS 12, "Concession Service Agreements". In turn, those leases qualify as financial leases, in accordance with IAS 17 "Leases". Accordingly, they are recorded in a fixed asset account denominated Independent Producers, as well as the total liability that applies to the value of the asset.

e. Intangible assets

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

Amortization is recognized based on the straight-line method on their estimated useful life. Estimated useful life, residual value, and amortization method are reviewed every year end, and the effect of any change on the estimate recorded is recognized prospectively.

f. Impairment of long-lived assets in use

The Company reviews the book value of long-lived assets in use, in the face of any indication of impairment that could indicate that the book value thereof might not be recoverable, considering the higher of fair value less the cost of selling it and the value in use. Furthermore, an adjustment is made to the value thereof.

Upon evaluating the value in use, estimated future cash flows are discounted from its present value by using a discount rate before taxes that reflects the current evaluation of the market with respect to the value of money in time and specific risks of the asset. Accordingly, estimates of future cash flows have not been adjusted.

Impairment indicators considered for these purposes are, among other things, operating losses or negative cash flows in the period if they are combined with a record or

projection of losses, which in percentage terms, in connection with revenues, are substantially higher than those of prior fiscal years, as well as the effects of obsolescence, competition, and other economic and legal factors.

g. Financial instruments

Financial assets and liabilities are recognized when the Company becomes one of the parties to a financial instrument contract.

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

Financial assets

Financial assets are classified in any of the following categories: Financial assets at fair value with changes through income, held-to-maturity investments, financial assets available-for-sale, as well as loans and accounts receivable. The classification is dependent upon the nature and purpose of the financial asset, and it is determined at the time of the initial recognition.

Loans and receivables

Accounts receivable and loans are financial instruments with fixed or determinable payments that are not listed on an active market. Loans and accounts receivable (including accounts receivable, trade accounts receivable and other receivables) are valued at amortized cost, by using the effective interest method, and they are subject to impairment tests.

Items receivable consist mainly of public consumers, government consumers, sundry receivables, and power in the billing process and loans to workers.

Impairment of financial assets

Financial assets, other than financial assets at fair value, are evaluated to determine if there are impairment indicators and each period end, and their impairment is expensed. Financial assets are considered impaired when there are objective indicators that, as a result of use or more events occurred after their initial recognition, estimated future cash flows of the investment have been affected.

Classification as a liability or capital

Debt instruments issued by the Company are classified as either liabilities or capital, in accordance with the substance of the contractual agreements and definitions of a financial liability and capital instrument.

Financial liabilities

Financial liabilities are classified at fair value or with changes in losses and gains or as other financial liabilities (including loans), and they are subsequently measured at their amortized cost, by using the effective interest method.

The Company retires a financial asset if, and only if the Company's obligations are met, cancelled or if they expire. The difference between the carrying value of the retired financial asset and the consideration paid and payable is recognized in income for the year and other comprehensive income.

Effective interest method

The effective interest method is a calculation method of the amortized cost of a financial instrument and distribution of the income or only financial throughout the period covered by that instrument. The effective interest rate is the rate that accurately calculates future cash flows that are estimated to be collected or paid (including fees and expenses paid or received that form a comprehensive part of the effective interest rate, transaction costs, and other premiums or discounts) throughout the expected life of the financial instrument or, when appropriate, in a shorter period at the net carrying amount of the financial asset or liability at the date of the initial recognition.

Income or cost is recognized based on effective interest for those financial instruments other than financial assets and liabilities classified at fair value with changes in income.

Compensation

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when the Company has a legal right to offset the amounts, and the purpose thereof is to liquidate them on a net base or realize the asset and liquidate the liability simultaneously.

h. Derivative Financial Instruments

The Company values its derivatives in the balance sheet at fair or market value ("mark-to-market"). When derivatives are designated as hedges, their recognition of fair value depends on whether it is a fair value hedge or a cash flow hedge.

Derivatives designated as hedges recognize changes in fair value as follows: (1) if they are fair value hedges, fluctuations of both the derivative and hedged item are recorded against income; or (2) if they are cash flow hedges, they are temporarily recognized in Other Comprehensive Income (Loss) and reclassified to income when the hedged item affects them. The ineffective portion of the change in fair value is immediately recognized in income in the comprehensive financing result, irrespective of whether the derivative is designated as a fair value hedge or cash flow hedge.

The Company mainly uses interest rate and currency swaps, as well as forward exchange contracts to manage its exposure to interest rate and foreign currency fluctuations. CFE formally documents all hedge ratios where risk management objectives

and strategies are described to carry out derivative instrument trading. The Company's policy is not to enter or hold financial derivative instruments for speculative purposes.

Certain derivative financial instruments, although contracted for hedging purposes from an economic perspective, due to changes in accounting standards, are not currently designated as hedges for book purposes, but instead for trading purposes. Changes in fair value of those derivatives are recognized in income on the cost of financing.

Effectiveness tests were conducted on coupon swap cash flows that are carried out during the first semester of 2015.

The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the measurement method. In addition, the most significant elements of each swap were disclosed such as the date of the swap, the interest rates used for the calculation of the cash flow of the primary position, as well as the cash flow of the derivative financial instrument, the surcharge added to each calculation rate, the basis of calculation for each cash flow, the frequency of periods and date of the calculation of both rates.

i. Obligations associated with the retirement of plants, facilities and equipment.

By operation of a regulatory law, upon completing the operating service of a nuclear facility (upon termination of licenses), this facility must be dismantled due to safety and environmental protection reasons.

CFE has a policy of performing a technical - economical study, which should be updated periodically (every 5 years). This study contemplates the estimated cost for this item, based on the production of power of the Laguna Verde Nuclear Power Generating Station, which is distributed uniformly in the time of its useful life. The acquisition cost of the nuclear facilities increases with the amount of the valuation of the obligation associated with retirement, considering the effect of writing it down to its present value.

j. Employee benefits

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

Employee benefits for termination and others The liability for retirement benefits (seniority bonuses and pensions) and for termination of the employer - employee relationship is recorded as accrued, which is calculated by independent actuaries based on the projected unit credit method, by using nominal interest rates; therefore, it is estimated that the liability recognized at present value will cover the obligation for these benefits at the estimated retirement date of the employees who work at the Company, up to August 18, 2008, in a defined pension plan and retirement benefits.

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

k. Income tax

Upon the repeal of the Electric Energy Public Service Law and the conversion of CFE into a State-Owned Productive Company, CFE is no longer subject to Title III of the Income Tax Law, which applies to non-profit legal entities. Instead, CFE is subject to and must comply with Title II of the Income Tax Law.

l. Segment information

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

m. Revenue recognition

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

n. 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 consolidated financial statements. Foreign exchange fluctuations are recorded in income as part of the cost of financing.

o. Transactions with Federal, State, and Municipal Governments

The main transactions carried out with the Federal Government, State and Municipal Governments and their accounting treatment are as follows:

Federal Government:

Public Use Tax

1) On the assets contributed to CFE for their operation

As a result of the repeal of the Electric Energy Public Service Law, since January 1, 2015, CFE is no longer required to pay a public use tax to the Mexican government on the assets it uses to generate electric power. The public use tax was previously determined based on the profitability rate established annually for the state-owned entities.

For the years ended December 31, 2014 and 2013, a 9% rate was used and ratified by the SHCP. That rate was applied to the value of the net fixed asset in operation of the immediately preceding fiscal year. The resulting amount was charged to income for the year.

The public use tax represented a decrease in profit for CFE since it was a payment to the Federal Government. Consequently, it was recorded as an operating expense. This public use tax was offset against the rate insufficiency, which supplemented the rate deficiencies (revenue). Consequently, there was no payment made to the Federal Public Treasury.

The Regulations of the Utilities Public Service Law, defines the concept of "net fixed asset in operation" in greater detail, as the following:

For purposes of Article 46 of the Law, the net fixed asset in operation shall be understood as the fixed asset in operation reduced by:

- I. Accumulated depreciation;
- II. The unamortized debt directly related to such assets; and
- III. The contributions of the applicants or petitioners.

2) Invested patrimony

Likewise, up to December 31, 2014, in accordance with the Federal Revenue Law, the SHCP could 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

Up to December 31, 2014, this applied to the resources granted by the Federal Government to users of electric service through CFE, through various rate gaps in the sale of power. In accordance with Article 46 of the LSPEE, the public use tax discussed above can be offset against the rate insufficiency.

The rate insufficiency that may be offset against public use tax represents an increase in profit for CFE; therefore, the unrecoverable surplus of the rate insufficiency is recorded as revenue, and it is recognized and written off in the Company's consolidated financial statements.

State and Municipal Governments

Contributions. Contributions received from State and Municipal Governments to electrify rural populations and low income settlements for expansions of the distribution network and contributions of another nature are recorded as an unrealized proceed, which will be realized in accordance with the useful life of the asset that finance such contributions.

p. Financial cost

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

q. Contingencies and commitments

The obligations associated with contingencies are recognized as a liability when there is a present obligation resulting from past events, and it is likely that the effects will materialize and can be quantified reasonably. Otherwise, they are disclosed in the consolidated financial statements. The financial effects of long-term commitments established with third parties, such as the case of supply contracts with suppliers or customers, are recognized in the consolidated financial statements. Relevant commitments are disclosed in the notes to the consolidated financial statements. Revenues, earnings or contingent assets are not recognized.

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

In the application of the Company's accounting policies, CFE Management should make judgments, estimates, and assumptions about the carrying values of the assets and liabilities that do not appear easily in other sources.

The relative estimates and assumptions are based on experience and other factors deemed pertinent. Real results might differ from those estimates.

The underlying estimates and assumptions are reviewed on a regular basis. Reviews of book estimates are recognized in the review period and future periods, if the review affects the current period, as well as subsequent periods.

1) Essential judgments upon applying accounting policies

Agreements with a lease substance

CFE Management has determined that certain service contracts have the economic substance of a lease. Its determination consists of, among other things, having compliance depend upon a specific asset the contract transfer the 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 Company has determined that it substantially has all the risks and benefits, with respect to certain assets under lease agreements.

2) Key sources of uncertainty in estimates

Basic assumptions with respect to the future and other key sources of uncertainty in estimates at the end of the period reported that have a significant risk of generating significant adjustments in the carrying values of assets and liabilities during the year.

I. Allowance for doubtful accounts.

The Company values accounts receivable at their amortized cost less any impairment by using the effective interest method. It recognizes an allowance for doubtful accounts (impairment) when an event is recognized that generates a loss that implies the decrease of recoverability of cash flows (loss incurred).

Objective evidence is considered to exist that an impairment loss has been incurred on the value of accounts receivable at the time at which causes of impairment are identified or events that lead to considering that the recovery of accounts receivable is doubtful, unlikely, and the time elapsed since billing is extended, which is known as the incurred loss method.

In the case of the domestic sector, 75% of the balance is provided for once 330 days have elapsed after the default. In the case of agricultural and service sectors where the experience has shown that negotiations are conducted, providing for 25% of the balance of these sectors is established as a criterion, once 330 days have elapsed after the default.

The methodology for calculating the allowance for doubtful accounts is applied monthly, based on the past due receivables as of the immediately foregoing month. The nonperforming portfolio is determined at December for fiscal year end.

Once commercial and legal collection procedures have been exhausted, uncollectible accounts are written off against the calculated provision.

When this provision calculated in accordance with the above methodology is insufficient for writing off accounts derived from significant, massive, and targeted accounts with some type of generalized problem in any of these sectors (domestic, agricultural or service) and with a practical notorious unlikelihood of collection, they are submitted to the approval of the Board of Directors (formerly Board of Governors).

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

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

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

III. Asset Impairment

The Company conducts impairment tests when there are indicators. These tests imply the estimate of future cash flows that will be obtained by the Company and the most appropriate discount rate. The Company considers that its estimates in this sense are adequate and congruent with the current market environment, and its discount rates adequately reflect the applicable risks.

The Company considers that all its transactions form part of the same cash generating unit.

IV. Employee benefits

The valuation of employee benefits for pensions and other retirement benefits is supported by actuarial calculations based on assumptions relative to discount rates, salary increase rates, and other actuarial estimates used. Actuarial assumptions are restated annually. The changes in these assumptions can have a significant effect on the amount of the obligations and results of the Company.

V. Dismounting of the Laguna Verde nuclear plant

The value of the provision for dismantling the nuclear plant is calculated based on cost assumptions, rate of inflation, long-term discount rates, exchange rates, and dates on which disbursements are expected to be made.

The review of this estimate is realized constantly to assure that the amounts provided for apply to the best cost estimate that will eventually be disbursed by the Company. Variations in the assumptions, basis of the estimates, can result in changes in the amounts recorded.

VI. Power sold in the manufacturing process

Revenues are recognized in the period in which electric power services are sold to customers. Consequently, the power already delivered that is in the process of being billed is considered as revenue of the year.

VII. Financial instruments

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

The Company considers that the assumptions used at the date of these consolidated financial statements are appropriate and well supported.

VIII. Contributions from customers

Contributions received from customers in order for the entity to render the electric power service to them are recorded by recognizing an asset at its fair value for the properties that are contributed by the customer. In turn, an unrealized proceed is recognized in accordance with CINIIF 18 interpretation "Transfers of assets from customers". The realization period of these proceeds is related to the useful life of the asset.

4. Financial Instruments

a. Risk management

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

b. Significant accounting policies

The details of the significant accounting policies and methods adopted (including recognition criteria, valuation bases, and revenue and disbursement recognition bases) for each type of financial asset, financial liability, and capital instruments are disclosed in Note 3-i.

c. Categories of financial instruments.

		2015		2014
Financial assets:				
Cash and temporary investments	\$	53,718,049	\$	36,310,880
Accounts and Notes Receivable from consumers and other debtors		79,931,288		81,611,112
Long-term loans to workers		9,503,039		9,233,151
Derivative financial instruments		14,097,778		13,957,858
Financial liabilities at amortized cost				
Documented debt	\$	174,264,387	\$	154,098,157
Plants under lease agreements, facilities, equipment, and PIDIREGAS		199,299,036		193,089,132
Suppliers and contractors		16,503,157		16,301,377
Deposits from users and contractors		19,201,358		18,737,992

d. Objectives of financial risk management

Part of the duties of the Company's Finance Management is to implement strategies and coordinate access to domestic and international markets, as well as supervise and manage financial risks related to the Company's operations through internal risk reports and the market environment, which analyze exposures by degree and magnitude of the risks. These risks include market risk (including exchange risk and interest rate risk), credit and liquidity risk.

The Company seeks to mitigate the effects of the risks of part of the debt by using derivative financial instruments to hedge them. The use of financial derivatives is governed through a policy established by the inter-institutional financial risk management delegate Committee associated with the financial position and the price of fossil fuels (CDIGR) and ratified by the Board of Directors, which provides written principles about foreign exchange risk, interest rate risk, counterparty credit risk, and the use of derivative financial instruments.

The Company neither subscribes nor trades financial instruments for speculative purposes.

Treasury's duty is governed by the SHCP's policy of handling cash on hand in which the investments realized are not long-term, and they are made in low risk instruments. Treasury reports to the board of directors every month.

e. Credit risk management

Credit risk is the risk that one of the parties to a financial instrument causes a financial loss to the other party for failure to meet an obligation. The Company is subject to credit risk, mainly due to the financial instruments that refer to cash and temporary investments, loans and accounts receivables, and derivative financial instruments in order to minimize the credit risk in the captions of cash, temporary investments, and derivative financial instruments. The Company only involves itself with solvent parties and recognized reputation and high creditworthiness. The Company currently obtains sufficient guarantees, when appropriate, as a way to mitigate the risk of financial loss caused by nonperformances.

In order to manage credit risk, in the case of loans and accounts receivable from consumers, the Company considers that risk is limited. Accordingly, in the event of not receiving payment from the consumer, it adheres to the provisions of the Electric Power Public Service Utilities Law with respect to suspending the power supply. However, as discussed in note 3-r, subsection 2), numeral I, the Company provides for an allowance for doubtful accounts, under the losses incurred model.

The aging analysis of non-current financial assets on which it has not considered necessary to realize any provision at March 31, 2015 and December 31, 2014 is as follows:

	2105	2014
Less than 90 days	\$ 2,767,322	\$ 3,263,430
90 to 180 days	3,682,162	4,115,040
More than 180 days	37,797,028	37,593,197
	<u>\$ 44,246,512</u>	<u>\$ 44,971,667</u>

f. Liquidity risk

Liquidity risk is the risk that an entity has difficulties in meeting its obligations associated with its financial liabilities, which are liquidated by delivery of cash or another financial asset.

The financing received by the Company is mainly through debt contracted or by the leasing of plants, installations, equipment, and PIDIREGAS. In order to manage liquidity risk, the Company performs cash flow analyses periodically and maintains open lines of credit with financial institutions and suppliers. Additionally, the Company is subject to budgetary control by the Federal Government. Accordingly, the net debt ceiling that is authorized by Congress every year, in accordance with its budgeted revenues, cannot be exceeded.

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

At March 31, 2015	Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt	\$ 33,738,212	\$ 28,092,798	\$ 25,091,234	\$ 87,342,143	\$ 174,264,387
Plants under lease agreements, facilities, equipment, and PIDIREGAS	16,692,548	31,802,907	31,468,702	119,334,879	199,299,036
Suppliers and contractors	16,503,157	-	-	-	16,503,157
Deposits from users and contractors	19,201,358	-	-	-	19,201,358
Total	\$ 86,135,275	\$ 59,895,705	\$ 56,559,936	\$ 206,677,022	\$ 409,267,938

At December 31, 2014	Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt	\$ 14,789,500	\$ 26,109,931	\$ 27,327,622	\$ 85,871,104	\$ 154,098,157
Plants under lease agreements, facilities, equipment, and PIDIREGAS	16,026,662	29,892,169	30,160,988	117,009,313	193,089,132
Suppliers and contractors	16,301,377	-	-	-	16,301,377
Deposits from users and contractors	18,737,992	-	-	-	18,737,992
Total	\$ 65,855,531	\$ 56,002,100	\$ 57,488,610	\$ 202,880,417	\$ 382,226,658

g. Market Risks

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

Foreign exchange risk management

The Company is funded through credits preferably in local currency when market conditions advise it as such; therefore, the current debt is denominated mostly in Mexican pesos.

The Company realizes foreign currency transactions. Accordingly, exposures are generated to exchange rate fluctuations.

The Company mainly uses interest rate and currency swaps, as well as forward exchange contracts to manage its exposure to interest rate and foreign currency fluctuations, in accordance with its internal policies.

The carrying values of foreign currency denominated monetary assets and liabilities at the reporting period end are shown through the following analysis:

- Analysis of foreign currency sensitivity

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

The following table itemizes the Company's sensitivity to a 5% increase and decrease in the Mexican peso against relevant foreign currencies. The 5% represents the sensitivity rate used when the exchange risk is reported internally to key management personnel. It further represents management's evaluation about the possible fair change in exchange rates.

The sensitivity analysis only includes outstanding foreign currency denominated monetary items, and its translation is adjusted for a 5% change in exchange rates at period end. The sensitivity analysis includes external loans, as well as loans from foreign operations within the Company where the denomination of the loan is in a currency other than the loan currency or the borrower. A positive amount (as observed in the following chart) indicates an increase in income where the Mexican peso is strengthened 5% against the pertinent currency. If a 5% weakening is presented in the Mexican peso with respect to the benchmark currency, then there would be a comparable impact on income and the following balances would be negative:

Thousands of pesos		
	3/31/2015	12/31/2014
Gain or loss	\$ 10,844,775	\$ 9,588,542

In management's opinion, the impact of the inherent exchange risk affects electric rates in the long-term through adjustments on inflation and the fuel formula that considers the peso/dollar exchange rate, in addition to inflation.

- **Interest rate risk management**

The Company is exposed to interest rate risks, since it obtains loans at variable interest rates. The Company manages the risk by maintaining an appropriate combination between fixed rate and variable rate loans, as well as managing derivative financial instruments designated as an interest rate hedge.

- **Interest rate sensitivity analysis**

The following sensitivity analyses have been determined based on the exposure to interest rates for derivative instruments, as well as for non-derivative instruments at the end of the period reported. For variable rate liabilities, an analysis is prepared on the assumption that the amount of the current liability at the end of the period reported has been the current liability for all year. At the time of reporting the interest rate risk to key management personnel internally, a 0.50 point increase or decrease is used in the case of the Equilibrium Interbank Interest Rate (EIIR) and 0.01 points in the case of LIBOR, which represents management's evaluation of the possible fair change in interest rates.

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

- The loss for the year ended March 31, 2015 and December 31, 2014 would increase/decrease in the amount of \$474,833 and \$474,833, respectively. This is

mainly attributable to the Company's exposure to interest rates on its variable rate loans; and

If the LIBOR interest rate had been 0.01 points above/below and all other variables remain constant:

- The loss for the year ended March 31, 2015 and December 31, 2014 would increase/decrease in the amount of \$7,930 and \$5,913, respectively. This is mainly attributable to the Company'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:

	2015		2014	
	<u>Carrying Value</u>	<u>Fair value</u>	<u>Carrying value</u>	<u>Fair Value</u>
Documented debt	\$ 174,264,387	\$ 174,264,387	\$ 154,098,157	\$ 154,098,157
Plants under lease agreements, facilities, equipment, and PIDIREGAS	199,299,036	199,299,036	193,089,132	193,089,132

Valuation techniques and assumptions applied for determining fair value

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions are negotiated on the markets. Liquid assets are determined in reference to the prices quoted on the market.
- The fair value of other financial assets and liabilities (without including derivative instruments) are determined in conformity with generally accepted price determination models, based on the discounted cash flow analysis by using current transaction prices observable on the market and quotes for similar instruments.
- Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month (which is the monetary valuation of breaking the agreed upon transaction at any given time). CFE monitors this value and if there is any doubt or observes any irregularity in market value, it asks the counterparty for a new valuation.

Valuations at fair value recognized in the statement of financial position

The following table provides an analysis of the financial instruments valued subsequent to the initial recognition at fair value, grouped in levels from 1 to 2, based on the degree to which fair value is observable.

		<u>Level 1</u>
Available-for-sale financial assets		
Temporary investments	\$	<u>35,409,368</u>
Total	\$	<u>35,409,368</u>

The analysis of the fair value of derivative financial assets grouped in level 2 based on the degree to which fair value is observable is carried out in Note 10.

The levels referred to above are considered as indicated below:

- Level 1 valuations at fair value are those derived from quoted prices (not adjusted) on asset markets for liabilities or identical assets.
- Level 2 valuations at fair value are those derived from indicators other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

5. Cash and temporary investments

At March 31, 2015 and December 31, 2014, cash and temporary investments are summarized as follows:

		<u>2015</u>		<u>2014</u>
Cash on hand and in banks	\$	18,308,681	\$	17,304,955
Temporary investments		<u>35,409,368</u>		<u>19,005,925</u>
Total	\$	<u>53,718,049</u>	\$	<u>36,310,880</u>

6. Accounts receivable, net

At March 31, 2015 and December 31, 2014, accounts receivable are summarized as shown below:

	2015	2014
Public consumers	\$ *68,376,141	\$ *69,688,594
Government consumers	18,141,160	18,412,951
Other receivables	286,660	286,660
	<u>88,803,961</u>	<u>83,388,205</u>
Allowance for doubtful accounts	<u>(19,276,079)</u>	<u>(18,697,261)</u>
	67,527,882	69,690,944
Notes receivable, claims to insurance companies and others	*12,403,406	*11,919,176
Value added tax recoverable	<u>-</u>	<u>992</u>
Total	\$ <u>79,931,288</u>	\$ <u>81,611,112</u>

* Certain amounts included within line item "Notes receivable, claims to insurance companies and others", \$5,332,364 at March 31, 2015 and \$4,842,044 at December 31, 2014, were reclassified to the public consumers account because they were derived from the sale of electric energy.

At March 31, 2015 and December 31, 2014, balances and movements of the allowance for doubtful accounts are summarized as follows:

	2015	2014
Opening Balance	\$ 18,697,261	\$ 18,016,513
Increase	1,945,930	6,303,158
Recoveries	109,964	408,138
Applications	<u>(1,477,076)</u>	<u>(6,030,548)</u>
Final Balance	\$ <u>19,276,079</u>	\$ <u>18,697,261</u>

7. Materials for operation

At March 31, 2015 and December 31, 2014, materials for operation summarized as follows:

	2015	2014
Replacement parts and equipment:	\$ 2,994,569	\$ 5,000,300
Fuel and Lubricants	12,803,643	12,908,087
Nuclear fuel	3,774,218	4,209,489
	<u>19,572,430</u>	<u>22,117,876</u>
Allowance for obsolescence	<u>(643,642)</u>	<u>(838,340)</u>
Total	\$ <u>18,928,788</u>	\$ <u>21,279,536</u>

8. Plants, facilities and equipment

Net balances of plants, facilities and equipment at March 31, 2015 and Thursday, December 31, 2015 are summarized as follows:

Investment

	Plants, Facilities and Equipment in Operation	Capitalized replacement parts	Construction- in-progress	Construction Materials	Stock Exchange Certificates available	Total
Balances 01/Jan/15	\$1,674,558,948	\$ 8,949,003	\$ 27,871,114	\$ 11,939,475	\$ 8,821	\$1,723,327,361
Acquisitions	13,224,141	-	10,112,775	-	-	23,336,916
Retirements	(610,565)	(116,970)	-	-	-	(727,535)
Capitalization	-	-	(7,641,940)	(1,339,202)	-	(8,981,142)
Drawdown	-	-	(1,697,049)	-	-	(1,697,049)
Balances 31/Mar/15	\$1,687,172,524	\$ 8,832,033	\$ 28,644,900	\$ 10,600,273	\$ 8,821	\$1,735,258,551

Accumulated depreciation

Balances 01/Jan/15	\$ (723,791,118)	\$ (1,479,456)	-	-	-	\$(725,270,574)
Net Balances 01/Jan/15	950,767,830	7,469,547	27,871,114	11,939,475	8,821	998,056,787
Depreciation of the period	(10,043,133)	(92,466)	-	-	-	(10,135,599)
Depreciation on retirements	460,355	-	-	-	-	460,355
Net	(8,944,469)	(92,466)	-	-	-	(9,036,935)
Depreciation Balances 31/Mar/15	(732,735,587)	(1,571,922)	-	-	-	(734,307,509)
Net Balances 31/Mar/15	\$954,436,937	\$7,260,111	\$28,644,900	\$10,600,273	\$8,821	\$1,000,951,042

Fair value of plants, facilities, operating equipment and property

During 2014, a revaluation was recorded in the amount of \$24,830,757, which corresponds to the fair value measurements of CFE property, which were calculated through parametric appraisals drawn up by certified appraisers, in accordance with the applicable guidelines on that subject, established by the Institute of Administration and Appraisals of Assets (INDAABIN).

Moreover, the rectification of the revaluation was recorded in the amount of \$44,944,952 and depreciation of the revaluation amounting to \$59,064,381 is due to the improvement carried out by the Company of various specific factors of the technical appraisals of the plants, facilities, and operating equipment of the electric infrastructure. As a result of an optimization of the restatement of book values. The net effect on patrimony amounted to \$14,119,429.

At December 31, 2014, the total revaluation resulted in a net amount of \$38,950,186, which is reflected in the surplus account of Patrimony.

There is no revaluation effect during the first quarter of 2015.

Estimated expected useful life of plants, facilities, operating equipment, and real property derived from the valuation at fair value

During the three-month period ended March 31, 2015, CFE reviewed the useful lives and scrap values of distinct assets that comprise the electric infrastructure of the Company, as a complement to the revaluation work carried out in 2013 and 2014.

That analysis will result in the restatement of the useful lives of those elements of property, plant and equipment that have a remaining useful life other than that set forth in the Institutional Information System SAP (SIL SAP), in accordance with the provisions set forth in paragraph 51 of International Accounting Standard 16 Property, Plant and Equipment (IAS 16 PPyE).

If admissible, the above adjustment will allow for realizing a new projection of depreciation costs of assets with a current technical base.

Plants, facilities and equipment in operation - The balances of plants, facilities and equipment at March 31, 2015 and December 31, 2014, including equipment under PIDIREGAS are summarized as follows:

	2015	2014
Plants:		
Steam	\$ 330,815,146	\$ 330,775,454
Hydroelectric	206,804,190	206,881,907
Nuclear electric	121,774,509	121,520,039
Turbo gas and combined cycle	76,914,741	75,702,390
Geothermal	48,566,039	42,212,647
Internal combustion	2,027,664	2,027,377
Unconventional facilities	3,013,802	3,014,988
Transmission lines and transformation substations	339,100,917	337,478,138
Optic Fiber	7,081,552	7,002,199
Networks and distribution substations	393,184,128	390,923,625
Plots of land in regularization process	517,024	570,593
Administrative and other buildings	59,542,520	58,619,303
Trusts	30,816	30,816
	1,589,373,048	1,576,759,476
External producers' equipment	97,471,095	97,471,095
Dismounting of Laguna Verde Nuclear Station	328,379	328,379
	1,687,172,522	1,674,558,950
Less:		
Accumulated depreciation external producers	21,206,174	19,917,562
Accumulated depreciation	711,529,413	703,879,558
Total	\$ 954,436,935	\$ 950,767,830

Works in progress - The balances of constructions-in-progress at March 31, 2015 and December 31, 2014 are summarized as follows:

Plant:	2015	2014
Steam	\$ 593,937	\$ 424,456
Hydroelectric	5,318,890	5,345,230
Nuclear electric	105,393	341,051
Turbo gas and combined cycle	648,714	648,714
Geothermal	900,097	1,468,241
Internal combustion	218,379	218,379
Lines, networks and substations	17,925,624	17,472,029
Offices and general facilities	1,063,888	661,281
Advances for construction	1,869,978	1,291,733
Total	\$ 28,644,900	\$ 27,871,114

Materials for construction - The balances of materials for construction at March 31, 2015 and December 31, 2014 are summarized as follows:

	2015	2014
Replacement parts and equipment:	\$ 8,167,913	\$ 9,350,905
Materials in possession of third parties	2,432,360	2,588,570
Total	\$ 10,600,273	\$ 11,939,475

Capitalized replacement parts - The balances of capitalized replacement parts at March 31, 2015 and December 31, 2014 are summarized as follows:

	2015	2014
Capitalized replacement parts	\$ 8,832,033	\$ 8,949,003
Less		
Accumulated depreciation	1,571,922	1,479,456
Total	\$ 7,260,111	\$ 7,469,547

Securities exchange certificates - The balances of Securities Exchange Certificates at March 31, 2015 and December 31, 2014 amounted to \$8,821.

9. Assets under bailment agreement

On October 11, 2009, the Executive Branch decreed the extinction of the Decentralized Company Luz y Fuerza del Centro, and instructed the Sale of Assets Service (SAE) to place all the useful assets applicable to electric power services at the disposal of the CFE which, by operation of the Public Electric Power Service, is responsible for operating this service.

On that same date, the SAE and CFE entered into an agreement that they subsequently ratified on August 11, 2010, whereby they agreed that beginning with the effectiveness of

the decree referred to above, the SAE will deliver the assets under a contract without valuable consideration, which are useful to the electric service in the Central Zone of the country in order to serve more than 6 million customers. Moreover, it is agreed that beginning October 11, CFE will be responsible for the revenues and operating costs, conservation, and maintenance of the infrastructure.

The duration of the bailment agreement is three years, beginning October 11, 2009. That duration was automatically extended for another three year period on October 11, 2012.

For purposes of identification and valuation of the assets, subject matter of the bailment agreement, the SAE made use of the services of specialized consultants in the practice of assessed physical inventories. The amount of \$106,496,100 was obtained and registered by CFE in its memorandum of accounts at 2011 year end. This amount consists of electric infrastructure, as well as real and private property. As of March 31, 2015 and December 31, 2014, the balance of these assets amounted to \$100,694,123.

10. Derivative Financial Instruments

- Balances at March 31, 2015 and December 31, 2014 of derivative financial instruments and interest are summarized as follows:

	<u>2015</u>	<u>2014</u>
Designated as hedges		
Assets	\$ <u>10,011,799</u>	\$ <u>9,974,406</u>
Liabilities	\$ <u>9,409,335</u>	\$ <u>9,621,788</u>
Trading purposes		
Assets	\$ <u>4,085,979</u>	\$ <u>3,983,452</u>
Liabilities	\$ <u>5,262,727</u>	\$ <u>4,933,590</u>
Total Derivative Financial Instruments		
Assets	\$ <u>14,097,778</u>	\$ <u>13,957,858</u>
Liabilities	\$ <u>14,672,062</u>	\$ <u>14,555,378</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 yen at the spot exchange rate of the date of the operation of 118.7499 yen 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 yen per US dollar. As a result of the operation, CFE pays an annual interest rate equivalent to 8.42% in US dollars. The effect of the evaluation of foreign currency "Forward" contracts is recorded in the

Financial Cost. A comprehensive gain or loss on financing. A gain (loss) in that cost offsets a loss (gain) in the underlying liability.

CFE's tax obligation is to pay Japanese yens based to the creditor on the due dates. It is entitled to receive yen from the institution with which it contracted the hedge, in exchange for certain US dollars set forth in the financial instrument contract. The gain (loss) of the transaction with the institution with which the financial instrument was contracted is as follows:

		Exchange rate (March 2014)	Local currency (thousands of pesos)
Assets receivable (assets)	32,000,000,000 yen	0.1273	\$4,073,600
Assets deliverable (liability)	269,474,000 dollars	15.1542	<u>\$4,083,663</u>
Assets deliverable, net			<u>\$ 10,063</u>

Beginning March 17, 2003 and up to September 17, 2032, CFE is bound to realize semester payments in the amount of 11,344,855.40 US dollars equivalent to 612,800,000 Japanese yen. Accordingly, the total sum that CFE is bound to deliver in the next 17.5 years amounts to 397,069,939 US dollars, and the total amount that it will receive will be 21,448,000,000 Japanese yen.

Additionally, upon termination of the hedging contract, the parties entered into a purchase agreement by CFE of a "European Call" by which CFE acquired the right to buy Japanese yen at market price upon maturity, in the event that the yen/dollar exchange rate is listed below 118.7498608401 yen 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 yen per dollar.

In the event that CFE should decide to terminate the hedge (exchange "forwards") early, it would generate an estimated extraordinary loss at March 31, 2015 in an amount approximating 11,651,653 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 March 31, 2015 are itemized below:

Counterparty	Primary Position	Purpose	Amount of notional	Underlying asset	Market value	Hedge (fund) inception date	Hedge (fund) termination date	Rate / type of currency received	Rate / type of currency paid	% hedged
BANAMEX	\$ 1,702,516	Change from floating rate to fixed rate	\$ 1,617,390	Interest rate CETES 182 + 0.25%	\$ (25,855)	December 07, 2007	May 26, 2017	CETES 182 + 0.25%	8.1950%	95%
BANAMEX	\$ 368,987	Change from floating rate to fixed rate	\$ 350,538	Interest rate CETES 182 + 0.25%	\$ (5,408)	February 15, 2008	August 04, 2017	CETES 182 + 0.25%	8.2200%	95%
BANCOMER	\$ 1,314,758	Change from floating rate to fixed rate	\$ 1,249,020	Interest rate CETES 91 + 0.50%	\$ (13,518)	December 06, 2007	February 23, 2017	CETES 91 + 0.50%	8.3650%	95%
BANAMEX	\$ 287,092	Change from floating rate to fixed rate	\$ 287,092	Interest rate CETES 91 + 0.45%	\$ (13,495)	April 24, 2008	January 11, 2018	CETES 91 + 0.45%	7.9000%	100%
J.P. MORGAN	\$ 607,928	Change from floating rate to fixed rate	\$ 593,239	Interest rate EHR 28 + 0.45%	\$ (7,962)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0900%	85%
HSBC	\$ 651,004	Change from floating rate to fixed rate	\$ 553,353	Interest rate EHR 28 + 0.45%	\$ (7,153)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0700%	85%
CREDIT AGRICOLE	\$ 590,622	Change from floating rate to fixed rate	\$ 502,029	Interest rate EHR 28 + 0.45%	\$ (6,110)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0850%	85%
BANCOMER	\$ 425,546	Change from floating rate to fixed rate	\$ 372,183	Interest rate EHR 28 + 0.45%	\$ (4,887)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0700%	87%
BNP PARIBAS	\$ 435,552	Change from floating rate to fixed rate	\$ 371,525	Interest rate EHR 28 + 0.45%	\$ (5,037)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.1000%	85%
GOLDMAN SACHS	\$ 422,726	Change from floating rate to fixed rate	\$ 370,171	Interest rate EHR 28 + 0.45%	\$ (4,707)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0500%	88%
SANTANDER SERFIN	\$ 547,807	Change from floating rate to fixed rate	\$ 533,627	Interest rate EHR 28 + 0.45%	\$ (6,105)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9800%	97%
CREDIT AGRICOLE	\$ 595,093	Change from floating rate to fixed rate	\$ 532,452	Interest rate EHR 28 + 0.45%	\$ (5,395)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9650%	89%
HSBC	\$ 554,726	Change from floating rate to fixed rate	\$ 532,430	Interest rate EHR 28 + 0.45%	\$ (6,083)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9800%	96%
BANCOMER	\$ 580,614	Change from floating rate to fixed rate	\$ 529,682	Interest rate EHR 28 + 0.45%	\$ (6,151)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9800%	91%
BANAMEX	\$ 576,581	Change from floating rate to fixed rate	\$ 529,264	Interest rate EHR 28 + 0.45%	\$ (6,057)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9750%	92%
GOLDMAN SACHS	\$ 558,268	Change from floating rate to fixed rate	\$ 527,253	Interest rate EHR 28 + 0.45%	\$ (6,124)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9850%	94%
CREDIT AGRICOLE	\$ 468,606	Change from floating rate to fixed rate	\$ 374,884	Interest rate EHR 28 + 1.59%	\$ (2,047)	July 02, 2012	June 29, 2020	CETES 28 + 1.59%	6.8180%	80%
BANAMEX	\$ 459,982	Change from floating rate to fixed rate	\$ 367,985	Interest rate EHR 28 + 1.59%	\$ (2,453)	July 02, 2012	June 29, 2020	CETES 28 + 1.59%	6.8100%	80%
SANTANDER	\$ 450,342	Change from floating rate to fixed rate	\$ 360,274	Interest rate EHR 28 + 1.59%	\$ (2,453)	July 02, 2012	June 29, 2020	CETES 28 + 1.59%	6.8290%	80%
HSBC	\$ 436,070	Change from floating rate to fixed rate	\$ 348,856	Interest rate EHR 28 + 1.59%	\$ (2,351)	July 02, 2012	June 29, 2020	CETES 28 + 1.59%	6.8300%	80%
CREDIT SUISSE	USD 16,788	Translate Dollars into Pesos	USD 12,005	Exchange rate USD/Mexican Peso	16,242	January 24, 2005	July 24, 2021	US dollars	Pesos	72%
CREDIT SUISSE	USD 10,750	Translate Dollars into Pesos	USD 8,311	Exchange rate USD/Mexican Peso	12,205	February 02, 2005	February 02, 2023	US dollars	Pesos	77%
DEUTSCHE BANK	USD 208,188	Translate Dollars into Pesos	USD 171,323	Exchange rate USD/Mexican Peso	223,173	May 03, 2005	June 21, 2021	US dollars	Pesos	82%
GOLDMAN SACHS	USD 49,296	Translate Dollars into Pesos	USD 40,977	Exchange rate USD/Mexican Peso	56,801	March 26, 2005	March 26, 2022	US dollars	Pesos	83%
GOLDMAN SACHS	USD 200,000	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 186,667	Exchange rate USD LIBOR Rate	34,263	December 15, 2008	December 15, 2036	US dollars	Fixed rate pesos	93%
DEUTSCHE BANK	USD 200,000	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 186,667	Exchange rate USD LIBOR Rate	19,772	December 15, 2008	December 15, 2036	US dollars	Fixed rate pesos	93%
GOLDMAN SACHS	USD 105,450	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 96,662	Exchange rate USD LIBOR Rate	36,023	June 15, 2009	December 15, 2036	US dollars	Fixed rate pesos	92%
DEUTSCHE BANK	USD 105,450	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 96,662	Exchange rate USD LIBOR Rate	40,254	June 15, 2009	December 15, 2036	US dollars	Fixed rate pesos	92%
DEUTSCHE BANK	USD 255,000	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 232,750	Exchange rate USD LIBOR Rate	37,728	June 15, 2009	December 15, 2036	US dollars	Fixed rate pesos	92%

- Effectiveness measurement of derivative financial instruments designated as hedges at March 31, 2015

Name of the Hedge in Accordance with the Documentation	Date of Swap	Cash Flow		Effectiveness %	Rate used to Calculate		Surcharge	Base of Calculation for Both Cash Flows	Frequency of Periods	Date of Calculation of Both Rates
		Cash Flow Payable on Primary Position	Cash Flow Receivable on Derivative Instrument		Cash Flow of Primary Position	Rate Used to Calculate Cash Flow of Derivative Instrument				
BANCOMER BANAMEX ING IV	January 02, 2015	\$ 12,203	\$ 12,203	100 %	3.2875 %	3.2875 %	0.45 %	CURRENT 360	Monthly	December 03, 2014
ICO 4	January 15, 2015	\$ 2,389	\$ 2,389	100 %	2.98 %	2.98 %	0.45 %	CURRENT 360	Quarterly	October 16, 2014
BANCOMER BANAMEX ICO 8	January 26, 2015	USD 397	USD 397	100 %	1.25 %	1.25 %	0.00 %	CURRENT 360	Semester	May 05, 2005
BANCOMER 2	January 30, 2015	\$ 11,257	\$ 11,257	100 %	3.3110 %	3.3110 %	0.45 %	CURRENT 360	Monthly	December 30, 2014
BANCOMER 1	February 03, 2015	USD 256	USD 256	100 %	1.25 %	1.25 %	0.00 %	CURRENT 360	Semester	May 05, 2005
ING III	February 06, 2015	\$ 4,621	\$ 4,621	100 %	3.3110 %	3.3110 %	1.59 %	CURRENT 360	Monthly	December 30, 2014
BANCOMER BANAMEX ING II	February 27, 2015	\$ 2,769	\$ 2,769	100 %	2.87 %	2.87 %	0.50 %	CURRENT 360	Quarterly	November 27, 2014
BANCOMER 2	March 02, 2015	USD 3,657	USD 3,657	100 %	3.2950 %	3.2950 %	1.59 %	CURRENT 360	Monthly	January 28, 2015
ICO 5 6 AND 7	March 06, 2015	\$ 3,416	\$ 3,416	100 %	2.89 %	2.89 %	0.79 %	CURRENT 360	Quarterly	January 30, 2015
BANCOMER BANAMEX BANCOMER 2	March 26, 2015	USD 1,319	USD 1,319	100 %	1.25 %	1.25 %	0.00 %	CURRENT 360	Semester	December 04, 2014
	March 27, 2015	\$ 11,236	\$ 11,236	100 %	3.3041 %	3.3041 %	0.45 %	CURRENT 360	Monthly	May 04, 2005
	March 31, 2015	\$ 3,931	\$ 3,931	100 %	3.2987 %	3.2987 %	1.59 %	CURRENT 360	Monthly	February 25, 2015
										February 27, 2015

Effectiveness Measurement

CFE uses risk management to mitigate exposure to the volatility of interest rates and exchange rates. Pursuant to the foregoing, the Entity has contracted plain vanilla interest rate and foreign currency swaps. With this, variable cash flows on the primary position have been hedged 100% by the cash flows received from the Derivative Financial Instrument.

Effectiveness Measurement Methodology

The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the measurement method. In the effectiveness measurement tests performed on the swap flows, effectiveness was 100%.

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

With this, it can be observed and concluded that the critical characteristics of both the cash flow of the primary position and the cash flow of the derivative financial instrument are exactly equal, and the effectiveness of each Derivative Financial Instrument contracted by the Entity is 100%.

Sensitivity analysis

In accordance with IFRS, sensitivity was calculated of the variation in the market value of the derivative financial instruments contracted by NIIF.

The case of the operation of trading currencies (Forward) shows that the variation of one centavo in the exchange rate generates an approximate change in the market value of 0.0660 %, that is, \$3,971 (thousands of pesos) by March 31, 2015.

Interest rate and foreign currency hedge trading (Cross Currency Swaps) shows that the variation of one centavo in the exchange rate generates an approximate change in the market value of 0.0660 %, that is, \$7,278 (thousands of pesos), that is, \$8,136 (thousands of pesos) for March 31, 2015.

Interest rate hedging operations (Interest Rate Swaps) show that the variation of one base point in the interest rate generates an approximate change in the market value of 0.1794 %, that is, \$586 (thousands of pesos) for September 30, 2014.

Comments on the Market Value (Mark-to-Market) and the adjustment on the Credit risk and its Level of Hierarchy.

The net clean market value of derivative financial instruments designated as hedges (Mark-to-Market) at March 31, 2015 amounts to \$131,896 (thousands of pesos), which are included in patrimony and consist of \$143,449 against CFE, included in the value of the liability of the caption of financial instruments and \$275,345 in favor of CFE included in the value of the asset of the caption of financial instruments.

Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month. CFE monitors the Mark-to-market and if there is any doubt or observes any irregularity in the Mark-to-market behavior, it asks the counterparty for a new valuation.

Pursuant to the foregoing, the Market Value sent by the Calculation agent or counterparty is only an indicative value, since the models used by banks can differ between each other.

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

In accordance with IFRS, fair value or Mark-to-Market (MTM) should reflect the creditworthiness of the Derivative Financial Instrument. Incorporating credit risk into the Mark-to-Market of the Derivative Financial Instruments recognizes the likelihood that one of the counterparties may incur in nonperformance and, therefore, the creditworthiness is reflected of the Derivative Financial Instrument, in accordance with IFRS.

Pursuant to the above, CFE adjusted the Fair Values or Mark-to-market that represent a credit risk for the entity.

Methodology to Adjust Fair Value or Mark-to-Market due on Credit Risk

In order to adjust the fair value of Derivative Financial Instruments pursuant to IFRS for credit risks, CFE will adopt the Credit Value Adjustment (CVA) concept.

The CVA consists of items of exposure or potential loss, likelihood of nonperformance and rate of recovery. Its formula is:

$$CVA = Exp * q * (1 - r)$$

Where:

Exp = Exposure

q = Likelihood of Nonperformance

r = Recovery Rate

Simplifications:

$$\text{Exp} = \text{MTM}$$

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

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

Exposure will be considered as total market value (MTM) of each counterparty, that is, the sum of all the MTMs that we have with the financial institution.

The likelihood of nonperformance by one less the recovery rate will be the adjustment to the sum factor of the market values or exposure of each counterparty.

In order to obtain the likelihood of nonperformance (q), the Credit Default Swaps (CDS) of the counterparties will be taken to their closest term available, in the understanding that the adjustment of the CVA will be carried out on a month-to-month basis. The CDS are data that reflect the market vision on credit risk, and it is transparent information for all financial entities.

For purposes of the calculation of the CVA, the recovery rate (r) will be zero. This rate is totally conservative, since the standard on the financial standard is 40%.

Once it is obtained, the CVA will proceed to adjust the MTM in the following manner:

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

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

Policies

Adjustment to Fair Value Methodology

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 March 31, 2015
Credit Suisse	28,448	28,272	176
Deutsche Bank	164,962	164,540	422
Collateral received	-	-	-
Total Cost (thousands of pesos)			598

Hierarchy of Fair Value or Mark-to-Market

Level 1 and 3 valuation information

In order to increase consistency and comparability of fair value measurements and their disclosures, IFRS set forth a fair value hierarchy that prioritizes on three levels of data in the valuation techniques used. This hierarchy grants the highest priority to quoted prices (unadjusted) on the active markets for assets and liabilities (level 1) and the lowest priority for unobservable data (level 3).

The availability of relevant information and its relative subjectivity can affect the appropriate selection of the valuation technique. However, fair value hierarchy prioritizes data about valuation techniques.

Level 2 valuation information

As explained above and pursuant to the terms in which the ISDA contracts were signed, the counterparties or banking institutions are the appraisers, and they are the institutions who calculate and send the Mark-to-Market every month.

Therefore, it is determined that the hierarchy level of the Entity's Mark-to-Market at March 31, 2015 is LEVEL 2 pursuant to the following points:

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

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

- 1) The objective for carrying out derivative financial instruments trading is:

CFE may realize any type of explicit financial hedge, either at interest rates and/or exchange rates, or those strategies that are necessary to mitigate the financial risk faced by the Entity.

2) Instruments used:

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:

CFE cannot sell call options, put options or any other open instrument that exposes CFE to unlimited risk that is not totally offset by a corresponding opposite position.

4) Trading Markets

Domestic and Foreign

5) Eligible counterparties

Any Bank or Financial institution with which CFE has signed an ISDA

6) Policies for the designation of calculation or valuation agents:

All ISDA contracts define that the counterparty is the calculation agent.

7) Main contract conditions or terms:

The ISDA (International Swaps and Derivatives Association) are standardized contracts, and the conditions are the same in all of them. There are special characteristics only in confirmations.

8) Margin Policies

In the event that the market value of any operation should exceed the maintenance level agreed upon in the ISDA contracts and their supplements, the counterparty issues a request for deposit of collateral in an off-balance sheet item via fax or e-mail. CFE sends the security deposit to the counterparty. While there is a deposit for the margin call, the market value is reviewed by the "calculation agent", defined in the ISDA contract every day, in order for the company to be able to request the refund of the collateral when the market value returns to levels below the agreed upon maintenance level. These security deposits are considered as a restricted asset in derivative financial instrument trading for CFE, and it is given the pertinent accounting treatment.

By March 31, 2015, CFE has security deposits or margin calls in an amount of 32.3 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.

Authorization processes and levels required by type of trade (simple hedge, partial hedge, speculation) indicating if derivatives trading was previously approved by the committee or committees that undertake corporate and audit practices.

The limits on the extension of transactions and derivative financial instruments are established based on the general conditions of the primary position and the underlying asset to hedge.

CFE may contract hedge transactions with financial derivatives, either at interest rates and/or exchange rates when the conditions thereof are a mirror of the primary position and underlying asset or liability to be hedged.

CFE has the Interinstitutional Delegate Committee of Financial Risks Associated with the financial position and Price of Fossil Fuels (CDIGR). When that Committee meets and together with the representatives of the SHCP and BANXICO, the institutions that are part of the CDIGR may authorize CFE to:

- A) Contract financial derivatives with conditions other than those of the primary position and/or underlying asset to hedge
- B) The liquidation of positions;
- C) Any other derivative financial instruments trading that is advisable for CFE

The CDIGR will have the power to modify, reduce or expand the Operating Guidelines of Financial Risk Management of 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.

11. Debt

The balances of the documented debt at March 31, 2015 and December 31, 2014 are summarized as follows:

Foreign Debt	Type of credit	Weighted Interest rate	Due dates	2015		2014	
				Local currency	Foreign currency (Thousands)	Local currency	Foreign currency (Thousands)
In US dollars at the exchange rate per dollar of \$15.1542 at March 31, 2015 and \$14.718 at December 31, 2014	Bilateral	Fixed and variable - 1.22%	Various up to 2023	3,685,624	243,208	3,888,330	264,189
	Bonds	Fixed and variable - 5.12%	Various up to 2042	48,296,435	3,456,474	46,906,266	3,187,000
	Revolving	Fixed and variable - 1.84%	Various up to 2017	2,194,769	144,829	2,307,448	156,777
	Syndicated	Fixed and Variable - 1.42%	2018	18,942,750	1,250,000	-	-
Total US dollars				<u>73,119,578</u>	<u>5,094,511</u>	<u>53,102,044</u>	<u>3,607,966</u>
In euros at exchange rate for euros of \$16.3973 at March 31, 2015 and \$17.8103 at December 31, 2014	Bilateral	Fixed and variable - 1.34%	Various up to 2024	123,072	7,506	142,400	7,995
	Revolving	Fixed and variable - -2.96%	Various up to 2017	19,385	1,182	33,967	1,907
Total euros				<u>142,457</u>	<u>8,688</u>	<u>176,367</u>	<u>9,902</u>
In Swiss francs at the exchange rate per Swiss franc of \$15.7134 at March 31, 2015 and \$14.8122 at December 31, 2014	Bilateral	Variable - 0%	Various up to 2015	1,513,463	96,317	1,464,090	98,844
	Revolving	Fixed- 0.83%	Various up to 2018	<u>1,513,463</u>	<u>96,317</u>	<u>1,464,090</u>	<u>98,844</u>
Total Swiss francs							
In Swedish kronas at the exchange rate per Swedish Krona of \$1.7708 at March 31, 2015 and of \$1.8882 at December 31, 2014	Bilateral	Fixed -2.41%	Various up to 2015	4,757	2,686	7,197	3,811
Total Swedish kronas				<u>4,757</u>	<u>2,686</u>	<u>7,197</u>	<u>3,811</u>
In Japanese yens at the exchange rate per Japanese yen of \$0.1273 at March 31, 2015 and \$0.1227 at December 31, 2014	Bilateral	Fixed and variable-1.7%	Various up to 2020	433,802	3,407,715	415,674	3,387,723
				<u>433,802</u>	<u>3,407,715</u>	<u>415,674</u>	<u>3,387,723</u>
Bond		Fixed -3.83%	2032	4,073,600	32,000,000	3,926,400	32,000,000
Assets received for financial instruments, net (Note 10b)				10,063	39,718		
Total Japanese yen				<u>4,083,663</u>	<u>32,000,000</u>	<u>3,966,118</u>	<u>32,000,000</u>
				<u>4,517,465</u>	<u>35,407,715</u>	<u>4,381,792</u>	<u>35,387,723</u>
Total foreign debt				<u>\$79,297,720</u>		<u>\$59,131,490</u>	

Internal debt	Type of credit	Weighted Interest rate	Due dates	2015		2014	
				Local currency	Foreign Currency (Thousands)	Local currency	Foreign Currency (Thousands)
Local currency	Bank loans	Variable - 4.14%	Various up to 2023	41,466,667		41,466,667	
	Securities market	Fixed and variable - 6.18%	Various up to 2025	53,500,000		53,500,000	
Total Mexican pesos							
Total internal debt				94,966,667		94,966,667	
				94,966,667		94,966,667	
Summary							
Total foreign debt				79,297,720		59,131,490	
Total internal debt				94,966,667		94,966,667	
Total documented debt				174,264,387		154,098,157	
Total short-term				33,738,212		14,789,500	
Total long-term				140,526,175		139,308,657	
Total short and long-term				\$174,264,387		\$154,098,157	

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

Short-Term	
2016	15,507,552
2017	12,585,246
2018	19,076,837
2019	6,014,397
2020 - Subsequent years	87,342,143
Total Long-term	140,526,175
Total	\$174,264,387

b. Debt

The following credits were obtained during the three-month period ended March 31, 2015:

Internal debt

In December 2014, a credit was obtained in the amount of 15 billion pesos through Cebures comprised of two Lines of Indeval Credit at a Fixed Rate of 7.35% in the amount of 9 billion 500 million pesos at an 11 year term and another at an EIIR rate +0.15 over an 11 year period. Moreover, payments were made in the amount of \$500 million pesos to Banorte and 1 billion 250 million dollars to BBVA Bancomer, among other things.

A credit was contracted in the amount of 5 billion pesos from Banco HSBC at an EIIR 28 +0.425 and a 3 year term in November.

In March 2014, a bond was contracted in the amount of \$6 billion 300 million pesos with Banco Santander, S. A. de C. V., at a rate of EIIR 91, +0.65 % and an d a term of 4 years.

Securities exchange certificates were issued through a direct credit to finance general treasury needs in a total amount of 12 billion nominal pesos in June. A bank credit was obtained in the amount of 2 billion pesos from BBVA Bancomer at an EIIR rate at 182 days, +0.55 in August. A credit was obtained in the amount of 6 billion pesos from Santander at an EIIR 28 +0.95 in October. In addition, two securities exchange certificates were issued through Indeval, which amounted to a total of 10 billion pesos (one for 3.25 billion pesos at an EIIR rate +0.15 and the other in the amount of 6.75 billion pesos at a 7.77% fixed rate) in November. A credit amounting to 3 billion pesos was obtained from HSBC at an EIIR 28 +0.75, also in November. Finally, a credit amounting to 5 billion pesos was obtained from Banorte at an EIIR rate 182, +0.75 in December. These loans amount to a total of 38 billion pesos.

Foreign debt

During the three-month period ended March 31, 2015, the amount of 2.1 million Swiss francs was drawn down from a line of credit contracted with UBS at an SEBR rate. The last amortization of that drawdown will be in October 2019. In addition, a drawdown was made in the amount of 19.9 million yen from a line of credit contracted with Eximbank Japan, at a CIRRR rate, and its last amortization will be in January 2017.

The amount of 1 billion 250 million dollars was drawn down from a syndicated loan at a LIBOR rate of 6 months plus 1.15 in January 2015, and it will be liquidated at year end. This credit was contracted in September 2013, and must be liquidated at every year end, but it is drawn down again at the beginning of the following year.

The equivalent Pesos of the drawdowns realized in the first quarter of the year amount to a total of 18 billion 300.8 million pesos.

12. Long-term Productive Infrastructure Projects (PIDIREGAS) Direct Investment (PIDIREGAS)

The balances of direct and conditioned investment at March 31, 2015 and December 31, 2014 are summarized and mature as follows:

	Direct Investment PIDIREGAS	Conditioned Investment PEEs	Total 2015	Total 2014
Short-Term	\$ 13,566,393	\$ 3,126,155	\$ 16,692,548	\$ 16,026,662
<u>Long-Term</u>				
2016	8,056,798	2,543,906	10,600,704	16,514,006
2017	10,448,223	3,772,004	14,220,227	13,378,163
2018	14,081,631	4,198,582	18,280,213	17,425,417
2019	8,917,425	4,677,670	13,595,095	12,735,571
2020	6,958,477	5,216,169	12,174,646	11,310,406
2021	6,005,063	5,821,930	11,826,993	10,951,271
Subsequent years	30,096,001	71,812,609	101,908,610	94,747,636
Total long-term	\$ 84,563,618	\$ 98,042,870	\$ 182,606,488	\$ 177,062,470
Total	\$ <u>98,130,011</u>	\$ <u>101,169,025</u>	\$ <u>199,299,036</u>	\$ <u>193,089,132</u>

At March 31, 2015 and December 31, 2014, the debt applicable to the acquisition of plants, facilities and equipment through PIDIREGAS was recorded in accordance with International Financial Reporting Standards, as summarized below:

Term	Value of the credit:	Balances at March 31, 2015 (Thousands)				Balances at December 31, 2014 (Thousands)			
		Local currency		Foreign currency		Local currency		Foreign currency	
		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
	Foreign Debt								
	463.22 Millions of dollars	374,584		24,718		345,374		23,466	
	656.30 Millions of dollars	298,529	2,006,751	19,699	132,422	42,656	2,097,670	2,898	142,524
	51.91 Millions of dollars	55,529	49,108	3,664	3,241				
	197.06 Millions of dollars					189,585	87,094	12,881	5,918
	701.22 Millions of dollars	292,421	1,133,195	19,296	74,778	275,793	1,175,159	18,739	79,845
	259.36 Millions of dollars	413,729	1,654,917	27,301	109,205	401,821	1,808,192	27,301	122,856
	491.64 Millions of dollars	413,909	5,477,018	27,313	361,419	401,995	5,520,365	27,313	375,076
	745.12 Millions of dollars	912,893	9,279,895	60,240	612,365	886,616	9,012,782	60,240	612,365
	607.39 Millions of dollars	308,590	6,480,391	20,363	427,630	299,708	6,293,858	20,363	427,630
	Total foreign debt	3,070,184	26,081,275	202,594	1,721,060	\$2,843,548	25,995,120	193,201	1,766,214
	Internal debt								
	1,388.77 Millions of pesos		542,071			70,941	-		
	6,112.93 Millions of pesos	1,194,870				1,331,122	917,423		
	2,265.65 Millions of pesos	234,620	260,750			234,620	278,521		
	29,419.11 Millions of pesos	1,382,642	3,326,745			1,585,448	3,781,465		
	7,720.15 Millions of pesos	792,608	2,812,529			878,950	3,302,803		
	8,019.72 Millions of pesos	829,623	3,319,208			956,150	4,099,274		
	1,147.26 Millions of pesos	121,828	718,632			121,828	743,050		
	17,178.79 Millions of pesos	1,824,307	9,124,899			2,013,065	11,038,411		
	8,723.13 Millions of pesos	920,392	6,106,062			725,245	4,818,563		
	24,145.99 Millions of pesos	2,384,709	16,537,170			969,608	7,084,924		
	5,174.42 Millions of pesos					520,546	3,140,895		
	2,491.18 Millions of pesos	83,664	1,756,952			83,664	1,756,952		
	16,048.53 Millions of pesos	726,946	13,968,504			726,944	14,194,116		
	Total internal debt	10,496,209	58,473,522			10,218,130	55,156,396		
	Total	13,566,393	84,554,797			13,061,678	81,151,516		
	CEBURES		8,821				8,821		
	Total external and internal debt of								
	PIDIREGAS and CEBURES	\$ 13,566,393	\$ 84,563,618			\$ 13,061,678	\$ 81,160,337		

a) At March 31, 2015, minimum payment commitments for PIDIREGAS are as follows:

PIDIREGAS	\$128,458,701
less:	
Unaccrued interest	<u>30,337,511</u>
Present value of obligations	98,121,190
less:	
Current portion of obligations	<u>13,566,393</u>
Long-term portion of PIDIREGAS	84,554,797
CEBURES	<u>8,821</u>
Total CEBURES and PIDIREGAS	<u>\$ 84,563,618</u>

b) Securities Exchange Certificate Program - In order to refinance Financed Public Works projects (PIDIREGAS), 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 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 CFE, and each one of the disbursements becomes a PIDIREGAS debt.

To be able to carry out this financing mechanism, the National Banking and Securities Commission previously authorizes the CEBURES Programs, normally in minimum amounts of \$ 6 billion pesos, with a duration of two or more years, in order to be able to carry out the issues required up to the total authorized amount, which can be extended upon request.

During fiscal 2003, the first issues of CEBURES were carried out with three tranches in an accumulated amount of \$ 6 billion nominal pesos. The first two tranches were in the amount of \$2 billion 600 million nominal pesos each one, and they were carried out on October 6 and November 7, 2003, respectively. The third tranche was realized in the amount of \$800 million nominal pesos on December 11, 2003.

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

The effective period of all these transactions is approximately 10 years, at a Federal Treasury Certificates ("Cetes") interest rate at 182 days plus 0.85 percentage points

For the four tranches referred to above, the amortization of the principal will be approximately every 182 days, and the calculation of interest will include protection against inflation (inflation floor), that is, for each interest period that applies, if applicable, the rate will be adjusted as the result of a comparison of the percentage

increase in the value of the investment unit ("UDI") during the interest period at issue, with the annual gross interest rate payable with respect to the CEBURES for that interest period.

The issues of the first three tranches of a new CEBURES program was carried out in a total amount of \$7 billion 700 million nominal pesos in August 2005. The first tranche in the amount of \$2 billion 200 million nominal pesos on March 18, 2005, the second one in the amount of \$ 3 billion nominal pesos on July 1, 2005, and the third one in the amount of \$2 billion 500 million nominal pesos on August 19, 2005. Their effective period is approximately 10 years, at a Cetes interest rate at 182 days plus 0.79 percentage points.

At December 31, 2005, of the \$7 billion 700 million pesos issued in that year, only \$6 billion 112 million had been disbursed for payment of the "PIDIREGAS" financed debt, and the remaining balance to be drawn down amounts to \$1 billion 587.8 million pesos. This balance was drawn down in its entirety in 2006.

On January 27, 2006, the fourth tranche was issued in the amount of \$ 2 billion nominal pesos, and the fifth tranche in the amount of \$ 1 billion 750 million nominal pesos on March 9, 2007 with a 10 year term at an interest rate equivalent to Cetes at 91 days plus 0.429 percentage points and 0.345 percentage points, respectively.

On April 24, 2006, the National Banking and Securities Commission authorized a new CEBURES Program, having been issued in the amount of \$ 2 billion nominal pesos in each one of these transactions on April 28, June 9, and October 20, 2006. Furthermore, a fourth issue was realized in the amount of \$1 billion pesos on November 30, 2006.

The effective period of the transactions referred to above is approximately 10 years. The weighted average interest rate is equivalent to Cetes at 91 days plus 0.42 percentage points of the first three transactions, and it was set at 7.41% for that of the fourth transaction.

At December 31, 2006, of the \$7 billion nominal pesos of the four issues, a total amounting to \$3 billion 631.9 million pesos had been disbursed from the Trusts for refinancing Financed Public Work projects.

The National Banking and Securities Commission authorized a new Program, and the first issue was realized in the amount of \$ 1 billion 500 million nominal pesos on November 10, 2006, which would be used for payment to the contractors awarded the tenders of PIDIREGAS projects. This first issue has a 30 year term, and it pays an annual gross interest rate of 8.58% payable every 182 days. The amount of \$ 1 billion 384.7 million pesos were disbursed on February 28, 2007, which were used for the partial payment to the PIDIREGAS project contractor known as "El Cajon".

On August 30, 2007, a second issue was realized at 30 years in the amount of \$ 1 billion pesos to cover the second payment to the PIDIREGAS project contractor "El Cajon".

The following issues were realized at 10 years in fiscal 2007: an issue amounting to \$1 billion 750 million nominal pesos at Cetes plus 0.345% annual on March 9, 2007, another issue also amounting to \$1 billion 750 million nominal pesos with a Cetes interest rate plus 0.25% annual on June 8, a third issue amounted to \$ 1 billion 750.0 pesos at Cetes plus 0.25% on August 17, 2007, and finally a last issue amounting to \$1 billion 200 million pesos at a cost of Cetes 182 plus 0.30% on November 23, 2007.

During fiscal year 2007, a total of \$9 billion 945.2 million pesos was disbursed from the Trusts for financing various payments on the Financed Public Work projects.

Two issues were realized in 2008, one of \$ 2 billion pesos on January 25, 2008, and the second issue of \$1 billion 700 million on May 23, 2008, both at a CETES rate at 91 days plus 0.45%.

During fiscal year 2008, a total of \$4 billion 827.3 million pesos was disbursed from the Trusts for financing various Financed Public Work projects.

The following issues at 10 years were realized in fiscal 2009: Three (3) issues in Investment Units (UDIs): an issue of UDIS 285.1 million at an annual fixed 4.80% rate in UDIS on April 29, 2009, an issue of UDIS 457.0 million at an annual fixed 4.60% rate in UDIS on August 7, 2007, and an issue of UDIS 618.5 million at an annual fixed 5.04% rate in UDIS on October 2, 2009, and Two (2) issues in pesos: the first issue of \$2 billion 594.6 million nominal pesos on April 29, 2009, and the second issue of \$1 billion 466.7 million pesos on August 7, 2009, both at an annual fixed 8.85% rate.

During fiscal year 2009, a total amounting to \$4 billion 618.3 million pesos and 676.2 UDIS were disbursed from the Trusts for financing various payments on the Financed Public Work projects.

Two issues were realized during fiscal 2010: the first issue in two tranches on March 25, one at a 10 year term for \$ 2 billion 400 million nominal pesos, and interest was paid at an annual fixed 8.05% rate, and the other tranche at a 7 year term for \$ 2 billion 600 million nominal pesos, and interest was paid at an interest rate equivalent to EIIR plus 0.52% annually. The second issue was carried out on July 23, also in two tranches, one at a 10 year term for \$3 billion 250 million with an interest rate equivalent to EIIR plus 0.45% annual, and the second tranche at a 9 year term for \$ 1 billion 750 million nominal pesos, and interest was paid at an annual fixed rate of 7.15%.

On February 19, 2011, 3 billion 800 million pesos were issued to finance Financed Public Works projects at a 9.4 year term, and paying annual EIIR interest + 0.40%.

On September 24, 2012, Securities Exchange Certificates were placed in a total amount of \$ 13 billion 500 million pesos at a 30 year term and a 7.70% annual coupon. The proceeds of this issue were used to pay the "La Yesca" Financed Public Work project.

There were no issues of CEBURES in the last quarter of 2013, during 2014 or during the three-month period ended March 31, 2015. Therefore, there is an available balance of 8 million 821 thousand pesos to be allocated to pay the "La Yesca" project.

13. CONDITIONED INVESTMENT (INDEPENDENT ENERGY PRODUCERS OR "PEE")

At March 31, 2015, 26 contracts have been signed with private investments, denominated independent energy producers, which set forth the obligation for the CFE to pay various considerations, in exchange for them to guarantee energy supply service, based on a previously established generation capacity, through power generating plants financed and built for account of those investors.

The obligation of future payments for CFE includes: a) rules for quantifying the amount of acquisition of generating plants when a contingent event occurs that is defined as force majeure in the terms of each contract, applicable from the construction stage of each project up to the termination of the contracts; and b) fixed charges for power generation capacity, as well as variable charges for operation and maintenance of the generating plants, which are determined in accordance with the variable terms set forth in the contracts, applicable from the start-up testing stage up to the termination of the contracts.

a) Classified as a lease

The Company has evaluated that 23 of the contracts with independent producers have lease characteristics of the power generating plant, in accordance with CINIIF 4 "Determination if an agreement contains a lease" and CINIIF 12 "Service Concession Agreements". In turn, those leases qualify as financial leases in accordance with IAS 17 "Leases".

The lease agreements have a 25 year duration. The annual interest rate on those lease agreements is 11.19% on the average.

	<u>Minimum lease payments</u>		<u>Present value of lease payments</u>	
	<u>3/31/2015</u>	<u>12/31/2014</u>	<u>3/31/2015</u>	<u>12/31/2014</u>
Short-term	13,747,635	13,351,922	3,126,155	2,964,984
Between one and five years	61,864,361	60,083,651	17,864,425	20,644,470
More than five years	<u>129,271,081</u>	<u>125,550,129</u>	<u>80,178,445</u>	<u>75,257,663</u>
Final accumulated equity	<u>204,883,077</u>	<u>198,985,702</u>	<u>101,169,025</u>	<u>98,867,117</u>

At March 31, 2015, 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	Jun-00	242,685	172,947	9,280	\$2,620,874	\$140,629
CC HERMOSILLO	OCT/-01	156,144	123,220	4,894	1,867,307	74,168
CC SALTILLO	NOV/-01	152,383	112,533	5,264	1,705,343	79,769
TUXPAN II	DEC/-01	283,133	226,937	8,288	3,439,049	125,591
EL SAUZ BAJIO	Mar-02	399,773	330,761	11,017	5,012,422	166,955
CC MONTERREY	Mar-02	330,440	221,338	12,339	3,354,201	186,990
CC ALTAMIRA II	May-02	233,234	199,321	5,745	3,020,547	87,054
CC Rio Bravo II	May-02	232,108	170,744	7,874	2,587,495	119,319
CC CAMPECHE	May-03	196,554	154,253	5,811	2,337,576	88,062
CC TUXPAN III Y IV	May-03	587,064	479,645	15,859	7,268,638	240,327
CC MEXICALI	Jul-03	569,345	417,096	18,612	6,320,755	282,049
CC CHIHUAHUA III	Sept-03	275,327	199,070	9,170	3,016,753	138,962
CC NACO NOGALES	Oct-03	238,016	145,227	9,074	2,200,802	137,513
CC ALTAMIRA III Y IV	Dec-03	600,897	460,965	18,102	6,985,556	274,321
RIO BRAVO III	Apr-04	312,602	260,252	7,712	3,943,914	116,863
CC LA LAGUNA II	Mar-05	367,578	310,743	8,582	4,709,060	130,056
CC RIO BRAVO IV	Apr-05	270,697	235,794	5,549	3,573,268	84,090
CC VALLADOLID III	Jun-06	288,160	243,320	6,758	3,687,312	102,415
CC TUXPAN V	Sept-06	284,997	258,107	4,687	3,911,412	71,023
CC ALTAMIRA V	Oct-06	532,113	495,970	6,830	7,516,030	103,501
CC TAMAZUNCHALE	Jun-07	482,562	434,908	8,281	6,590,683	125,499
CCC NORTH	Aug-10	450,097	403,601	9,686	6,116,243	146,776
CCC NORTH	Jan-14	427,733	<u>412,931</u>	<u>6,876</u>	<u>6,257,630</u>	<u>104,223</u>
Total			<u>6,469,683</u>	<u>206,290</u>	<u>\$98,042,870</u>	<u>\$3,126,155</u>

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:

CE Oaxaca I
CE Oaxaca II, III and IV
CE La Venta III

c) Service provider contracts

Cd. Pemex Valladolid Gas Pipeline
Terminal de Carbon

These service provider contracts are not considered as financial leases, since their characteristics do not comply with the provisions of IFRS of this particular treatment.

14. Taxes and fees payable

Taxes and fees payable at March 31, 2015 and December 31, 2014 are summarized as follows:

Payable by CFE	2015	2014
Income tax on the Distributable Remaining Balance	\$ -	\$ 2,487,106
Income tax payable for account of third parties	639,834	273,905
Contributions to the Mexican Institute of Social Security	348,888	653,947
Rights on use and development of national waters	252,180	299,331
Payroll Tax	43,538	47,354
Contributions to INFONAVIT	3,257	12,862
VAT payable	1,392,765	-
Subtotal	2,680,462	3,774,505
Withholdings		
Income Tax withheld from employees	623,868	644,071
Value added tax withholdings.	42,360	85,164
Income Tax on interest abroad	(0)	13,213
Income Tax on foreign residents	2,542	43,766
Five to the thousandth to contractors	14,199	15,082
Income tax on fees and leases	4,231	7,379
Two to the thousandth to contractors	636	719
Others	19,867	277
Subtotal	707,703	809,671
Other Taxes and Fees	\$ 3,388,165	\$ 4,584,176

15. Unrealized Proceeds

At March 31, 2015 and December 31, 2014, 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>2015</u>	<u>2014</u>
Government Contributions	\$ 2,260,660	\$ 2,171,635
Contributions from private persons	23,415,276	22,338,342
Contributions Others	<u>1,272,012</u>	<u>1,211,306</u>
	<u>26,947,948</u>	<u>25,721,283</u>
Electric power products and other related products	11,551	11,588
Unrealized proceeds optic fiber	<u>718,100</u>	<u>779,316</u>
	\$ <u>27,677,599</u>	\$ <u>26,512,187</u>

16. Other long-term liabilities

In fiscal 2010, the Company upgraded a technical - economic study to realize the dismantling of the Laguna Verde Nuclear Power Station, supported on studies realized by international companies about the dismantling of similar plants in order to determine the necessary provisions. As a result of that that upgrading, a provision was determined in the amount of 809.6 million US dollars. This estimate includes the costs for cooling, cleaning, progressive decontamination, transportation, and storage of radioactive wastes. Those expenses will be amortized in the period of the remaining useful life of the power station, which is an average of 20.5 years. The liability for dismantling the Laguna Verde Nuclear Power Station at March 31, 2015 and December 31, 2014 at present value amounts to \$3,916,655 and \$3,843,257, respectively.

17. Employee benefits

Employee benefit plans have been established relative to the termination of the employee relationship and for retirement due to causes other than restructuring. Retirement benefit plans consider 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.

The net cost for the period consists of a liability included in the statements of financial position, and a projected Net Liability amounting to \$572,893,710. The net cost for the period is recorded as a charge to income amounting to \$16,088,500. The amounts at December 31, 2014 were \$564,052,593 and \$55,090,048, respectively.

18. Patrimony

The restatement of equity is distributed among each one of its distinct components at March 31, 2015 and December 31, 2014, is shown below:

	2015			2014
	Par value	Restatement	Total	Total
Accumulated patrimony	\$ (63,265,538)	\$ 218,809,668	\$ 155,544,130	\$ 175,977,538
Revaluation surplus	-	-	-	38,950,186
Payment of public use tax				
Federal Revenue Law of the				
Federal Government	-	-	-	(31,518,000)
Contributions received from				
Federal Government	-	-	-	28,402,300
Charge to Patrimony for				
employee benefits	-	-	-	(9,627,144)
Found transferred to CENACE	-	-	-	(492,341)
Effect of financial				
instruments on patrimony:	200,137	-	200,137	(83,228)
Other movements in				
Patrimony, Net		-	-	766,720
Net income (loss) for the period	(16,305,042)	-	(16,305,042)	(46,831,901)
	<u>\$ (79,370,443)</u>	<u>\$ 218,809,668</u>	<u>\$ 139,439,225</u>	<u>\$ 155,544,130</u>

19. Other (expenses) income, net

At March 31, 2015 and 2014, other (expenses) income, net are summarized as follows:

	2015	2014
Other revenue	\$ 1,417,013	\$ 1,061,117
Other expenses	(615,880)	(360,397)
External electric power producers, net	406,348	784,977
Total	<u>\$ 1,207,481</u>	<u>\$ 1,485,697</u>

20. Income tax on the distributable remaining balance

Upon the repeal of the Electric Energy Public Service Law and the conversion of CFE into a State-Owned Productive Company, CFE is no longer subject to Title III of the Income Tax Law, which applies to non-profit legal entities. Instead, CFE is subject to and must comply with Title II of the Income Tax Law.

Until December 31, 2014, the Company did not pay taxes in accordance with Title II of the Income Tax Law. However, it had to withhold and pay the tax, as well as require the documentation that met tax requirements when making payments to third parties who were bound to the Income Tax Law. In accordance with Title III of the Income Tax Law, CFE was bound to pay a tax on the distributable remaining balance of the items that did not meet those tax requirements, in accordance with the provisions of Article 95 (the last paragraph of the Income Tax Law).

During the three month period ended March 31, 2014, Income Tax was due on the distributable remaining balance amounting to \$382,782.

21. Transactions with the Federal Government

The main transactions carried out with the Federal Government in the periods ended March 31, 2015 and 2014 were as follows:

	2015	2014
Rate Insufficiency	\$ 11,417,896	\$ 21,550,465
Less: Public use tax payable by CFE by applying a 9% rate on the net fixed assets in operation of the prior year	-	14,698,041
Net gain or loss on insufficiency and public use tax	11,417,896	6,852,424
Less: Write-off of insufficiency not covered by the public use tax	11,417,896	6,852,424
	\$ -	\$ -

Upon the repeal of the Electric Energy Public Service Law, and the conversion of CFE into a State-Owned Productive Company, the amounts that had been recorded as public use taxes stopped being considered as such, beginning January 1, 2015.

CFE is working with the Ministry of Finance and Public Credit in order to create a framework whereby CFE does not absorb the impact of the subsidies granted to consumers, due to the effect on electricity rates. CFE's Consolidated Statements of Comprehensive Income show the rate insufficiency of the period for informational purposes.

At March 31, 2014, public use tax was recorded in the amount of \$14,698,041, which was reduced by the same amount for rate insufficiency for such period in 2014.

The amount of the public use tax for 2014 was calculated based on the amendment to the Regulations of the LSPEE, which sets forth the concept of "net fixed asset in operation".

22. Comprehensive Loss

Comprehensive loss at March 31, 2015 and 2014 is summarized as follows:

	2015	2014
Loss as per consolidated statements of income	\$ (16,305,042)	\$ (5,814,304)
Write-off of opening balance of financial instruments in patrimony and others	68,241	698,402
Effect of financial instruments on patrimony for the period	131,896	(949,394)
	200,137	(250,992)
Comprehensive loss	\$ (16,104,905)	\$ (6,065,296)

23. Foreign currency position

At March 31, 2015 and December 31, 2014, CFE had US dollar denominated assets and liabilities as follows:

	2015					
	Assets			Liabilities		
	Cash and cash equivalents	Trade Payables	Internal debt	External debt	Leasing of equipment and PIDIREGAS	Short position in foreign currency
US dollars	142,068	54,030	-	4,825,701	8,599,628	13,337,291
Euros	-	-	-	8,688	-	8,688
Japanese yen	-	-	-	35,407,715	-	35,407,715
Swiss francs	-	-	-	96,317	-	96,317
Swedish krona	-	-	-	2,686	-	2,686

	2014					
	Assets			Liabilities		
	Cash and cash equivalents	Trade Payables	Internal debt	External debt	Leasing of equipment and PIDIREGAS	Short position in foreign currency
US dollars	37,972)	33,037	-	3,877,440	8,431,203	12,303,708
Euros	-	-	-	9,903	-	9,903
Japanese yen	-	-	-	35,387,723	-	35,387,723
Swiss francs	-	-	-	98,844	-	98,844
Swedish krona	-	-	-	3,811	-	3,811

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

Note: The PIDIREGAS dollar debt includes the amount of 6,675,973 million dollars of the financial lease debt with External Producers (as per IFRS).

These foreign currency assets and liabilities were translated into local currency at the exchange rate established by Banco de Mexico in the Official Daily Gazette at March 31, 2015 and December 31, 2014, as follows:

Currency	2015	2014
US dollars	\$ 15.1542	\$ 14.7180
Euros	16.3973	17.8103
Japanese yen	0.1273	0.1227
Swiss francs	15.7134	14.8122
Swedish krona	1.7708	1.8882

24. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company has approximately 26,630 lawsuits and administrative proceedings pending at March 31, 2015, whose economic effects are varied. The contingent amounts claimed against the Company that may materialize are not determinable, since lawsuits are pending. Accordingly, the responsible juridical area considers that the evaluation of the possibility of an unfavorable ruling handed down is not possible to establish, nor is it possible to be quantified.

Commitments

a. Natural gas supply contracts

To date there are three gas supply contracts:

1.- Natural Gas Supply contract at the delivery points from a Gas Natural Licuado (GNL) storage plant and/or Gas Natural Continental (GNC) with the supplier IENOVA LNG Marketing Mexico, S. de R. L. de C. V (formerly Sempra LNG), signed on January 21, 2005, due in 2022.

During the three-month period ended March 31, 2015, CFE was committed to buying 6 billion 784 Million Annual Cubic Feet (MMPC) on a Set Basis and 2 billion 412 million (MMPC) on a Variable Basis. At March 31, 2015, 9,196 MMPCA were consumed under this contract, which is consistent with what has been programmed.

2.- Service Contract for the Receipt, Storage, and Reclassification of Liquid Natural Gas and deliveries of Natural Gas to CFE for the Manzanillo, Colima, Mexico Zone, signed, with Terminal KMS de GNL, S. de R.L. de C.V. on March 27, 2008. MIT Investment Manzanillo B.V., Kopgamex Investment Manzanillo B.V, and SAM Investment Manzanillo B.

Contractual commitments consist of receiving and storing up to 300,000 m3 of Liquid natural Gas (GNL), as well as the regassification of GNL and delivery of Natural Gas (GN) of up to 141 billion 584 million daily cubic feet (MMCD) at the delivery points of CFE. 32 billion 659 million were consumed for the first quarter of 2015. The quantities programmed and consumed are consistent with what has been programmed.

3.- Natural gas supply contract at the delivery points of the CCC. Altamira V and the National Gas Pipeline System from a storage plant and reclassification in the Altamira Tamaulipas Mexico Zone, with the supplier Gas del Litoral, S. de R. L. de C. V., signed for an initial 15 year period on September 30, 2003.

Contractual commitments consist of acquiring the firm daily base quantities of Natural Gas during the supply period for: 500 Million daily cubic feet (MMPCD). For the first quarter of 2014, 34,533 MMPCA were consumed, which is consistent with what has been programmed and consumed.

b. Financed public works contracts

At March 31, 2015, CFE has signed various financed public works contracts, whose payment commitment will start on the days on which private investors complete the construction of each one of the investment projects and deliver the assets for their operation to the Company. The estimated amounts of these Financed Public Works contracts amount to \$17 billion ,537 million pesos in Transmission and Substations, as well as \$30 billion 490 million pesos, and \$16 billion 369 million pesos in Rehabilitation and/or Modernization Projects.

These projects are recorded under the PIDIREGAS scheme, and CFE applies the accounting policy described in Note 3-d-iii. Long-term Productive Infrastructure Projects (PIDIREGAS)

c. Trusts

1. Scope of performance

1.1 CFE currently participate in the capacity of Trustor or Beneficiary of a Trust in 19 (nineteen) Trusts, of which 3 (three) are in the process of extinction.

1.2 In conformity with its purpose and operating characteristics, they can be defined in the following groups:

- a. Power saved
- b. Prior expenses
- c. Construction contract management
- d. Indirect equity participation trusts

a. Power saved

Those organized to execute power savings promotion and savings programs.

Trust	Equity of CFE		
	Trustor	Trustee	Beneficiary of the trust:
Trust for Power Savings (FIDE), created August 14, 1990	Organization: Confederacion de Camaras Industriales (CONCAMIN), Camara Nacional de la Industria de Transformacion (CANACINTRA), Camara Nacional de Manufacturas Electricas (CANAME), Camara Nacional de la Industria de la Construccion (CNIC), Camara Nacional de Empresas de Consultoría (CNEC) and Sindicato Unico de Trabajadores Electricistas de la Republica (SUTERM)	Nacional Financiera, S.N.C.	a. Electric power consumers who are beneficiaries of the services rendered by the Trust. b. CFE only for the materials that would have formed part of the infrastructure of utilities electric power public service.

Trust	Equity of CFE		
	Trustor	Trustee	Beneficiary of the trust:
Mexicali Housing Thermal Insulation Trust (FIPATERM), created on October 19, 1990	CFE	Banco Nacional de Obras y Servicios Publicos, S.N.C.;	CFE

The Trust for Thermal Insulation of Housing (FIPATERM) has assets amounting to \$1,287,410 and liabilities amounting to \$22,192.

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 Saturday, September 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 \$3,887,735 and liabilities amounting to \$3,556,896.

The Management and Transfer of Ownership Trust 2030 has assets amounting to \$ 387,595.

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 at no cost, once those rents have been covered in a sufficient amount to pay the credits contracted.

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
	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.
SE 221 Western, organized on November 7, 1997	SPE Subestaciones AEG, S. A. de C. V.	CFE	Nacional Financiera, 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.

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, 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

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
C.C.C. Chihuahua, organized on December 8, 1997	Norelec del Norte, S.A. de C.V. and CFE.	CFE	Nacional Financiera, S.N.C.
C.C.C. Rosarito III (8 and 9), organized on August 22, 1997	CFE and Rosarito Power, S.A. de C.V.	CFE	BANCOMEXT
C.T. Samalayuca II, built on May 2, 1996	Compañía Samalayuca II, S.A. de C.V.	Primary beneficiary The foreign bank common representative of the creditors; Secondary beneficiary: Compañía Samalayuca II, S.A. de C.V. Tertiary beneficiary: CFE	Banco Nacional de Mexico, S.A.
LT 215 Alstom CEGICA, built on December 5, 1997	CEGICA, S. A. de C. V.	CFE	ANCOMEXT
SE 218 Northwest, organized on December 5, 1997	Dragados y CYMI, S. A. de C. V.	CFE	BANCOMEXT

At March 31, 2015, CFE has liabilities amounting to \$3,832,333 and fixed assets amounting to \$18,075,983, 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 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.

Expenses	Book entry of a fixed charge for capacity of Jan-Mar 2015
Carbon Petacalco	\$23,387

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. 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	Patrimony of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 161 created on October 2, 2003	ING (Mexico), S. A. de C. V., Casa de Bolsa, ING Grupo Financiero	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 194 created on May 3, 2004	Primary beneficiary ING (Mexico), S. A. de C. V. and Casa de Bolsa, ING Grupo Financiero Secondary beneficiary Deutsche Securities, S. A. de C. V. and Casa de Bolsa.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 290 created on Friday, April 07, 2006	Casa de Bolsa BBVA Bancomer, S. A. de C. V., Grupo Financiero BBVA Bancomer, HSBC Casa de Bolsa, S. A. de C. V., Grupo Financiero HSBC and IXE Casa de Bolsa, S. A. de C. V., IXE Grupo Financiero.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 232246 created on Friday, November 03, 2006	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	HSBC Mexico, S.A., Grupo Financiero HSBC

Trust	Patrimony of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 411 created on Thursday, August 06, 2009	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex

At March 31, 2015, there are funds available in trust No. 232246 amounting to \$8,821.

2. Legal nature

2.1 In conformity with the Federal Public Administration Act, none of the trusts are considered as Public Trusts with the status of "Entity", pursuant to the following:

- a. In 12 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

25. Memorandum accounts

The memorandum accounts presented in the consolidated statement of financial position at March 31, 2015 and December 31, 2014 consist of the following items:

Item	2015	2014
Memorandum accounts of assets under bailment agreement		
Assets	\$ <u>100,694,123</u>	\$ <u>100,694,123</u>
Liabilities	\$ <u>(100,694,123)</u>	\$ <u>(100,694,123)</u>

Item	2015	2014
Memorandum accounts of management of portfolio of extinguished Luz y Fuerza del Centro		
Assets	\$ 5,171,202	\$ 5,171,202
Liabilities	\$ (5,171,202)	\$ (5,171,202)
Total memorandum accounts	\$ 105,865,325	\$ 105,865,325
Total memorandum accounts liabilities	\$ (105,865,325)	\$ (105,865,325)

26. Segment information

The Federal Government, through the Ministry of Communications and Transportation (SCT), granted a concession to CFE to install, operate, and use a public communications network.

This network, indispensable for CFE's operation, is converted into a significant supplement of the telecommunications network of the entire country. Accordingly, agreement No 33/2006 issued by 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 CFE to amend the purpose for which telecommunications services are rendered in terms of the Federal Communications Law.

In order to minimize the use of that optic fiber network and given that this network has the capacity to offer services to third parties, 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.

For purposes of successfully operating the network adequately, for both internal purposes and use by third parties, CFE's Board of Directors has authorized its organic structure to be amended by creating two Coordinating Units: the first Unit operates and maintains the optic fiber network, and the second unit, CFE's Telecom Coordinating Unit, discharges duties related to the marketing of the services authorized in the concession certificate.

At present, 192 contracts have been signed with 136 Customers of the industrial, Business, and Governmental segments.

At December 31, 2014, CFE has a National Optic Fiber Network of 39,788.50 kilometers that are divided into an Inter nodal Network: 37,295.73 kilometers and Access Network and Local Access; 2,492.77 Km., developed to increase the safety and reliability of the National Electric System that will allow for implementing a long-term solution for voice, data, video technical-administrative communications, among other things, and gradually substitute the telecommunications services that are currently rendered by third parties.

CFE TELECOM segment described includes revenues mainly from rendering supply and leasing network capacity services and marketing the capacity acquired, with respect to other concessionaires nationwide with their own and/or leased infrastructure, as well as revenues obtained from adjustments and their costs incurred in each caption.

As a result of the telecommunications reform, it is foreseen that CFEE will assign its concession to Telecomunicaciones de Mexico to install, operate, and exploit a public telecommunications network, and it will transfer all the resources and equipment thereto that are required for operating and exploiting that network. In accordance with this reform, CFE retains the optic fiber network, indispensable for rendering electric service and, together with the operation, it will transfer the necessary resources for exploiting that network, in order to guarantee coverage of telecommunications services to all Mexicans.

a. Operating segment information

At March 31, 2015				
Item		ENERGY	CFE TELECOM	TOTAL
Revenues	\$	73,449,296	\$ 133,476	\$ 73,582,772
Depreciation and amortization		10,135,340	259	10,135,599
Financial cost		11,577,337	312	11,577,649
Operating loss		(5,840,218)	(94,656)	(5,934,874)
Investment in productive assets		1,000,932,492	18,550 *	1,000,951,042
Total assets		1,192,833,743	295,319	1,193,129,062

At March 31, 2014				
Item		ENERGY	CFE TELECOM	TOTAL
Revenues	\$	78,290,887	\$ 254,931	\$ 78,545,818
Depreciation and amortization		10,179,844	267	10,180,111
Financial Cost		4,454,570	(40)	4,454,530
Operating loss		(2,486,985)	24,296	(2,462,689)
Investment in productive assets		952,197,213	18,550 *	952,215,763
Total assets		1,157,815,488	277,048	1,158,092,536

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

(*) It only considers the cost of the administrative building, furniture and office equipment, and transportation assigned to the personnel of that area. The energy column includes the investment in the optic fiber network with a value at March 31, 2015 and December 31, 2014 amounting to \$5,214,125 and \$5,301,639, 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:

	2015	2014
Corporate Headquarters	\$ 3,367,938	\$ 3,421,128
Generation	389,484,778	386,769,392
Distribution	281,887,277	279,705,982
Transmission and Transformation	196,752,974	196,593,461
Optic Fiber	4,889,860	4,917,545
Construction	1,522,710	1,536,668
	877,905,537	872,944,176
External Producers' Equipment	76,264,921	77,553,533
Dismounting of Laguna Verde Nuclear Station	266,479	270,121
Total property, plants and equipment (net)	\$ 954,436,937	\$ 950,767,830

c. Revenues per division (geographical zone)

	2015	2014
Baja California	\$ 3,294,516	\$ 3,641,919
Northwest	3,973,176	4,195,134
North	4,709,092	4,680,371
North Gulf	10,050,147	11,095,700
Central West	2,987,671	3,356,800
South Central	3,143,208	3,288,802
East	3,414,730	3,735,511
Southeast	3,047,292	3,287,634
Bajío	7,733,380	8,158,931
Central Gulf	3,223,296	3,591,152
East Central	4,414,490	4,882,864
Peninsular	3,215,475	3,447,704
Jalisco	4,854,249	5,238,353
North Valley of Mexico	4,371,765	4,712,212
Central Valley of Mexico	3,962,608	4,295,774
South Valley of Mexico	4,277,408	4,515,125
Subtotal retail sales	70,672,503	76,123,986
Block for resale	568,649	373,826
Other programs:		
Illegal Uses	415,399	345,013
Due to measurement failure	344,983	212,999
Due to billing error	517,752	509,145
	1,278,134	1,067,157
Other operating proceeds	930,010	725,918
Total operating proceeds	\$ 73,449,296	\$ 78,290,887

d. Revenues from homogeneous customer groups

	2015	2014
Retail sales		
Domestic service	\$ 14,488,718	\$ 14,460,949
Commercial service	9,070,821	9,332,437
Service for public lighting	5,194,219	4,844,971
Agricultural service	1,054,951	364,358
Industrial service	40,863,794	47,121,271
Total retail sales	70,672,503	76,123,986
Block for resale	568,649	373,826
Other programs:		
Consumption in manufacturing process	-	-
Illegal Uses	415,399	345,013
Due to measurement failure	344,983	212,999
Due to billing error	517,752	509,145
Total	1,278,134	1,067,157
Other operating proceeds	930,010	725,918
Total operating proceeds	\$ 73,449,296	\$ 78,290,887

With the passage of the LCFE on August 11, 2014, CFE became a State-Owned Productive Company, owned exclusively by the Federal Government, with an individual legal personality and its own assets. It will now enjoy technical, operating, and managerial autonomy, in accordance with the provisions of the LCFE.

With respect to the service segments, the official purpose of CFE is to render public electric energy transmission and distribution services, pursuant to the applicable legislation on behalf of the Mexican State.

With respect to the write-off of debts payable by third parties in favor of CFE, the Board of Directors issued the "General Policies for the write-off of debts payable by third parties in favor of CFE" at its Ordinary Meeting held on November 10, 2014.

The general objective is to allow the recovery of past due receivables, by assisting CFE as a State-Owned Productive Company, which consists of undertaking business, economic, industrial, and commercial activities in accordance with its purpose, by generating economic value and profitability for the Mexican State.

27.- New accounting pronouncements

In order to advance with the updating of International Financial Reporting Standards, the International Accounting Standards Board (IASB) enacted the amendments to the Standards that have an effective date beginning January 1, 2016, which are described below:

IFRS 1 "First-time adoption of International Financial Reporting Standards"
IFRS 10 "Consolidated Financial Statements"

FRS C11 "Joint Control Agreements"
IFRS 12 "Information to Disclose on Equity in other Entities"
IFRS 16 "Property, Plant and Equipment"
IAS 38 "Intangible Assets"
IAS 41 "Agriculture"
IAS 27 "Separated Financial Statements"
IAS 28 "Investments in Associates and Joint Ventures"

Likewise, the IASB enacted improvements to Standards that go into effect beginning January 2016, which are described below:

IFRS 5 "Non-Commercial Assets held-for-sale and Discontinued Operations"
IFRS 7 "Financial Instruments Information to Disclose"
IAS 19 "Employee benefits"
IAS 34 "Interim Financial Information"

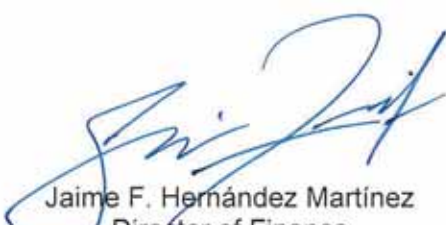
The Company will assess the impact that the effectiveness of those new Financial Standards can have on the Financial Statements.

28. Issue of the consolidated financial statements

These consolidated financial statements were approved on April 24, 2015, by Enrique Ochoa Reza, General Director; Jaime F. Hernández Martínez, Director of Finance, and Román Castillo Morquecho, Accounting Manager, persons responsible for the Company's financial information.



Enrique Ochoa Reza
Chief Executive Officer



Jaime F. Hernández Martínez
Director of Finance



Román Castillo Morquecho
Accounting Manager

Comision Federal de Electricidad

State-Owned Productive Company

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated financial statements for the years ended, December 31, 2014 and 2013

Table of Contents

Exhibits

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS:

Consolidated statements of financial position at December 31,
2014 and 2013 A

Consolidated statements of comprehensive income for the years
ended December 31, 2014 and 2013 B

Consolidated statements of changes in patrimony
for the years ended December 31, 2014 and 2013 C

Consolidated statement of Cash Flows for the years
ended December 31, 2014 and 2013 D

Notes to the consolidated financial statements at December 31,
2014 and 2013 E

INDEPENDENT AUDITORS' REPORT

**To the Ministry of Public Function and
the Board of Directors of
Comisión Federal de Electricidad
State-Owned Productive Company**

We have audited the accompanying consolidated financial statements of Comisión Federal de Electricidad (henceforth "the Company"), which comprise the consolidated statements of financial position at December 31, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in patrimony, and consolidated statements of cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Comision Federal de Electricidad, at December 31, 2014 and 2013, as well as its consolidated results and consolidated cash flows for the years then ended, in conformity with International Financial Reporting Standards.

Emphasis of Matter

Though the foregoing has no effects on our opinion, we hereby draw attention to the following notes to the consolidated financial statements:

Note 1 sets forth that the Decree, which reforms and aggregates various provisions of the Constitution of the Mexican United States with respect to Energy, was published in the Official Daily Gazette (DOF) on December 20, 2013. The Comision Federal de Electricidad Act, which sets forth that it will go into effect on the day following that on which the Board of Directors of the Comision Federal de Electricidad is designated, was published in the DOF on August 11, 2014. The new Board of Directors was designated on October 13, 2014 and, therefore, the Comision Federal de Electricidad became a State-Owned Productive Company with its own legal personality that will enjoy technical, operative and administrative autonomy.

Note 2 b discloses that beginning January 1, 2013, the Company adopted the revaluation model for assets that make up its electric infrastructure. On the other hand, beginning January 1, 2014, the real property of the Company was revalued by calculating its fair value by preparing appraisals with the parametric methodology indicated by the Institute of Administration and Appraisals of National Assets. The effect of that adoption amounted to \$38,950,186 thousands in 2014, (\$38,950,186 thousands in 2013) which was recognized in comprehensive income and accumulated in the patrimony of the Company.

GOSSLER, S. C.

Leobardo Brizuela Arce
Certified Public Accountant

Mexico City, Mexico
March 31, 2015

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of financial position

At December 31, 2014 and 2013

(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

EXHIBIT A

	2014	2013		2014	2013
Assets			Liabilities		
Current assets:			Short-Term		
Cash and cash equivalents (note 5)	\$ 36,310,880	\$ 35,515,550	Current portion of documented debt (note 11)	\$ 14,789,500	\$ 32,540,555
Accounts receivable, net (note 6)	81,611,112	81,694,174	Current portion of PIDIREGAS (note 12 and 13)	16,026,662	15,943,937
Materials for operation, net (note 7)	21,279,536	19,983,869	Suppliers and contractors	16,301,377	15,550,838
Total current assets	139,201,528	137,193,593	Loans and fees payable (note 14)	4,584,176	3,539,998
Long-term loans to workers	9,233,151	8,311,746	Employee benefits (Note 17)	28,513,123	23,267,799
Plants, facilities and equipment, net (Note 8)	998,056,787	954,246,405	Other payables and accrued liabilities	24,629,896	21,968,004
Derivative financial instruments (note 10)	13,957,858	13,989,058	Deposits from users and contractors	18,737,992	16,137,469
Other assets	15,498,951	11,377,522	Total short-term liabilities	123,582,726	128,948,600
Total assets	\$ 1,175,948,275	\$ 1,125,118,324	Long-term:		
			Unrealized proceeds (note 15)	26,512,187	20,459,855
			Documented debt (note 11)	139,308,657	112,678,177
			Derivative financial instruments (note 10)	14,555,378	15,036,137
			PIDIREGAS (note 12 and 13)	177,062,470	164,194,095
			Long-term debt (note 16)	3,843,257	3,563,166
			Employee benefits (note 17)	535,539,470	504,260,756
			Total long-term liabilities	896,821,419	820,192,186
			Total liabilities	1,020,404,145	949,140,786
			Patrimony:		
			Accumulated patrimony (Note 18)	175,977,538	113,624,347
			Payment of public use tax Federal Revenue Law Federal Government	(31,518,000)	(30,600,000)
			Funds transferred to CENACE OPD	(492,341)	
			Contributions received from the Federal Government	28,402,300	23,128,100
			Derivative financial and other instruments	883,492	(640,887)
			Charge to equity for employee benefits	(9,627,144)	(33,299,708)
			Revaluation surplus	38,950,186	141,320,040
			Net loss for the period	(46,831,901)	(37,552,354)
			Total Patrimony	155,544,130	175,977,538
			Total liabilities and patrimony	\$ 1,175,948,275	\$ 1,125,118,324

MEMORANDUM ACCOUNTS (note 25)

	2014	2013
Assets	\$105,865,325	\$110,031,738
Liabilities	\$105,865,325	\$110,031,738


Enrique Ochoa Reza
Chief Executive Officer


Román Castillo Morquecho
Accounting Manager

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of comprehensive income

For the years ended December 31, 2014 and 2013

(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

"Exhibit B"

	2014	2013
Revenue on sale of electric power (note 26)	\$ 333,397,051	\$ 318,409,598
Rate insufficiency (note 21)	86,227,484	85,770,342
Total proceeds from sales	419,624,535	404,179,940
Cost of operation	234,037,359	243,672,586
Gross profit	185,587,176	160,507,354
Public use taxes (note 21)	58,792,164	46,012,501
Write-off of rate insufficiency not covered by public use taxes (note 21)	27,435,320	39,757,841
Depreciation	41,564,905	36,235,532
Impairment of idle assets	-	1,636,190
Administrative expenses	8,151,431	6,904,022
Estimated actuarial cost of labor obligations of the period (note 17)	55,090,048	48,689,340
Operating income	(5,446,692)	(18,728,072)
Financial cost		
Interest payable, net	(21,123,009)	(21,462,957)
Exchange loss, net	(22,802,231)	(979,467)
	(43,925,240)	(22,442,424)
Other income, net (Note 19)	5,031,612	5,198,651
Income before Income Tax	(44,340,320)	(35,971,845)
Income tax on the distributable remaining balance (note 20)	(2,491,581)	(1,580,509)
Net loss for the period	\$ (46,831,901)	\$ (37,552,354)
Other comprehensive income (loss) items (note 22)		
Charge to equity for employee benefits	(9,627,144)	(30,423,326)
Revaluation of fixed assets	38,950,186	141,320,040
Funds transferred to CENACE OPD	(492,341)	-
Write-off of opening balance of financial instruments in patrimony and others	766,720	1,687,609
Effect of the period of financial instruments on patrimony	(83,228)	(724,746)
Comprehensive (loss) income for the period	\$ (17,317,708)	\$ 74,307,223

Enrique Ochoa Reza
Chief Executive Officer

Jaime F. Hernández Martínez
Director of Finance

Román Castillo Morquecho
Accounting Manager

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

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of changes in patrimony

For the years ended December 31, 2014 and 2013

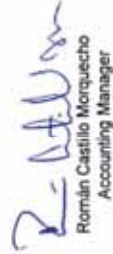
(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

	Patrimony effect	Payment of public use tax Federal Revenue Law	Contributions received	Derivative Financial Instruments and others	Charge to Patrimony for employee benefits	Surplus on revaluation	Income for the Year	Total
Balances at December 31, 2012	\$ 142,597,161	\$ (24,757,200)	\$ 15,000,000	\$ (1,603,750)	\$ (2,876,382)	\$ -	\$ (19,215,614)	\$ 109,144,215
Appropriation of prior year balances, approved by the Board of Directors							19,215,614	-
Payment of Public Use Tax Federal Revenue Law	(28,972,814)	24,757,200	(15,000,000)					(30,600,000)
Contributions from the Federal Government		(30,600,000)	23,126,100					23,126,100
Comprehensive income				962,963	(30,423,326)	141,320,040	(37,552,354)	74,307,223
Balances at December 31, 2013	113,624,347	(30,600,000)	23,126,100	(640,887)	(33,299,708)	141,320,040	(37,552,354)	175,977,538
Appropriation of prior year balances, approved by the Board of Directors								-
Payment of Public Use Tax Federal Revenue Law	62,353,191	30,600,000	(23,126,100)	640,887	33,299,708	(141,320,040)	37,552,354	(3,115,700)
Contributions from the Federal Government		(31,518,000)	28,402,300					-
Funds transferred to CENACE OPD	(492,341)							(492,341)
Surplus on revaluation for the year						38,950,186		38,950,186
Charge for employee benefits for the year					(9,627,144)			(9,627,144)
Financial instruments in patrimony and others				683,492				683,492
Comprehensive income							(46,831,901)	(46,831,901)
Balances at December 31, 2014	\$ 175,485,197	\$ (31,518,000)	\$ 28,402,300	\$ 683,492	\$ (9,627,144)	\$ 38,950,186	\$ (46,831,901)	\$ 155,544,130


Enrique Rocha Reza
Chief Executive Officer


Jaime F. Hernandez Martinez
Director of Finance


Román Castillo Morquecho
Accounting Manager

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

Comision Federal de Electricidad
State-Owned Productive Company

Consolidated statements of cash flows
For the years ended December 31, 2014 and 2013

(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

EXHIBIT D

	2014	2013
Operating activities		
Loss for the period	\$ (46,831,901)	\$ (37,552,354)
Cash flows from investing activities		
Depreciation in the period of plants, facilities and equipment.	41,564,905	37,871,722
Net cost of the period derived from employee benefits	28,447,917	25,310,149
Estimates and allowances	(765,249)	(5,246,823)
Items in financing activities:		
Interest payable	21,123,009	21,462,957
Exchange loss	22,802,231	979,468
	66,340,912	42,825,119
Accounts receivable and others	(1,519,092)	(959,107)
Operating Materials	(1,660,259)	1,244,551
Suppliers and contractors	750,539	(15,530,598)
Other payables and accrued expenses	15,101,898	4,248,852
Net cash flow from operating activities	12,673,086	(10,996,302)
Investing activities		
Investment in plants, facilities and equipment	(46,822,498)	(37,370,293)
Other long-lived assets	(4,090,229)	31,305
Net cash flows from investing activities	(50,912,727)	(37,338,988)
Net cash provided by financing activities	(38,239,641)	(48,335,290)
Financing activities		
Debt contracted	44,199,605	70,850,075
Financing paid debt	(45,171,310)	(47,130,693)
Interest paid	(24,275,196)	(13,989,577)
Other long-term debts	(2,059,040)	(4,672,458)
Net cash flows from financing activities	(27,305,941)	5,057,347
Net increase (decrease) in cash and temporary investments	795,330	(452,824)
Cash and temporary investments at beginning of year	35,515,550	35,968,373
Cash and temporary investments at end of year	\$ 36,310,880	\$ 35,515,549

Enrique Reza Ochoa
Chief Executive Officer

Jaime F. Hernández Martínez
Director of Finance

Román Castillo Morquecho
Accounting Manager

COMISION FEDERAL DE ELECTRICIDAD
State-Owned Productive Company

Notes to Consolidated Financial Statements
At December 31, 2014 and 2013
(Amounts stated in thousands of pesos)

Exhibit E

1. ORGANIZATION, NATURE OF THE STATE-OWNED PRODUCTIVE COMPANY AND RELEVANT EVENTS.

• **Organization and description of business**

On August 11, 2014, The Decree was published in the Official Daily Gazette declaring that the Comision Federal de Electricidad Law (LCFE for its acronym in Spanish), would go into effect the day after the new Board of Directors of the Comision Federal de Electricidad is designated.

On October 13, 2014, the new Board of Directors was designated and, therefore, the Comision Federal de Electricidad (CFE or the Company) became a State-Owned Productive Company with its own legal personality that will enjoy technical, operating, and administrative autonomy.

The Board of Directors (formerly Board of Governors) is the Supreme Administrative Body of the Company and responsible for defining policies, guidelines, and the strategic vision of the CFE, its subsidiary productive companies and affiliate companies.

The Temporary Statute Fourteen of the LCFE sets forth that the special regime provided for therein for the CFE and its subsidiary productive companies and affiliate companies, with respect to the budget, debt, acquisitions, leases, services and works, administrative responsibilities, assets and remunerations will not go into effect until the new Board of Directors (formerly Board of Governors) of the CFE is on duty, and the inspection, transparency, and accountability mechanisms contained therein are in operation.

On February 16, 2015, the Ministry of Energy declared in the Official Daily Gazette that the new Board of Directors (formerly Board of Governors) of the CFE was on duty, and the inspection, transparency and accountability mechanisms provided for in the LCFE are in operation.

Beginning that date, the purpose of the CFE is to develop business, economic, industrial, and commercial activities, as well as generate economic value and profitability for the Mexican State as its owner.

Its purpose is to render public electric energy transmission and distribution service, in terms of the applicable Mexican legislation.

Moreover, in its public purpose, the CFE may carry out the following activities:

I. Generation divided into units and marketing of electric energy and associated products, including the import and export thereof, in accordance with the Electric Industry Law, and in terms of strict legal separation established by the Ministry of Energy;

- II. The import, export, transportation, storage, purchase and sale of natural gas, carbon, and any other fuel;
- III. The development and execution of engineering projects, research, geological and geophysical activities, supervision, rendering services to third parties, as well as all those related to the generation, transmission, distribution, and marketing of electric energy, and other activities that form part of its purpose;
- IV. Research, development, and implementation of sources of energy that enable it to comply with its purpose, in accordance with the applicable provisions;
- V. Research and technological development required for the activities realized in the electric industry, marketing of products and technological services resulting from research, as well as the formation of highly specialized human resources;
- VI. The use and management of property, industrial property, and technology that arranges and permits any additional services to be rendered or provided illustratively such as construction, leasing, maintenance and telecommunications. The CFE may endorse and furnish guarantees in favor of third parties;
- VII. Acquisition, holding or equity in the shareholding structure of companies that have a similar purpose, analogous or compatible with their own purpose; and
- VIII. The other activities required for full compliance with its purpose.

The CFE may carry out the activities referred to herein in the country or abroad.

Up to October 13, 2014, CFE was a Decentralized Government Agency of the Federal Government of a technical, industrial, and commercial nature with legal personality and its own patrimony, created by the Legislative Decree dated August 14, 1937, published in the Official Daily Gazette (DOF) on March 24, 1937 (which repealed the Legislative Decree dated December 29, 1933, published in the DOF on January 29, 1934).

The Agency rendered public electric power service throughout Mexican territory, which consisted of generating, conducting, transforming, distributing, and supplying electric power, as well as planning and realizing all works, installations, and work required by the national electric system with respect to planning, execution, operation, and maintenance, with the participation of independent producers, in terms of the Electric Power Utilities Law and its Regulations, the foregoing was repealed with the effectiveness of the LCFE.

Moreover, on February 28, 2006, the Agency amended different provisions of the internal bylaws to amend the Agency's purpose and be able to render telecommunications services in terms of the Federal Telecommunications Law.

The rates applicable to the sale of electric power in Mexico are defined and authorized by the Federal Government, through the Undersecretary of Revenue of the Ministry of Finance and Public Credit (SHCP).

- **Relevant events**

Tax obligations

With the enactment of the LCFE (LCFE-DOF 11/VIII/2014) and the resulting repeal of the Electric Energy Public Service Law, the concept of public use tax provided for in Article 476 of this last body of laws disappears and, therefore, it is assumed that CFE as well as its subsidiary and affiliate companies will start to meet their tax obligations in terms of Title II of the Income Tax Law, which regulates the general regime of legal entities, in accordance with the provisions of Article 4 of the LCFE.

National Energy Control Center

The Decree published in the DOF on December 20, 2014 that amends and aggregates various provisions of the Constitution of the Mexican United States, as well as the Decree published on August 28, 2014 that creates the National Energy Control Center (CENACE) in order to exercise the operating control of the national electric system. On November 28, 2014, CFE transferred material and financial resources to the CENACE. The transfer had a impact amounting to 492,341 thousand of pesos.

Public Telecommunications Network Concession

In terms of the provisions set forth in Temporary Statute of the "Decree that reforms and aggregates various provisions of Articles 6,7, 27, 28, 73, 78, 94, and 105 of the Constitution of the Mexican United States in Telecommunications matters", published in the Official Daily gazette on June 11, 2013, which sets forth that:

Comision Federal de Electricidad will totally assign its concession to Telecomunicaciones de Mexico to install, operate, and exploit a public telecommunications network, and it will transfer all the resources and equipment thereto that are required for operating and exploiting that concession.

The Comision Federal de Electricidad will be responsible for optic fiber, rights of way, pole lines, buildings and facilities, thereby guaranteeing TELECOMM effective, shared access, and meeting its objectives. Telecomunicaciones de Mexico will have attributions and resources for promoting access to broad band services, plan, design, and execute the construction and growth of a solid telecommunications backbone network with nationwide coverage.

In compliance with the constitutional precept, the CFE filed the petition with the Federal Telecommunications Institution (IFT) for authorization to assign its certificate of assignment to install, operate, and exploit a public telecommunications network in favor of TELECOMM on December 17, 2014.

In accordance with Article 110 of the Federal Telecommunications and Broadcasting Act, the IFT has a term of 90 calendar days beginning when CFE delivered the Petition for issuing the corresponding resolution. The term expires on March 17, 2015.

TELECOMM will be the owner of the inherent Concession rights and obligations, and it should guarantee the continuity of the telecommunications services included therein, in the terms and conditions set forth by the IFT in the Concession assignment authorization resolution.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

a) Declaration of Compliance

In conformity with the Rules for Public Companies and other Participants of the Mexican Securities Exchange, issued by the National Banking and Securities Commission on January 27, 2009, the CFE is bound to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS), its amendments and interpretations issued by the International Accounting Standard Board (IASB), effective 2012. Consequently, the accompanying consolidated financial statements have been prepared in conformity with IFRS.

b) Basis of preparation

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

Up to December 31, 1996, fixed assets other than those acquired under Long-Term productive Infrastructure Project programs (PIDIREGAS) were restated by using capital price indexes of the electric industry, determined by specialized CFE experts. The constructions-in-progress programs continued to be restated by this method up to 1998 year end.

Fixed assets acquired under PIDIREGAS programs were restated up to December 31, 2007, based on the foreign exchange fluctuations of the contracting currency which is equivalent to their specific cost.

Beginning January 1, 1997 and up to December 31, 2007, fixed assets were restated by using the historical cost adjustments on the general price level method derived from the National Consumer Price Index (INPC), based on the replacement values determined at 1996 year end and the acquisition and/or construction values for those acquired beginning that date and up to December 31, 2007.

During fiscal 2013, the fixed assets comprising the electric infrastructure were revalued by calculating their fair value at 2013 year end, as explained in note 3-d.

During fiscal 2014, the fixed assets that form the property of the Company were revalued by calculating their fair value, by preparing appraisals with the parametric methodology indicated by the Administration and Appraisals of National Assets (INDAABIN), as explained in note 3.d.

c) Monetary unit of the consolidated financial statements

The financial statements and their notes include foreign currency transactions, which are translated into pesos at the exchange rate established by the Bank of Mexico and are stated in thousands of pesos.

d) Consolidated statements of comprehensive income

The CFE prepared statements of comprehensive income, and classified costs and expenses by their nature, pursuant to the specific essence of the type of cost or expense of the entity, as set forth in IAS 1 "Presentation of financial statements".

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies followed by the Company are as follows:

a. Basis of consolidation

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

Trust	Equity of CFE			Type of project
	Trustor	Beneficiary of the trust:	Trustee	
Trust Management and Transfer of Ownership 2030	CFE	Primary beneficiaries: successful bidders who were awarded the contracts Secondary beneficiary: CFE	BANOBRAS, S. N. C.	Conditioned investment
Trust for the creation of a Revolving Financing Fund for the Housing Thermal Insulation Program of in the Valley of Mexicali, B.C.	CFE	CFE	BANOBRAS, S. N. C.	Power saved
Prior Expenses Trust	CFE	CFE	BANCOMEX, S. N. C	Direct investment

b. Cash and cash equivalents

Cash and cash equivalents are represented by cash, bank deposits and short-term investments. Cash and bank deposits are presented at nominal value, and the yields generated are recognized in income as accrued.

Cash equivalents apply to marketable securities with very short-term maturities are valued at fair value, and they are subject to a low risk of change in their value.

c. Inventory of operating materials and costs of consumption

Inventories of operating materials are recorded at the lower of cost of acquisition or net realizable value, and costs of consumption are recorded at average cost.

Inventories are reviewed periodically to determine the existence of obsolete material, as well as to evaluate the sufficiency of the allowance or provision. When the case arises, the allowance is increased against income for the year. The 0.0004167 (zero point zero zero zero four one six seven) factor on the balance of the month recorded of the accounts of materials of stock on hand, equivalent to 0.5% annual to record the provision of the year.

d. Plants, facilities and equipment

Plants, facilities and equipment are initially recorded at their acquisition cost.

I. Plants, Facilities and Equipment in operation (electric infrastructure)

Plants, facilities and operating equipment, only of electric infrastructure, used for generation, transmission and/or distribution of electric power, are presented in the statement of financial position at their revalued amounts. Fair value is calculated at the revaluation date, less any accumulated depreciation or accumulated impairment losses. The Company will periodically review the fair values of plants, facilities and operating equipment. Further, it will evaluate the need to perform revaluations so that the carrying value does not differ significantly from what would have been calculated by using fair values at the end of the reporting period.

Any increase in the revaluation of those plants, facilities, and operating equipment is recognized in other comprehensive income as a surplus, except if a decrease is reversed in the revaluation of the same asset previously recognized in income. In that case, the increase is credited to income to the degree at which the expense is reduced by the decrease previously carried out. A decrease in carrying value generated by the revaluation of those plants, facilities, and operating equipment is recorded in income to the degree that it exceeds the balance of the surplus, if any.

Depreciation of revalued plants, facilities, and operating equipment is recognized in income. In the event of a subsequent sale or retirement of revalued property, the surplus on revaluation attributable to the revaluation allowance of the remaining properties is directly transferred to retained earnings.

Depreciation rates in keeping with the useful live thereof, determined by specialized CFE technicians, are as follows:

	Annual rate %
Geothermal power generating stations	From 2.00 to 3.70
Steam power generating stations	From 1.33 to 2.86
Hydroelectric power generating stations	From 1.25 to 2.50
Internal combustion power generating stations	From 1.33 to 3.03
Turbo gas and combined cycle power generating stations	From 1.33 to 3.03
Nuclear power generating station	From 1.33 to 2.50
Substations	From 1.33 to 2.56
Transmission lines	From 1.33 to 2.86
Distribution networks	From 1.67 to 3.33

II. Property and assets allocated to offices and general services

Property and allocated to offices and general services are presented at cost less accumulated depreciation and any accrued impairment loss.

Depreciation is recognized and expensed, considering their useful lives by using the straight-line method. Estimated useful life, residual value, and depreciation method are reviewed every year end and the effect of any change on the estimate recorded is recognized prospectively.

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

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

Land is not depreciated.

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

An element of plants, facilities and equipment is retired when it is sold or when it is not expected to obtain future economic benefits derived from the continued use of the asset. The gain or loss generated by the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources that are received from the sale and the carrying value of the asset, and it is recognized in income.

Capitalized replacement parts are depreciated from the time at which they are available for use.

III. Long-term Productive Infrastructure Projects (PIDIREGAS)

CFE realizes investment projects to build revenue generating assets under two schemes:

Direct investment:

In order to build electric facility projects that are delivered to the CFE upon completion thereof, at the time when the works are delivered, subject matter of the contract and received to the satisfaction of the CFE, the asset is recorded in a fixed asset account denominated PIDIREGAS, as well as the total liability that applies to the value of the asset.

Assets acquired under the PIDIREGAS scheme, as well as the correlative obligation are recorded at the contracted value of the Project.

Conditioned investment

Effective 2000 and based on the Electric Power Utilities Law (LSPEE), access was given to independent power generating producers, which can only sell the power produced by them to the CFE. The Company evaluated that 23 of the existing contracts with independent producers have leasing characteristics of the power generating plant, in accordance with Interpretations of IFRS 12, "Concession Service Agreements". In turn, those leases qualify as financial leases, in accordance with IAS 17 "Leases". Accordingly, they are recorded in a fixed asset account denominated Independent Producers, as well as the total liability that applies to the value of the asset.

e. Intangible assets

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

Amortization is recognized based on the straight-line method on their estimated useful life. Estimated useful life, residual value, and amortization method are reviewed every year end and the effect of any change on the estimate recorded is recognized prospectively.

f. Impairment of long-lived assets in use

The Company reviews the book value of long-lived assets in use, in the face of any indication of impairment that could indicate that the book value thereof might not be recoverable, considering the higher of fair value less the cost of selling it and the value in use. Furthermore, an adjustment is made to the value thereof.

Upon evaluating the value in use, estimated future cash flows are discounted from its present value by using a discount rate before taxes that reflects the current evaluation of the market with respect to the value of money in time and specific risks of the asset. Accordingly, estimates of future cash flows have not been adjusted.

Impairment indicators considered for these purposes are, among other things, operating losses or negative cash flows in the period if they are combined with a record or projection of losses, which in percentage terms, in connection with revenues, are substantially higher than those of prior fiscal years, as well as the effects of obsolescence, competition, and other economic and legal factors.

g. Financial instruments

Financial assets and liabilities are recognized when the Company becomes one of the parties to a financial instrument contract.

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

Financial assets

Financial assets are classified in any of the following categories: Financial assets at fair value with changes through income, held-to-maturity investments, financial assets available-for-sale, as well as loans and accounts receivable. The classification is dependent upon the nature and purpose of the financial asset, and it is determined at the time of the initial recognition.

Loans and receivables

Accounts receivable and loans are financial instruments with fixed or determinable payments that are not listed on an active market. Loans and accounts receivable (including accounts receivable, trade accounts receivable, and other receivables) are valued at amortized cost, by using the effective interest method, and they are subject to impairment tests.

Items receivable consist mainly of public consumers, government consumers, sundry receivables, and power in the billing process and loans to workers.

Impairment of financial assets

Financial assets, other than financial assets at fair value, are evaluated to determine if there are impairment indicators and each period end, and their impairment is expensed. Financial assets are considered impaired when there are objective indicators that, as a result of use or more events occurred after their initial recognition, estimated future cash flows of the investment have been affected.

Classification as a liability or capital

Debt instruments issued by the Company are classified as either liabilities or capital, in accordance with the substance of the contractual agreements and definitions of a financial liability and capital instrument.

Financial liabilities

Financial liabilities are classified at fair value or with changes in losses and gains or as other financial liabilities (including loans), and they are subsequently measured at their amortized cost, by using the effective interest method.

The Company retires a financial asset if, and only if the Company's obligations are met, cancelled or if they expire. The difference between the carrying value of the retired financial asset and the consideration paid and payable is recognized in income for the year and other comprehensive income.

Effective interest method

The effective interest method is a calculation method of the amortized cost of a financial instrument and distribution of the income or only financial throughout the period covered by that instrument. The effective interest rate is the rate that accurately calculates future cash flows that are estimated to be collected or paid (including fees and expenses paid or received that form a comprehensive part of the effective interest rate, transaction costs, and other premiums or discounts) throughout the expected life of the financial instrument or, when appropriate, in a shorter period at the net carrying amount of the financial asset or liability at the date of the initial recognition.

Income or cost is recognized based on effective interest for those financial instruments other than financial assets and liabilities classified at fair value with changes in income.

Compensation

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when the Company has a legal right to offset the amounts, and the purpose thereof is to liquidate them on a net base or realize the asset and liquidate the liability simultaneously.

h. Derivative Financial Instruments

The Company values its derivatives in the balance sheet at fair or market value ("mark-to-market"). When derivatives are designated as hedges, their recognition of fair value depends on whether it is a fair value hedge or a cash flow hedge.

Derivatives designated as hedges recognize changes in fair value as follows: (1) if they are fair value hedges, fluctuations of both the derivative and hedged item are recorded against income; or (2) if they are cash flow hedges, they are temporarily recognized in Other Comprehensive Income (Loss) and reclassified to income when the hedged item affects them. The ineffective portion of the change in fair value is immediately recognized in income in the comprehensive financing result, irrespective of whether the derivative is designated as a fair value hedge or cash flow hedge.

The Company mainly uses interest rate and currency swaps, as well as forward exchange contracts to manage its exposure to interest rate and foreign currency fluctuations. CFE formally documents all hedge ratios where risk management objectives and strategies are described to carry out derivative instrument trading. The Company's policy is not to enter or hold financial derivative instruments for speculative purposes.

Certain derivative financial instruments, although contracted for hedging purposes from an economic perspective, due to changes in accounting standards, are not currently designated as hedges for book purposes, but instead for trading purposes. Changes in fair value of those derivatives are recognized in income on the cost of financing.

Effectiveness tests were conducted on coupon swap cash flows that are carried out during the January - December period of 2014.

The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the measurement method. In addition, the most significant elements of each swap were disclosed such as the date of the swap, the interest rates used for the calculation of the cash flow of the primary position, as well as the cash flow of the derivative financial instrument, the surcharge added to each calculation rate, the basis of calculation for each cash flow, the frequency of periods and date of the calculation of both rates.

i. Obligations associated with the retirement of plants, facilities and equipment.

By operation of a regulatory law, upon completing the operating service of a nuclear facility (upon termination of licenses), this facility must be dismantled due to safety and environmental protection reasons.

CFE has a policy of performing a technical - economical study, which should be updated periodically (every 5 years). This study contemplates the estimated cost for this item, based on the production of power of the Laguna Verde Nuclear Power Generating Station, which is distributed uniformly in the time of its useful life. The acquisition cost of the nuclear facilities increases with the amount of the valuation of the obligation associated with retirement, considering the effect of writing it down to its present value.

j. Employee benefits

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

Employee benefits for termination and others The liability for retirement benefits (seniority bonuses and pensions) and for termination of the employer - employee relationship is recorded as accrued, which is calculated by independent actuaries based on the projected unit credit method, by using nominal interest rates; therefore, it is estimated that the liability recognized at present value will cover the obligation for these benefits at the estimated retirement date of the employees who work at the Company, up to August 18, 2008, in a defined pension plan and retirement benefits.

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

k. Income tax on the distributable remaining balance

In accordance with the applicable tax legislation, the Company is not subject to the encumbrance of Income Tax. However, it should withhold and pay the tax, as well as demand the documentation that meets tax requirements when it makes payments to third parties that are bound thereto, in terms of the Law. The Company is bound to determine, pay, and recognize this tax in its consolidated financial statements on the distributable remaining balance of the items that do not meet tax requirements, pursuant to the second to the last paragraph and second to the last paragraph of Article 79 of the Income Tax Law for fiscal 2014, and Article 95 for fiscal 2013.

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

l. Segment information

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

m. Revenue recognition

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

n. Foreign currency transactions

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

o. Transactions with Federal, State, and Municipal Governments

The main transactions carried out with the Federal Government, State and Municipal Governments and their accounting treatment are as follows:

Federal Government:

Public Use Tax

1) On the assets contributed to CFE for their operation

Up to December 31, 2014, in conformity with Article 46 of the Utilities Public Service Law, effective December 28, 1992, CFE is bound to the payment of a public use tax to the Federal Government on the assets that it uses for rendering the electric power utilities service.

The public use tax is determined annually based on the rate of return established for state-run entities in each fiscal year. For the year ended December 31, 2013, a 9% rate was used ratified by the Ministry of Finance and Public Credit (SHCP). That rate is applied to the value of the net fixed asset in operation of the immediately foregoing fiscal year. The resulting amount is charged to income for the year.

The public use tax represents a decrease in profit for CFE due to a payment to the Federal Government. This is why it is recorded as an operating expense. This public use tax is offset against the rate insufficiency determined to supplement the rate gaps (revenue). Consequently, there is no payment to the Federal Public Treasury.

The Regulations of the Utilities Public Service Law, defines the concept of "net fixed asset in operation" in greater detail, as the following:

For purposes of Article 46 of the Law, the net fixed asset in operation shall be understood as the fixed asset in operation reduced by:

- I. Accumulated depreciation;
- II. The unamortized debt directly related to such assets; and
- III. The contributions of the applicants or petitioners.

2) Invested patrimony

In conformity with Article 1 of the Federal Revenue Law, the SHCP can impose a public use tax on the invested patrimony which, if applicable, should be paid to the Federal Public Treasury, which is recorded as a decrease in patrimony. Likewise, the Executive can determine its reinvestment annually in entities as a patrimonial contribution.

3) Rate insufficiency to supplement rate gaps

This applies to the resources granted by the Federal Government to users of electric service through CFE, through various rate gaps in the sale of power. In accordance with Article 46 of the LSPEE, the public use tax discussed above can be offset against the rate insufficiency.

The rate insufficiency that may be offset against public use tax represents an increase in profit for CFE; therefore, the unrecoverable surplus of the rate insufficiency is recorded as revenue, and it is recognized and written off in the Company's consolidated financial statements.

State and Municipal Governments

Contributions. Contributions received from State and Municipal Governments to electrify rural populations and low income settlements for expansions of the distribution network and contributions of another nature are recorded as an unrealized proceed, which will be realized in accordance with the useful life of the asset that finance such contributions.

p. Financial cost

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

q. Contingencies and commitments

The obligations associated with contingencies are recognized as a liability when there is a present obligation resulting from past events, and it is likely that the effects will materialize and can be quantified reasonably. Otherwise, they are disclosed in the financial statements. The financial effects of long-term commitments established with third parties, such as the case of supply contracts with suppliers or customers, are recognized in the consolidated financial statements. Relevant commitments are disclosed in the notes to the consolidated financial statements. Revenues, earnings or contingent assets are not recognized.

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

In the application of the Company's accounting policies, CFE Management should make judgments, estimates, and assumptions about the carrying values of the assets and liabilities that do not appear easily in other sources.

The relative estimates and assumptions are based on experience and other factors deemed pertinent. Real results might differ from those estimates.

The underlying estimates and assumptions are reviewed on a regular basis. Reviews of book estimates are recognized in the review period and future periods, if the review affects the current period, as well as subsequent periods.

1) Essential judgments upon applying accounting policies

Agreements with a lease substance

CFE Management has determined that certain service contracts have the economic substance of a lease. Its determination consists of, among other things, having compliance depend upon a specific asset the contract transfer the rights of use of the asset at issue, which requires making the use of judgment.

Lease agreement classification

Certain lease agreements must be classified as capitalized leases. This lease classification is dependent upon the degree to which the risks and benefits inherent to the ownership of the leased asset are transferred to the lessee, considering the substance of the transaction and not the form of the agreements. Based on the terms and conditions of the agreement, the Company has determined that it substantially has all the risks and benefits, with respect to certain assets under lease agreements.

2) Key sources of uncertainty in estimates

Basic assumptions with respect to the future and other key sources of uncertainty in estimates at the end of the period reported that have a significant risk of generating significant adjustments in the carrying values of assets and liabilities during the next year.

I. Allowance for doubtful accounts.

The Company values accounts receivable at their amortized cost less any impairment by using the effective interest method. It recognizes an allowance for doubtful accounts (impairment) when an event is recognized that generates a loss that implies the decrease of recoverability of cash flows (loss incurred).

Objective evidence is considered to exist that an impairment loss has been incurred on the value of accounts receivable at the time at which causes of impairment are identified or events that lead to considering that the recovery of accounts receivable is doubtful, unlikely, and the time elapsed since billing is extended, which is known as the incurred loss method.

In the case of the domestic sector, 75% of the balance is provided for once 330 days have elapsed after the default. In the case of agricultural and service sectors where the experience has shown that negotiations are conducted, providing for 25% of the balance of these sectors is established as a criterion, once 330 days have elapsed after the default.

The methodology for calculating the allowance for doubtful accounts is applied monthly, based on the past due receivables as of the immediately foregoing month. The nonperforming portfolio is determined at December for fiscal year end.

Once commercial and legal collection procedures have been exhausted, uncollectible accounts are written off against the calculated provision.

When this provision calculated in accordance with the above methodology is insufficient for writing off accounts derived from significant, massive, and targeted accounts with some type of generalized problem in any of these sectors (domestic, agricultural or service) and with a practical notorious unlikelihood of collection, they are submitted to the approval of the Board of Directors (formerly Board of Governors).

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

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

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

III. Asset Impairment

The Company conducts impairment tests when there are indicators. These tests imply the estimate of future cash flows that will be obtained by the Company and the most appropriate discount rate. The Company considers that its estimates in this sense are adequate and congruent with the current market environment, and its discount rates adequately reflect the applicable risks.

The Company considers that all its transactions form part of the same cash generating unit.

IV. Employee benefits

The valuation of employee benefits for pensions and other retirement benefits is supported by actuarial calculations based on assumptions relative to discount rates, salary increase rates, and other actuarial estimates used. Actuarial assumptions are restated annually. The changes in these

assumptions can have a significant effect on the amount of the obligations and results of the Company.

V. Dismounting of the Laguna Verde nuclear plant

The value of the provision for dismounting the nuclear plant is calculated based on cost assumptions, rate of inflation, long-term discount rates, exchange rates, and dates on which disbursements are expected to be made.

The review of this estimate is realized constantly to assure that the amounts provided for apply to the best cost estimate that will eventually be disbursed by the Company. Variations in the assumptions, basis of the estimates, can result in changes in the amounts recorded.

VI. Power sold in the manufacturing process

Revenues are recognized in the period in which electric power services are sold to customers. Consequently, the power already delivered that is in the process of being billed is considered as revenue of the year.

VII. Financial instruments

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

The Company considers that the assumptions used at the date of these consolidated financial statements are appropriate and well supported.

VIII. Contributions from customers

Contributions received from customers in order for the entity to render the electric power service to them are recorded by recognizing an asset at its fair value for the properties that are contributed by the customer. In turn, an unrealized proceed is recognized in accordance with CINIIF 18 interpretation "Transfers of assets from customers". The realization period of these proceeds is related to the useful life of the asset.

4. FINANCIAL INSTRUMENTS

a. Risk management

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

b. Significant accounting policies

The details of the significant accounting policies and methods adopted (including recognition criteria, valuation bases, and revenue and disbursement recognition bases) for each type of financial asset, financial liability, and capital instruments are disclosed in Note 3-i.

c. Categories of financial instruments.

		2014		2013
Financial assets:				
Cash and temporary investments	\$	36,310,880	\$	35,515,550
Accounts and Notes Receivable from consumers and other debtors		81,611,112		81,694,174
Long-term loans to workers		9,233,151		8,311,746
Derivative financial instruments		13,957,858		13,989,058
Financial liabilities at amortized cost				
Documented debt	\$	154,098,157	\$	145,218,732
Plants under lease agreements, facilities, equipment, and PIDIREGAS		193,089,132		180,138,032
Suppliers and contractors		16,301,377		15,550,838
Deposits from users and contractors		18,737,992		16,137,469

d. Objectives of financial risk management

Part of the duties of the Company's Finance Management is to implement strategies and coordinate access to domestic and international markets, as well as supervise and manage financial risks related to the Company's operations through internal risk reports and the market environment, which analyze exposures by degree and magnitude of the risks. These risks include market risk (including exchange risk and interest rate risk), credit and liquidity risk.

The Company seeks to mitigate the effects of the risks of part of the debt by using derivative financial instruments to hedge them. The use of financial derivatives is governed through a policy established by the inter-institutional financial risk management delegate Committee associated with the financial position and the price of fossil fuels (CDIGR) and ratified by the Board of Governors (now Board of Directors), which provides written principles about foreign exchange risk, interest rate risk, counterparty credit risk, and the use of derivative financial instruments.

The Company neither subscribes nor trades financial instruments for speculative purposes.

Treasury's duty is governed by the SHCP's policy of handling cash on hand in which the investments realized are not long-term, and they are made in low risk instruments. Treasury reports to the board of directors every month.

e. Credit risk management

Credit risk is the risk that one of the parties to a financial instrument causes a financial loss to the other party for failure to meet an obligation. The Company is subject to credit risk, mainly due to the financial instruments that refer to cash and temporary investments,

loans and accounts receivables, and derivative financial instruments in order to minimize the credit risk in the captions of cash, temporary investments, and derivative financial instruments. The Company only involves itself with solvent parties and recognized reputation and high creditworthiness.

The Company currently obtains sufficient guarantees, when appropriate, as a way to mitigate the risk of financial loss caused by nonperformances.

In order to manage credit risk, in the case of loans and accounts receivable from consumers, the Company considers that risk is limited. Accordingly, in the event of not receiving payment from the consumer, it adheres to the provisions of the Electric Power Public Service Utilities Law with respect to suspending the power supply. However, as discussed in note 3-r, subsection 2), numeral I, the Company provides for an allowance for doubtful accounts, under the losses incurred model.

The aging analysis of non-current financial assets on which it has not considered necessary to realize any provision at December 31, 2014 and 2013 is as follows:

	2014	2013
Less than 90 days	\$ 3,263,430	\$ 3,512,803
90 to 180 days	4,115,040	4,676,726
More than 180 days	37,593,197	37,476,614
	<u>\$ 44,971,667</u>	<u>\$ 45,666,143</u>

f. Liquidity risk

Liquidity risk is the risk that an entity has difficulties in meeting its obligations associated with its financial liabilities, which are liquidated by delivery of cash or another financial asset.

The financing received by the Company is mainly through debt contracted or by the leasing of plants, installations, equipment, and PIDIREGAS. In order to manage liquidity risk, the Company performs cash flow analyses periodically and maintains open lines of credit with financial institutions and suppliers. Additionally, the Company is subject to budgetary control by the Federal Government. Accordingly, the net debt ceiling that is authorized by Congress every year, in accordance with its budgeted revenues, cannot be exceeded.

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

At December 31, 2014	Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt	\$ 14,789,500	\$ 26,109,931	\$ 27,327,622	\$ 85,871,104	\$ 154,098,157
Plants under lease agreements, facilities, equipment, and PIDIREGAS	16,026,662	29,892,169	30,160,988	117,009,313	193,089,132
Suppliers and contractors	16,301,377	-	-	-	16,301,377
Deposits from users and contractors	18,737,992	-	-	-	18,737,992
Total	\$ 65,855,531	\$ 56,002,100	\$ 57,488,610	\$ 202,880,417	\$ 382,226,658

At December 31, 2013	Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt	\$ 32,540,555	\$ 20,334,044	\$ 2,636,771	\$ 89,707,362	\$ 145,218,732
Plants under lease agreements, facilities, equipment, and PIDIREGAS	15,943,937	28,715,200	15,168,295	120,310,600	180,138,032
Suppliers and contractors	15,550,838	-	-	-	15,550,838
Deposits from users and contractors	16,137,469	-	-	-	16,137,469
Total	\$ 80,172,799	\$ 49,049,244	\$ 17,805,066	\$ 210,017,962	\$ 357,045,071

g. Market Risks

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

Foreign exchange risk management

The Company is funded through credits preferably in local currency when market conditions advise it as such; therefore, the current debt is denominated mostly in Mexican pesos.

The Company realizes foreign currency transactions. Accordingly, exposures are generated to exchange rate fluctuations.

The Company mainly uses interest rate and currency swaps, as well as forward exchange contracts to manage its exposure to interest rate and foreign currency fluctuations, in accordance with its internal policies.

The carrying values of foreign currency denominated monetary assets and liabilities at the reporting period end are shown through the following analysis:

- Analysis of foreign currency sensitivity

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

The following table itemizes the Company's sensitivity to a 5% increase and decrease in the Mexican peso against relevant foreign currencies. The 5% represents the sensitivity rate used when the exchange risk is reported internally to key management personnel. It further represents management's evaluation about the possible fair change in exchange rates.

The sensitivity analysis only includes outstanding foreign currency denominated monetary items, and its translation is adjusted for a 5% change in exchange rates at period end. The sensitivity analysis includes external loans, as well as loans from foreign operations within the Company where the denomination of the loan is in a currency other than the loan currency or the borrower. A positive amount (as observed in the following chart) indicates an increase in income where the Mexican peso is strengthened 5% against the pertinent currency. If a 5% weakening is presented in the Mexican peso with respect to the benchmark currency, then there would be a comparable impact on income and the following balances would be negative:

		Thousands of pesos	
		2014	2013
Gain or loss	\$	<u>9,588,542</u>	<u>\$ 8,513,023</u>

In management's opinion, the impact of the inherent exchange risk affects electric rates in the long-term through adjustments on inflation and the fuel formula that considers the peso/dollar exchange rate, in addition to inflation.

- **Interest rate risk management**

The Company is exposed to interest rate risks, since it obtains loans at variable interest rates. The Company manages the risk by maintaining an appropriate combination between fixed rate and variable rate loans, as well as managing derivative financial instruments designated as an interest rate hedge.

- **Interest rate sensitivity analysis**

The following sensitivity analyses have been determined based on the exposure to interest rates for derivative instruments, as well as for non-derivative instruments at the end of the period reported. For variable rate liabilities, an analysis is prepared on the assumption that the amount of the current liability at the end of the period reported has been the current liability for all year. At the time of reporting the interest rate risk to key management personnel internally, a 0.50 point increase or decrease is used in the case of the Equilibrium Interbank Interest Rate (EIIR) and 0.01 points in the case of LIBOR, which represents management's evaluation of the possible fair change in interest rates.

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

- The loss for the year ended December 31, 2014 and 2013 would increase/decrease in the amount of \$474,833 and \$330,077, respectively. This is mainly attributable to the Company's exposure to interest rates on its variable rate loans; and

If the LIBOR interest rate had been 0.01 points above/below and all other variables remain constant:

- The loss for the year ended December 31, 2014 and 2013 would increase/decrease in the amount of \$5,913 and \$5,309, respectively. This is mainly attributable to the Company's exposure to interest rates on its variable rate loans; and

h. Fair value of financial instruments

Fair value of financial instruments

The carrying values of financial assets and liabilities recognized at amortized cost in the consolidated financial statements are considered to approximate their fair value, including the following:

	2014		2013	
	Carrying Value	Fair value	Carrying value	Fair Value
Documented debt	\$ 154,098,157	\$ 154,098,157	\$ 145,218,732	\$ 145,218,732
Plants under lease agreements, facilities, equipment, and PIDIREGAS	193,089,132	193,089,132	180,138,032	180,138,032

Valuation techniques and assumptions applied for determining fair value

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions are negotiated on the markets. Liquid assets are determined in reference to the prices quoted on the market.
- The fair value of other financial assets and liabilities (without including derivative instruments) are determined in conformity with generally accepted price determination models, based on the discounted cash flow analysis by using current transaction prices observable on the market and quotes for similar instruments.
- Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month (which is the monetary valuation of breaking the agreed upon transaction at any given time). CFE monitors this value and if there is any doubt or observes any irregularity in market value, it asks the counterparty for a new valuation.

Valuations at fair value recognized in the statement of financial position

The following table provides an analysis of the financial instruments valued subsequent to the initial recognition at fair value, grouped in levels from 1 to 2, based on the degree to which fair value is observable.

		<u>Level 1</u>
Available-for-sale financial assets		
Temporary investments	\$	<u>19,005,925</u>
Total	\$	<u>19,005,925</u>

The analysis of the fair value of derivative financial assets grouped in level 2 based on the degree to which fair value is observable is carried out in Note 10.

The levels referred to above are considered as indicated below:

- Level 1 valuations at fair value are those derived from quoted prices (not adjusted) on asset markets for liabilities or identical assets.
- Level 2 valuations at fair value are those derived from indicators other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

5. CASH AND CASH EQUIVALENTS

At December 31, 2014 and 2013, cash and temporary investments are summarized as follows:

	<u>2014</u>		<u>2013</u>
Cash on hand and in banks	\$ 17,304,955	\$	17,852,378
Temporary investments	<u>19,005,925</u>		<u>17,663,172</u>
Total	\$ <u>36,310,880</u>	\$	<u>35,515,550</u>

6. ACCOUNTS RECEIVABLE, NET

At December 31, 2014 and 2013, accounts receivable are summarized as shown below:

	<u>2014</u>	<u>2013</u>
Public consumers	\$ 64,846,550	\$ 66,455,874
Government consumers	18,412,951	16,965,181
Other receivables	<u>286,660</u>	<u>2,886,865</u>
	83,546,161	86,307,920
Allowance for doubtful accounts	<u>(18,697,261)</u>	<u>(18,016,513)</u>
	64,848,900	68,291,407
Notes receivable, claims to insurance companies and others	16,761,220	12,509,952
Value added tax recoverable	<u>992</u>	<u>892,815</u>
Total	\$ <u>81,611,112</u>	\$ <u>81,694,174</u>

At December 31, 2014 and 2013, balances and movements of the allowance for doubtful accounts are summarized as follows:

	<u>2014</u>	<u>2013</u>
Opening Balance	\$ 18,016,513	\$ 13,015,536
Increase	6,303,158	9,344,610
Recoveries	408,138	311,879
Applications	<u>(6,030,548)</u>	<u>(4,655,512)</u>
Final Balance	\$ <u>18,697,261</u>	\$ <u>18,016,513</u>

7. MATERIALS FOR OPERATION

At December 31, 2014 and 2013, materials for operation summarized as follows:

	<u>2014</u>	<u>2013</u>
Replacement parts and equipment:	\$ 5,000,300	\$ 3,790,748
Fuel and Lubricants	12,908,087	12,591,989
Nuclear fuel	<u>4,209,489</u>	<u>4,074,880</u>
	22,117,876	20,457,617
Allowance for obsolescence	<u>(838,340)</u>	<u>(473,748)</u>
Total	\$ <u>21,279,536</u>	\$ <u>19,983,869</u>

8. PLANTS, FACILITIES AND EQUIPMENT

Net balances of plants, facilities and equipment at December 31, 2014 and 2013 are summarized as follows:

Investment

	Plants, facilities and equipment in operation	Capitalized replacement parts	Construction-in-progress	Construction Materials	Stock exchange certificates available	Total
Bal 01/Jan/14	\$1,658,152,676	\$9,803,929	\$25,382,051	\$10,693,890	\$8,821	\$1,704,041,367
Acquisitions	44,362,431	-	8,284,328	1,245,585	-	53,892,345
Revaluation for the period (property)	24,830,757	-	-	-	-	24,830,757
Rectification of 2013 revaluation	(44,944,952)	-	-	-	-	(44,944,952)
Retirements	(7,841,964)	(854,926)	-	-	-	(8,696,890)
Capitalization Bal	-	-	(5,795,265)	-	-	(5,795,265)
31/Dec/14	\$1,674,558,948	\$8,949,003	\$27,871,114	\$11,939,475	\$8,821	\$1,723,327,361

Accumulated depreciation

	Plants, facilities and equipment in operation	Capitalized replacement parts	Construction-in-progress	Construction Materials	Stock exchange certificates available	Total
Bal 01/Jan/14	(748,685,370)	(1,109,592)	-	-	-	(749,794,962)
Net Bal 01/Jan/14	\$909,467,306	\$ 8,694,337	\$ 25,382,051	\$ 10,693,890	\$ 8,821	\$ 954,246,405
Depreciation of the period	(41,195,041)	(369,864)	-	-	-	(41,564,905)
Depreciation on retirements	7,024,912	-	-	-	-	7,024,912
Rectification of depreciation of the 2013 revaluation	59,064,381	-	-	-	-	59,064,381
Net Depreciation	24,894,252	(369,864)	-	-	-	24,524,388
Balances 31/Dec/14	(723,791,118)	(1,479,456)	-	-	-	(725,270,574)
Net Bal 31/14	\$ 950,767,830	\$ 7,469,547	\$ 27,871,114	\$ 11,939,475	\$ 8,821	\$ 998,056,787

Fair value of plants, facilities, operating equipment and property.

The revaluation for the period amounting to \$24,830,757 corresponds to the fair value measurements of the property of the CFE at December 31, 2014, which were realized by parametric appraisals drawn up by certified appraisers, in accordance with the applicable

guidelines on that subject, established by the Institute of Administration and Appraisals of Assets (INDAABIN).

The rectification of the revaluation in the amount of \$44,944,952 and depreciation of the revaluation amounting to \$59,064,381 is due to the improvement carried out by the Company of various specific factors of the technical appraisals of the plants, facilities, and operating equipment of the electric infrastructure. As a result of an optimization of the restatement of book values. The net effect on patrimony amounted to \$14,119,429.

At December 31, 2014, the total revaluation resulted in a net amount of \$38,950,186, which is reflected in the surplus account of Patrimony.

Plants, facilities and equipment in operation- The balances of plants, facilities and equipment at December 31, 2014 and 2013 including equipment under PIDIREGAS are summarized as follows:

	2014	2013
Plants:		
Steam	\$ 330,775,454	\$ 333,156,052
Hydroelectric	206,881,907	211,863,388
Nuclear electric	121,520,039	121,333,245
Turbo gas and combined cycle	75,702,390	73,201,320
Geothermal	42,212,647	46,076,609
Internal combustion	2,027,377	1,449,679
Unconventional facilities	3,014,988	2,487,514
Transmission lines and transformation substations	337,478,138	328,759,841
Optic Fiber	7,002,199	6,533,003
Networks and distribution substations	390,923,625	384,152,476
Plots of land in regularization process	570,593	480,537
Administrative and other buildings	58,619,303	34,741,265
Trusts	30,816	26,858
	1,576,759,476	1,544,261,787
External producers' equipment	97,471,095	91,793,496
Dismounting of Laguna Verde Nuclear Station	328,379	328,379
	1,674,558,950	1,636,383,662
Less:		
Accumulated depreciation	703,879,558	712,134,319
Accumulated depreciation external producers	19,917,562	14,782,037
Total	\$ 950,767,830	\$ 909,467,306

Works in progress - The balances of constructions-in-progress at December 31, 2014 and 2013 are summarized as follows:

Plant:	2014	2013
Steam	\$ 424,456	\$ 532,551
Hydroelectric	5,345,230	5,369,817
Nuclear electric	341,051	445,243
Turbo gas and combined cycle	648,714	598,480
Geothermal	1,468,241	1,449,011
Internal combustion	218,379	274,295
Lines, networks and substations	17,472,029	13,888,707
Offices and general facilities	661,281	1,767,685
Advances for construction	1,291,733	1,056,262
Total	\$ 27,871,114	\$ 25,382,051

During 2014, the capitalized items in works-in-progress, in accordance with the policy described in Note 3d amounted to \$1,541,272, consisting of administrative expenses amounting to \$1,322,863 and depreciation amounting to \$218,409.

Materials for construction- The balances of materials for construction at December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Replacement parts and equipment:	\$ 9,350,905	\$ 8,469,876
Materials in possession of third parties	2,588,570	2,224,014
Total	\$ 11,939,475	\$ 10,693,890

Capitalized replacement parts- The balances of capitalized replacement parts at December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Capitalized replacement parts	\$ 8,949,003	\$ 9,803,929
Less		
Accumulated depreciation	1,479,456	1,109,592
Total	\$ 7,469,547	\$ 8,694,337

Securities exchange certificates - The balances of securities exchange certificates at December 31, 2014 and 2013 amounted to \$8,821.

9. ASSETS UNDER COMMODATUM AGREEMENT

On October 11, 2009, the Executive Branch decreed the extinction of the Decentralized Company Luz y Fuerza del Centro, and instructed the Sale of Assets Service (SAE) to place all the useful assets applicable to electric power services at the disposal of the CFE which, by operation of the Public Electric Power Service, is responsible for operating this service.

On that same date, the SAE and the CFE entered into an agreement that they subsequently ratified on August 11, 2010, whereby they agree that beginning the effectiveness of the decree referred to above, the SAE will deliver the assets under a contract without valuable consideration, which are useful to the electric service in the Central Zone of the country in order to serve more than 6 million customers. Moreover, it is agreed that beginning October 11, the CFE will be responsible for the revenues and operating costs, conservation, and maintenance of the infrastructure.

The duration of the commodatum agreement is three years, counted beginning October 11, 2009. That duration was automatically extended for another three year period on October 11, 2012.

For purposes of identification and valuation of the assets, subject matter of the bailment contract, the SAE made use of the services of specialized consultants in the practice of assessed physical inventories. The amount of \$106,496,100 was obtained and registered by the CFE in memorandum accounts at 2011 year end. This amount consists of electric infrastructure, as well as real and private property. As of December 31, 2014 and 2013, the balance of these assets amounts to \$100,694,123 and \$104,175,000, respectively.

10. DERIVATIVE FINANCIAL INSTRUMENTS

- Balances at December 31, 2014 and 2013 of derivative financial instruments and interest are summarized as follows:

	<u>2014</u>		<u>2013</u>	
Designated as hedges				
Assets	\$	<u>9,974,406</u>	\$	<u>9,952,071</u>
Liabilities	\$	<u>9,621,788</u>	\$	<u>10,647,961</u>
Trading purposes				
Assets	\$	<u>3,983,452</u>	\$	<u>4,036,987</u>
Liabilities	\$	<u>4,933,590</u>	\$	<u>4,388,176</u>
Total Derivative Financial Instruments				
Assets	\$	<u>13,957,858</u>	\$	<u>13,989,058</u>
Liabilities	\$	<u>14,555,378</u>	\$	<u>15,036,137</u>

- Financial instrument held for trading purposes - On September 17, 2002, CFE placed a bond in the amount of 32 billion Japanese yen on the Japanese market at an annual 3.83% interest rate, due September 2032. CFE simultaneously realized a hedging operation by which it received the amount of 269,474,000 US dollars equivalent to the 32 billion yens at the spot exchange rate of the date of the operation of 118.7499 yens per US dollar. The operation consists of a series of Exchange "Forwards" that allow for setting the yen/dollar exchange rate during the term established for the operation at 54.0157 yens per US dollar. As a result of the operation, CFE pays an annual interest rate equivalent to 8.42% in US dollars. The effect of the evaluation of foreign currency "Forward" contracts is recorded in the Financial Cost. A comprehensive gain

or loss on financing. A gain (loss) in that cost offsets a loss (gain) in the underlying liability.

CFE's tax obligation is to pay Japanese yens based to the creditor on the due dates. It is entitled to receive yens from the institution with which it contracted the hedge, in exchange for certain US dollars set forth in the financial instrument contract. The gain (loss) of the transaction with the institution with which the financial instrument was contracted as follows:

		Exchange rate (December 2014)	Local currency (thousands of pesos)
Assets receivable (assets)	32,000,000,000 yens	0.1227	\$ 3,926,400
Assets deliverable (liability)	269,474,000dollars	14.7180	\$ 3,966,118
Assets deliverable, net			<u>\$ (39,718)</u>

Beginning March 17, 2003 and up to September 17, 2032, the CFE is bound to realize semester payments in the amount of 11,344,855.40 US dollars equivalent to 612,800,000 Japanese yens. Accordingly, the total sum that the CFE is bound to deliver in the next 18 years amounts to 442,449,360 US dollars, and the total amount that it will receive will be 23,899,200,000 Japanese yens.

Additionally, upon termination of the hedging contract, the parties entered into a purchase agreement by CFE of a "European Call" by which the CFE acquired the right to buy Japanese yens at market price upon maturity, in the event that the yen/dollar exchange rate is listed below 118.7498608401 yens per dollar and the sale by CFE of a "European Call", by which CFE sells the hedge of a yen/dollar exchange rate appreciation above 27.8000033014 yens per dollar.

In the event that CFE should decide to terminate the hedge (exchange "forwards") early, it would generate an estimated extraordinary loss at December 31, 2014 in an amount approximating 64,556,200 US dollars. The loss was estimated by J. Aron & Company (Calculation agent or broker) based on the fair value of the hedge at the date of the estimate.

• Derivative financial instruments designated as hedges at December 31, 2014 are itemized below:

Counterparty	Primary Position	Business	Amount of notional	Underlying asset	Market value	Hedge (fund) inception date	Hedge (fund) termination date	Rate / type of currency received	Rate / type of currency paid	% hedged
ING BANK	\$ 569,363	Change from floating rate to fixed rate	\$ 540,895	Interest rate CETES 91 + 0.79%	\$ (373)	December 16, 2005	March 6, 2015	CETES 91 + 0.79%	8.8900%	95%
BANCOMER	\$ 510,638	Change from floating rate to fixed rate	\$ 510,638	Interest rate CETES 91 + 0.79%	\$ (352)	December 16, 2005	March 6, 2015	CETES 91 + 0.79%	8.8900%	100%
ING BANK	\$ 894,954	Change from floating rate to fixed rate	\$ 850,206	Interest rate CETES 91 + 0.79%	\$ (574)	December 16, 2005	March 6, 2015	CETES 91 + 0.79%	8.7800%	95%
BANCOMER	\$ 839,688	Change from floating rate to fixed rate	\$ 797,703	Interest rate CETES 91 + 0.79%	\$ (538)	December 16, 2005	March 6, 2015	CETES 91 + 0.79%	8.7800%	95%
SANTANDER SERFIN	\$ 1,072,519	Change from floating rate to fixed rate	\$ 1,018,623	Interest rate CETES 91 + 0.79%	\$ (702)	February 17, 2006	March 6, 2015	CETES 91 + 0.79%	8.8900%	95%
ING BANK	\$ 1,005,343	Change from floating rate to fixed rate	\$ 1,005,343	Interest rate CETES 91 + 0.79%	\$ (689)	December 16, 2005	March 6, 2015	CETES 91 + 0.79%	8.8600%	100%
HSBC	\$ 1,251,699	Change from floating rate to fixed rate	\$ 1,215,305	Interest rate CETES 91 + 0.79%	\$ (816)	February 24, 2006	March 6, 2015	CETES 91 + 0.79%	8.7600%	97%
HSBC	\$ 1,038,911	Change from floating rate to fixed rate	\$ 1,038,911	Interest rate CETES 91 + 0.79%	\$ (695)	March 1, 2006	March 6, 2015	CETES 91 + 0.79%	8.7395%	100%
BANAMEX	\$ 1,702,516	Change from floating rate to fixed rate	\$ 1,617,390	Interest rate CETES 182 + 0.25%	\$ (24,812)	December 7, 2007	May 26, 2017	CETES 182 + 0.25%	8.1950%	95%
BANAMEX	\$ 368,987	Change from floating rate to fixed rate	\$ 350,538	Interest rate CETES 182 + 0.25%	\$ (7,723)	February 15, 2008	August 4, 2017	CETES 182 + 0.25%	8.2200%	95%
BANCOMER	\$ 1,314,758	Change from floating rate to fixed rate	\$ 1,249,020	Interest rate CETES 91 + 0.50%	\$ (117,723)	December 6, 2007	February 23, 2017	CETES 91 + 0.50%	8.3650%	95%
BANAMEX	\$ 787,092	Change from floating rate to fixed rate	\$ 787,092	Interest rate CETES 91 + 0.45%	\$ (15,483)	April 24, 2008	January 11, 2018	CETES 91 + 0.45%	7.9000%	100%
J.P. MORGAN	\$ 697,928	Change from floating rate to fixed rate	\$ 593,239	Interest rate EIIR 28 + 0.45%	\$ (8,349)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0900%	85%
HSBC	\$ 651,004	Change from floating rate to fixed rate	\$ 553,353	Interest rate EIIR 28 + 0.45%	\$ (7,541)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0700%	85%
CREDIT AGRICOLE	\$ 590,622	Change from floating rate to fixed rate	\$ 502,029	Interest rate EIIR 28 + 0.45%	\$ (6,759)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0850%	85%
BANCOMER	\$ 428,546	Change from floating rate to fixed rate	\$ 372,183	Interest rate EIIR 28 + 0.45%	\$ (5,161)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0700%	87%
BNP PARIBAS	\$ 435,552	Change from floating rate to fixed rate	\$ 371,525	Interest rate EIIR 28 + 0.45%	\$ (5,244)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.1000%	85%
GOLDMAN SACHS	\$ 422,726	Change from floating rate to fixed rate	\$ 370,171	Interest rate EIIR 28 + 0.45%	\$ (4,979)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0500%	88%
SANTANDER SERFIN	\$ 595,093	Change from floating rate to fixed rate	\$ 533,627	Interest rate EIIR 28 + 0.45%	\$ (6,386)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9800%	97%
CREDIT AGRICOLE	\$ 554,726	Change from floating rate to fixed rate	\$ 532,452	Interest rate EIIR 28 + 0.45%	\$ (5,955)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9650%	89%
HSBC	\$ 580,614	Change from floating rate to fixed rate	\$ 532,430	Interest rate EIIR 28 + 0.45%	\$ (6,363)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9800%	96%
BANCOMER	\$ 576,581	Change from floating rate to fixed rate	\$ 529,692	Interest rate EIIR 28 + 0.45%	\$ (6,453)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9800%	91%
BANAMEX	\$ 558,268	Change from floating rate to fixed rate	\$ 529,264	Interest rate EIIR 28 + 0.45%	\$ (6,337)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9750%	92%
GOLDMAN SACHS	\$ 468,606	Change from floating rate to fixed rate	\$ 527,253	Interest rate EIIR 28 + 0.45%	\$ (6,443)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9850%	94%
CREDIT AGRICOLE	\$ 459,982	Change from floating rate to fixed rate	\$ 374,884	Interest rate EIIR 28 + 1.59%	\$ (1,894)	July 2, 2012	June 29, 2020	CETES 28 + 1.59%	6.8180%	80%
BANAMEX	\$ 450,342	Change from floating rate to fixed rate	\$ 367,985	Interest rate EIIR 28 + 1.59%	\$ (2,090)	July 2, 2012	June 29, 2020	CETES 28 + 1.59%	6.8100%	80%
SANTANDER	\$ 436,070	Change from floating rate to fixed rate	\$ 360,274	Interest rate EIIR 28 + 1.59%	\$ (2,123)	July 2, 2012	June 29, 2020	CETES 28 + 1.59%	6.8290%	80%
HSBC	USD 16,788	Change from floating rate to fixed rate	\$ 348,856	Interest rate EIIR 28 + 1.59%	\$ (2,029)	July 2, 2012	June 29, 2020	CETES 28 + 1.59%	6.8300%	80%
CREDIT SUISSE	USD 12,005	Translate Dollars into Pesos	USD 12,005	Exchange rate USD/Mexican Peso	\$ (14,065)	January 24, 2005	July 24, 2021	US dollars	Pesos	72%

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Exhibit E

Counterparty	Primary Position	Business	Amount of notional	Underlying asset	Market value	Hedge (fund) inception date	Hedge (fund) termination date	Rate / type of currency received	Rate / type of currency paid	% hedged
CREDIT SUISSE	USD <u>10,750</u>	Translate Dollars into Pesos	USD <u>8,311</u>	Exchange rate USD/Mexican Peso	<u>\$10,233</u>	February 2, 2005	February 2, 2023	US dollars	Pesos	77%
DEUTSCHE BANK	USD <u>208,188</u>	Translate Dollars into Pesos	USD <u>171,323</u>	Exchange rate USD/Mexican Peso	<u>\$187,207</u>	May 3, 2005	June 21, 2021	US dollars	Pesos	82%
GOLDMAN SACHS	USD <u>49,296</u>	Translate Dollars into Pesos	USD <u>40,977</u>	Exchange rate USD/Mexican Peso	<u>\$47,535</u>	March 26, 2005	March 26, 2022	US dollars	Pesos	83%
GOLDMAN SACHS	USD <u>200,000</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD <u>186,667</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	<u>\$(3,443)</u>	December 15, 2008	December 15, 2036	US dollars at LIBOR rate	Fixed rate pesos	93%
DEUTSCHE BANK	USD <u>200,000</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD <u>186,667</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	<u>\$(20,336)</u>	December 15, 2008	December 15, 2036	US dollars at LIBOR rate	Fixed rate pesos	93%
GOLDMAN SACHS	USD <u>105,450</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD <u>96,662</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	<u>\$(55,339)</u>	June 15, 2009	December 15, 2036	US dollars at LIBOR rate	Fixed rate pesos	92%
DEUTSCHE BANK	USD <u>105,450</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD <u>96,662</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	<u>\$(60,559)</u>	June 15, 2009	December 15, 2036	US dollars at LIBOR rate	Fixed rate pesos	92%
DEUTSCHE BANK	USD <u>255,000</u>	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD <u>233,750</u>	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	<u>\$(88,023)</u>	June 15, 2009	December 15, 2036	US dollars at LIBOR rate	Fixed rate pesos	92%

- Measuring effectiveness of financial derivative instruments for hedging at December 31, 2014.

Name of the Hedge in Accordance with the Documentation	Date of Swap	Cash Flows		Effectiveness %	Rate Used to Calculate Cash Flows of Primary Instrument		Surcharge	Base of Calculating for Both Cash Flows		Periods of Frequency	Date of Calculation of Both Rate
		Cash Flows Payable on Primary Position	Receivable on Derivative Instrument		Position	Cash Flows of Derivative Instrument		Both Cash Flows			
BANAMEX 2 BANCOMER BANAMEX ING IV	January 2, 2014	<u>\$ 1,401</u>	<u>\$ 1,401</u>	100%	3.97%	3.97%	0.65%	CURRENT 360	Semester	June 27, 2013	
	January 3, 2014	<u>\$ 16,143</u>	<u>\$ 16,143</u>	100%	3.7877%	3.7877%	0.45%	CURRENT 360	Monthly	December 4	
	January 16, 2014	<u>\$ 3,501</u>	<u>\$ 3,501</u>	100%	3.46%	3.46%	0.45%	CURRENT 360	Quarterly	October 17	
ING 4 BANCOMER 2	January 24, 2014	<u>USD 401</u>	<u>USD 401</u>	100%	1.25%	1.25%	0.00%	CURRENT 360	Semester	May 5	
	January 31, 2014	<u>\$ 5,466</u>	<u>\$ 5,466</u>	100%	3.7900%	3.7900%	1.59%	CURRENT 360	Monthly	December 30	
	January 31, 2014	<u>\$ 15,016</u>	<u>\$ 15,016</u>	100%	3.7950%	3.7950%	0.45%	CURRENT 360	Monthly	December 31	
ICO 8 BANCOMER 1	February 4, 2014	<u>USD 256</u>	<u>USD 256</u>	100%	1.25%	1.25%	0.00%	CURRENT 360	Bimonthly	May 5	
	February 7, 2014	<u>\$ 3,126</u>	<u>\$ 3,126</u>	100%	3.94%	3.94%	0.25%	CURRENT 360	Semester	August 8	
	February 27, 2014	<u>\$ 4,602</u>	<u>\$ 4,602</u>	100%	3.50%	3.50%	0.50%	CURRENT 360	Quarterly	November 28	
ING III BANCOMER 2	February 28, 2014	<u>\$ 4,924</u>	<u>\$ 4,924</u>	100%	3.7761%	3.7761%	1.59%	CURRENT 360	Monthly	January 30	
	February 28, 2014	<u>\$ 14,936</u>	<u>\$ 14,936</u>	100%	3.7726%	3.7726%	0.45%	CURRENT 360	Monthly	January 29	
	March 7, 2014	<u>\$ 12,003</u>	<u>\$ 12,003</u>	100%	3.52%	3.52%	0.79%	CURRENT 360	Quarterly	December 5	
ICO 5 6 Y 7 BANCOMER BANAMEX	March 26, 2014	<u>USD 1,334</u>	<u>USD 1,334</u>	100%	1.25%	1.25%	0.00%	CURRENT 360	Semester	May 4	
	March 28, 2014	<u>\$ 15,020</u>	<u>\$ 15,020</u>	100%	3.7962%	3.7962%	0.45%	CURRENT 360	Monthly	February 26	
	March 31, 2014	<u>\$ 5,467</u>	<u>\$ 5,467</u>	100%	3.7917%	3.7917%	1.59%	CURRENT 360	Monthly	February 27	
ING IV BANCOMER BANAMEX	April 16, 2014	<u>\$ 2,999</u>	<u>\$ 2,999</u>	100%	3.36%	3.36%	0.45%	CURRENT 360	Quarterly	January 16	
	April 25, 2014	<u>\$ 15,057</u>	<u>\$ 15,057</u>	100%	3.8067%	3.8067%	0.45%	CURRENT 360	Monthly	March 26	
	April 30, 2014	<u>\$ 5,311</u>	<u>\$ 5,311</u>	100%	3.8125%	3.8125%	1.59%	CURRENT 360	Monthly	March 28	
BANCOMER 2 BANAMEX 1	May 21, 2014	<u>\$ 1,058</u>	<u>\$ 1,058</u>	100%	3.56%	3.56%	0.65%	CURRENT 360	Semester	November 21	
	May 23, 2014	<u>\$ 15,085</u>	<u>\$ 15,085</u>	100%	3.8145%	3.8145%	0.45%	CURRENT 360	Monthly	November 23	
	May 29, 2014	<u>\$ 3,829</u>	<u>\$ 3,829</u>	100%	3.34%	3.34%	0.50%	CURRENT 360	Quarterly	April 23	
ING III IXE 1	May 30, 2014	<u>\$ 11,508</u>	<u>\$ 11,508</u>	100%	3.57%	3.57%	0.25%	CURRENT 360	Semester	February 27	
	June 2, 2014	<u>\$ 5,824</u>	<u>\$ 5,824</u>	100%	3.7950%	3.7950%	1.59%	CURRENT 360	Monthly	November 28	
	June 6, 2014	<u>\$ 7,612</u>	<u>\$ 7,612</u>	100%	3.31%	3.31%	0.79%	CURRENT 360	Quarterly	April 29	
ING II GOLDMAN SACHS 1 Y 3	June 13, 2014	<u>USD 6,084</u>	<u>USD 6,084</u>	100%	0.3441%	0.3441%	0.4950%	CURRENT 360	Semiannual	March 6	
	June 13, 2014	<u>USD 11,164</u>	<u>USD 11,164</u>	100%	0.3441%	0.3441%	0.4950%	CURRENT 360	Semiannual	December 12	
	June 19, 2014	<u>USD 5,684</u>	<u>USD 5,684</u>	100%	1.25%	1.25%	0.00%	CURRENT 360	Semester	December 12	
ICO 2 Y 3 BANCOMER BANAMEX	June 20, 2014	<u>\$ 15,063</u>	<u>\$ 15,063</u>	100%	3.8085%	3.8085%	0.45%	CURRENT 360	Semester	May 3	
	June 30, 2014	<u>\$ 4,926</u>	<u>\$ 4,926</u>	100%	3.7785%	3.7785%	1.59%	CURRENT 360	Monthly	May 21	
				100%					Monthly	May 30	

BANAMEX 2	July 2, 2014	\$ <u>625</u>	\$ <u>625</u>	100 %	3.54 %	3.54 %	0.65 %	CURRENT 360	Semester	December 31
ING IV	July 17, 2014	\$ <u>3,057</u>	\$ <u>3,057</u>	100 %	3.35 %	3.35 %	0.45 %	CURRENT 360	Quarterly	April 16
BANCOMER BANAMEX	July 18, 2014	\$ <u>13,300</u>	\$ <u>13,300</u>	100 %	3.31 %	3.31 %	0.45 %	CURRENT 360	Monthly	June 18
ICO 4	July 24, 2014	USD <u>398</u>	USD <u>398</u>	100 %	1.25 %	1.25 %	0.00 %	CURRENT 360	Semester	May 5
BANCOMER 2	July 31, 2014	\$ <u>4,590</u>	\$ <u>4,590</u>	100 %	3.3050 %	3.3050 %	1.59 %	CURRENT 360	Monthly	June 27
ICO 8	August 4, 2014	USD <u>257</u>	USD <u>257</u>	100 %	1.25 %	1.25 %	0.00 %	CURRENT 360	Semester	May 5
BANCOMER 1	August 8, 2014	\$ <u>2,488</u>	\$ <u>2,488</u>	100 %	3.56 %	3.56 %	0.25 %	CURRENT 360	Semester	February 5
BANCOMER BANAMEX	August 15, 2014	\$ <u>12,234</u>	\$ <u>12,234</u>	100 %	3.2970 %	3.2970 %	0.45 %	CURRENT 360	Monthly	July 16
ING III	August 28, 2014	\$ <u>3,868</u>	\$ <u>3,868</u>	100 %	3.38 %	3.38 %	0.50 %	CURRENT 360	Quarterly	May 29
BANCOMER 2	September 1, 2014	\$ <u>4,741</u>	\$ <u>4,741</u>	100 %	3.3075 %	3.3075 %	1.59 %	CURRENT 360	Monthly	July 30
ING II	September 5, 2014	\$ <u>7,779</u>	\$ <u>7,779</u>	100 %	3.40 %	3.40 %	0.79 %	CURRENT 360	Quarterly	June 5
BANCOMER BANAMEX	September 12, 2014	\$ <u>12,225</u>	\$ <u>12,225</u>	100 %	3.2941 %	3.2941 %	0.45 %	CURRENT 360	Monthly	August 13
ICO 5 6 Y 7	September 26, 2014	USD <u>1,328</u>	USD <u>1,328</u>	100 %	1.25 %	1.25 %	0.00 %	CURRENT 360	Semester	May 4
BANCOMER 2	September 30, 2014	\$ <u>4,277</u>	\$ <u>4,277</u>	100 %	3.2860 %	3.2860 %	1.59 %	CURRENT 360	Monthly	September 1
BANCOMER BANAMEX	October 10, 2014	\$ <u>12,185</u>	\$ <u>12,185</u>	100 %	3.2818 %	3.2818 %	0.45 %	CURRENT 360	Monthly	September 10
ING IV	October 16, 2014	\$ <u>2,326</u>	\$ <u>2,326</u>	100 %	2.8900 %	2.8900 %	0.45 %	CURRENT 360	Quarterly	July 17
BANCOMER 2	October 31, 2014	\$ <u>4,578</u>	\$ <u>4,578</u>	100 %	3.2916 %	3.2916 %	1.59 %	CURRENT 360	Monthly	September 29
BANCOMER BANAMEX	November 7, 2014	\$ <u>12,236</u>	\$ <u>12,236</u>	100 %	3.2975 %	3.2975 %	0.45 %	CURRENT 360	Monthly	October 8
ING III	November 28, 2014	\$ <u>2,831</u>	\$ <u>2,831</u>	100 %	2.8700 %	2.8700 %	0.50 %	CURRENT 360	Quarterly	August 28
IXE 1	November 28, 2014	\$ <u>9,709</u>	\$ <u>9,709</u>	100 %	3.5100 %	3.5100 %	0.25 %	CURRENT 360	Semester	May 29
BANCOMER 2	December 1, 2014	\$ <u>4,568</u>	\$ <u>4,568</u>	100 %	3.2810 %	3.2810 %	1.59 %	CURRENT 360	Monthly	October 30
ING II	December 5, 2014	\$ <u>3,379</u>	\$ <u>3,379</u>	100 %	2.8500 %	2.8500 %	0.79 %	CURRENT 360	Quarterly	September 4
BANCOMER BANAMEX	December 5, 2014	\$ <u>12,164</u>	\$ <u>12,164</u>	100 %	3.2755 %	3.2755 %	0.45 %	CURRENT 360	Monthly	November 5
GOLDMAN SACHS 1 Y 3	December 12, 2014	USD <u>6,039</u>	USD <u>6,039</u>	100 %	0.3240 %	0.3240 %	0.4950 %	CURRENT 360	Semester	June 12
GOLDMAN SACHS 2 4 Y 5	December 12, 2014	USD <u>11,081</u>	USD <u>11,081</u>	100 %	0.3240 %	0.3240 %	0.4950 %	CURRENT 360	Semester	June 12
ICO 2 Y 3	December 19, 2014	USD <u>5,653</u>	USD <u>5,653</u>	100 %	1.2500 %	1.2500 %	0.00 %	CURRENT 360	Semester	May 3
BANCOMER 2	December 31, 2014	\$ <u>4,434</u>	\$ <u>4,434</u>	100 %	3.2965 %	3.2965 %	1.59 %	CURRENT 360	Monthly	November 28, 2014

Effectiveness Measurement

CFE uses risk management to mitigate exposure to the volatility of interest rates and exchange rates. Pursuant to the foregoing, the Entity has contracted plain vanilla interest rate and foreign currency swaps. With this, variable cash flows on the primary position have been hedged 100% by the cash flows received from the Derivative Financial Instrument.

Effectiveness Measurement Methodology

The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the effectiveness measurement method. In the effectiveness measurement tests performed on the swap flows, effectiveness was 100%.

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

With this, it can be observed and concluded that the critical characteristics of both the cash flow of the primary position and the cash flow of the derivative financial instrument are exactly equal, and the effectiveness of each Derivative Financial Instrument contracted by the Entity is 100%.

Sensitivity analysis

In accordance with IFRS, sensitivity was calculated of the variation in the market value of the derivative financial instruments contracted by NIIF.

The case of the operation of trading currencies (Forward) shows that the variation of one centavo in the exchange rate generates an approximate change in the market value of 0.0679 %, that is, \$4,084 (thousands of pesos) by December 31, 2014.

Interest rate and foreign currency hedge trading (Cross Currency Swaps) shows that the variation of one centavo in the exchange rate generates an approximate change in the market value of 0.0679 %, that is, \$7,296 (thousands of pesos), for December 31, 2014.

Interest rate hedging operations (Interest Rate Swaps) show that the variation of one base point in the interest rate generates an approximate change in the market value of 0.1806 %, that is, \$679 (thousands of pesos) for September 30, 2014.

Comments on the Market Value (Mark-to-Market) and the adjustment on the Credit risk and its Level of Hierarchy.

The net clean market value of derivative financial instruments designated as hedges (Mark-to-Market) At December 31, 2014 amounts to \$83,228 (thousands of pesos), which are included in patrimony and consist of \$336,168 against CFE, included in the value of the liability of the caption of financial instruments and \$252,940 in favor of CFE included in the value of the asset of the caption of financial instruments.

Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month. CFE monitors the Mark-to-market and if there is any doubt or observes any irregularity in the Mark-to-market behavior, it asks the counterparty for a new valuation.

Pursuant to the foregoing, the Market Value sent by the Calculation agent or counterparty is only an indicative value, since the models used by banks can differ between each other.

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

In accordance with IFRS, fair value or Mark-to-Market (MTM) should reflect the creditworthiness of the Derivative Financial Instrument. Incorporating credit risk into the Mark-to-Market of the Derivative Financial Instruments recognizes the likelihood that one of the counterparties may incur in nonperformance and, therefore, the creditworthiness is reflected of the Derivative Financial Instrument, in accordance with IFRS.

Pursuant to the above, the CFE adjusted the Fair Values or Mark-to-market that represent a credit risk for the entity.

Methodology to Adjust Fair Value or Mark-to-Market due on Credit Risk.

In order to adjust the fair value of Derivative Financial Instruments pursuant to IFRS for credit risks, CFE will adopt the Credit Value Adjustment (CVA) concept.

The CVA consists of items of exposure or potential loss, likelihood of nonperformance and rate of recovery. Its formula is:

$$CVA = \text{Exp} * q * (1 - r)$$

Where:

Exp = Exposure

q = Likelihood of Nonperformance

r = Recovery Rate

Simplifications:

$$\text{Exp} = \text{MTM}$$

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

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

Exposure will be considered as total market value (MTM) of each counterparty, that is, the sum of all the MTMs that we have with the financial institution.

The likelihood of nonperformance by one less the recovery rate will be the adjustment to the sum factor of the market values or exposure of each counterparty.

In order to obtain the likelihood of nonperformance (q), the Credit Default Swaps (CDS) of the counterparties will be taken to their closest term available, in the understanding that the adjustment of the CVA will be carried out on a month-to-month basis. The CDS are data that reflect the market vision on credit risk, and it is transparent information for all financial entities.

For purposes of the calculation of the CVA, the recovery rate (r) will be zero. This rate is totally conservative, since the standard on the financial standard is 40%.

Once it is obtained, the CVA will proceed to adjust the MTM in the following manner:

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

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

Policies

This mechanism was approved by the Interinstitutional Delegate Committee of Financial Risk Management Associated with the Financial Position and Price of Fossil Fuel (CDIGR) as an adjustment to fair value policy of Derivative Financial Instruments.

The adjustment to Market Value (MTM) will be realized monthly, provided that the total exposure position of each counterparty is favorable toward CFE, that is, the market valuation is positive for the entity and, consequently, there is a credit risk.

In the event that the total MTM position is negative for the entity, that adjustment will not be made since the credit risk will be for the counterparty, not for CFE.

Counterparty	MTM	Adjusted MTM	Adjustment at December 31, 2014
Credit Suisse	24,298	24,025	273
Deutsche Bank	18,289	18,237	52
Collateral received			0
Total Cost (thousands of pesos)			325

Hierarchy of Fair Value or Mark-to-Market

Level 1 and 3 valuation information

In order to increase consistency and comparability of fair value measurements and their disclosures, IFRS set forth a fair value hierarchy that prioritizes on three levels of data in the valuation techniques used. This hierarchy grants the highest priority to quoted prices (unadjusted) on the active markets for assets and liabilities (level 1) and the lowest priority for unobservable data (level 3).

The availability of relevant information and its relative subjectivity can affect the appropriate selection of the valuation technique. However, fair value hierarchy prioritizes data about valuation techniques.

Level 2 valuation information

As explained above and pursuant to the terms in which the ISDA contracts were signed, the counterparties or banking institutions are the appraisers, and they are the institutions who calculate and send the Mark-to-Market every month.

Therefore, it is determined that the hierarchy level of the Entity's Mark-to-Market at December 31, 2014 is level 2 pursuant to the following points:

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

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

- 1) The objective for carrying out derivative financial instruments trading is:

The CFE may realize any type of explicit financial hedge, either at interest rates and/or exchange rates, or those strategies that are necessary to mitigate the financial risk faced by the Entity.

2) Instruments used:

The CFE may buy or sell one or more of the following types of instruments individually or collectively, provided that performance is maintained within approved risk management limits and guidelines.

- 1.- Futures, forwards and swaps
- 2.- Acquisition of call options
- 3.- Acquisition of put options
- 4.- Acquisition of collars or tunnels
- 5.- Acquisition of equity futures

3) Hedging or trading strategies implemented:

The CFE cannot sell call options, put options or any other open instrument that exposes CFE to unlimited risk that is not totally offset by a corresponding opposite position.

4) Trading Markets

Domestic and Foreign

5) Eligible counterparties

Any Bank or Financial institution with which CFE has signed an ISDA

6) Policies for the designation of calculation or valuation agents:

All ISDA contracts define that the counterparty is the calculation agent.

7) Main contract conditions or terms:

The ISDA (International Swaps and Derivatives Association) are standardized contracts, and the conditions are the same in all of them. There are special characteristics only in confirmations.

8) Margin Policies

In the event that the market value of any operation should exceed the maintenance level agreed upon in the ISDA contracts and their supplements, the counterparty issues a request for deposit of collateral in an off-balance sheet item via fax or e-

mail. CFE sends the security deposit to the counterparty. While there is a deposit for the margin call, the market value is reviewed by the "calculation agent", defined in the ISDA contract every day, in order for the Company to be able to request the refund of the collateral when the market value returns to levels below the agreed upon maintenance level. These security deposits are considered as a restricted asset in derivative financial instrument trading for CFE, and it is given the pertinent accounting treatment.

At December 31, 2014, CFE has security deposits or margin calls in an amount of 30.9 million US dollars.

9) Collateral and Lines of Credit

Defined credit lines for deposits of collateral are established in each one of the ISDA contracts signed with each counterparty.

Authorization processes and levels required by type of trade (simple hedge, partial hedge, speculation) indicating if derivatives trading was previously approved by the committee or committees that undertake corporate and audit practices.

The limits on the extension of transactions and derivative financial instruments are established based on the general conditions of the primary position and the underlying asset to hedge.

CFE may contract hedge transactions with financial derivatives, either at interest rates and/or exchange rates when the conditions thereof are a mirror of the primary position and underlying asset or liability to be hedged.

CFE has the Interinstitutional Delegate Committee of Financial Risks Associated with the financial position and Price of Fossil Fuels (CDIGR). When that Committee meets and together with the representatives of the SHCP and BANXICO, the institutions that are part of the CDIGR, may authorize CFE to:

- A) contract financial derivatives with conditions other than those of the primary position and/or underlying asset to hedge
- B) The liquidation of positions;
- C) Any other derivative financial instruments trading that is advisable for CFE

The CDIGR will have the power to modify, reduce or expand the Operating Guidelines of Financial Risk Management of the CFE, in which case it should notify it with the Board of Directors (formerly Board of Governors) to obtain its authorization.

10) Internal control procedures for managing market and liquidity risk exposure in financial instrument positions.

CFE has the Interinstitutional Delegate Committee of Financial Risk Management Associated with the Financial Position and Price of Fossil Fuels (CDIGR) reviews the issues discussed above, and approves the Risk Management Operating Guidelines.

Finally, there is a budget authorized by the Ministry of Finance and Public Credit for dealing with the commitments already contracted and to be contracted related to derivative financial instruments.

11. DEBT

The balances of the documented debt at December 31, 2014 and 2013 are summarized as follows:

	2014		2013	
	Local currency	Foreign currency (Thousands)	Local currency	Foreign currency (Thousands)
Foreign Debt				
In US dollars at the exchange rate per dollar of \$14.718 at December 2014 and of \$13.0765 at December 2013	\$ 3,888,330	264,189	\$ 3,576,675	273,519
	46,906,266	3,187,000	41,785,955	3,195,500
	2,307,448	156,777	2,354,448	180,052
	-	-	-	-
Total US dollars	<u>53,102,044</u>	<u>3,607,966</u>	<u>47,717,078</u>	<u>3,649,071</u>
In euros at exchange rate for euros of \$17.8103 at December 2014 and \$18.0195 at December 2013	142,400	7,995	268,486	14,900
	33,967	1,907	63,712	3,536
Total euros	<u>176,367</u>	<u>9,902</u>	<u>332,198</u>	<u>18,436</u>
In Swiss francs at the exchange rate per per Swiss franc of \$14.8122 at December 2014 and of \$14.7058 at December 2013	-	-	128,525	8,740
	1,464,090	98,844	777,965	52,902
Total Swiss francs	<u>1,464,090</u>	<u>98,844</u>	<u>906,490</u>	<u>61,642</u>
In Swedish kronas at the exchange rate per Swedish Krona of \$1.8882 at December 2014 and of \$2.0342 for December 2013	7,197	3,811	15,506	7,623
Total Swedish kronas	<u>7,197</u>	<u>3,811</u>	<u>15,506</u>	<u>7,623</u>
In Japanese yens at the exchange rate per Japanese yen of \$0.1227 as at December 2014 and \$0.1245 at December 2013	415,674	3,387,723	590,349	4,741,767
	3,926,400	32,000,000	3,984,000	32,000,000
	39,718		(460,223)	
	3,966,118	32,000,000	3,523,777	32,000,000
	4,381,792	35,387,723	4,114,126	36,741,767
Total Japanese yens	<u>59,131,490</u>		<u>53,085,398</u>	
Total foreign debt				

Internal debt	Type of credit	Weighted Interest rate	Due dates	2014		2013	
				Local currency	Foreign Currency (Thousands)	Local currency	Foreign Currency (Thousands)
Local currency	Bank loans	Variable - 4.21%	Various up to 2023	\$ 41,466,667		\$ 41,133,334	
	Securities market	Fixed and variable - -6.18%	Various up to 2020	53,500,000		51,000,000	
Total Mexican pesos							
Total internal debt				94,966,667		92,133,334	
				94,966,667		92,133,334	
Summary							
Total foreign debt				59,131,490		53,085,398	
Total internal debt				94,966,667		92,133,334	
Total documented debt				154,098,157		145,218,732	
Total short-term				14,789,500		32,540,555	
Total long-term				139,308,657		112,678,177	
Total short and long-term				\$154,098,157		\$145,218,732	

The short-term liability and long-term funded debt mature as follows:

Short-Term	\$ 14,789,500
2016	13,518,868
2017	12,591,063
2018	21,261,662
2019	6,065,961
2020 - Subsequent years	85,871,103
Total Long-term	139,308,657
Total	\$ 154,098,157

Debt

The following credits were obtained in Fiscal 2014:

In December, a credit was obtained in the amount of 15 billion pesos through Cebures comprised of two Lines of Indeval Credit at a Fixed Rate of 7.35% in the amount of 9 billion 500 million pesos at an 5 year term. Moreover, payments were made in the amount of \$500 million pesos to Banorte and 1 billion 250 million dollars to BBVA Bancomer, among other things, in the same period.

A credit was contracted in the amount of 5 billion pesos from Banco HSBC at an EIIR 28 +0.425 and a 3 year term in November.

In March 2014, a credit was hired in the amount of 6 billion 300 million pesos with Banco Santander, S. A. de C. V., at a rate of EIIR 91, +0.65 % for a term of 4 years.

Securities exchange certificates were issued through a direct credit to finance general treasury needs in a total amount of 12 billion nominal pesos in June. A bank credit was obtained in the amount of 2 billion pesos from BBVA Bancomer at an EIIR rate at 182 days, +0.55 in August. A credit was obtained in the amount of 6 billion pesos from Santander at an EIIR 28 +0.95 in October. In addition, two securities exchange certificates were issued through Indeval, which amounted to a total of 10 billion pesos (one for 3.25 billion pesos at an EIIR rate +0.15 and the other in the amount of 6.75 billion pesos at a 7.77% fixed rate) in November. A credit amounting to 3 billion pesos was obtained from HSBC at an EIIR 28 +0.75, also in November. Finally, a credit amounting to 5 billion pesos was obtained from Banorte at an EIIR rate 182, +0.75 in December. These loans amount to a total of 38 billion pesos.

Foreign debt

Among other credits contracted, a syndicated loan was obtained in the amount of 1 billion 250 million dollars at a LIBOR rate 6 Months +1.15 in September 2013. A bond was issued in the international market in the amount of 1 billion 250 million dollars at a 4.875% fixed rate in October. Those amounts stated in pesos add up to around 34 billion pesos.

In 2012, a bond was placed in the amount of 750 million dollars at a 30 year term, with a 5.755 coupon and an oversubscription of 2.8 times. The funds from the placement of this bond served to participate the payment in the same amount, part of the syndicated credit subscribed in the amount of 2 billion dollars in December 2010, due June 2014. This transaction successfully deferred the due date of the original liability from June 2014 to February 2042.

12. LONG-TERM PRODUCTIVE INFRASTRUCTURE PROJECTS (PIDIREGAS)

The balances of direct and conditioned investment at December 31, 2014 and 2013 are summarized and due as follows:

		Direct investment: PIDIREGAS	Conditioned investment PEE's	Total 2014	Total 2013
Short-Term	\$	13,061,678	\$ 2,964,984	\$ 16,026,662	\$ 15,943,937
<u>Long-Term</u>					
2015					14,363,211
2016		13,219,764	3,294,242	16,514,006	14,351,989
2017		9,714,732	3,663,431	13,378,163	11,655,108
2018		13,347,688	4,077,729	17,425,417	15,442,923
2019		8,192,543	4,543,028	12,735,571	10,932,458
2020		6,244,380	5,066,026	11,310,406	9,495,967
2021		5,296,920	5,654,351	10,951,271	10,871,147
Subsequent years		25,144,310	69,603,326	94,747,636	77,081,292
Total long-term	\$	81,160,337	\$ 95,902,133	\$ 177,062,470	\$ 164,194,095
Total	\$	<u>94,222,015</u>	<u>\$ 98,867,117</u>	<u>\$ 193,089,132</u>	<u>\$ 180,138,032</u>

Direct Investment (PIDIREGAS)

At December 31, 2014 and 2013, the debt applicable to the acquisition of plants, facilities and equipment through PIDIREGAS was recorded in accordance with International Financial Reporting Standards, as summarized below:

Term Of the agreement	Value of the credit:	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
		Local currency		Foreign currency		Local currency		Foreign currency	
		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
<u>Foreign Debt</u>									
2014									
354.27 Millions of dollars		345,374		23,466		1,218,680		93,196	
585.22 Millions of dollars		42,656	2,097,670	2,898		328,630	326,957	25,131	25,003
197.06 Millions of dollars		189,585	87,094	12,881	142,524		1,901,615		145,422
701.22 Millions of dollars		275,793	1,175,159	18,739	5,918		245,821	25,783	18,799
259.36 Millions of dollars		401,821	1,808,192	27,301	79,845		1,289,128	16,540	98,584
491.64 Millions of dollars		401,995	5,520,365	27,313	122,856		1,963,530	27,301	150,157
745.13 Millions of dollars		886,616	9,012,782	60,240	375,076		5,261,839	27,313	402,389
607.39 Millions of dollars		299,708	6,293,858	20,363	612,365		7,776,374	49,094	594,683
					427,630		5,858,185	20,363	447,993
Total foreign debt		2,843,548	25,995,120	193,201	1,766,214	3,723,179	24,623,449	284,721	1,883,030
<u>Internal debt</u>									
2014						70,492			
2015		70,941	-			141,881	70,941		
2016		1,331,122	917,423			1,208,397	1,789,307		
2017		234,620	278,521			234,620	513,141		
2018		1,585,448	3,781,465			2,167,514	5,390,927		
2019		878,950	3,302,803			1,395,092	6,553,707		
2020		956,150	4,099,274			962,949	5,096,215		
2021		121,828	743,050			132,075	926,472		
2022		2,013,065	11,038,411			1,537,311	10,889,241		
2023		725,245	4,818,563			575,230	4,258,198		
2024		969,608	7,084,924			266,620	2,113,033		
2032		520,546	3,140,895			514,794	3,606,796		
2036		83,664	1,756,952			83,664	1,840,616		
2042		726,944	14,194,116			639,081	14,177,253		
		10,218,130	55,156,396			9,929,720	57,225,847		
Total internal debt									
Total		13,061,678	81,151,516			13,652,898	81,849,296		
CEBURES			8,821				8,821		
Total external and internal debt of PIDIREGAS and CEBURES		\$ 13,061,678	\$ 81,160,337			\$ 13,652,898	\$ 81,858,117		

Type of asset	Value of the credit:	Payments up to December 31, 2013	Balances at December 31, 2014 (Thousands)		Balances at December 31, 2013 (Thousands)			
			Term for the agreement	Total amount of the project (thousands)	Local Currency	Foreign Currency	Local Currency	Foreign Currency
					Short-term	Long-term	Short-term	Long-term
Amount of payments agreed upon equivalent to the income	Interest, taxes, others and trustee fees							

F-126

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees	Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2014 (Thousands)		Balances at December 31, 2013 (Thousands)		Balances at December 31, 2014 (Thousands)					
					Local Currency		Foreign Currency		Local Currency		Foreign Currency					
					Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term				
SE 213 SF6 Power AND Distribution	175.18 Million dollars US	16.20 Million dollars US	Up to Year 2015	921,498												
		taxes and trustee fees											Principal \$2,226.89 million (170.30 Million US dollars) Interest \$2,126.34 million (162.61 Million US dollars) Taxes and trustee fees \$105.86 million (8.10 Million US dollars)	\$ 63,831 \$ 4,881	-	-
		Interest														
		US														
SE 218 SF6 Northwest	50.66 Million dollars US	34.29 Million dollars US	Up to Year 2015	745,568	\$ 37,678	2,560			\$ 34,778 \$ 2,660		2,560					
		Interest										Principal \$707.89 million (48.10 Million US dollars) Interest \$502.63 million (34.15 Million US dollars) Taxes and trustee fees \$18.57 million (1.26 Million US dollars)				
		US														
		US														
221 Western	72.51 Million dollars US	52.22 Million dollars US	Up to Year 2014	948,190					\$ 188,575 \$ 14,421		14,421					
		Interest										Principal \$799.61 million (58.09 Million US dollars) Interest \$672.48 million (51.43 Million US dollars) Taxes and trustee fees \$16.88 million (1.29 Million US dollars)				
		US														
		US														
CG Los Azufres II AND Geothermal Field	52.33 Million dollars US	15.70 Million dollars US	Up to Year 2014	684,296					\$ 20,484 \$ 1,566		1,566					
		Interest										Principal \$663.81 million (50.76 Million US dollars) Interest \$204.82 million (14.95 Million US dollars) Taxes and trustee fees \$0 million (1.08 Million US dollars)				
		US														
		US														
C. H. Manuel Moreno Torres (2nd Stage)	71.09 Million dollars US	26.39 million dollars US	Up to Year 2018	1,046,238	\$ 75,097 \$ 23,501	5,102			\$ 91,683 \$ 87,602		7,011					
		Interest										Principal \$947.64 million (64.39 Million US dollars) Interest \$383.08 million (26.03 Million US dollars) Taxes and trustee fees \$38.84 million (2.64 Million US dollars)				
		US														
		US														
L.T. 406 Network associated with Tuxpan II, III AND IV	119.47 Million dollars US	43.95 Million dollars US	Up to Year 2018	1,562,225					\$ 32,279 \$ 2,468		2,468					
		Interest										Principal \$1,758.33 million (119.47 Million US dollars) Interest \$646.82 million (43.95 Million US dollars)				
		US														
		US														

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees	Term for the agreement	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
				Payments up to December 31, 2013		Local Currency		Foreign Currency		Local Currency		Foreign Currency		Local Currency	
				Principal	Taxes and trustee fees	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
L.T. 407 Network Associated with Altamira I, III AND IV	295.81 Million dollars US	0.13 Million dollars US	Up to Year 2014	Principal	Taxes and trustee fees	3,868,130				\$ 23,479	\$		1,796		
		Interest		\$1,933 million	\$3,844.65 million (294.01 Million US dollars)										
		Interest		(0.13 Million US dollars)	(117.75 Million US dollars)										
L.T. 411 National System	84.73 Million dollars US	0.36 Million dollars US	Up to Year 2014	Principal	Taxes and trustee fees	1,107,985				\$ 12,391	\$		948		
		Interest		\$1,095.59 million (83.78 Million US dollars)	\$4.69 million (0.36 Million US dollars)										
		Interest		(28.01 Million US dollars)	(0.03 Million US dollars)										
L.T. 409 Manuel Moreno Torres Associated Network (2nd Stage)	96.77 Million dollars US	0.03 Million dollars US	Up to Year 2014	Principal	Taxes and trustee fees	1,265,407				\$ 66,600	\$		5,093		
		Interest		\$1,198.81 million (91.68 Million US dollars)	\$0.35 million (0.03 Million US dollars)										
		Interest		(26.44 Million US dollars)	(0.03 Million US dollars)										
CC El Sauz Conversion from T - G. to C. C.	54.49 Million dollars US	0.03 Million dollars US	Up to Year 2015	Principal	Taxes and trustee fees	801,957	4,738			\$ 61,958	\$	61,958	4,738	4,738	
		Interest		\$732.22 million (49.75 Million US dollars)	\$0 million (0 Million US dollars)										
		Interest		(15.50 Million US dollars)	(0 Million US dollars)										
L. T. 414 North - Western	63.01 Million dollars US	15.65 million dollars US	Up to Year 2018	Principal	Taxes and trustee fees	823,963				\$ 34,803	\$		2,661		
		Interest		\$927.40 million (63.01 Million US dollars)	\$228.06 million (15.50 Million US dollars)										
		Interest		(19.49 Million US dollars)	(15.50 Million US dollars)										
L. T. 502 North - Eastern	3.80 Million dollars US	1.16 million dollars US	Up to Year 2015	Principal	Taxes and trustee fees	55,910	2,796			\$ 4,967	\$	2,484	380	190	
		Interest		\$33.11 million (3.61 Million US dollars)	\$16.94 million (1.15 Million US dollars)										
		Interest		(15.18 Million US dollars)	(15.18 Million US dollars)										
L. T. 506 Satitilo - Canada	54.89 Million dollars US	15.25 Million dollars US	Up to Year 2014	Principal	Taxes and trustee fees	717,763				\$ 37,777	\$		2,889		
		Interest		\$679.99 million (52.00 Million US dollars)	\$198.47 million (15.18 Million US dollars)										
		Interest		(15.18 Million US dollars)	(15.18 Million US dollars)										

Type of asset	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)								
	Value of the credit:	Interest, taxes, others and trustee fees			Local Currency		Foreign Currency		Local Currency		Foreign Currency						
					Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term					
SE 412 Compensation North	22.00 Million dollars US	5.42 Million dollars US Interest	Principal \$287.64 million (22.00 Million US dollars) Interest \$70.86 million (5.42 Million US dollars)	Up to Year 2013													
SE 413 Northwest - West	21.94 Million dollars US	6.06 Million dollars US Interest	Principal \$271.80 million (20.79 Million US dollars) Interest \$78.87 million (6.03 Million US dollars)	Up to Year 2014	286,905					\$	15,100	\$	-		1,155	-	
503 Eastern	21.40 Million dollars US	5.42 Million dollars US Interest	Principal \$279.86 million (21.40 Million US dollars) Interest \$70.83 million (5.42 Million US dollars)	Up to Year 2013													
504 North - Western	31.71 Million dollars US	8.33 Million dollars US Interest	Principal \$404.80 million (30.96 Million US dollars) Interest \$108.69 million (8.31 Million US dollars)	Up to Year 2014	414,667					\$	9,865	\$	-		754	-	
C. C. I. Baja California Sur I	51.91 Million dollars US	16.23 million dollars US Interest	Principal \$646.55 million (43.93 Million US dollars) Interest \$230.27 million (15.65 Million US dollars)	Up to Year 2018	764,069	\$	53,930	\$	63,593	3,664	4,321	\$	67,581	\$	104,416	5,168	7,985
L. T. 610 Northeast - North Transmission	22.17 Million dollars US	7.50 Million dollars US Interest	Principal \$308.15 million (20.94 Million US dollars) Interest \$109.92 million (7.47 Million US dollars) Taxes and trustee fees \$14.72 million (1.00 Million US dollars)	Up to Year 2018	326,280	\$	18,127	\$	-	1,232		\$	32,210	\$	16,105	2,463	1,232
L. T. 612 Sub-transmission North - Northeast	5.01 Million dollars US	1.53 Million dollars US Interest	Principal \$70.08 million (4.76 Million US dollars) Interest \$22.45 million (1.32 Million US dollars)	Up to Year 2015	73,773	\$	3,689	\$	-	251		\$	6,555	\$	3,277	501	251
L. T. 613 Sub-transmission Western	6.65 Million dollars US	2.25 Million dollars US Interest	Principal \$92.39 million (6.28 Million US dollars) Interest \$33.03 million (2.24 Million US dollars)	Up to Year 2018	97,824	\$	5,435	\$	-	369		\$	9,657	\$	4,829	739	369
L. T. 614 Sub-transmission Eastern	12.17 Million dollars US	3.67 Million dollars US	Principal \$170.21 million	Up to Year	179,171	\$	8,959		609			\$	15,919	\$	7,959	1,217	609

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees	Term for the agreement	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
				Payments up to December 31, 2013		Total amount of the project (Thousands)	Term for the agreement	Local Currency		Foreign Currency		Local Currency		Foreign Currency	
				(11.56 Million US dollars)	Interest			Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
L. T. 712 Associated Transmission Network M. of the CCI Baja California Sur	21.18 Million dollars US	5.52 Million dollars US Interest	Up to Year 2014	Principal \$263.10 million (20.12 Million US dollars) Interest \$71.90 million (5.50 Million US dollars)		276,945	Up to Year 2014	\$ 13,847	\$ -	-	-	\$ 13,847	\$ -	1,059	-
SE 607 Bajío System - Eastern	4.65 Million dollars US	1.27 Million dollars US Interest	Up to Year 2018	Principal \$468.45 million (4.65 Million US dollars) Interest \$18.62 million (1.27 Million US dollars) Taxes and trustee fees \$0.07 million 0 Million dollars		60,818	Up to Year 2018	\$ 3,201	\$ -	-	-	\$ 3,201	\$ -	245	-
Steam Supply to Power Stations of Cerro Prieto	13.12 Million dollars US	3.98 Million dollars US Interest	Up to Year 2015	Principal \$183.48 million (12.47 Million US dollars) Interest \$58.28 million (3.96 Million US dollars)		193,141	Up to Year 2015	\$ 9,657	656	\$ 17,160	\$ 8,580	1,312	656		
OPF 062 CCE Pacific	299.36 Million dollars US	64.81 Million dollars US Interest	Up to Year 2020	Principal \$1,607.28 million (109.21 Million US dollars) Interest \$603.39 million (41.00 Million US dollars) Taxes and trustee fees \$0.49 million (0.03 Million US dollars)		3,817,295	Up to Year 2020	\$ 401,821	\$ 1,808,192	27,301	122,856	\$ 357,005	\$ 1,963,530	27,301	150,157
C.H. El Cajon	607.39 Million dollars US	0.03 Million dollars US taxes and trustee fees	Up to Year 2036	Principal \$2,345.93 million (159.39 Million US dollars) Interest \$1,296.84 million (88.11 Million US dollars) Taxes and trustee fees \$384.64 million (26.13 Million US dollars)		8,939,492	Up to Year 2036	\$ 299,708	\$ 6,293,858	20,363	427,630	\$ 266,281	\$ 5,858,185	20,363	447,993
L. T. 710 Network Associated to CC Alamirav	12.96 Million dollars US	26.13 Million dollars US taxes and trustee fees	Up to Year 2018	Principal \$180.12 million (12.24 million dollars) Interest \$98.97 million (4.01 Million US dollars)		190,712	Up to Year 2018	\$ 10,595	\$ -	720	-	\$ 18,827	\$ 9,413	1,440	720
RM Botello	5.71 Million dollars US	1.84 Million dollars US Interest	Up to Year 2018	Principal \$79.42 million (5.40 Million US dollars) Interest \$26.97 million (1.83 Million US dollars)		84,087	Up to Year 2018	\$ 4,672	317	\$ 8,301	\$ 4,151	635	317		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees	Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
					Local Currency		Foreign Currency		Local Currency		Foreign Currency		Local Currency		Foreign Currency	
					Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
RM Carbon II	7.00 million dollars US	2.34 Million dollars US Interest	Up to Year 2018	103,095	\$ 5,728		\$ 389		\$ 10,177	\$ 5,089	778					389
		Principal \$97.37 million (6.62 Million US dollars) Interest \$34.34 million (2.33 Million US dollars)														
RM Dos Bocas	12.96 Million dollars US	4.29 Million dollars US Interest	Up to Year 2018	190,793	\$ 10,600		720		\$ 18,835	\$ 9,417	1,440					720
		Principal \$180.19 million (12.24 Million US dollars) Interest \$62.82 million (4.27 Million US dollars)														
RM Gomez Palacio	9.56 Million dollars US	2.66 Million dollars US Interest	Up to Year 2015	140,653	\$ 7,033		478		\$ 12,497	\$ 6,248	956					478
		Principal \$ 133.62 million (9.08 Million US dollars) Interest \$38.90 million (2.64 Million US dollars)														
RM Itzacoultian	0.82 Million dollars US	25 Million US Interest	Up to Year 2018	12,124	\$ 674	\$ -	46		\$ 1,197	\$ 598	92					46
		Principal \$11.45 million (0.78 Million US dollars) Interest \$3.69 million (0.25 Million US dollars)														
RM Tuxpango	1.74 Million dollars US	0.56 Million dollars US Interest	Up to Year 2018	25,623	\$ 1,424	\$ -	97		\$ 2,529	\$ 1,265	193					97
		Principal \$24.20 million (1.64 Million US dollars) Interest 8.22 million (0.56 Million US dollars)														
RM CT Valle de Mexico	5.79 Million dollars US	1.73 Million dollars US Interest	Up to Year 2015	85,217	\$ 4,261	\$ -	290		\$ 7,571	\$ 3,786	579					290
		Principal \$80.96 million (5.50 Million US dollars) Interest \$25.37 million (1.72 Million US dollars) Taxes and trustee fees \$21.56 million (1.46 Million US dollars)														
RM CT Carbon II Units 2 and 4	4.04 Million dollars US	1.46 Million dollars US taxes and trustee fees	Up to Year 2018	59,499	\$ 3,305	\$ -	225		\$ 5,874	\$ 2,937	449					225
		Principal \$56.19 million (3.82 Million US dollars) Interest \$19.19 million (1.30 Million US dollars)														
OPF 181 RM CN Laguna Verde	491.64 Million dollars US	201.51 Million dollars US Interest	Up to Year 2029	7,235,917	\$ 401,995	\$ 5,520,365	27,313	375,076	\$ 357,161	\$ 5,261,839	27,313					402,389
		Principal \$1,313.56 million (89.25 Million US dollars) Interest \$951.76 million (64.67 Million US dollars)														
OPF 222 CCC Reponetiation CT Manzaniño-1 AND 2	664.98 Million dollars	132.73 Million dollars	Up to	9,787,131	\$ 821,082	\$ 7,931,465	55,788	538,896	\$ 641,977	\$ 7,776,373	49,094					594,683
		Principal														

Type of asset	Value of the credit: US	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees US	Term for the agreement Year	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)		Balances at December 31, 2013 (Thousands)					
					Local Currency		Foreign Currency		Local Currency		Foreign Currency	
					Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 217 RM CCC El Sauz Package 1	80.15 Million dollars US	Interest US 0.21 Million dollars US taxes and trustee fees 19.15 Million dollars US Interest	Up to Year 2032	1,179,618	\$ 65,530	\$ 1,081,317	4,453	73,469				
TOTAL FOREIGN DEBT					\$ 2,843,548	\$ 25,995,120			\$ 3,723,179	\$ 24,623,449		
OPF 003 CC1 Guerrero Negro II	310.44 million Mexican pesos	154.73 million Mexican pesos Principal \$294.92 million Interest \$153.98 million	Up to Year	310,444		\$			\$ 15,322	\$ -		
OPF 025 CG Los Azúfres II and Geothermal Field	890.44 million Mexican pesos	381.04 million Mexican pesos Principal \$827.07 million Interest \$371.85 million	Up to Year	890,438	\$ -	\$ 63,367			\$ -	\$ 63,367		
OPF 026 C. H. Manuel Moreno Torres (2nd Stage)	509.20 million Mexican pesos	237.48 million Mexican pesos Principal \$416.60 million Interest \$222.07 million	Up to Year	509,202	\$ -	\$ 92,598			\$ 40,981	\$ 92,598		
OPF 027 LT 406-406 Network associated with Tuxpan II, III and IV	31.43 million Mexican pesos	6.55 million Mexican pesos Principal \$0 million Interest \$2.01 million	Up to Year	31,429	\$ -	\$ 31,429			\$ -	\$ 31,429		
OPF 028 LT 407-406 NETWORK associated with Tuxpan II, III and IV	430.07 million Mexican pesos	175.90 million Mexican pesos Principal \$385.65 million Interest \$168.61 million	Up to Year	430,073	\$ -	\$ 44,428			\$ -	\$ 44,428		
OPF 030 LT 411 National System	527.33 million Mexican pesos	227.33 million Mexican pesos Principal \$488.87 million Interest \$219.95 million	Up to Year	527,335	\$ -	\$ 38,465			\$ -	\$ 38,465		
OPF 031 LT 409 Manuel Moreno Torres Network Associated (2nd Stage)	2,027.16 million Mexican pesos	857.47 million Mexican pesos Principal \$1,860.77 million Interest \$831.33 million	Up to Year	2,027,159	\$ -	\$ 166,384			\$ 49,715	\$ 166,384		
OPF 033 SE 402 Eastern - Peninsular	47.33 million Mexican pesos	17.08 million Mexican pesos Principal \$44.96 million Interest \$17.06 million	Up to Year	47,329	\$ 2,366	\$ -			\$ 4,733	\$ 2,366		
OPF 038 CC El Sauz Conversion from TG to CC	668.35 million Mexican pesos	274.89 million Mexican pesos Principal \$605.80 million Interest \$264.57 million	Up to Year	668,354	\$ -	\$ 62,549			\$ -	\$ 62,549		
OPF 039 LT 414 North - Western	33.89 million Mexican pesos	7.06 million Mexican pesos Principal \$0 million Interest \$2.17 million	Up to Year	33,887	\$ -	\$ 33,887			\$ -	\$ 33,887		
OPF 040 LT 502 Eastern - North	125.88 million Mexican pesos	57.95 million Mexican pesos Principal \$113.29 million Interest \$57.20 million	Up to Year	125,880					\$ 12,888	\$ -		
OPF 041 LT 506 Saltillo - Canada	2,156.81 million Mexican pesos	904.28 million Mexican pesos Principal \$2,012.08 million Interest \$883.30 million	Up to Year	2,156,805	\$ -	\$ 144,724			\$ -	\$ 144,724		
OPF 042 LT 715 Network Associated with the Power Plant of	1,166.18 million Mexican pesos	430.27 million Mexican pesos Principal	Up to	1,166,182	\$ 120,551	\$ 141,496			\$ 120,551	\$ 262,047		

Tamaulanchale	Type of asset	Value of the credit: pesos	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees pesos	Term for the agreement Year	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)		Balances at December 31, 2013 (Thousands)											
						Local Currency		Foreign Currency		Local Currency		Foreign Currency							
						Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term						
						\$904.13 million	Interest												
						\$ 407.26 million	Interest												
OPF 043 LT 509 Network Associated with the Power Plant of Rio Bravo III		497.45 million Mexican pesos	223.05 million Mexican pesos	Up to Year	497,449	\$	-	\$	24,872	\$	13,683	\$	24,872						
						Principal													
						\$472.58 million	Interest												
						\$ 219.17 million	Interest												
OPF 045 SE 413 Northwest - Western		406.93 million Mexican pesos	171.72 million Mexican pesos	Up to Year	406,927	\$	-	\$	35,090	\$	37,596	\$	35,090						
						Principal													
						\$371.84 million	Interest												
						\$ 166.58 million	Interest												
OPF 048 CCI Baja California Sur I		52.88 million Mexican pesos	11.25 million Mexican pesos	Up to Year	52,878	\$	-	\$	52,878	\$	-	\$	52,878						
						Principal													
						\$ 0 million	Interest												
						\$ 2.79 million	Interest												
OPF 049 LT 609 Transmission Northwest - Western		1,378.65 million Mexican pesos	525.52 million Mexican pesos	Up to Year	1,378,651	\$	68,933	\$	68,933	\$	137,865	\$	137,865						
						Principal													
						\$ 1,240.79 million	Interest												
						\$ 514.93 million	Interest												
OPF 050 LT 610 Transmission Northwest - North		1,455.83 million Mexican pesos	646.80 million Mexican pesos	Up to Year	1,455,827	\$	26,490	\$	169,529	\$	142,371	\$	196,019						
						Principal													
						\$ 1,259.81 million	Interest												
						\$ 625.54 million	Interest												
OPF 051 LT 612 Sub-transmission North - Northeast		261.41 million Mexican pesos	90.35 million Mexican pesos	Up to Year	261,406	\$	19,679	\$	12,096	\$	26,735	\$	31,775						
						Principal													
						\$ 229.63 million	Interest												
						\$ 89.27 million	Interest												
OPF 052 LT 613 Sub-transmission Western		237.45 million Mexican pesos	114.60 million Mexican pesos	Up to Year	237,452	\$	316	\$	21,036	\$	22,814	\$	21,353						
						Principal													
						\$ 216.10 million	Interest												
						\$ 110.94 million	Interest												
OPF 053 LT 614 Sub-transmission Eastern		48.72 million Mexican pesos	19.31 million Mexican pesos	Up to Year	48,715	\$	1,834	\$	84	\$	4,890	\$	1,918						
						Principal													
						\$ 41.91 million	Interest												
						\$ 18.99 million	Interest												
OPF 054 LT 615 Sub-transmission Peninsular		286.27 million Mexican pesos	113.60 million Mexican pesos	Up to Year	286,271	\$	12,174	\$	1,954	\$	29,162	\$	14,128						
						Principal													
						\$242.98 million	Interest												
						\$111.53 million	Interest												
OPF 057 LT 1012 Transmission Network Associated with the Power CCC Baja California			34.15 million Mexican pesos	Up to Year	139,168	\$	14,649	\$	36,623	\$	14,649	\$	51,273						
						Principal													
						\$87.90 million	Interest												
						\$31.04 million	Interest												
OPF 058 SE 607 Baja System - Eastern		810.22 million Mexican pesos	333.06 million Mexican pesos	Up to Year	810,224	\$	-	\$	43,613	\$	4,606	\$	43,613						
						Principal													
						\$766.61 million	Interest												
						\$325.29 million	Interest												
OPF 059 SE 611 Sub-transmission Baja California - Northwest		330.91 million Mexican pesos	112.47 million Mexican pesos	Up to Year	330,910	\$	31,018	\$	17,809	\$	35,023	\$	48,828						
						Principal													
						\$247.06 million	Interest												
						\$105.30 million	Interest												
OPF 060 SUV Steam supply to the Power Plants of Cerro Prieto IV		1,091.40 million Mexican pesos	393.56 million Mexican pesos	Up to Year	1,091,405	\$	62,973	\$	23,072	\$	110,443	\$	86,045						
						Principal													
						\$894.92 million	Interest												
						\$384.29 million	Interest												
OPF 061 CC Hermosillo Conversion from TG to CC		813.96 million Mexican pesos	277.83 million Mexican pesos	Up to Year	813,960	\$	42,840	\$	42,840	\$	85,680	\$	85,680						
						Principal													
						\$728.28 million	Interest												
						\$271.24 million	Interest												
OPF 062 CCE Pacific		4,414.02 million Mexican pesos	1,294.24 million Mexican pesos	Up to Year	4,714,993	\$	578,948	\$	1,926,481	\$	543,539	\$	2,239,861						
						Principal													
						\$1,630.62 million	Interest												
						\$801.80 million	Interest												

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income interest, taxes, others and trustee fees	Term for the agreement	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2014 (Thousands)			
				Local Currency		Foreign Currency		Local Currency		Foreign Currency	
				Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 063 CH El Cajón	2,491.18 million Mexican pesos	3,205.97 million Mexican pesos	Up to Year	2,491,179 \$	83,664 \$	1,756,952		83,664 \$	1,840,616		
		Principal \$566.90 million Interest \$1,244.45 million									
OPF 064 LT 723 Lines Central	70.93 million Mexican pesos	23.13 million Mexican pesos	Up to Year	70,935 \$	4,963 \$	1,298		7,330 \$	6,261		
		Principal \$57.34 million Interest \$22.54 million									
OPF 065 LT 714 Transmission Network Associated with the Power Plai El Cajón	747.40 million Mexican pesos	236.64 million Mexican pesos	Up to Year	747,404 \$	76,792 \$	76,792		76,792 \$	153,585		
		Principal \$593.82 million Interest \$225.78 million									
OPF 066 LT 710 Transmission Network Associated with the Power Plai Altamira V	679.567 million Mexican pesos	271.91 million Mexican pesos	Up to Year	679,567 \$	65,990 \$	105,778		68,422 \$	171,768		
		Principal \$507.80 million Interest \$252.97 million									
OPF 067 LT 710 Transmission Network Associated with the Power Plai La Laguna II	233.119 million Mexican pesos	113.23 million Mexican pesos	Up to Year	233,119				23,312 \$	-		
		Principal \$209.81 million Interest \$111.57 million									
OPF 068 LT 718 Transmission Network Associated with the Power Plai Pacific	1,206.461 million Mexican pesos	403.53 million Mexican pesos	Up to Year	1,206,461 \$	122,456 \$	649,902		122,456 \$	775,358		
		Principal \$311.65 million Interest \$192.09 million									
OPF 069 LT 707 North - South connection Pacific	378.59 million Mexican pesos	189.82 million Mexican pesos	Up to Year	378,591				18,930 \$	-		
		Principal \$389.66 million Interest \$188.91 million									
OPF 070 LT 717 Riviera Maya	422.14 million Mexican pesos	204.78 million Mexican pesos	Up to Year	422,139 \$	- \$	21,107		42,214 \$	21,107		
		Principal \$401.03 million Interest \$201.72 million									
OPF 071 PRR Amita Regulatory Dam	144.42 million Mexican pesos	51.24 million Mexican pesos	Up to Year	144,418 \$	7,221 \$	-		14,442 \$	7,221		
		Principal \$137.20 million Interest \$51.18 million									
OPF 072 RM Adolfo Lopez Mateos	329.18 million Mexican pesos	117.10 million Mexican pesos	Up to Year	329,182 \$	16,882 \$	-		33,764 \$	16,882		
		Principal \$312.30 million Interest \$116.94 million									
OPF 074 RM Botello	8.28 million Mexican pesos	1.78 million Mexican pesos	Up to Year	8,277 \$	- \$	8,277		- \$	8,277		
		Principal \$0 million Interest \$0.41 million									
OPF 075 RM Carbon II	52.19 million Mexican pesos	22.93 million Mexican pesos	Up to Year	52,191 \$	- \$	12,250		4,204 \$	12,250		
		Principal \$39.94 million Interest \$20.95 million									
OPF 076 RM Carlos Rodriguez Rivero	205.00 million Mexican pesos	66.44 million Mexican pesos	Up to Year	204,997 \$	21,091 \$	10,546		21,091 \$	31,637		
		Principal \$173.36 million Interest \$65.37 million									
OPF 077 RM Dos Bocas	18.78 million Mexican pesos	4.03 million Mexican pesos	Up to Year	18,781 \$	- \$	18,781		- \$	18,781		
		Principal \$0 million Interest \$0.93 million									
OPF 078 RM Emilio Portes Gil	2.80 million Mexican pesos	1.40 million Mexican pesos	Up to Year	2,797				140 \$	-		
		Principal \$2.80 million Interest \$1.40 million									
OPF 079 RM Francisco Perez Rios	1,385.32 million Mexican pesos	399.62 million Mexican pesos	Up to Year	1,385,321 \$	138,532 \$	346,330		138,532 \$	484,862		
		Principal \$900.46 million Interest									

Type of asset	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)		Balances at December 31, 2013 (Thousands)		
	Value of the credit:	Interest, taxes, others and trustee fees			Local Currency		Foreign Currency		
					Short-term	Long-term	Short-term	Long-term	
OPF 080 RM Gomez Palacio	219.77 million Mexican pesos	66.16 million Mexican pesos	Up to Year	\$360.86 million	219,766 \$	23,133 \$	11,567	23,133 \$	34,700
OPF 082 RM Huinala	6.26 million Mexican pesos	2.02 million Mexican pesos	Up to Year		6,264 \$	330 \$	-	659 \$	330
OPF 083 RM Iztaczoquitlan	1.19 million Mexican pesos	0.26 million Mexican pesos	Up to Year		1,193 \$	- \$	1,193	- \$	1,193
OPF 084 RM Jose Aceves Pozos (Mazatlan II)	150.12 million Mexican pesos	41.99 million Mexican pesos	Up to Year		150,124 \$	15,803 \$	7,901	15,803 \$	23,704
OPF 087 RM Gral. Manuel Alvarez Moreno (Manzanillo)	525.50 million Mexican pesos	188.45 million Mexican pesos	Up to Year		525,495 \$	26,925 \$	-	53,851 \$	26,925
OPF 090 RM Puerto Libertad	142.41 million Mexican pesos	51.40 million Mexican pesos	Up to Year		142,408 \$	7,120 \$	-	14,241 \$	7,120
OPF 091 RM Punta Prieta	131.63 million Mexican pesos	43.60 million Mexican pesos	Up to Year		131,634 \$	13,163 \$	13,163	13,163 \$	26,327
OPF 092 RM Salamanca	344.54 million Mexican pesos	121.61 million Mexican pesos	Up to Year		344,537 \$	19,409 \$	1,733	35,352 \$	21,142
OPF 093 RM Tuxpango	168.84 million Mexican pesos	60.64 million Mexican pesos	Up to Year		168,844 \$	8,754 \$	11,276	17,508 \$	20,030
OPF 095 SE 722 North	83.36 million Mexican pesos	30.10 million Mexican pesos	Up to Year		83,355 \$	4,387 \$	-	8,774 \$	4,387
OPF 098 SE 705 Condensers	37.08 million Mexican pesos	13.11 million Mexican pesos	Up to Year		37,081 \$	1,854 \$	-	3,708 \$	1,854
OPF 099 LT 708 Dynamic Compensation Eastern North	482.20 million Mexican pesos	181.50 million Mexican pesos	Up to Year		482,201 \$	24,110 \$	24,110	48,220 \$	48,220
OPF 100 SLT 701 Western - Central	863.33 million Mexican pesos	270.72 million Mexican pesos	Up to Year		863,327 \$	89,113 \$	154,604	89,113 \$	243,716
OPF 101 SLT 702 Southeast - Peninsular	321.31 million Mexican pesos	112.24 million Mexican pesos	Up to Year		321,310 \$	32,647 \$	64,672	32,647 \$	97,319
OPF 102 SLT 703 Northeast - North	210.31 million Mexican pesos	69.36 million Mexican pesos	Up to Year		210,312 \$	21,242 \$	12,330	21,242 \$	33,572
OPF 103 SLT 704 Baja California - Northwest	73.23 million Mexican pesos	26.10 million Mexican pesos	Up to Year		73,235 \$	3,854 \$	-	7,709 \$	3,854

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees	Term of agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
					Local Currency		Foreign Currency		Local Currency		Foreign Currency	
					Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 104 SLT 706 Systems - North	1869.57 million Mexican pesos	614.81 million Mexican pesos	Up to Year	1,869,573	\$ 145,516	\$ 294,562	\$	187,501	\$ 440,078			
		<u>Principal</u> \$1,429.50 million <u>Interest</u> \$381.88 million										
OPF 105 SLT 709 Systems - south	1074.93 million Mexican pesos	378.04 million Mexican pesos	Up to Year	1,074,932	\$ 56,575	\$ 56,575	\$	113,151	\$ 113,151			
		<u>Principal</u> \$961.78 million <u>Interest</u> \$369.35 million										
OPF 106 CC El Encino Conversion from TG to CC	809.85 million Mexican pesos	318.16 million Mexican pesos	Up to Year	809,849	\$ 80,985	\$ 121,477	\$	80,985	\$ 202,462			
		<u>Principal</u> \$607.39 million <u>Interest</u> \$299.34 million										
OPF 107 CCI Baja California Sur II	658.77 million Mexican pesos	190.48 million Mexican pesos	Up to Year 2016	658,772	\$ 73,197	\$ 73,197	\$	73,197	\$ 146,394			
		<u>Principal</u> \$512.38 million <u>Interest</u> \$179.87 million										
OPF 108 LT 807 Durango I	370.59 million Mexican pesos	123.36 million Mexican pesos	Up to Year 2016	370,591	\$ 35,173	\$ 16,539	\$	37,269	\$ 51,711			
		<u>Principal</u> \$318.88 million <u>Interest</u> \$121.97 million										
OPF 110 RM CCC Tula	57.43 million Mexican pesos	15.88 million Mexican pesos	Up to Year 2016	57,428	\$ 6,212	\$ 3,106	\$	6,212	\$ 9,318			
		<u>Principal</u> \$48.11 million <u>Interest</u> \$15.35 million										
OPF 111 RM CG Cerro Prieto (US)	413.34 million Mexican pesos	195.86 million Mexican pesos	Up to Year 2019	413,338	\$ 41,334	\$ 186,002	\$	41,334	\$ 227,336			
		<u>Principal</u> \$186.00 million <u>Interest</u> \$142.02 million										
OPF 112RM CT Carbon II Units 2 and 4	101.99 million Mexican pesos	33.10 million Mexican pesos	Up to Year 2018	101,994	\$ 5,060	\$ 10,917	\$	10,120	\$ 15,977			
		<u>Principal</u> \$86.02 million <u>Interest</u> \$31.35 million										
OPF 113 RM Emilio Portes Gil Unit 4	389.24 million Mexican pesos	99.90 million Mexican pesos	Up to Year 2017	389,238	\$ 42,648	\$ 26,562	\$	42,648	\$ 69,230			
		<u>Principal</u> \$320.01 million <u>Interest</u> \$97.22 million										
OPF 114 RM Francisco Perez Ros Unit 5	345.18 million Mexican pesos	115.23 million Mexican pesos	Up to Year 2018	345,182	\$ 34,518	\$ 34,518	\$	34,518	\$ 69,036			
		<u>Principal</u> \$276.15 million <u>Interest</u> \$111.31 million										
OPF 117 RM CT Pdre. Adolfo Lopez Mateos Units 3,4, 5, and 6	481.60 million Mexican pesos	141.63 million Mexican pesos	Up to Year 2017	481,597	\$ 48,798	\$ 66,398	\$	48,798	\$ 115,197			
		<u>Principal</u> \$366.40 million <u>Interest</u> \$135.55 million										
OPF 118 RM Plutarco Elias Calles Units 1 and 2	224.01 million Mexican pesos	64.55 million Mexican pesos	Up to Year 2017	224,010	\$ 23,623	\$ 23,215	\$	23,623	\$ 46,838			
		<u>Principal</u> \$177.17 million <u>Interest</u> \$62.30 million										

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees	Term for the agreement	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
				Local Currency		Foreign Currency		Local Currency		Foreign Currency		Local Currency		Foreign Currency	
				Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 122 SE 811 Northwest	120.48 million Mexican pesos	38.90 million Mexican pesos	Up to Year 2016	120,480 \$	6,024 \$			12,048 \$				12,048 \$	18,072 \$		
		Principal \$102.41 million													
		Interest \$38.40 million													
OPF 123 SE 812 North Gulf	57.31 million Mexican pesos	18.19 million Mexican pesos	Up to Year 2016	57,305 \$	3,015 \$			6,030 \$				6,030 \$	9,045 \$		
		Principal \$48.26 million													
		Interest \$17.91 million													
OPF 124 SE 813 Bajío Division	582.59 million Mexican pesos	161.52 million Mexican pesos	Up to Year 2018	582,587 \$	116,924 \$			58,975 \$				58,975 \$	175,899 \$		
		Principal \$406.69 million													
		Interest \$151.49 million													
OPF 126 SE 801 High Plateau	924.70 million Mexican pesos	282.19 million Mexican pesos	Up to Year 2018	924,704 \$	115,430 \$			94,957 \$				94,957 \$	210,387 \$		
		Principal \$714.32 million													
		Interest \$267.43 million													
OPF 127 SLT 802 Tamaulipas	776.33 million Mexican pesos	243.25 million Mexican pesos	Up to Year 2018	776,331 \$	155,266 \$			77,633 \$				77,633 \$	232,899 \$		
		Principal \$543.43 million													
		Interest \$226.30 million													
OPF 128 SLT 803 Noire	721.47 million Mexican pesos	208.70 million Mexican pesos	Up to Year 2017	721,468 \$	94,945 \$			74,597 \$				74,597 \$	169,541 \$		
		Principal \$551.93 million													
		Interest \$199.12 million													
OPF 130 SLT 806 Bajío	1,044.56 million Mexican pesos	340.76 million Mexican pesos	Up to Year 2020	1,044,564 \$	238,711 \$			104,456 \$				104,456 \$	363,168 \$		
		Principal \$681.40 million													
		Interest \$297.44 million													
OPF 132 CE La Venta II	1,178.20 million Mexican pesos	523.93 million Mexican pesos	Up to Year 2022	1,178,204 \$	549,829 \$			78,547 \$				78,547 \$	628,376 \$		
		Principal \$549.83 million													
		Interest \$438.83 million													
OPF 136 LT 904 Transmission Network Associated with the CE La Venta II	74.80 million Mexican pesos	29.84 million Mexican pesos	Up to Year 2016	74,804 \$	7,480 \$			7,480 \$				7,480 \$	14,961 \$		
		Principal \$59.84 million													
		Interest \$28.62 million													
OPF 138 SE 911 Northeast	98.36 million Mexican pesos	28.30 million Mexican pesos	Up to Year 2017	98,359 \$	14,754 \$			9,836 \$				9,836 \$	24,590 \$		
		Principal \$73.77 million													
		Interest \$27.25 million													
OPF 139 SE 912 Eastern Division	160.79 million Mexican pesos	53.68 million Mexican pesos	Up to Year 2019	160,787 \$	50,870 \$			16,910 \$				16,910 \$	67,781 \$		
		Principal \$51.01 million													
		Interest \$43.26 million													
OPF 140 LT 914 Central - South Division	28.05 million Mexican pesos	8.28 million Mexican pesos	Up to Year 2019	28,049 \$	11,219 \$			2,805 \$				2,805 \$	14,024 \$		
		Principal \$14.02 million													
		Interest \$6.33 million													
OPF 141 SE 915 Western	122.00 million Mexican pesos	32.41 million Mexican pesos	Up to Year 2018	121,999 \$	30,500 \$			12,200 \$				12,200 \$	42,700 \$		
		Principal \$79.30 million													
		Interest \$													

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income interest, taxes, others and trustee fees	Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
					Local Currency		Foreign Currency		Local Currency		Foreign Currency	
					Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 142 SLT 901 Pacific	431.09 million Mexican pesos	116.26 million Mexican pesos	Up to Year 2018	431,093	\$	44,647	\$	129,973	\$	44,647	\$	174,621
OPF 143 SLT 902 Isthmus	893.03 million Mexican pesos	271.95 million Mexican pesos	Up to Year 2018	893,033	\$	89,434	\$	195,129	\$	89,434	\$	284,564
OPF 144 SLT 903 Cabo - North	619.45 million Mexican pesos	208.00 million Mexican pesos	Up to Year 2018	619,448	\$	64,749	\$	70,668	\$	64,749	\$	135,417
OPF 146 CH La Yesca	16,048.53 million Mexican pesos	16,343.92 million Mexican pesos	Up to Year 2042	15,048,535	\$	726,944	\$	14,194,116	\$	639,081	\$	14,177,253
OPF 147 CCC Baja California	1,157.02 million Mexican pesos	517.39 million Mexican pesos	Up to Year 2019	1,157,020	\$	115,702	\$	404,957	\$	115,702	\$	520,659
OPF 148 RFO Optic Fiber Network South Project	305.28 million Mexican pesos	85.24 million Mexican pesos	Up to Year 2019	305,281	\$	32,715	\$	30,488	\$	32,715	\$	63,203
OPF 149 RFO Optic Fiber Network Central Project	491.87 million Mexican pesos	229.94 million Mexican pesos	Up to Year 2018	491,868	\$	51,776	\$	77,663	\$	51,776	\$	129,439
OPF 150 RFO Optic Fiber Network North Project	512.87 million Mexican pesos	153.99 million Mexican pesos	Up to Year 2020	512,871	\$	51,287	\$	109,570	\$	51,287	\$	160,858
OPF 151 SE 1006 Central South	201.32 million Mexican pesos	77.24 million Mexican pesos	Up to Year 2022	201,320	\$	20,132	\$	126,728	\$	20,132	\$	146,860
OPF 152 SE 1005 Northwest	623.67 million Mexican pesos	151.88 million Mexican pesos	Up to Year 2020	623,673	\$	66,953	\$	229,201	\$	66,953	\$	296,153
OPF 156 RM Internillo	168.34 million Mexican pesos	40.52 million Mexican pesos	Up to Year 2020	168,341	\$	17,604	\$	63,823	\$	17,604	\$	81,427
OPF 157 RM CT Francisco Perez Rios Unit 1 and 2	1,367.95 million Mexican pesos	475.85 million Mexican pesos	Up to Year 2019	1,367,947	\$	133,313	\$	648,770	\$	133,313	\$	782,083
OPF 158 RM Puerto Libertad Unit 4	142.73 million Mexican pesos	44.16 million Mexican pesos	Up to Year 2016	142,728	\$	14,273	\$	14,273	\$	14,273	\$	28,546

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income interest, taxes, others and trustee fees	Payments up to December 31, 2013	Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
						Local Currency		Foreign Currency		Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 159 RM CT Valle de Mexico Units 5, 6 and 7	49.79 million Mexican pesos	12.83 million Mexican pesos	Principal \$41.49 million Interest \$12.54 million	Up to Year 2016	49,791 \$	5,532 \$	2,766			\$ 5,532	\$ 8,299		
OPF 160 RM CCC Samalayuca II	11.72 million Mexican pesos	3.32 million Mexican pesos	Principal \$9.77 million Interest \$3.25 million	Up to Year 2016	11,718 \$	1,302 \$	651			\$ 1,302	\$ 1,953		
OPF 161 RM CCC El Sauz	46.16 million Mexican pesos	13.61 million Mexican pesos	Principal \$31.16 million Interest \$12.56 million	Up to Year 2018	46,162 \$	4,616 \$	10,385			\$ 4,616	\$ 15,001		
OPF 162 RM CCC Huimala II	19.66 million Mexican pesos	5.18 million Mexican pesos	Principal \$11.79 million Interest \$4.62 million	Up to Year 2018	19,655 \$	1,966 \$	5,897			\$ 1,966	\$ 7,862		
OPF 163 SE 1004 Dynamic Air Compensation Power stations:	171.76 million Mexican pesos	47.31 million Mexican pesos	Principal \$144.64 million Interest \$46.37 million	Up to Year 2016	171,756 \$	18,080 \$	9,040			\$ 18,080	\$ 27,119		
OPF 164 SE 1003 Electric Substations of West	477.84 million Mexican pesos	107.31 million Mexican pesos	Principal \$114.62 million Interest \$56.85 million	Up to Year 2022	477,840 \$	52,213 \$	311,012			\$ 52,213	\$ 363,225		
OPF 165 LT 1011 Transmission Network Associated with the Power Pla CCC San Lorenzo	63.38 million Mexican pesos	18.09 million Mexican pesos	Principal \$41.20 million Interest \$16.74 million	Up to Year 2018	63,382 \$	6,338 \$	15,840			\$ 6,338	\$ 22,179		
OPF 166 SLT 1002 Compensation and Transmission Northeast - Southeast	700.56 million Mexican pesos	209.49 million Mexican pesos	Principal \$379.96 million Interest \$174.58 million	Up to Year 2019	700,557 \$	70,747 \$	249,847			\$ 70,747	\$ 320,593		
OPF 167 CC San Lorenzo Conversion from TG to CC	69.63 million Mexican pesos	16.04 million Mexican pesos	Principal \$0 million Interest \$3.03 million	Up to Year 2018	69,634 \$	- \$	69,634			\$ -	\$ 69,634		
OPF 168 SLT 1001 Transmission Network Baja - Nogales	350.98 million Mexican pesos	105.09 million Mexican pesos	Principal \$263.23 million Interest \$100.09 million	Up to Year 2017	350,978 \$	35,098 \$	52,647			\$ 35,098	\$ 87,745		
OPF 170 LT 904 Transmission Network Associated with the CH La Yesca	1,098.41 million Mexican pesos	285.40 million Mexican pesos	Principal \$286.16 million Interest \$141.65 million	Up to Year 2022	1,098,410 \$	109,841 \$	702,406			\$ 109,841	\$ 812,247		
OPF 176 LT 904 Transmission Network Associated with the CC Agua Prieta II	458.32 million Mexican pesos	162.17 million Mexican pesos	Principal \$99.16 million Interest \$56.68 million	Up to Year 2022	458,318 \$	47,888 \$	311,273			\$ 47,888	\$ 359,161		
OPF 177 LT Transmission Network Associated with the CE La Venta III	15.36 million Mexican pesos	4.45 million Mexican pesos	Principal \$7.68 million Interest	Up to Year 2019	15,357 \$	1,536 \$	6,143			\$ 1,536	\$ 7,679		

Type of asset	Amount of payments agreed upon equivalent to the income		Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
					Local Currency		Foreign Currency		Local Currency		Foreign Currency	
	Value of the credit:	Interest, taxes, others and trustee fees			Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 181 RM CN Laguna Verde	1,836.95 million Mexican pesos	399.05 million Mexican pesos	Up to Year 2016	1,836,950	\$ 918,475	\$ 680,942	\$		\$ 696,770	\$ 1,140,180		
		<u>Principal</u> \$227.53 million <u>Interest</u> \$338.76 million										
OPF 182 RM CT Puerto Libertad Unit 2 and 3	332.70 million Mexican pesos	85.54 million Mexican pesos	Up to Year 2018	332,703	\$ 34,116	\$ 85,289	\$		\$ 34,116	\$ 119,405		
		<u>Principal</u> \$213.30 million <u>Interest</u> \$78.29 million										
OPF 183 RM CT Puerto Libertad Unit 2	61.56 million Mexican pesos	17.38 million Mexican pesos	Up to Year 2018	61,557	\$ 6,156	\$ 18,467	\$		\$ 6,156	\$ 24,623		
		<u>Principal</u> \$36.93 million <u>Interest</u> \$15.63 million										
OPF 185 SE 1110 Capacitative Compensation North	292.16 million Mexican pesos	60.87 million Mexican pesos	Up to Year 2021	292,164	\$ 33,154	\$ 200,238	\$		\$ 10,247	\$ 61,594		
		<u>Principal</u> \$58.77 million <u>Interest</u> \$19.69 million										
OPF 188 SE 1116 Northeast	2,153.94 million Mexican pesos	811.31 million Mexican pesos	Up to Year 2022	2,153,939	\$ 222,383	\$ 1,312,334	\$		\$ 222,383	\$ 1,534,717		
		<u>Principal</u> \$619.22 million <u>Interest</u> \$451.57 million										
OPF 189 SE 1117 Transformation of Guaymas	206.67 million Mexican pesos	53.10 million Mexican pesos	Up to Year 2022	206,672	\$ 21,216	\$ 131,021	\$		\$ 21,216	\$ 152,238		
		<u>Principal</u> \$54.43 million <u>Interest</u> \$28.56 million										
OPF 190 SE 1120 Northwest	515.04 million Mexican pesos	142.31 million Mexican pesos	Up to Year 2023	515,042	\$ 53,033	\$ 311,667	\$		\$ 53,033	\$ 364,699		
		<u>Principal</u> \$150.34 million <u>Interest</u> \$84.33 million										
OPF 191 SE 1121 Baja California	29.27 million Mexican pesos	6.02 million Mexican pesos	Up to Year 2020	29,270	\$ 3,213	\$ 16,067	\$		\$ 3,213	\$ 19,280		
		<u>Principal</u> \$9.99 million <u>Interest</u> \$3.95 million										
OPF 192 SE 1122 North Gulf	351.40 million Mexican pesos	146.36 million Mexican pesos	Up to Year 2019	413,243	\$ 42,947	\$ 223,242	\$		\$ 36,764	\$ 204,350		
		<u>Principal</u> \$110.29 million <u>Interest</u> \$78.55 million										
OPF 193 SE 1123 North	49.51 million Mexican pesos	11.49 million Mexican pesos	Up to Year 2020	49,509	\$ 4,951	\$ 24,754	\$		\$ 4,951	\$ 29,705		
		<u>Principal</u> \$19.80 million <u>Interest</u> \$8.30 million										
OPF 194 SE 1124 Bajío Central	481.87 million Mexican pesos	121.23 million Mexican pesos	Up to Year 2022	481,872	\$ 50,441	\$ 301,931	\$		\$ 50,441	\$ 352,372		
		<u>Principal</u> \$79.06 million <u>Interest</u> \$47.61 million										
OPF 195 SE 1125 Distribution	1005.86 million Mexican pesos	321.32 million Mexican pesos	Up to Year 2022	1,005,857	\$ 102,498	\$ 522,513	\$		\$ 102,498	\$ 625,011		
		<u>Principal</u> \$278.35 million										

Type of asset	Amount of payments agreed upon equivalent to the income		Term for the agreement	Payments up to December 31, 2013		Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
						Local Currency		Foreign Currency		Local Currency		Foreign Currency	
	Value of the credit:	Interest, taxes, others and trustee fees		Principal	Interest	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 197 SE 1127 Southeast	194.62 million Mexican pesos	55.11 million Mexican pesos	Up to Year 2020	Principal \$85.02 million	Interest \$38.25 million	\$ 19,470	\$ 90,124	\$ 19,470	\$ 109,594	\$ 19,470	\$ 109,594		
OPF 198 SE 1128 Central South	266.54 million Mexican pesos	66.68 million Mexican pesos	Up to Year 2023	Principal \$182.42 million	Interest \$9.19 million	\$ 28,125	\$ 191,871	\$ 28,125	\$ 219,995	\$ 28,125	\$ 219,995		
OPF 199 SE 1129 Network Compensation	140.91 million Mexican pesos	38.61 million Mexican pesos	Up to Year 2020	Principal \$72.77 million	Interest \$30.15 million	\$ 14,397	\$ 53,742	\$ 14,397	\$ 68,139	\$ 14,397	\$ 68,139		
OPF 200 SLT 1111 Transmission and Transformation of the Central - West	898.00 million Mexican pesos	276.41 million Mexican pesos	Up to Year 2023	Principal \$106.73 million	Interest \$84.94 million	\$ 92,039	\$ 700,229	\$ 85,688	\$ 735,103	\$ 85,688	\$ 735,103		
OPF 201 SLT 1112 Transmission and Transformation of the Northwest	752.33 million Mexican pesos	158.79 million Mexican pesos	Up to Year 2018	Principal \$38.11 million	Interest \$16.80 million	\$ 76,220	\$ 637,997		\$ 24,015				
OPF 202 SLT 1114 Transmission and Transformation of the Eastern	1,408.32 million Mexican pesos	394.78 million Mexican pesos	Up to Year 2023	Principal \$221.60 million	Interest \$97.72 million	\$ 152,558	\$ 1,034,170	\$ 125,783	\$ 985,918	\$ 125,783	\$ 985,918		
OPF 203 SLT 1118 Transmission and Transformation of the North	237.47 million Mexican pesos	60.21 million Mexican pesos	Up to Year 2018	Principal \$129.53 million	Interest \$50.47 million	\$ 24,997	\$ 57,945	\$ 24,997	\$ 82,942	\$ 24,997	\$ 82,942		
OPF 204 SLT 1119 Transmission and Transformation of the Southeast	1,339.02 million Mexican pesos	517.51 million Mexican pesos	Up to Year 2020	Principal \$505.62 million	Interest \$344.96 million	\$ 144,463	\$ 688,938	\$ 144,463	\$ 833,401	\$ 144,463	\$ 833,401		
OPF 205 SUN Supply of 970 T/H to the Power Plants of Cerro Prieto	1,499.99 million Mexican pesos	512.81 million Mexican pesos	Up to Year 2020	Principal \$636.48 million	Interest \$376.48 million	\$ 151,554	\$ 711,616	\$ 151,554	\$ 863,170	\$ 151,554	\$ 863,170		
OPF 206 SE 1206 Conv. To 400 KV of the LT Mazatlan II La Higuera	564.38 million Mexican pesos	263.67 million Mexican pesos	Up to Year 2019	Principal \$282.19 million	Interest \$201.59 million	\$ 56,438	\$ 225,753	\$ 56,438	\$ 282,191	\$ 56,438	\$ 282,191		
OPF 207 SE 1213 Network Compensation	482.54 million Mexican pesos	162.63 million Mexican pesos	Up to Year 2020	Principal \$182.41 million	Interest \$110.85 million	\$ 48,634	\$ 251,496	\$ 48,634	\$ 300,130	\$ 48,634	\$ 300,130		

Type of asset	Amount of payments agreed upon equivalent to the income		Term for the agreement	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
				Local Currency		Foreign Currency		Local Currency		Foreign Currency	
	Value of the credit:	Interest, taxes, others and trustee fees		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 209 SE 1212 South - Peninsular	469.97 million Mexican pesos	128.70 million Mexican pesos	Up to Year 2023	\$ 47,822	\$ 309,582			\$ 47,822	\$ 357,404		
OPF 210 SLT 1204 Conversion to 400 KV of the Peninsular Area	1,699.98 million Mexican pesos	408.24 million Mexican pesos	Up to Year 2020	\$ 173,330	\$ 847,102			\$ 173,330	\$ 1,020,431		
OPF 211 SLT 1203 Transmission and Transformation Eastern - Southeast	2,267.29 million Mexican pesos	573.96 million Mexican pesos	Up to Year 2024	\$ 229,702	\$ 1,231,657			\$ 217,298	\$ 1,337,318		
OPF 212 SE 1202 Energy Supply to the Zone Manzanillo	449.76 million Mexican pesos	145.83 million Mexican pesos	Up to Year 2020	\$ 48,766	\$ 241,181			\$ 48,766	\$ 289,947		
OPF 213 SE 1211 Northwest - Central	309.55 million Mexican pesos	75.84 million Mexican pesos	Up to Year 2023	\$ 30,955	\$ 208,001			\$ 30,955	\$ 238,956		
OPF 214 SE 1210 North - Northwest	1,026.09 million Mexican pesos	284.43 million Mexican pesos	Up to Year 2022	\$ 107,421	\$ 614,698			\$ 107,421	\$ 722,118		
OPF 215 SLT 1201 Transmission and Transformation Baja California	498.45 million Mexican pesos	196.18 million Mexican pesos	Up to Year 2022	\$ 51,599	\$ 294,404			\$ 50,349	\$ 334,133		
OPF 216 RM CCC Poza Rica	178.40 million Mexican pesos	44.03 million Mexican pesos	Up to Year 2022	\$ 18,779	\$ 131,455			\$ 18,779	\$ 150,235		
OPF 217 RM CCC El Sauz Package 1 Baja California	1,030.63 million Mexican pesos	285.01 million Mexican pesos	Up to Year 2023	\$ 111,729	\$ 807,169						
OPF 218 LT 1220 Transmission Network associated with Weather Fore Open and Oax., I, I	488.77 million Mexican pesos	182.91 million Mexican pesos	Up to Year 2020	\$ 52,815	\$ 251,107			\$ 52,815	\$ 303,922		
OPF 219 LT Transmission Network Associated with Manzanillo I U-1 and 2	540.08 million Mexican pesos	140.13 million Mexican pesos	Up to Year 2021	\$ 54,008	\$ 351,054			\$ 54,008	\$ 405,062		
OPF 222 CCC Repontetation CT Manzanillo U-1 AND 2	5,188.57 million Mexican pesos	1,408.26 million Mexican pesos	Up to Year	\$ 520,546	\$ 3,140,895			\$ 514,794	\$ 3,606,796		

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees	Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
					Local Currency		Foreign Currency		Local Currency		Foreign Currency	
					Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 223 LT Transmission Network Associated with the CG Los Humeros II	59.10 million Mexican pesos	11.43 million Mexican pesos	Up to Year 2020	59,103	\$	6,891	\$	34,454	\$	6,891	\$	41,345
OPF 225 LT Transmission Network Associated with the CI Guerrero Negro II	14.86 million Mexican pesos	6.89 million Mexican pesos	Up to Year 2021	14,861	\$	1,486	\$	8,174	\$	1,486	\$	9,660
OPF 227 CG Los Humeros II	1,329.34 million Mexican pesos	319.34 million Mexican pesos	Up to Year 2022	1,329,341	\$	139,931	\$	979,514	\$	139,931	\$	1,119,445
OPF 228 LT Transmission Network Associated with the CCC North II	258.77 million Mexican pesos	67.47 million Mexican pesos	Up to Year 2023	258,766	\$	27,223	\$	177,243	\$	27,223	\$	204,466
OPF 229 CT TG Baja California II	258.77 million Mexican pesos	62.01 million Mexican pesos	Up to Year 2022	1,380,543	\$	150,689	\$	1,079,165	\$	8,088	\$	44,484
OPF 231 SLT 1304 Transmission and Transformation of the Eastern	80.88 million Mexican pesos	23.70 million Mexican pesos	Up to Year 2020	80,879	\$	8,088	\$	36,396	\$	10,806	\$	59,435
OPF 233 SLT 1303 Transmission and Transformation Baja - Northwest	108.06 million Mexican pesos	31.57 million Mexican pesos	Up to Year 2020	108,064	\$	10,806	\$	48,629	\$	121,568	\$	911,759
OPF 235 CCI Baja California Sur IV	1,280.65 million Mexican pesos	276.23 million Mexican pesos	Up to Year 2024	1,280,651	\$	128,540	\$	1,092,588	\$	121,568	\$	112,459
OPF 236 CCI Baja California Sur III	1,215.68 million Mexican pesos	426.54 million Mexican pesos	Up to Year 2022	1,215,678	\$	121,568	\$	790,191	\$	18,743	\$	40,791
OPF 242 SE 1323 Distribution South	168.69 million Mexican pesos	35.19 million Mexican pesos	Up to Year 2020	168,689	\$	18,743	\$	93,716	\$	6,798	\$	253,965
OPF 243 SE 1322 Distribution Central	194.22 million Mexican pesos	40.12 million Mexican pesos	Up to Year 2020	194,223	\$	20,994	\$	146,889	\$	39,400	\$	253,965
OPF 244 SE 1321 Distribution Northeast	708.67 million Mexican pesos	159.90 million Mexican pesos	Up to Year 2023	708,670	\$	72,146	\$	494,893	\$	39,400	\$	253,965

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income interest, taxes, others and trustee fees	Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)																
					Local Currency		Foreign Currency		Local Currency		Foreign Currency														
					Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term													
OPF 245 SE 1320 Distribution Northwest	420.34 million Mexican pesos	110.78 million Mexican pesos	Up to Year 2022	420,341	\$	44,459	\$	275,757	\$	44,459	\$	320,215													
OPF 247 SLT 247 East Substations	244.29 million Mexican pesos	73.90 million Mexican pesos	Up to Year 2022	244,292	\$	26,254	\$	185,907	\$	18,626	\$	139,697													
OPF 248 SLT 1401 SES and LTS of the Baja California and Northwest areas	835.34 million Mexican pesos	256.92 million Mexican pesos	Up to Year 2022	835,342	\$	85,106	\$	580,400	\$	85,106	\$	665,506													
OPF 249 SLT 1405 SES and LTS of transmission of the South Areas	311.14 million Mexican pesos	65.25 million Mexican pesos	Up to Year 2024	311,138	\$	32,511	\$	262,352																	
OPF 250 SLT 1402 change of Tension of the LT Culiacan - Los Mochis	592.32 million Mexican pesos	136.10 million Mexican pesos	Up to Year 2021	592,316	\$	66,334	\$	383,826	\$	66,334	\$	450,156													
OPF 251 SE 1421 Distribution South	137.14 million Mexican pesos	29.26 million Mexican pesos	Up to Year 2024	137,141	\$	13,714	\$	108,493	\$	8,077	\$	68,654													
OPF 252 SE 1403 Capacitative Compensation of the Northwest - North Areas	92.43 million Mexican pesos	19.87 million Mexican pesos	Up to Year 2020	92,429	\$	9,729	\$	48,647	\$	9,729	\$	58,376													
OPF 253 SE 1420 Distribution North	65.15 million Mexican pesos	23.04 million Mexican pesos	Up to Year 2022	65,150	\$	6,858	\$	44,576	\$	6,858	\$	51,434													
SLT 259 Distribution South FI	65.15 million Mexican pesos	23.04 million Mexican pesos	Up to Year 2023	64,346	\$	6,964	\$	51,930																	
OPF 260 SE 1520 Distribution North	8.19 million Mexican pesos	1.97 million Mexican pesos	Up to Year 2023	8,189	\$	819	\$	6,142	\$	819	\$	6,961													
OPF 262 SLT 1401 Transmission and Transformation North Areas	206.69 million Mexican pesos	61.99 million Mexican pesos	Up to Year 2023	486,431	\$	51,522	\$	370,657	\$	21,757	\$	163,174													
OPF 267 SLT 1404 Transmission Ayotla - Chalco	10.62 million Mexican pesos	2.24 million Mexican pesos	Up to Year 2024	10,619	\$	1,062	\$	9,557																	
OPF 274 SE 1620 Distribution Valle de Mexico	160.07 million Mexican pesos	35.91 million Mexican pesos	Up to Year 2024	160,066	\$	16,549	\$	136,937	\$	1,200	\$	10,200													

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees	Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
					Local Currency		Foreign Currency		Local Currency		Foreign Currency	
					Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 294 SLT 1702 Transmission and Transformation Baja - California Norte	369.30 million Mexican pesos	75.56 million Mexican pesos	Up to Year 2024	369,296 \$	38,705 \$	319,381			\$	4,649 \$		39,519
OPF 295 SLT 1704 Systems Interconnection Aslados Guerrero (Isolatec Negro Sta.	78.67 million Mexican pesos	17.26 million Mexican pesos	Up to Year 2024	78,669 \$	8,291 \$	69,927						
OPF 305 SE 1801 Substations Baja - Northwest	47.50 million Mexican pesos	11.71 million Mexican pesos	Up to Year 2024	47,497 \$	4,750 \$	42,747						
OPF 073 RM Altamira	123.98 million UDIS	27.52 million UDIS	Up to Year 2019	653,425 \$	63,342 \$	261,370			\$	62,718 \$		313,589
OPF 140 SE 914 Central South Division	30.33 million UDIS	11.37 million UDIS	Up to Year 2024	159,834 \$	11,023 \$	99,208			\$	10,580 \$		105,803
OPF 147 CCC Baja California	285.09 million UDIS	69.14 million UDIS	Up to Year 2019	1,502,552 \$	150,255 \$	525,893			\$	144,220 \$		648,989
OPF 152 SE 1005 Northwest	47.28 million UDIS	18.48 million UDIS	Up to Year 2024	249,175 \$	17,184 \$	154,660			\$	16,494 \$		164,942
OPF 156 RM Infernillo	12.59 million UDIS	2.97 million UDIS	Up to Year 2019	66,349 \$	6,635 \$	26,539			\$	6,368 \$		31,842
OPF 157 RM CT Francisco Perez Rios Units 1 and 2	133.69 million UDIS	31.90 million UDIS	Up to Year 2019	704,589 \$	74,167 \$	296,669			\$	71,188 \$		355,941
OPF 167 CC San Lorenzo Conversion from TG to CC	407.87 million UDIS	139.75 million UDIS	Up to Year 2024	2,149,659 \$	148,252 \$	1,334,271			\$	142,297 \$		1,422,974
OPF 191 SE 1121 Baja California	8.47 million UDIS	3.13 million UDIS	Up to Year	44,651 \$	2,977 \$	26,791			\$	2,857 \$		28,572

Type of asset	Value of the credit:	Amount of payments agreed upon equivalent to the income Interest, taxes, others and trustee fees	Payments up to December 31, 2013	Term for the agreement	Total amount of the project (Thousands)	Balances at December 31, 2014 (Thousands)				Balances at December 31, 2013 (Thousands)			
						Local Currency		Foreign Currency		Local Currency		Foreign Currency	
						Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
			\$2.82 UDIs	2024									
OPF 192 SE 1122 North Gulf	8.54 million UDIs	3.02 million UDIs	Interest	Up to Year 2024	45,023 \$	3,516 \$	27,442 \$			\$	3,375 \$		29,715
			\$8.55 million Mexican										
			\$1.62 UDIs										
			Principal \$14.06 million Mexican \$2.67 UDIs										
OPF 195 SE 1125 Distribution	51.69 million UDIs	12.21 million UDIs	Interest	Up to Year 2019	272,422 \$	27,242 \$	108,969 \$			\$	26,148 \$		130,740
			\$136.21 million Mexican										
			\$25.84 UDIs										
			Principal \$14.06 million Mexican \$2.67 UDIs										
OPF 199 SE 1129 Network Compensation	14.67 million UDIs	5.71 million UDIs	Interest	Up to Year 2024	77,294 \$	5,153 \$	46,376 \$			\$	4,946 \$		49,459
			\$46.91 million Mexican										
			\$8.90 UDIs										
			Principal \$25.76 million Mexican \$4.89 UDIs										
OPF 201 SLT 1112 Transmission and Transformation of the Northwest	92.22 million UDIs	22.57 million UDIs	Interest	Up to Year 2019	486,025 \$	51,161 \$	204,642 \$			\$	49,106 \$		245,528
			\$16.29 million Mexican										
			\$3.09 UDIs										
			Principal \$230.27 million Mexican \$43.68 UDIs										
OPF 203 SLT 1118 Transmission and Transformation of the North	40.21 million UDIs	15.45 million UDIs	Interest	Up to Year 2024	211,932 \$	16,130 \$	127,159 \$			\$	13,561 \$		135,613
			\$86.26 million Mexican										
			\$16.37 UDIs										
			Principal \$70.64 million Mexican \$13.40 UDIs										
OPF 207 SE 1213 Network Compensation	27.23 million UDIs	7.30 million UDIs	Interest	Up to Year 2024	143,538 \$	14,501 \$	69,973 \$			\$	13,919 \$		81,081
			\$43.62 million Mexican										
			\$8.28 UDIs										
			Principal \$59.06 million Mexican \$11.21 UDIs										
OPF 208 SE 1205 Compensation Eastern - Peninsular	28.13 million UDIs	10.81 million UDIs	Interest	Up to Year 2024	148,268 \$	9,885 \$	88,961 \$			\$	9,485 \$		94,873
			\$24.32 million Mexican										
			\$ 4.61 UDIs										
			Principal \$49.42 million Mexican \$9.38 UDIs										
TOTAL INTERNAL DEBT			Interest										
			\$30.52 million Mexican										
			\$5.79 UDIs										
TOTAL INTERNAL AND EXTERNAL DEBT OF PIDREGAS CEBURES			Interest										
			\$30.52 million Mexican										
			\$5.79 UDIs										
TOTAL INTERNAL AND EXTERNAL DEBT OF PIDREGAS AND CEBURES			Interest										
			\$30.52 million Mexican										
			\$5.79 UDIs										

a) At December 31, 2014, minimum payment commitments for PIDIREGAS are as follows:

PIDIREGAS	\$	124,279,847
less:		
Unaccrued interest		<u>(30,066,653)</u>
Present value of obligations		94,213,194
less:		
Current value of obligations		<u>(13,061,678)</u>
Long-term portion of PIDIREGAS		81,151,516
CEBURES		<u>8,821</u>
Total internal and external debt of PIDIREGAS and CEBURES	\$	<u>81,160,337</u>

b) Securities Exchange Certificate Program - In order to refinance Financed Public Works projects (PIDIREGAS), the CFE has implemented a structured mechanism by which Securities Exchange Certificates (CEBURES) are issued. This mechanism starts with the signing of a loan agreement, which is granted by the creditor Bank to a private Trust that securitizes the rights on the credit, and issues CEBURES. Funds from those issues are invested by the Trustee, while the CFE disburses them to pay the contractors of the Financed Public Works projects (PIDIREGAS), upon delivery thereof to the satisfaction of the entity. Every issue of CEBURES is a liability for the CFE, and each one of the disbursements becomes a PIDEIREGAS debt.

To be able to carry out this financing mechanism, the National Banking and Securities Commission previously authorizes the CEBURES Programs, normally in minimum amounts of 6 billion pesos, with a duration of two or more years, in order to be able to carry out the issues required up to the total authorized amount, which can be extended upon request.

During fiscal 2003, the first issues of CEBURES were carried out with three tranches in an accumulated amount of 6 billion nominal pesos. The first two tranches were in the amount of 2 billion 600 million nominal pesos each one, and they were carried out on October 6 and November 7, 2003, respectively. The third tranche was realized in the amount of 800 million nominal pesos on December 11, 2003.

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

The effective period of all these transactions is approximately 10 years, at a Federal Treasury Certificates ("Cetes") interest rate at 182 days plus 0.85 percentage points

For the four tranches referred to above, the amortization of the principal will be approximately every 182 days, and the calculation of interest will include protection against inflation (inflation floor), that is, for each interest period that applies, if applicable, the rate will be adjusted as the result of a comparison of the percentage increase in the value of the investment unit ("UDI") during the interest period at issue, with the annual gross interest rate payable with respect to the CEBURES for that interest period.

The issues of the first three tranches of a new CEBURES program was carried out in a total amount of 7 billion 700 million nominal pesos in August 2005. The first tranche in the amount of 2 billion 200 million nominal pesos on March 18, 2005, the second one in the amount of 3 billion nominal pesos on July 1, 2005, and the third one in the amount of 2 billion 500 million nominal pesos on August 19, 2005. Their effective period is approximately 10 years, at a Cetes interest rate at 182 days plus 0.79 percentage points.

At December 31, 2005, of the 7 billion 700 million issued in that year, only 6 billion 112 million 196 thousand pesos had been disbursed for payment of the "PIDIREGAS" financed debt, and the remaining balance to be drawn down amounts to 1 billion 587 million 804 thousand pesos. This balance was drawn down in its entirety in 2006.

On January 27, 2006, the fourth tranche was issued in the amount of 2 billion nominal pesos, and the fifth tranche in the amount of 1 billion 750 million nominal pesos on March 9, 2007 with a 10 year term at an interest rate equivalent to Cetes at 91 days plus 0.429 percentage points and 0.345 percentage points, respectively.

On April 24, 2006, the National Banking and Securities Commission authorized a new CEBURES Program, having been issued in the amount of 2 billion nominal pesos in each one of these transactions on April 28, June 9, and October 20, 2006. Furthermore, a fourth issue was realized in the amount of 1 billion pesos on November 30, 2006.

The effective period of the transactions referred to above is approximately 10 years. The weighted average interest rate is equivalent to Cetes at 91 days plus 0.42 percentage points of the first three transactions, and it was set at 7.41% for that of the fourth transaction.

At December 31, 2006, of the 7 billion nominal pesos of the four issues, a total amounting to 3 billion 631 million 952 thousand pesos had been disbursed from the Trusts for refinancing Financed Public Work projects.

The National Banking and Securities Commission authorized a new Program, and the first issue was realized in the amount of 1 billion 500 million nominal pesos on November 10, 2006, which would be used for payment to the contractors awarded the tenders of PIDIREGAS projects. This first issue has a 30 year term, and it pays an annual gross interest rate of 8.58% payable every 182 days. The amount of 1 billion 384.7 million pesos were disbursed on February 28, 2007, which were used for the partial payment to the PIDIREGAS project contractor known as "El Cajon".

On August 30, 2007, a second issue was realized at 30 years in the amount of 1 billion pesos to cover the second payment to the PIDIREGAS project contractor "El Cajon".

The following issues were realized at 10 years in fiscal 2007: an issue amounting to 1 billion 750 million nominal pesos at Cetes plus 0.345% annual on March 9, 2007, another issue also amounting to 1 billion 750 million nominal pesos with a Cetes interest rate plus 0.25% annual on June 8, a third issue amounted to 1 billion 750.0 pesos at Cetes plus 0.25% on August 17, 2007, and finally a last issue amounting to 1 billion 200 million pesos at a cost of Cetes 182 plus 0.30% on November 23, 2007.

During fiscal year 2007, a total of 9 billion 945.2 million pesos was disbursed from the Trusts for financing various payments on the Financed Public Work projects.

Two issues were realized in 2008, one of 2 billion pesos on January 25, 2008, and the second issue of 1 billion 700 million on May 23, 2008, both at a CETES rate at 91 days plus 0.45%.

During fiscal 2008, a total of 4 billion 827.3 million pesos was disbursed from the Trusts for financing various Financed Public Work projects.

The following issues at 10 years were realized in fiscal 2009: Three (3) issues in Investment Units (UDIs): an issue of UDIS 285.1 million at an annual fixed 4.80% rate in UDIS on April 29, 2009, an issue of UDIS 457.0 million at an annual fixed 4.60% rate in UDIS on August 7, 2007, and an issue of UDIS 618.5 million at an annual fixed 5.04% rate in UDIS on October 2, 2009, and Two (2) issues in pesos: the first issue of 2 billion 594.6 million nominal pesos on April 29, 2009, and the second issue of 1 billion 466.7 million pesos on August 7, 2009, both at an annual fixed 8.85% rate.

During fiscal year 2009, a total amounting to 4 billion 618.3 million pesos and 676.2 UDIS were disbursed from the Trusts for financing various payments on the Financed Public Work projects.

Two issues were realized during fiscal 2010: the first issue in two tranches on March 25, one at a 10 year term for 2 billion 400 million nominal pesos, and interest was paid at an annual fixed 8.05% rate, and the other tranche at a 7 year term for 2 billion 600 million nominal pesos, and interest was paid at an interest rate equivalent to EIIR plus 0.52% annually. The second issue was carried out on July 23, also in two tranches one at a 10 year term for 3 billion 250 million with an interest rate equivalent to EIIR plus 0.45% annual, and the second tranche at a 9 year term for 1 billion 750 million nominal pesos, and interest was paid at an annual fixed rate of 7.15%.

On February 19, 2011, 3 billion 800 million pesos were issued to finance Financed Public Works projects at a 9.4 year term, and paying annual EIIR interest + 0.40%.

On September 24, 2012, Securities Exchange Certificates were placed in a total amount of 13 billion 500 million pesos at a 30 year term and a 7.70% annual coupon. The funds of this issue were used to pay the "La Yesca" Financed Public Work project.

There were no issues nor drawdowns of CEBURES in the last quarter of 2013; therefore, the balance amounting to 8 billion 821 million consists of a balance to be drawn down that was not appropriated to the "La Yesca" project.

There were neither issues nor drawdowns of CEBURES in fiscal 2014; therefore, the balance continues to amount to 8 million 821 thousands pesos at December 31, 2014.

13. CONDITIONED INVESTMENT (INDEPENDENT ENERGY PRODUCERS OR PEE)

At December 31, 2014, 26 contracts have been signed with private investments, denominated independent energy producers, which set forth the obligation for the CFE to pay various considerations, in exchange for them to guarantee energy supply service, based on a previously established generation capacity, through power generating plants financed and built for account of those investors.

The obligation of future payments for CFE includes: a) rules for quantifying the amount of acquisition of generating plants when a contingent event occurs that is defined as force majeure in the terms of each contract, applicable from the construction stage of each project up to the termination of the contracts; and b) fixed charges for power generation capacity, as well as variable charges for operation and maintenance of the generating plants, which are determined in accordance with the variable terms set forth in the contracts, applicable from the start-up testing stage up to the termination of the contracts.

a) Classified as a lease

The Company has evaluated that 23 of the contracts with independent producers have lease characteristics of the power generating plant, in accordance with CINIIF 4 "Determination if an agreement contains a lease" and CINIIF 12 "Service Concession Agreements". In turn, those leases qualify as financial leases in accordance with IAS 17 "Leases".

The lease agreements have a 25 year duration. The annual interest rate on those lease agreements is 11.19% on the average.

	Minimum lease payments			Present value of lease payments		
	12/31/2014	12/31/2013	12/31/2012	12/31/2014	12/31/2013	12/31/2012
Short-term	\$ 13,351,922	\$ 11,862,781	\$ 11,802,544	\$ 2,964,984	\$ 2,291,039	\$ 2,053,048
Between one and five years	60,083,651	50,416,820	59,012,721	20,644,470	15,962,156	14,262,059
More than five years	125,550,129	123,410,291	122,783,637	75,257,663	66,373,822	69,935,238
Final accumulated equity	<u>\$198,985,702</u>	<u>\$185,689,892</u>	<u>\$193,598,902</u>	<u>\$98,867,117</u>	<u>\$84,627,017</u>	<u>\$86,250,345</u>

At December 31, 2014, the financial lease obligation is itemized as follows:

Name	Date of inception of operation	Original amount of the obligation	Foreign currency		Local currency	
			Long-term	Short-term	Long-term	Short-term
CT Merida III	June-00	242,685	172,947	9,280	\$2,545,435	\$136,581
CC HERMOSILLO	Oct-01	156,144	124,508	4,729	1,832,504	69,601
CC SALTILLO	Nov-01	152,383	115,238	4,978	1,696,072	73,271
TUXPAN II	Dec-01	283,133	226,937	8,288	3,340,059	121,976
EL SAUZ BAJIO	Mar-02	399,773	336,478	10,214	4,952,285	150,330
CC MONTERREY	Mar-02	330,440	227,628	11,865	3,350,234	174,636
CC ALTAMIRA II	May-02	233,234	202,312	5,286	2,977,633	77,806
CC Rio Bravo II	May-02	232,108	174,782	7,481	2,572,440	110,104
CC CAMPECHE	May-03	196,554	155,766	5,654	2,292,558	83,220
CC TUXPAN III Y IV	May-03	587,064	483,799	15,367	7,120,553	226,177
CC MEXICALI	July-03	569,345	417,096	18,612	6,138,819	273,930
CC CHIHUAHUA III	Sept-03	275,327	201,430	8,994	2,964,647	132,369
CC NACO NOGALES	Oct-03	238,016	147,526	8,994	2,171,287	132,378
CC ALTAMIRA III Y IV	Dec-03	600,897	460,965	18,102	6,784,483	266,425
RIO BRAVO III	Apr-04	312,602	260,252	7,712	3,830,393	113,499
CC LA LAGUNA II	Mar-05	367,578	312,981	8,340	4,606,460	122,751
CC RIO BRAVO IV	Apr-05	270,697	235,794	5,549	3,470,414	81,670
CC VALLADOLID III	June-06	288,160	245,070	6,598	3,606,947	97,103
CC TUXPAN V	Sept-06	284,997	259,339	4,532	3,816,947	66,703
CC ALTAMIRA V	Oct-06	532,113	497,780	6,565	7,326,329	96,622
CC TAMAZUNCHALE	June-07	482,562	437,072	8,037	6,432,829	118,294
CCC NORTH	Aug-10	450,097	406,084	9,521	5,976,750	140,132
CCC NORTH II	Jan-14	427,733	414,190	6,754	6,096,055	99,406
Total			6,515,974	201,452	\$95,902,133	\$2,964,984

b) Other contracts with independent energy producers

Three contracts with aeolian (wind-driven or powered) private investors are in operation. Unlike the contracts described in the above note, they set forth the obligation that CFE should only pay for the aeolian power generated and delivered; therefore, they are not considered as financial leases, which are as follows:

C E Oaxaca I
C E Oaxaca II, III and IV
CE La Venta III

c) Service provider contracts

Pemex-Valladolid Gas Pipeline
Terminal de Carbon

These service provider contracts are not considered as financial leases, since their characteristics do not comply with the provisions of IFRS of this particular treatment.

14. TAXES AND FEES PAYABLE

Taxes payable At December 31, 2014 and 2013 are summarized as follows:

	2014	2013
Payable by CFE		
Income tax on the distributable remaining balance	\$2,487,106	\$1,574,530
Income tax payable for account of third parties	273,905	242,999
Contributions to the Mexican Institute of Social Security	653,947	620,068
Rights on use and development of national waters	299,331	363,449
Payroll tax	47,354	39,334
Contributions to the Institute of the Workers' National Housing Fund	12,862	11,025
Subtotal	3,774,505	2,851,405
Withholdings		
Income Tax withheld from employees	644,071	522,922
Value added tax withholdings.	85,164	123,672
Income Tax on interest abroad	13,213	4,800
Income Tax on foreign residents	43,766	1,883
Five to the thousandth to contractors	15,082	24,738
Income tax on fees and leases	7,379	8,930
Two to the thousandth to contractors	719	1,535
Others	277	113
	809,671	688,593
Total taxes and fees	\$4,584,176	\$3,539,998

15. UNREALIZED PROCEEDS

At December 31, 2014 and 2013, unrealized proceeds consist of the contributions made by State and Municipal Governments, as well as private persons for rural electrification and private parties, in addition to telecommunications service revenues and others, which consist of the following:

	2014	2013
Government Contributions	\$ 2,171,635	\$ 1,447,646
Contributions from private persons	22,338,342	16,993,870
Contributions Others	1,211,306	1,097,096
	<u>25,721,283</u>	<u>19,538,612</u>
Electric power products and other related products	11,588	11,738
Unrealized proceeds optic fiber	779,316	909,505
	<u>\$ 26,512,187</u>	<u>\$ 20,459,855</u>

16. OTHER LONG-TERM LIABILITIES

In fiscal 2010, the entity upgraded a technical - economic study to realize the dismantling of the Laguna Verde Nuclear Power Station, supported on studies realized by international companies about the dismantling of similar plants in order to determine the necessary provisions. As a result of that that upgrading, a provision was determined in the amount of 809.6 million US dollars. This estimate includes the costs for cooling, cleaning, progressive decontamination, transportation, and storage of radioactive wastes. Those expenses will be amortized in the period of the remaining useful life of the power station, which is an average of 20.5 years. The liability for dismantling the Laguna Verde Nuclear Power Station at December 31, 2014 and 2013 at present value amounts to \$3,843,257 and \$3,563,166, respectively.

17. EMPLOYEE BENEFITS

Employee benefit plans have been established relative to the termination of the employer - employee relationship and for retirement due to causes other than restructuring. Retirement benefit plans consider based the years of service completed by the employee and their remuneration at the date of retirement. Retirement plan benefits include the seniority bonus that workers are entitled to receive upon termination of the employer - employee relationship, as well as other defined benefits.

Actuarial valuations of the plan assets and present value of defined benefit obligations were realized by independent actuaries, by using the projected unit credit method.

a. The economic hypotheses in nominal and real terms used were:

	2014	2013
Discount rate	8.00%	6.90%
Expected rate of return on assets	8.00%	4.40%
Rate of salary increase	6.10%	3.50%

b. Net cost of the period is summarized as follows:

	<u>2014</u>	<u>2013</u>
Service cost of the year	\$ 14,898,272	\$ 13,827,071
Financial cost	35,472,441	31,716,269
Recognition of prior services	4,719,334	3,146,000
Net actuarial gain or loss of the period	<u>9,627,144</u>	<u>30,423,327</u>
Net cost for the period	<u>\$ 64,717,191</u>	<u>\$ 79,112,667</u>

The net actuarial gain or loss for the period amounting to \$9,627.44 in 2014 is due to the variations in the assumptions used by the actuary to determine the labor liability, as a result of the growth of the average salary rate of workers and the increase in retirements.

The amount included as a liability in the statements of financial position in connection with the amount that the Company has with respect to its defined benefit plans is summarized as follows:

	<u>2014</u>	<u>2013</u>
Defined benefit obligations	\$ 569,360,052	\$ 532,468,377
Fair value of plan assets	<u>(5,307,459)</u>	<u>(4,939,822)</u>
Projected net liability	<u>\$ 564,052,593</u>	<u>\$ 527,528,555</u>

c. Reconciliation between opening and final balances of the present value of the Defined Benefit Obligation (DBO).

	<u>2014</u>	<u>2013</u>
Opening balance: (nominal)	\$ 532,469,377	\$ 477,025,496
Labor cost of present service	14,898,272	13,831,071
Financial cost	35,838,931	32,086,289
Prior service cost	4,719,334	-
Actuarial gains and losses	9,627,144	32,776,519
Benefits paid	<u>(28,193,006)</u>	<u>(23,250,998)</u>
Defined benefit obligations	<u>\$ 569,360,052</u>	<u>\$ 532,468,777</u>

d. Reconciliation between opening and final balances of fair value of plan assets.

	<u>2014</u>	<u>2013</u>
Opening balance: (nominal)	\$ 4,939,822	\$ 5,362,609
Return on assets included in plan	26,789	(792,807)
Expected returns	<u>340,848</u>	<u>370,020</u>
Plan assets	<u>\$ 5,307,459</u>	<u>\$ 4,939,822</u>

e. The most significant assumptions used in the determination of the net cost of the period of the plans are as follows:

	2014	2013
Discount rate	8.00%	6.90%
Expected rate of return on assets	8.00%	6.90%
Rate of salary increase	6.10%	4.40%

f. Sensitivity analysis

For performing the sensitivity analysis, the amendment of +/- .5 points in the discount rate, so that the scenarios considered contemplate the following financial hypotheses:

Item	Base		
	Lower discount rate	Scenario	Higher discount rate
Long-term inflation	3.5% annual	3.5% annual	3.5% annual
Discount rate	7.5% annual	8.0% annual	7.4% annual
Salary increase rate	6.1% annual	6.1% annual	4.4% annual
Minimum wage increase rate	3.5% annual	3.5% annual	3.5% annual

Based on these hypotheses, the following liabilities were determined (amounts in millions of pesos):

Defined Benefit Obligation (DBO)	Lower discount rate	Base Scenario	Higher discount rate
Seniority premium	\$ 27,183	\$ 26,408	\$ 25,698
Indemnifications and compensations	2,024	1,964	1,907
Pensions and retirements	579,928	537,776	513,242
Seniority bonus	3,324	3,214	3,176
Total	\$ 612,459	\$ 569,361	\$ 544,022

The percentage differences of the liabilities determined in the two additional scenarios with respect to the base scenario are shown in the following charts:

Item	Scenario		
	Base	Higher discount rate	Variation
Seniority premium	\$ 26,408	\$ 25,698	-2.69%
Indemnifications and compensations	1,964	1,907	-2.90%
Pensions and retirements	537,776	513,242	-4.56%
Seniority bonus	3,214	3,176	-1.20%
Total	\$ 569,361	\$ 544,022	-4.45%

As can be observed, upon reducing the discount rate by 0.5%, the amount of the liability increases 7.57% with respect to the Base scenario, whereas there is a -4.45% decrease upon increasing the discount rate by 0.5%.

g. Collective bargaining agreement

On August 18, 2008, the CFE and the Sole Union of Electricity Workers of the Mexican Republic (SUTERM) signed the CFE-SUTERM 20/2008 agreement about the pension regime for workers who joined the Company, subsequent to the signing thereof.

This agreement solves the problem of the long-term labor liability, since it represented a risk for the CFE.

The rights and benefits of the collective bargaining agreement in effect are maintained without any change.

The prior retirement plan is maintained for active and retired workers, both salaried and unionized, who were contracted up to August 18, 2008.

The characteristics of the new retirement scheme for newly hired workers are:

- Individual retirement accounts are created.

The worker contributes 5% of his computed daily wage and CFE contributes one and a half times what is contributed by the worker (7.5%).

- These funds will be managed in the terms agreed upon by the CFE and the SUTERM, in accordance with the provisions issued by the National Retirement Savings System Commission (CONSAR).
- In view of the increase in life expectancy, the time of service at the company for new workers at the Company is increased by five years, except for those life lines that maintain the same number of years of service.

18. PATRIMONY

The restatement of equity is distributed among each one of its distinct components, as shown below

	2014			2013
	Par value	Restatement	Total	Total
Accumulated patrimony	\$ (63,265,538)	\$ 239,243,076	\$ 175,977,538	\$ 113,624,347
Revaluation surplus		38,950,186	38,950,186	141,320,040
Payment of public use tax Federal Revenue Law of the Federal Government	(31,518,000)	-	(31,518,000)	(30,600,000)
Contributions received from the Federal Government	28,402,300	-	28,402,300	23,126,100
Charge to Patrimony for employee benefits	(9,627,144)	-	(9,627,144)	(33,299,708)
Funds transferred to CENACE	(492,341)	-	(492,341)	-
Effect of financial instruments on patrimony	(83,228)	-	(83,228)	(724,746)
Other changes in Patrimony, net	766,720	-	766,720	83,859
Net income for the period	(46,831,901)	-	(46,831,901)	(37,552,354)
	<u>\$ (122,649,132)</u>	<u>\$ 278,193,262</u>	<u>\$ 155,544,130</u>	<u>\$ 175,977,538</u>

19. OTHER (EXPENSES) INCOME, NET

At December 31, 2014 and 2013, other net (expenses) income are summarized as follows:

	2014	2013
Other revenue	\$ 7,674,513	\$ 7,955,348
Other expenses	(3,882,570)	(3,138,984)
External electric power producers, net	1,239,669	382,287
Total	<u>\$ 5,031,612</u>	<u>\$ 5,198,651</u>

20. INCOME TAX ON THE DISTRIBUTABLE REMAINING BALANCE

In accordance with the provisions of the Income Tax Law, the Company does not pay taxes in accordance with the General Regime (Title II). However, it must withhold and pay the tax, as well as require the documentation that meets tax requirements when making payments to third parties and are bound thereto in terms of the Law. In accordance with Title III, it is bound to pay a tax on the distributable remaining balance of the items that do not meet those tax requirements.

During the periods ended December 31, 2014 and 2013, the Company was subject to Income Tax on the distributable remaining balance in the amount of \$2,491,581 and \$1,580,509, respectively, which were determined in accordance with Articles 79 and 86 for 2014 and 95 and 102 for 2013, last paragraph of the Income Tax Law.

21. TRANSACTIONS WITH THE FEDERAL GOVERNMENT

The main transactions carried out with the Federal Government in the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Rate Insufficiency	\$ 86,227,484	\$ 85,770,342
Less: Public use taxes payable by CFE by applying a 9% rate on the net fixed assets in operation of the prior year	<u>(58,792,164)</u>	<u>(46,012,501)</u>
Net gain or loss on insufficiency and public use taxes	27,435,320	39,757,841
Less: Write-off of insufficiency not covered by public use taxes	<u>(27,435,320)</u>	<u>(39,757,841)</u>
	<u>\$ -</u>	<u>\$ -</u>

22. COMPREHENSIVE (LOSS) INCOME

Comprehensive income and loss at December 31, 2014 and 2013, respectively, is summarized as follows:

	<u>2014</u>	<u>2013</u>
Net loss as per consolidated statements of income	\$ (46,831,901)	\$ (37,552,354)
Actuarial gains (losses) – employee benefits	(9,627,144)	(30,423,326)
Revaluation of fixed assets	38,950,186	141,320,040
Funds transferred to CENACE	(492,341)	-
Write-off of opening balance of financial instruments in patrimony and others	766,720	1,687,609
Effect of the period of financial instruments on patrimony	<u>(83,228)</u>	<u>(724,746)</u>
	<u>29,514,193</u>	<u>111,859,577</u>
Comprehensive (Loss) income	<u>\$ (17,317,708)</u>	<u>\$ 74,307,223</u>

23. FOREIGN CURRENCY POSITION

At December 31, 2014 and 2013, the CFE had US dollar denominated assets and liabilities as follows:

	2014					
	Assets			Liabilities		
	Assets cash and cash equivalents	Trade Payables	Internal debt	External debt	Leasing of equipment and PIDIREGAS	Short position in foreign currency
US dollars	37,972-	33,037	-	3,877,440	8,431,203	12,303,708
Euros	-	-	-	9,903	-	9,903
Japanese yen	-	-	-	35,387,723	-	35,387,723
Swiss francs	-	-	-	98,844	-	98,844
Swedish krona	-	-	-	3,811	-	3,811

	2013					
	Assets			Liabilities		
	Assets cash and cash equivalents	Trade Payables	Internal debt	External debt	Leasing of equipment and PIDIREGAS	Short position in foreign currency
US dollars	24,007	33,060	-	3,918,545	8,639,440	12,567,038
Euros	-	-	-	18,436	-	18,436
Japanese yen	39,795	-	-	36,741,767	-	36,701,972
Swiss francs	-	-	-	61,642	-	61,642
Swedish krona	-	-	-	7,623	-	7,623

Note:

1) The 32 billion of the bond in yens are included in the external debt of JPY.

The PIDIREGAS dollar debt includes the amount of 6,471,687 million dollars of the financial lease debt with External Producers (as per IFRS).

These foreign currency assets and liabilities were translated into local currency at the exchange rate established by Banco de Mexico in the Official Daily Gazette at December 31, 2014 and 2013.

Currency	2014	2013
US dollars	14.7180	13.0765
Euros	17.8103	18.0194
Japanese yen	0.1227	0.1245
Swiss francs	14.8122	14.7058
Swedish krona	1.8882	2.0342

24. CONTINGENCIES AND COMMITMENTS

Contingencies

The Company has approximately 27,642 lawsuits and administrative proceedings pending At December 31, 2014, whose economic effects are varied. The contingent amounts claimed against the Company that may materialize are not determinable, since lawsuits are pending. Accordingly, the responsible juridical area considers that the evaluation of the possibility of an unfavorable ruling handed down is not possible to establish, nor is it possible to be quantified.

Commitments

a. Natural gas supply contracts

To date there are three gas supply contracts:

1.- Natural gas supply contract at the delivery points from a storage plant of a Natural Liquid Gas (GNL) and/or and / or Continental Natural Gas with the supplier Sempra LNG Marketing Mexico, S. de R. L. de C. V., signed on January 21, 2005, and does not expire until 2022.

The CFE is committed to buying 38,692 Million Annual Cubic Feet (MMPCA). For fiscal 2014, 47,974 MMPCA were consumed which coincides with what has been programmed.

2.- Service Contract for the Receipt, Storage, and Reclassification of Liquid Natural Gas and deliveries of Natural Gas to the CFE for the Manzanillo, Colima, Mexico Zone, signed on March 27, 2008, with Terminal KMS de GNL, S. de R.L. de C.V. MIT

Investment Manzanillo B.V., Kogamex Investment Manzanillo B.V., and SAM Investment Manzanillo B.V. for a 20 year period.

The contractual commitments consist of receiving and storing up to 300,000 m3 of Liquid Natural Gas (GNL), as well as the regassification of GNL and the delivery of Natural Gas (NG) up to 14,1584 million daily cubic meters (MMCD) at the delivery points of the CFE. For fiscal 2014, 3,548 MMC were consumed which coincides with what has been programmed.

3.- Natural gas supply contract at the delivery points of the CCC. Altamira V and the National Gas Pipeline System from a storage plant and reclassification in the Altamira Tamaulipas Mexico Zone, with the supplier Gas del Litoral, S. de R. L. de C. V., signed on September 30, 2003 for a beginning period of 15 years.

Contractual commitments consist of acquiring the firm daily base quantities of natural gas during the supply period for: 500 Million daily cubic feet (MMPCD). For fiscal 2014, only 144, 410 MMPCA were consumed due to the delays and ships of Gas del Litoral. It was incurring in a deficit of delivery of Gas on an average of 3,840 MMPC / month. Consequently, consumption does not concur with what has been programmed.

b. Financed public works contracts

At December 31, 2014, the CFE has signed various financed public works contracts, whose payment commitment will start on the days on which private investors complete the construction of each one of the investment projects and deliver the assets for their operation to the Company. The estimated amounts of these financed public work contracts and the estimated dates of completion of the construction and start-up of operations are those shown on the following chart:

Transmission lines and substations:

Project	Capacity		Estimated amount of the contract stated in millions of		Operating stage
	Km-c	MVA	US dollars	Pesos	
294 SLT 1702 Transmission and Transformation Baja-Northwest F1	119.8	200.0	21.70	319.38	October 2014
293 SLT 1703 Conversion to 400 KV of the Riviera Maya	15.0	1000.0	65.72	967.27	December 2014
251 SLT 1421 Distribution South F3	3.0	40.0	9.59	141.15	December 2014
273 SLT 1621 Distribution North-South F1		140.0	8.70	250.65	December 2014
244 SE 1321 Distribution Northeast F2	29.9	30.0	10.97	161.45	January 2015
295 SLT 1704 Isolated Inter. Systems Guerrero Negro-Santa Rosalia	136.9		18.63	274.19	January 2015
294 SLT 1702 Transmission and Transformation Baja-Northwest F2	40.8	300.0	24.49	360.44	January 2015

Project	Capacity		Estimated amount of the contract stated in millions of		Operating stage
	Km-c	MVA	US dollars	Pesos	
215 215 SLT 1201 Transmission and Transformation Baja California F1	3.0	40.0	7.23	106.41	January 2015
274 SE 1620 Distribution Valley of Mexico F1	16.1	780.0	94.59	1392.18	February 2015
192 SE 1122 North Gulf Distrib. F2	19.5	30.0	8.09	119.07	February 2015
267 SLT 1604 Ayotla Chalco	9.9	133.3	23.30	342.93	February 2015
269 SLT 1510 Transm. Network Assoc. TO CCI Guerrero Negro III	42.2		2.84	41.80	March 2015
249 SLT 1405 SEs and LTs Southeast Areas C2	64.0	300.0	31.55	464.35	May 2015
214 SE 1210 North Northwest (DIST) F8	0.8	90.0	9.78	143.94	June 2015

Project	Capacity		Estimated amount of the contract stated in millions of		Operating stage
	Km-c	MVA	US dollars	Pesos	
305 SE 1801 Substations Baja - Northwest F2		225.0	4.80	70.65	June 2015
243 SE 1322 Distribution Central F2	7.0	30.0	5.16	75.94	June 2015
274 SE 1620 Distribution Valley of Mexico F2	26.2	420.0	89.75	1320.94	June 2015
202 215 SLT 1114 Transmission and Transformation of eastern F2	28.4	300.0	18.89	278.23	August 2015
209 SE 1212 South Peninsular (Dist) F5	8.1	60.0	1.35	19.86	September 2015
308 SLT 1804 Substations and Eastern Trans. Lines .F1		100.0	4.80	70.65	September 2015
306 SE 1803 Substations Western F2	36.1	100.0	8.72	128.34	October 2015
288 SLT 1722 Distrib. South F1	3.0	80.0	10.69	157.33	December 2015
243 SE 1322 Distribution Central F5	187.4	80.0	38.06	560.16	December 2015
307 SLT 1802 Substations and Trans. Lines North F1	13.6	366.0	31.54	464.20	December 2015
308 SLT 1804 Substations and Eastern Trans. Lines .F2			11.62	171.02	December 2015
243 SE 1322 Distrib. Central F3 C3	150.0	19.7	3.82	56.22	January 2015

Power stations:

Project	Capacity		Estimated amount of the contract stated in millions of		Operating stage
	Km-c	MVA	US dollars	Pesos	
188 SE 1116 Northwest Trans. F4	97.6	500.0	49.95	735.16	March 2016
322 SLT 1921 Energy Loss Reduction Dist F2			33.88	498.65	March 2016
318SE 1903 Substation North - Northwest		525.0	14.96	220.18	April 2016
259 SLT 1521 Distribution South C3	2.3	110.0	14.36	211.35	April 2016
308 LT 1805 Transmission Line Huasteca Monterrey	441.8		126.83	1866.68	April 2016
322 SLT 1921 Energy Loss Reduction Dist F6			105.94	1559.22	April 2016

Rehabilitation and/or Modernization Projects

Stage	Estimated amount of the contract stated in thousands of		Project. transaction
	US dollars	Pesos	
216 RM CCC Poza Rica F1	136.8	2,013.42	01-Feb-15
258 RM CT Altamira U1 y 2	379.9	5,591.37	25-Apr-17
311 RM CCC Tula Packages 1 and 2	323.0	4,753.91	02-Sept-17
278 RM Jose Lopez Portillo	214.0	3,149.65	20-Feb-19

These projects are recorded under the PIDIREGAS scheme, and CFE applies the accounting policy described in Note 3-e. Long-Term Productive Infrastructure Projects (PIDIREGAS).

c. Trusts

1. Scope of performance

1.1 CFE currently participate in the capacity of Trustor or Beneficiary of a Trust in 19 (nineteen) Trusts, of which 3 (three) are not in the process of extinction.

1.2 In conformity with its purpose and operating characteristics, they can be defined in the following groups:

- a. Power saved
- b. Prior expenses
- c. Construction contract management
- d. Indirect equity participation trusts

a. Power saved

Those organized to execute power savings promotion and savings programs.

Trust	Equity of CFE		Beneficiary of the trust:
	Trustor	Trustee	
Trust for Power Savings (FIDE), created August 14, 1990	Organization: Confederacion de Camaras Industriales (CONCAMIN), Camara Nacional de la Industria de Transformacion (CANACINTRA), Camara Nacional de Manufacturas Electricas (CANAME), Camara Nacional de la Industria de la 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 Publicos, S.N.C.;	CFE

At December 31, 2014, the Trust for Thermal Insulation of Housing (FIPATERM) has assets amounting to \$1,302,021 and liabilities amounting to \$23,027.

b. Prior expenses

Those created for financing and covering expenses prior to the execution of projects, subsequently recoverable and charged to the person who realizes them to be adjusted to the rules applicable to the type of project involved.

Trust	Equity of CFE		Type of projects
	Trustor	Beneficiary of the trust:	
CPTT prior expense management, organized on August 11, 2003	CFE	CFE	Direct investment:
		Banco Nacional de Comercio Exterior, S.N.C.	

Trust	Equity of CFE		Trustee	Type of projects
	Trustor	Beneficiary of the trust:		
Management and transfer of ownership 20930, organized on Saturday, September 30, 2000	CFE	Primary beneficiary Winners of the contracts. Secondary beneficiary CFE	Banobras, S.N.C.	Conditioned investment

At December 31, 2014, the Prior Expenses Management Trust has assets amounting to \$3,887,193 and liabilities amounting to \$3,556,246.

The Management and Transfer of Ownership Trust 2030 has assets amounting to \$388,128 at December 31, 2014.

c. Construction contract management

Beginning in the decade of the 90s, the Federal Government implemented various off-budget schemes in order to continue to invest in infrastructure projects. Those schemes were designed under two modalities:

- Turnkey Projects (1990)
- Build, Lease, and Transfer Projects (CAT) (1996)

Turnkey Projects.- Under this scheme, plants works were carried out to generate electric power and transmission lines, through an irrevocable management and transfer of ownership trust, linked to a lease agreement. In this modality, the trustee discharges the following duties:

Contract credits, manage the trust property (assets), receive the rents from CFE, and transfer the asset to CFE gratuitously, once those rents have been covered in a sufficient amount to pay the credits contracted.

The CFE participates in the payment of the rents to the trustee, based on the credits contracted by the trust, and instructs the trustee to pay the contractors. In exchange, it receives invoices approved by the construction area, payment of taxes and other charges, including trustee fees.

These management and transfer of ownership were carried out in accordance with the "Guidelines for the realization of thermoelectric projects with off-budget funds", as well as the "Guidelines for the realization of transmission lines and substations with off-budget funds" issued by the Ministry of Public Office (formerly Ministry of Controllorship and Administrative Development).

The Trusts shown below have concluded with their payment commitments; therefore, they are only in the process of extinction.

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
**Topolobampo II (Electrolyser, S. A. de C. V.), organized on November 14, 1991	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.
SE 221 Western, organized on November 7, 1997	SPE Subestaciones AEG, S. A. de C. V.	CFE	Nacional Financiera, 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.

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. Chihuahua, organized on December 8, 1997	Norelec del Norte, S.A. de C.V. and CFE.	CFE	Nacional Financiera, S.N.C.
C.C.C. Rosarito III (8 and 9), organized on August 22, 1997	CFE and Rosarito Power, S.A. de C.V.	CFE	BANCOMEXT
C.T. Samalayuca II, built on May 2, 1996	Compañía Samalayuca II, S.A. de C.V.	Primary beneficiary The foreign bank common representative of the creditors; Secondary beneficiary: Compañía Samalayuca II, S.A. de C.V. Tertiary beneficiary: CFE	Banco Nacional de Mexico, S.A.

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
LT 215 Alstom CEGICA, built on December 5, 1997	CEGICA, S. A. de C. V.	CFE	BANCOMEXT
SE 218 Northwest, organized on December 5, 1997	Dragados y CYMI, S. A. de C. V.	CFE	BANCOMEXT

At December 31, 2014, CFE has fixed assets amounting to \$18,076,106 and liabilities amounting to \$3,830,523, applicable to the CATs of the trusts referred to above.

Terminal de Carbon de CT Presidente Plutarco Elias Calles

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Terminal de Carbon CT Presidente Plutarco Elias Calles (Petacalco), organized on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and TechintCompagnia Tecnica Internazionale S.P.A.	Primary beneficiary Carbonser, S.A. de C.V Secondary beneficiary: CFE	Banco Nacional de Mexico, S.A, (BANAMEX)

An irrevocable management, guaranty, and transfer of ownership trust agreement number 968001 was entered into in 1996, which, among other things, set forth that the trustee will enter into a service contract with CFE.

With the effectiveness of the coal management service contract between CFE and Banco Nacional de Mexico, S. A. (Banamex) as trustee of the Petacalco Trust, consisting of Techint Compagnia Tecnica Internazionale S.P.A., Grupo Mexicano de Desarrollo, S. A. de C. V., and Techint, S. A. signed on November 22, 1996, in accordance with the provisions of clause 8.1, Comision will pay the amounts of the invoices related to the fixed charge for capacity.

Expenses	Book entry of a fixed charge for capacity of Jan-Dec 2014
Carbon Petacalco	\$83,652

d. Indirect equity participation trusts

Additionally, it maintains an indirect relationship since it is not a Trustor, but it participates as a borrower with five Deeds of Trust and payment of financing, created by Financial Institutions as Trustors and Beneficiaries of Trusts for the issue of securities linked to credits granted to CFE. The CFE itself is nominated as a Secondary Beneficiary of a Trust, due to the specific eventuality that it may acquire some of the certificates issued and maintain representation of Technical Committees, in conformity with the contractual provisions (see Note 11).

CFE is bound to cover the Trust in the terms of the "Indemnification Contract", which forms part of the Trust Agreement, the expenses therein incurred for the issue of securities and their management.

Trust	Patrimony of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 161 created on October 2, 2003	ING (Mexico), S. A. de C. V., Casa de Bolsa, ING Grupo Financiero	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 194 created on Monday, May 03, 2004	Primary beneficiary ING (Mexico), S. A. de C. V. and Casa de Bolsa, ING Grupo Financiero Secondary beneficiary Deutsche Securities, S. A. de C. V. and Casa de Bolsa.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 290 created on Friday, April 07, 2006	Casa de Bolsa BBVA Bancomer, S. A. de C. V., Grupo Financiero BBVA Bancomer, HSBC Casa de Bolsa, S. A. de C. V., Grupo Financiero HSBC and IXE Casa de Bolsa, S. A. de C. V., IXE Grupo Financiero.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 232246 created on Friday, November 03, 2006	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	HSBC Mexico, S.A., Grupo Financiero HSBC
Trust No. 411 created on Thursday, August 06, 2009	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex

At December 31, 2014, there are funds available in trust No. 232246 amounting to \$8,821.

2. Legal nature

2.1 In conformity with the Federal Public Administration Act, none of the trusts are considered as Public Trusts with the status of "Entity", pursuant to the following:

- In 12 of them, CFE does not have the capacity of Trustor in their creation.
- The 7 remaining trusts do not have an organic structure analogous to that of state-owned entities that comprise them as "entities" in terms of the Law.

2.2 The SHCP has maintained a record for purposes of the Federal Budget and Financial Responsibility Law, only for the case of 7 (seven) of them, for the appropriation of federal

funds or the contribution of the usufruct of land owned by CFE where the works will be built.

Registry of Trusts with SHCP						
No.	Trusts				Registry	
1	Mexicali Housing Thermal Insulation Trust, FIPATERM				700018TOQ058	
2	Prior Expenses Trust				200318TOQ01345	
3	Trust Management and Transfer of Ownership 2030				200318TOQ01050	
4	Trust for Power Savings (FIDE)				700018TOQ149	
5	C. C.C. Chihuahua				199818TOQ00857	
6	C. T. Monterrey II				199818TOQ00850	
7	C. G. Cerro Prieto IV				199818TOQ00860	

25. MEMORANDUM ACCOUNTS

The memorandum accounts presented in the consolidated statement of financial position at December 31, 2014 and 2013 consist of the following items:

Item	2014	2013
Memorandum accounts of assets under commodatum agreement		
Assets	\$ <u>100,694,123</u>	\$ <u>104,175,000</u>
Liabilities	\$ <u>(100,694,123)</u>	\$ <u>(104,175,000)</u>
Memorandum accounts of management of portfolio of extinguished Luz y Fuerza del Centro		
Assets	\$ <u>5,171,202</u>	\$ <u>5,856,738</u>
Liabilities	\$ <u>(5,171,202)</u>	\$ <u>(5,856,738)</u>
Total memorandum accounts	\$ <u>105,865,325</u>	\$ <u>110,031,738</u>
Total memorandum accounts liabilities	\$ <u>(105,865,325)</u>	\$ <u>(110,031,738)</u>

26. SEGMENT INFORMATION

The Federal Government, through the Ministry of Communications and Transportation (SCT), granted a concession to the CFE to install, operate, and use a public communications network.

This network, indispensable for CFE's operation, is converted into a significant supplement of the telecommunications network of the entire country. Accordingly, agreement No 33/2006 issued by the CFE Board of Directors dated February 28, 2006, was published in the Official

Daily Gazette on March 28, 2006, which amends different numerals of the organic bylaws of the CFE to amend the purpose for which telecommunications services are rendered in terms of the Federal Communications Law.

In order to minimize the use of that optic fiber network and given that this network has the capacity to offer services to third parties, the CFE petitioned and obtained a "Telecommunications public network concession for rendering supply services and leasing of network capacity and marketing of the capacity acquired, with respect to networks of other concessionaires originally in 71 localities of the nation" certificate from the Ministry of Communications and Transportation (SCT), which has been increased nationwide with an initial duration of 15 extendable years.

In order to successfully operate the network adequately, for both internal purposes and use by third parties, CFE's Board of Directors has authorized its organic structure to be amended by creating two Coordinating Units: the first Unit operates and maintains the optic fiber network, and the second unit, CFE's Telecom Coordinating Unit, discharges duties related to the marketing of the services authorized in the concession certificate.

At present, 192 contracts have been signed with 136 Customers of the industrial, Business, and Governmental segments.

At December 31, 2014, CFE has a National Optic Fiber Network of 39,788.50 kilometers that are divided into an Inter nodal Network: 37,295.73 Kilometers and Access Network and Local Access; 2,492.77 Km., developed to increase the safety and reliability of the National Electric System that will allow for implementing a long-term solution for voice, data, video technical-administrative communications, among other things, and gradually substitute the telecommunications services that are currently rendered by third parties.

The CFE TELECOM segment described includes revenues mainly from rendering supply and leasing network capacity services and marketing the capacity acquired, with respect to other concessionaires nationwide with their own and/or leased infrastructure, as well as revenues obtained from adjustments and their costs incurred in each caption.

As a result of the telecommunications reform, it is foreseen that CFE will assign its concession to Telecomunicaciones de Mexico to install, operate, and exploit a public telecommunications network, and it will transfer all the resources and equipment thereto that are required for operating and exploiting that network. In accordance with this reform, CFE retains the optic fiber network, indispensable for rendering electric service and, together with the operation, it will transfer the necessary resources for exploiting that network, in order to guarantee coverage of telecommunications services to all Mexicans.

a. Operating segment information

Item	At December 31, 2014		
	ENERGY	CFE TELECOM	TOTAL
Revenues	\$ 333,397,051	\$ 1,038,780	\$ 334,435,831
Depreciation and amortization	41,563,843	1,062	41,564,905
Financial cost	(43,927,332)	2,092	(43,925,240)
Operating loss	(5,813,642)	366,950	(5,446,692)
Investment in productive assets	998,039,071	17,716 (*)	998,056,787
Total assets	1,175,702,740	245,535	1,175,948,275

Item	At December 31, 2013		
	ENERGY	CFE TELECOM	TOTAL
Revenues	\$ 318,409,598	\$ 830,315	\$ 319,239,913
Depreciation and amortization	36,234,508	1,024	36,235,532
Financial Cost	22,447,390	(4,966)	22,442,424
Operating loss	19,041,614	(313,542)	18,728,072
Investment in productive assets	954,227,581	18,824 (*)	954,246,405
Total assets	1,124,778,311	340,013	1,125,118,324

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

(*) It only considers the cost of the administrative building, furniture and office equipment, and transportation assigned to the personnel of that area. The energy column includes the investment in the optic fiber network with a value at December 31, 2014 and 2013 amounting to \$5,301,639 and \$4,983,705, respectively.

b. Plants, facilities and equipment in operating process

Plants, facilities and equipment in operation are included as part of the caption of plants, facilities and equipment, whose net balance is summarized as follows:

		2014		2013
Corporate Headquarters	\$	3,421,128	\$	992,069
Generation		386,769,392		378,516,841
Distribution		279,705,982		260,770,827
Transmission and Transformation		196,593,461		185,246,013
Optic Fiber		4,917,545		4,832,329
Control		-		550,886
Construction		1,536,668		1,262,197
		872,944,176		832,171,162
External Producers' Equipment		77,553,533		77,011,459
Dismounting of Laguna Verde Nuclear Station		270,121		284,685
Total property, plants and equipment (net)	\$	950,767,830	\$	909,467,306

c. Revenues per division (geographical zone)

		2014		2013
Baja California	\$	19,481,161	\$	18,167,707
Northwest		21,140,935		21,326,632
North		22,272,054		21,384,571
North Gulf		46,894,681		44,013,072
Central West		13,283,084		13,056,054
South Central		13,152,775		12,403,625
East		16,334,553		15,967,705
Southeast		13,714,983		13,125,346
Bajío		33,204,067		30,883,314
Central Gulf		15,045,982		14,478,764
East Central		19,014,636		18,298,539
Peninsular		14,734,242		13,782,851
Jalisco		21,479,752		20,579,046
North Valley of Mexico		18,462,179		17,948,100
Central Valley of Mexico		16,946,562		16,453,368
South Valley of Mexico		17,915,815		17,036,376
Subtotal retail sales		323,077,461		308,905,070
Block for resale		1,135,618		962,661
Other programs:				
Consumption in manufacturing process		706,492		364,614
Illegal Uses		2,092,232		1,258,191
Due to measurement failure		1,166,132		861,581
Due to billing error		1,863,457		3,136,992
		5,828,313		5,621,378
Other operating proceeds		3,355,659		2,920,489
Total operating proceeds	\$	333,397,051	\$	318,409,598

d. Revenues from homogeneous customer groups

	2014	2013
Retail sales		
Domestic service	\$ 62,948,688	\$ 59,382,988
Commercial service	40,710,415	39,286,398
Service for public lighting	19,892,164	18,586,006
Agricultural service	4,703,419	5,466,253
Industrial service	194,822,775	186,183,425
Total retail sales	323,077,461	308,905,070
Block for resale	1,135,618	962,661
Other programs:		
Consumption in manufacturing process	706,492	364,614
Illegal Uses	2,092,232	1,258,191
Due to measurement failure	1,166,132	861,581
Due to billing error	1,863,457	3,136,992
Total	5,828,313	5,621,378
Other operating proceeds	3,355,659	2,920,489
Total operating proceeds	\$ 333,397,051	\$ 318,409,598

The "Electric power services" segment mainly includes the sale of electric power utilities, which consists of generating, conducting, transforming, distributing, and supplying electric power to all users of the country, as well as planning and realizing all works, installations, and work required by the national electric system with respect to planning, execution, operation, and maintenance, with the participation of independent producers, in terms of the Electric Power Utilities Law and its Regulations.

27.- NEW ACCOUNTING PRONOUNCEMENTS

In order to advance with the updating of International Financial Reporting Standards, the International Accounting Standards Board (IASB) enacted the amendments to the Standards that have an effective date beginning January 1, 2016, which are described below:

IFRS 1 "First-time adoption of International Financial Reporting Standards"
IFRS 10 "Consolidated Financial Statements"
IFRS C11 "Joint Control Agreements"
IFRS 12 "Information to disclose on participants in other entities"
IAS 16 "Property, Plant and Equipment"
IAS 38 "Intangible Assets"
IAS 41 "Agriculture"
IFRS 27 "Separated Financial Statements"
IAS 28 "Investments in Associates and Joint Ventures"

Likewise, the IASB enacted improvements to Standards that go into effect beginning January 2016, which are described below:

IFRS 5 Non-Commercial Assets held-for-sale and Discontinued Operations

IFRS 7 Financial Instruments: Information to disclose

IAS 19 Employee benefits

IAS 34 Interim Financial Information

The Company will assess the impact that the effectiveness of those new Financial Standards can have on the Financial Statements.

28. ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS

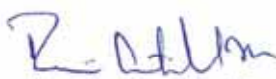
These consolidated financial statements were approved by Enrique Ochoa Reza, Chief Executive Officer; Jaime F. Hernandez Martinez, Director of Finance and Ramon Castillo Morquecho, Accounting Manager, the persons responsible for the Company's financial information on March 15, 2015



Enrique Ochoa Reza
Chief Executive Officer



Jaime F. Hernández Martínez
Director of Finance



Román Castillo Morquecho
Accounting Manager

Comision Federal de Electricidad

Decentralized Government Agency of the
Federal Government

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**

Comision Federal de Electricidad

Decentralized Government Agency of the Federal Government

Consolidated financial statements for the years ended, December 31, 2013 and 2012

Table of Contents

Exhibits

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS:

Consolidated statements of financial position at December 31, 2013 and 2012	A

Consolidated statements of comprehensive income for the years ended December 31, 2013 and 2012	B

Consolidated statements of changes in patrimony for the years ended December 31, 2013 and 2012	C

Consolidated statement of Cash Flows for the years ended December 31, 2013 and 2012	B

Notes to the consolidated financial statements at December 31, 2013 and 2012	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 statements of financial position at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in patrimony, and consolidated statements of cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Crowe Horwath Gossler™

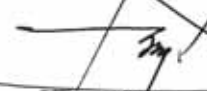
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Comision Federal de Electricidad, Decentralized Government Agency of the Mexican Federal Government, at December 31, 2013 and 2012, as well as its consolidated results and consolidated cash flows for the years then ended, in conformity with International Financial Reporting Standards.

Emphasis of Matter

Without having any effect on our opinion, we draw attention to Note 2 b to the consolidated financial statements, which discloses that beginning January 1, 2013, the entity adopted the revaluation model for the assets comprising its electric infrastructure. The effect of that adoption amounted to \$141,320,040 (thousand) which was recognized in comprehensive income and accumulated in the patrimony of the entity.

GOSSLER, S. C.



Leobardo Brizuela Arce
Certified Public Accountant

Mexico City, Mexico
March 31, 2014

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

Consolidated statements of financial position

At December 31, 2013 and 2012

(Notes 1, 2, and 3)

(Amounts stated in thousands of Pesos)

EXHIBIT A

	2013	2012		2013	2012
Assets			Liabilities		
Current assets:			Short-Term		
Cash and cash equivalents (note 5)	\$ 35,515,550	\$ 35,968,375	Current portion of documented debt (note 11)	\$ 32,540,555	\$ 15,047,525
Accounts receivable, net (note 6)	81,694,174	86,568,134	Current portion of PIDIREGAS (note 12 and 13)	15,943,937	15,438,728
Materials for operation, net (note 7)	19,983,869	21,107,343	Suppliers and contractors	15,550,838	31,081,437
Total current assets	137,193,593	143,643,852	Loans and fees payable (note 14)	3,539,998	3,478,479
Long-term loans to workers	8,311,746	7,483,560	Employee benefits (note 17)	23,267,799	19,874,200
Plants, facilities and equipment, net (note 8)	954,246,405	813,402,748	Other payables and accrued liabilities	21,968,004	21,957,414
Derivative financial instruments (note 10)	13,989,056	15,869,179	Deposits from users and contractors	16,137,469	16,104,297
Other assets	11,377,522	9,524,798	Total short-term liabilities	128,948,600	122,982,080
Total assets	\$ 1,125,118,324	\$ 989,924,137	Long-term:		
			Unrealized proceeds (note 15)	20,459,855	15,001,555
			Documented debt (note 11)	112,678,177	104,651,689
			Derivative financial instruments (note 10)	15,036,137	16,985,875
			PIDIREGAS (note 12 and 13)	164,194,095	165,650,133
			Long-term debt (note 16)	3,563,166	3,719,810
			Employee benefits (note 17)	504,260,756	451,788,800
			Total long-term liabilities	820,192,186	757,797,842
			Total liabilities	949,140,786	880,779,922
			Patrimony:		
			Accumulated patrimony (note 18)	113,624,347	142,597,161
			Payment of public use tax Federal Revenue Law	(30,600,000)	(24,757,200)
			Contributions received from the Federal Government	23,126,100	15,000,000
			Derivative financial instruments	(640,887)	(1,603,750)
			Charge to equity for employee benefits	(33,299,708)	(2,876,382)
			Revaluation surplus	141,320,040	-
			Net loss for the period	(37,552,354)	(19,215,614)
			Total Patrimony	175,977,538	109,144,215
			Total liabilities and patrimony	\$ 1,125,118,324	\$ 989,924,137

MEMORANDUM ACCOUNTS (note 25)

	2013	2012
Assets	\$110,031,736	\$112,859,120
Liabilities	\$(110,031,736)	\$(112,859,120)

Francisco J. Santoyo Vargas
Director of Finance

Oscar M. Lara Andrade
Deputy Director of Financial Control

Román Castillo Morquecho
Accounting Manager

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

Consolidated statements of comprehensive income

For the years ended December 31, 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)	\$ 318,409,598	\$ 311,020,877
Rate insufficiency (note 21)	85,770,342	77,036,195
Total proceeds from sales	404,179,940	388,057,072
Cost of operation	243,672,586	234,973,803
Gross profit	160,507,354	153,083,269
Public use taxes (note 21)	46,012,501	44,779,134
Write-off of rate insufficiency not covered by public use taxes	39,757,841	32,257,061
Depreciation	36,235,532	35,045,369
Impairment of idle assets	1,636,190	-
Administrative expenses	6,904,022	6,556,693
Estimated actuarial cost of labor obligations of the period	48,689,340	44,940,755
Operating income	(18,728,072)	(10,495,743)
Financial cost		
Interest payable, net	(21,462,957)	(21,457,749)
Exchange (loss) gain, Net	(979,467)	10,528,461
	(22,442,424)	(10,929,288)
Other income, net (note 19)	5,198,651	3,789,028
Income before taxes	(35,971,845)	(17,636,003)
Income tax on the distributable remaining balance (note 20)	(1,580,509)	(1,579,611)
Consolidated net loss for the period	\$ (37,552,354)	\$ (19,215,614)
Other comprehensive income (loss) items (note 22)		
Charge to equity for employee benefits	(30,423,326)	(2,876,382)
Revaluation of fixed assets	141,320,040	-
Effect of financial instruments on patrimony	962,863	(1,603,750)
Consolidated comprehensive income (loss) for the period	\$ 74,307,223	\$ (23,695,746)

Enrique Ochoa Reza
Chief Executive Officer

Oscar M. Lara Andrade
Deputy Director of Financial Control

Francisco J. Santoyo Vargas
Director of Finance

Román Castillo Morquecho
Accounting Manager

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 patrimony

For the years ended December 31, 2013 and 2012

(Notes 1, 2, and 3)

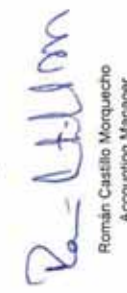
(Amounts stated in thousands of Pesos)

	Accumulated patrimony	Payment of public use tax Federal Revenue Law	Contributions received from the Federal Government	Derivative Financial Instruments	Surplus on revaluation	Charge to Patrimony for employee benefits	Income (loss) for the year	Total
Balances at December 31, 2011	\$ 209,859,851	\$ (23,920,000)	\$ 19,134,600	\$ (1,981,457)	\$ -	\$ -	\$ (60,495,833)	\$ 142,597,161
Appropriation of prior year balances, approved by the Board of Directors	(67,262,690)	23,920,000	(19,134,600)	1,981,457	-	-	60,495,833	-
Payment of Public Use Tax Federal Revenue Law		(24,757,200)						(24,757,200)
Contributions from the Federal Government			15,000,000					15,000,000
Comprehensive loss for the period				(1,603,750)		(2,876,382)	(19,215,614)	(23,695,746)
Balances at December 31, 2012	142,597,161	(24,757,200)	15,000,000	(1,603,750)	-	(2,876,382)	(19,215,614)	109,144,215
Appropriation of prior year balances, approved by the Board of Directors	(28,972,814)	24,757,200	(15,000,000)				19,215,614	-
Payment of Public Use Tax Federal Revenue Law		(30,600,000)						(30,600,000)
Contributions from the Federal Government			23,126,100					23,126,100
Comprehensive income for the period				962,863	141,320,040	(30,423,326)	(37,552,354)	74,307,223
Balances at December 31, 2013	\$ 113,624,347	\$ (30,600,000)	\$ 23,126,100	\$ (640,887)	\$ 141,320,040	\$ (33,299,708)	\$ (37,552,354)	\$ 175,977,538


Enrique Ochoa Reza
Chief Executive Officer


Oscar H. Vera Audigast
Deputy Director of Financial Control


Francisco Santoyo Vargas
Director of Finance


Román Castillo Morquecho
Accounting Manager

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 years ended December 31, 2013 and 2012
(Notes 1, 2, and 3)
(Amounts stated in thousands of Pesos)

EXHIBIT D

	2013	2012
Operating activities		
Income before taxes	\$ (35,971,845)	\$ (17,636,003)
Cash flows from investing activities		
Depreciation in the period of plants, facilities and equipment	36,235,532	35,045,369
Net cost for the period derived from employee benefits	25,438,342	23,074,046
Estimates and allowances	6,569,724	3,457,642
Items in financing activities:		
Interest payable	23,234,701	24,284,049
Exchange loss (gain)	979,468	(10,528,461)
	56,485,922	57,696,642
Accounts receivable and others	(959,107)	(3,367,865)
Operating Materials	1,244,551	(2,313,714)
Suppliers and contractors	(15,530,598)	1,620,550
Other payables and accrued expenses	(725,255)	1,212,000
Net cash flows from operating activities	40,515,513	54,847,613
Investing activities		
Investment in plants, facilities and equipment	(37,370,292)	(60,764,564)
Other long-lived assets	31,305	(421,958)
Net cash flows from investing activities	(37,338,987)	(61,186,522)
Cash surplus to be used in (Cash to be provided by) financing activities	3,176,526	(6,338,909)
Financing activities		
Debt contracted	70,850,075	44,234,658
Financing paid debt	(47,130,694)	(22,360,690)
Interest paid	(22,186,762)	(23,398,591)
Contributions received, net of payment of Public Service Tax	(7,473,900)	(9,757,200)
Other long-term debts	2,311,930	3,655,089
Net cash flows from financing activities	(3,629,351)	(7,626,734)
Net decrease in cash and temporary investments	(452,825)	(13,965,643)
Cash and cash equivalents at beginning of year	35,968,375	49,934,018
Cash and cash equivalents at end of year	\$ 35,515,550	\$ 35,968,375

Enrique Ochoa Reza
Chief Executive Officer

Oscar H. Lara Andrade
Deputy Director of Financial Control

Francisco J. Santoyo Vargas
Director of Finance

Román Castillo Morquecho
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
At December 31, 2013 and 2012
(Amounts stated in thousands of pesos)

Exhibit E

1. Organization, nature of the Agency and relevant events.

- **Organization and nature of the Agency**

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 was issued that extinguished the Decentralized Government Agency known as Luz y Fuerza del Centro (LFC). Consequently, the CFE is responsible for rendering the electric power public service throughout the nation beginning that date.

The rates applicable to the sale of electric power in Mexico are defined and authorized by the Federal Government, through the Undersecretary of Revenue of the Ministry of Finance and Public Credit (SHCP).

- **Relevant events**

On December 20, 2013, the President of the Republic Enrique Peña Nieto, Esq. enacted the Constitutional Amendment which amended paragraphs IV, VI, and VIII of Article 25, paragraph VI of Article 27, paragraphs IV and VI of Article 28, and paragraph VII was added to Article 27, and paragraph VIII was added to Article 28 of the Constitution of the Mexican United States.

The applicable decree was published in the Official Daily Gazette on that same day, and went into effect on the day subsequent to its publication.

The foregoing concluded the constitutional stage of the Energy Reform, which is recorded in a series of structural reforms promoted by the Government of the Republic in a wide political execution to promote qualitative and quantitative changes for the benefit of the country.

As pointed out by President Peña Nieto, "the energy reform is one of the most transcendental reforms of the last five decades that will help Mexico successfully deal with the challenges of the XXI Century. The reform modernizes the constitutional framework to

open the energy sector to investment and technology. In turn, it will enable the country to have more energy at lower costs and greater sustainability. The national economy will grow more rapidly, generate better development and employment opportunities for hundreds of thousands of Mexicans, and raise the productivity and competitiveness of the nation, taken as a whole.

With respect to the electric sector, CFE, as a Productive Public-Sector Company, will enter a new stage of its institutional history, whereby it may evolve from an electric company to an energy company that will offer electricity and natural gas services, in the terms that are set forth in the applicable secondary legislation.

The next step of the Energy Reform will be the presentation, discussion and, if applicable, approval by Congress of the secondary legislation, in the times and content set forth in Articles 25, 27, and 28, as well as the respective transition Articles of the Decree of the Constitutional Reform.

At the issue date of the consolidated financial statements, the Agency does not have sufficient elements to evaluate the possible effects of this Energy Reform in its financial position.

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 have been prepared in conformity with FRS.

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 and revaluation of electric infrastructure at its fair value beginning January 1, 2013, as follows:

Up to December 31, 1996, fixed assets other than those acquired under Long-Term productive Infrastructure Project programs (PIDIREGAS) were restated by using capital price indexes of the electric industry, determined by specialized CFE experts. The constructions-in-progress programs continued to be restated by this method up to 1998 year end.

Fixed assets acquired under PIDIREGAS programs were restated up to December 31, 2007, based on the foreign exchange fluctuations of the contracting currency which is equivalent to their specific cost.

Beginning January 1, 1997 and up to December 31, 2007, fixed assets were restated by using the historical cost adjustments on the general price level method derived from the National Consumer Price Index (INPC), based on the replacement values determined at

1996 year end and the acquisition and/or construction values for those acquired beginning that date and up to December 31, 2007.

During fiscal 2013, the fixed assets comprising the electric infrastructure were revalued by determining their fair value at 2013 year end, as explained in note 3-d.

c) Monetary unit of the financial statements

The financial statements and their notes at December 31, 2013 and 2012 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".

e) Reclassifications

Some of the amounts of the financial statements of 2012 have been reclassified to have their presentation conform with that used in fiscal 2013, in accordance with IAS 8. "Accounting policies, changes in accounting estimates and errors".

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 who were awarded the contracts Secondary beneficiary: CFE	BANOBRAS, S. N. C.	Conditioned investment
Trust for the creation of a Revolving Financing Fund for the Housing Thermal Insulation Program of in the Valley of Mexicali, B.C.	CFE	CFE	BANOBRAS, S. N. C.	Power saved

Trust	Equity of CFE			Type of project
	Trustor	Beneficiary of the trust:	Trustee	
Prior Expenses Trust	CFE	CFE	BANCOMEX, S. N. C	Direct investment:

b. Cash and cash equivalents

Cash and cash equivalents are represented by cash, bank deposits and short-term investments. Cash and bank deposits are presented at nominal value, and the yields generated are recognized in income as accrued.

Cash equivalents apply to marketable securities with very short-term maturities are valued at fair value, and they are subject to a low risk of change in their value.

c. Inventory of operating materials and costs of consumption

Inventories of operating materials are recorded at the lower of cost of acquisition or net realizable value, and costs of consumption are recorded at average cost.

Inventories are reviewed periodically to determine the existence of obsolete material, as well as to evaluate the sufficiency of the allowance or provision. When the case arises, the allowance is increased against income for the year. The 0.0004167 (zero point zero zero zero four one six seven) factor on the balance of the month recorded of the accounts of materials of stock on hand, equivalent to 0.5% annual to record the provision of the year.

d. Plants, facilities and equipment

Plants, facilities and equipment are initially recorded at their acquisition cost.

i. Plants, Facilities and Equipment in operation (electric infrastructure)

Plants, facilities and operating equipment, only of electric infrastructure, used for generation, transmission and/or distribution of electric power, are presented in the statement of financial position at their revalued amounts. Fair value is calculated at the revaluation date, less any accumulated depreciation or accumulated impairment losses. The Agency will periodically review the fair values of plants, facilities and operating equipment. Further, it will evaluate the need to perform revaluations so that the carrying value does not differ significantly from what would have been calculated by using fair values at the end of the reporting period. Up to December 31, 2012, these plants, facilities and operating equipment were presented at their cost.

Any increase in the revaluation of those plants, facilities, and operating equipment is recognized in other comprehensive income as a surplus, except if a decrease is reversed in the revaluation of the same asset previously recognized in income. In that case, the increase is credited to income to the degree at which the expense is reduced by the decrease previously carried out. A decrease in carrying value generated by the revaluation of those plants, facilities, and operating equipment is recorded in income to the degree that it exceeds the balance of the surplus, if any.

Depreciation of revalued plants, facilities, and operating equipment is recognized in

income. In the event of a subsequent sale or retirement of revalued property, the surplus on revaluation attributable to the revaluation allowance of the remaining properties is directly transferred to retained earnings.

Depreciation rates in keeping with the useful live thereof, determined by specialized CFE technicians, are as follows:

	Annual rate %
Geothermal power generating stations	From 2.00 to 3.70
Steam power generating stations	From 1.33 to 2.86
Hydroelectric power generating stations	From 1.25 to 2.50
Internal combustion power generating stations	From 1.33 to 3.03
Turbo gas and combined cycle power generating stations	From 1.33 to 3.03
Nuclear power generating station	From 1.33 to 2.50
Substations	From 1.33 to 2.56
Transmission lines	From 1.33 to 2.86
Distribution networks	From 1.67 to 3.33

ii. Property and assets allocated to offices and general services

Property and allocated to offices and general services are presented at cost less accumulated depreciation and any accrued impairment loss.

Depreciation is recognized and expensed, considering their useful lives by using the straight-line method. Estimated useful life, residual value, and depreciation method are reviewed every year end, and the effect of any change on the estimate recorded is recognized prospectively.

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

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

Land is not depreciated.

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

An element of plants, facilities and equipment is retired when it is sold or when it is not expected to obtain future economic benefits derived from the continued use of the asset.

The gain or loss generated by the sale or retirement of an item of property, plant and equipment is calculated as the difference between the resources that are received from the sale and the carrying value of the asset, and it is recognized in income

Capitalized replacement parts are depreciated from the time at which they are available for use.

iii. Long-term Productive Infrastructure Projects (PIDIREGAS)

CFE realizes investment projects to build revenue generating assets under two schemes:

Direct investment:

In order to build electric facility projects that are delivered to the CFE upon completion thereof, at the time when the works are delivered, subject matter of the contract and received to the satisfaction of the CFE, the asset is recorded in a fixed asset account denominated PIDIREGAS, as well as the total liability that applies to the value of the asset.

Assets acquired under the PIDIREGAS scheme, as well as the correlative obligation are recorded at the contracted value of the Project.

Conditioned investment

Effective 2000 and based on the Electric Power Utilities Law (LSPEE), access was given to independent power generating producers, which can only sell the power produced by them to the CFE. The 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.

e. 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 their estimated useful life. Estimated useful life, residual value, and amortization method are reviewed every year end, and the effect of any change on the estimate recorded is recognized prospectively.

f. Impairment of long-lived assets in use

The 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.

g. 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.

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 income for the year and other comprehensive income.

Effective interest method.

The effective interest method is a calculation method of the amortized cost of a financial instrument and distribution of the income or only financial throughout the period covered by that instrument. The effective interest rate is the rate that accurately calculates future cash flows that are estimated to be collected or paid (including fees and expenses paid or received that form a comprehensive part of the effective interest rate, transaction costs, and other premiums or discounts) throughout the expected life of the financial instrument or, when appropriate, in a shorter period at the net carrying amount of the financial asset or liability at the date of the initial recognition.

Income or cost is recognized based on effective interest for those financial instruments other than financial assets and liabilities classified at fair value with changes in income.

Compensation.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when the 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.

h. 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 on the cost of 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 2013.

The coefficient or ratio of the cash flow payable of the primary position and the cash flow receivable of the derivative financial instrument were established as the measurement method. In addition, the most significant elements of each swap were disclosed such as the date of the swap, the interest rates used for the calculation of the cash flow of the primary position, as well as the cash flow of the derivative financial instrument, the surcharge added to each calculation rate, the basis of calculation for each cash flow, the frequency of periods and date of the calculation of both rates.

i. Obligations associated with the retirement of plants, facilities and equipment.

By operation of a regulatory law, upon completing the operating service of a nuclear facility (upon termination of licenses), this facility must be dismantled due to safety and environmental protection reasons.

CFE has a policy of performing a technical - economical study, which should be updated periodically (every 5 years). This study contemplates the estimated cost for this item, based on the production of power of the Laguna Verde Nuclear Power Generating Station, which is distributed uniformly in the time of its useful life. The acquisition cost of the nuclear facilities increases with the amount of the valuation of the obligation associated with retirement, considering the effect of writing it down to its present value.

j. Employee benefits

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

Employee benefits for termination and others The liability for retirement benefits (seniority bonuses and pensions) and for termination of the employer - employee relationship is recorded as accrued, which is calculated by independent actuaries based on the projected unit credit method, by using nominal interest rates; therefore, it is estimated that the liability recognized at present value will cover the obligation for these benefits at the estimated retirement date of the employees who work at the 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

k. 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.

l. Segment information

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

m. Revenue recognition

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

n. Foreign currency transactions

Foreign currency denominated transactions 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 cost of financing.

o. Transactions with Federal, State, and Municipal Governments

The main transactions carried out with the Federal Government, State and Municipal Governments and their accounting treatment are as follows:

Federal Government:

Public Use Tax

1) On the assets contributed to CFE for their operation

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 Tuesday, December 31, 2013, a 9% rate was used ratified by the Ministry of Finance and Public Credit (SHCP). That rate is applied to the value of the net fixed asset in operation of the immediately foregoing fiscal year. The resulting amount is charged to income for the year.

The public use tax represents a decrease in profit for CFE due to a payment to the Federal Government. This is why it is recorded as an operating expense. This public use tax is offset against the rate insufficiency determined to supplement the rate gaps (revenue). Consequently, there is no payment to the Federal Public Treasury.

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.

p. Financial cost

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

q. Contingencies and commitments

The obligations associated with contingencies are recognized as a liability when there is a present obligation resulting from past events, and it is likely that the effects will materialize and can be quantified reasonably. Otherwise, they are disclosed in the financial statements. The financial effects of long-term commitments established with third parties, such as the case of supply contracts with suppliers or customers, are recognized in the consolidated financial statements. Relevant commitments are disclosed in the notes to the consolidated financial statements. Revenues, earnings or contingent assets are not recognized.

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

In the application of the 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 consists of, among other things, having compliance depend upon a specific asset 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 3-d.

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 dismantling 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 IFRIC interpretation 18 "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.

	12/31/2013	12/31/2012
Financial assets:		
Cash and temporary investments	\$ 35,515,550	\$ 35,968,375
Accounts and Notes Receivable from consumers and other debtors	81,694,174	86,568,134
Long-term loans to workers	8,311,746	7,483,560
Derivative financial instruments	13,989,058	15,869,179
Financial liabilities at amortized cost		
Documented debt	\$ 145,218,732	\$ 119,699,195
Plants under lease agreements, facilities, equipment, and PIDIREGAS	180,138,032	181,088,861
Suppliers and contractors	15,550,838	31,081,437
Deposits from users and contractors	16,137,469	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 minimize 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.

The aging analysis of non-current financial assets on which it has not considered necessary to realize any provision at December 31, 2013 and 2012 is as follows:

		<u>12/31/2013</u>		<u>12/31/2012</u>
Less than 90 days	\$	3,512,803	\$	3,696,183
90 to 180 days		4,676,726		1,411,823
More than 180 days		37,476,614		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 12 and 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 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 December 31, 2013		Less than 1 year	More than 1 year and less than 3	More than 3 years and less than 5	More than 5 years	Total
Documented debt	\$	32,540,555	\$ 20,334,044	\$ 2,636,771	\$ 89,707,362	\$ 145,218,732
PIDIREGAS		15,943,937	28,715,200	15,168,295	120,301,780	180,129,212
Suppliers and contractors		15,550,838				15,550,838
Deposits from users and contractors		<u>16,137,469</u>				<u>16,137,469</u>
Total	\$	<u>80,172,799</u>	<u>\$ 49,049,244</u>	<u>\$ 17,805,066</u>	<u>\$ 210,009,142</u>	<u>\$ 357,036,251</u>

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
PIDIREGAS		15,438,728	28,403,939	20,808,879	116,437,315	181,088,861
Suppliers and contractors		31,081,437				31,081,437
Deposits from users and contractors		<u>16,104,297</u>				<u>16,104,297</u>
Total	\$	<u>77,671,987</u>	<u>\$ 83,665,501</u>	<u>\$ 22,089,410</u>	<u>\$ 164,546,891</u>	<u>\$ 347,973,789</u>

g. Market Risks

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

Foreign exchange risk management

CFE 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 net foreign currency position is shown in Note 23.

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>8,513,023</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 December 31, 2013 and 2012 would increase/decrease in the amount of \$330,077 and \$285,248, 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, 2013 and 2012 would increase/decrease in the amount of \$5,309 and \$5,906, 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	\$ 145,218,732	\$ 145,218,732	\$ 119,699,194	\$ 119,699,194
PIDIREGAS	180,138,032	180,138,032	181,088,861	181,088,861

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.

		Level 1
Available-for-sale financial assets		
Temporary investments	\$	17,663,172
Total	\$	17,663,172

The analysis of the fair value of derivative financial assets grouped in level 2 based on the degree to which fair value is observable is carried out in Note 10.

The levels referred to above are considered as indicated below:

- Level 1 valuations at fair value are those derived from quoted prices (not adjusted) on asset markets for liabilities or identical assets.
- Level 2 valuations at fair value are those derived from indicators other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

5. Cash and cash equivalents

At December 31, 2013 and 2012, cash and temporary investments are summarized as follows:

	2013	2012
Cash on hand and in banks	\$ 17,852,378	\$ 15,566,591
Temporary investments	17,663,172	20,401,784
Total	\$ 35,515,550	\$ 35,968,375

6. Accounts receivable, net

At December 31, 2013 and 2012, accounts receivable are summarized as shown below:

	2013	2012
Public consumers	\$ 66,455,874	\$ 64,433,086
Government consumers	16,965,181	14,069,835
Other receivables	2,886,865	2,982,557
	86,307,920	81,485,478
Allowance for doubtful accounts	(18,016,513)	(13,015,536)
	68,291,407	68,469,942
Notes receivable, claims to insurance companies and others	12,509,952	11,265,418
Value added tax recoverable	892,815	6,832,774
Total	\$ 81,694,174	\$ 86,568,134

At December 31, 2013 and 2012, balances and movements of the allowance for doubtful accounts are summarized as follows:

	2013	2012
Opening Balance	\$ 13,015,536	\$ 9,957,535
Increase	9,344,610	3,791,011
Recoveries	311,879	370,074
Applications	4,655,512	1,103,084
Final Balance	\$ 18,016,513	\$ 13,015,536

7. Materials for operation

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

	2013	2012
Replacement parts and equipment:	\$ 3,790,748	\$ 3,641,679
Fuel and Lubricants	12,591,989	14,549,197
Nuclear fuel	4,074,880	3,301,013
	20,457,617	21,491,889
Allowance for obsolescence	(473,748)	(384,546)
Total	\$ 19,983,869	\$ 21,107,343

8. Plants, facilities and equipment

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

Direct

	Operating Equipment	Capitalized replacement parts	Construction- in-progress	Construction Materials	Certified Stock Exchange Certificates available	Idle assets	Total
Balances 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	23,982,325	-	7,764,676	24,908,150	-	202,128	56,857,279
Revaluation	302,352,372	-	-	-	-	-	302,352,372
Retirements	(7,006,388)	(533,667)	-	-	-	-	(7,540,055)
Impairment	-	-	-	-	-	(1,636,190)	(1,636,190)
Capitalization	-	-	(9,867,267)	(25,029,319)	-	-	(34,896,586)
Drawdown Balances 31/Dec/13	-	-	-	-	(121,319)	-	(121,319)
	\$1,658,152,676	\$9,803,929	\$25,382,051	\$10,693,890	\$8,821	-	\$1,704,041,367

Accumulated depreciation

	Plants, facilities and Operating Equipment	Capitalized replacement parts	Construction- in-progress	Construction Materials	Certified Stock Exchange Certificates available	Idle assets	Total
Balances 01/Jan/13	\$574,883,390	\$739,728	\$ -	\$ -	\$ -	\$ -	\$575,623,118
Net Balances 01/Jan/13	763,940,977	9,597,868	27,484,642	10,815,059	130,140	1,434,062	813,402,748
Depreciation of the period	37,501,858	369,864	-	-	-	-	37,871,722
Depreciation on retirements	(24,732,210)	-	-	-	-	-	(24,732,210)
Depreciation on revaluation	161,032,332	-	-	-	-	-	160,032,332
Net Depreciation	173,801,980	369,864	-	-	-	-	174,171,844
Balances 31/Dec/13	748,685,370	1,109,592	-	-	-	-	749,794,962
Net Balances 31/Dec/13	\$909,467,306	\$8,694,337	\$25,382,051	\$10,693,890	\$8,821	-	\$954,246,405

Fair value of plants, facilities and operating equipment

Plants, facilities and operating equipment of the Agency are recorded at their fair value (see Note 3.d), which is their fair value at the date of the revaluation, less accumulated depreciation and accrued impairment losses. The technical areas of the CFE measured the fair value of plants, facilities and operating equipment of the Agency at December 31, 2013. Those measurements were reviewed, analyzed, and evaluated in their methodology by a specialized external valuations consultant who has the adequate qualifications and necessary experience in the measurement of fair value in the respective items.

The fair value of plants, facilities and operating equipment was determined in accordance with the cost method, which sets forth that the value of an asset is comparable to the replacement cost, reproduction or replacement of a new asset, less accumulated depreciation until reaching a level of gain or yield, functionality, and remaining expected life, similar to those parameters and characteristics of the asset that is valued.

Plants, facilities and operating equipment of the Agency are at a level 3, in accordance with the hierarchy of fair value of IFRS 13.

At December 31, 2013, this revaluation amounted to a net of \$141,320,040, which affected the surplus in patrimony account.

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

	2013	2012
Plants:		
Steam	\$ 333,156,052	\$ 295,560,637
Hydroelectric	211,863,388	179,222,566
Nuclear electric	143,102,259	69,014,223
Turbo gas and combined cycle	73,201,320	42,069,085
Geothermal	46,076,609	25,135,094
Internal combustion	1,449,679	3,337,102
Unconventional facilities	2,487,514	1,322,093
Transmission lines and transformation substations	328,759,854	246,272,749
Optic Fiber	6,533,003	6,485,659
Networks and distribution substations	384,152,476	324,970,089
Plots of land in regularization process	480,537	561,115
Administrative and other buildings	34,741,263	52,658,180
Trusts	26,847	93,900
	1,566,030,801	1,246,702,492
Equipment under lease agreements external producers	91,793,496	91,793,496
Dismounting of Laguna Verde Nuclear Station	328,379	328,379
Total	1,658,152,676	1,338,824,367
Less:		
Accumulated depreciation	733,903,333	565,028,698
Accumulated depreciation external producers	14,782,037	9,854,692
Net	\$ 909,467,306	\$ 763,940,977

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

Plant:	2013	2012
Steam	\$ 532,551	\$ 902,756
Hydroelectric	5,369,817	4,951,867
Nuclear electric	445,243	434,083
Turbo gas and combined cycle	598,480	599,356
Geothermal	1,449,011	1,305,100
Internal combustion	274,295	327,799
Lines, networks and substations	13,888,707	15,930,136
Offices and general facilities	1,767,685	1,732,538
Advances for construction	1,056,262	1,301,007
Total	\$ 25,382,051	\$ 27,484,642

During 2013, the capitalized items in works-in-progress, in accordance with the policy described in Note 3 d amounted to \$1,522,239, consisting of administrative expenses amounting to \$1,342,843 and depreciation amounting to \$179,396 (at corporate headquarters which are related to the investment in works).

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

	2013	2012
Replacement parts and equipment:	\$ 8,469,876	\$ 8,234,429
Materials in possession of third parties	2,224,014	2,580,630
Total	\$ 10,693,890	\$ 10,815,059

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

	2013	2012
Capitalized replacement parts	\$ 9,803,929	\$ 10,337,596
Less		
Accumulated depreciation	1,109,592	739,728
Total	\$ 8,694,337	\$ 9,597,868

Idle assets – At fiscal 2013 year end, the CFE decided to recognize the impairment of the idle assets applicable to the Miguel Aleman Hydroelectric System for the total balance in the amount of \$1,636,190, with which the book net value of idle assets is equal to zero in fiscal 2013. That value amounted to \$1,434,062 at December 31, 2012.

9. Assets under a free lease agreement (gratuitous bailment)

On October 11, 2009, the Executive Branch decreed the extinction of the Decentralized Agency Luz y Fuerza del Centro, and instructed the Sale of Assets Service (SAE) to place all the useful assets applicable to electric power services at the disposal of the CFE which, by operation of the Public Electric Power Service, is responsible for operating this service.

On that same date, the SAE and the CFE entered into an agreement that they subsequently ratified on August 11, 2010, whereby they agree that beginning the effectiveness of the decree referred to above, the SAE will deliver the assets under a contract without valuable consideration, which are useful to the electric service in the Central Zone of the country in order to serve more than 6 million customers. Moreover, it is agreed that beginning October 11, the CFE will be responsible for the revenues and operating costs, conservation, and maintenance of the infrastructure.

The duration of the gratuitous loan agreement is three years, counted beginning October 11, 2009. That duration was automatically extended for another three year period on October 11, 2012.

For purposes of identification and valuation of the assets, subject matter of the gratuitous loan agreement, the SAE made use of the services of specialized consultants in the practice of assessed physical inventories. The amount of \$106,496,100 was obtained which the CFE recorded in Off-balance sheet accounts at 2011 year end. This amount consists of electric infrastructure, as well as real and private property.

At December 31, 2013, the total amount of assets on gratuitous loan bailment amounts to \$104,175,000, which reflects a decrease in connection with fiscal 2012, due mainly to the recognition of the wear and tear for the year.

10. Derivative Financial Instruments

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

	2013	2012
Designated as hedges		
Assets	\$ <u>9,952,071</u>	\$ <u>11,008,530</u>
Liabilities	\$ <u>10,647,961</u>	\$ <u>12,091,294</u>
Trading purposes		
Assets	\$ <u>4,036,987</u>	\$ <u>4,860,649</u>
Liabilities	\$ <u>4,388,176</u>	\$ <u>4,894,581</u>
Total Derivative Financial Instruments		
Assets	\$ <u>13,989,058</u>	\$ <u>15,869,179</u>
Liabilities	\$ <u>15,036,137</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 the evaluation of foreign currency "Forward" contracts is recorded in the comprehensive gain or loss on financing. A gain (loss) in that cost offsets a loss (gain) in the underlying liability.

The CFE's tax obligation is to pay Japanese yens based to the creditor on the due dates. It is entitled to receive yens from the institution with which it contracted the hedge, in exchange for certain US dollars set forth in the financial instrument contract. The gain (loss) of the transaction with the institution with which the financial instrument was contracted is as follows:

		Exchange rate (December 2013)	Local currency (thousands of pesos)
Assets receivable (assets)	32,000,000,000 yens	0.1245	\$ 3,984,000
Assets deliverable (liability)	269,474,000 dollars	13.0765	\$ <u>3,523,777</u>
Assets receivable, net			\$ <u>460,223</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 19 years amounts to 431,104,505 US dollars, and the total amount that it will receive will be 23,286,400,000 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, 2013 in an amount approximating 26,856,471 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 Tuesday, December 31, 2013 are itemized below:

Counterparty	Primary Position	Purpose	Amount of notional	Underlying asset	Market value	Hedge (fund) inception date	Hedge (fund) termination date	Rate / type of currency received	Rate / type of currency paid	% hedged
ING BANK	\$ 1,000,000	Change from floating rate to fixed rate	\$ 850,000	Interest rate CETES 182 + 0.65%	\$ (1,238)	November 21, 2005	May 21, 2014	CETES 182 + 0.65%	9.1900%	85%
ING BANK	\$ 593,513	Change from floating rate to fixed rate	\$ 504,486	Interest rate CETES 182 + 0.65%	\$ (1,967)	January 2, 2006	July 2, 2014	CETES 182 + 0.65%	8.8500%	85%
ING BANK	\$ 569,363	Change from floating rate to fixed rate	\$ 540,895	Interest rate CETES 91 + 0.79%	\$ (2,878)	December 16, 2005	March 6, 2015	CETES 91 + 0.79%	8.8900%	95%
BANCOMER	\$ 510,638	Change from floating rate to fixed rate	\$ 510,638	Interest rate CETES 91 + 0.79%	\$ (2,687)	December 16, 2005	March 6, 2015	CETES 91 + 0.79%	8.8900%	100%
ING BANK	\$ 894,954	Change from floating rate to fixed rate	\$ 850,206	Interest rate CETES 91 + 0.79%	\$ (4,414)	December 16, 2005	March 6, 2015	CETES 91 + 0.79%	8.7800%	95%
BANCOMER	\$ 839,688	Change from floating rate to fixed rate	\$ 797,703	Interest rate CETES 91 + 0.79%	\$ (4,095)	December 16, 2005	March 6, 2015	CETES 91 + 0.79%	8.7800%	95%
SANTANDER SERFIN	\$ 1,072,519	Change from floating rate to fixed rate	\$ 1,018,623	Interest rate CETES 91 + 0.79%	\$ (5,327)	February 17, 2006	March 6, 2015	CETES 91 + 0.79%	8.8900%	95%
ING BANK	\$ 1,005,343	Change from floating rate to fixed rate	\$ 1,005,343	Interest rate CETES 91 + 0.79%	\$ (5,314)	December 16, 2005	March 6, 2015	CETES 91 + 0.79%	8.8600%	100%
HSBC	\$ 1,251,699	Change from floating rate to fixed rate	\$ 1,215,305	Interest rate CETES 91 + 0.79%	\$ (6,132)	February 24, 2006	March 6, 2015	CETES 91 + 0.79%	8.7600%	97%
HSBC	\$ 1,038,911	Change from floating rate to fixed rate	\$ 1,038,911	Interest rate CETES 91 + 0.79%	\$ (5,218)	March 1, 2006	March 6, 2015	CETES 91 + 0.79%	8.7395%	100%
BANAMEX	\$ 1,702,516	Change from floating rate to fixed rate	\$ 1,617,390	Interest rate CETES 182 + 0.25%	\$ (42,991)	December 07, 2007	May 26, 2017	CETES 182 + 0.25%	8.1950%	95%
BANAMEX	\$ 368,987	Change from floating rate to fixed rate	\$ 350,538	Interest rate CETES 182 + 0.25%	\$ (11,936)	February 15, 2008	August 4, 2017	CETES 182 + 0.25%	8.2200%	95%
BANCOMER	\$ 1,314,758	Change from floating rate to fixed rate	\$ 1,249,020	Interest rate CETES 91 + 0.50%	\$ (29,552)	December 6, 2007	February 23, 2017	CETES 91 + 0.50%	8.3650%	95%
BANAMEX	\$ 787,092	Change from floating rate to fixed rate	\$ 787,092	Interest rate CETES 91 + 0.45%	\$ (23,915)	April 24, 2008	January 11, 2018	CETES 91 + 0.45%	7.9000%	100%
J.P. MORGAN	\$ 697,928	Change from floating rate to fixed rate	\$ 593,239	Interest rate EIR 28 + 0.45%	\$ (6,090)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0900%	85%
HSBC	\$ 651,004	Change from floating rate to fixed rate	\$ 553,353	Interest rate EIR 28 + 0.45%	\$ (5,063)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0700%	85%
CREDIT AGRICOLE	\$ 590,622	Change from floating rate to fixed rate	\$ 502,029	Interest rate EIR 28 + 0.45%	\$ (5,220)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0850%	85%
BANCOMER	\$ 425,546	Change from floating rate to fixed rate	\$ 372,183	Interest rate EIR 28 + 0.45%	\$ (3,221)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0700%	87%
BNP PARIBAS	\$ 435,552	Change from floating rate to fixed rate	\$ 371,525	Interest rate EIR 28 + 0.45%	\$ (3,578)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.1000%	85%
GOLDMAN SACHS	\$ 422,726	Change from floating rate to fixed rate	\$ 370,171	Interest rate EIR 28 + 0.45%	\$ (3,139)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	6.0500%	88%
SANTANDER SERFIN	\$ 547,802	Change from floating rate to fixed rate	\$ 533,627	Interest rate EIR 28 + 0.45%	\$ (3,487)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9800%	97%
CREDIT AGRICOLE	\$ 595,093	Change from floating rate to fixed rate	\$ 532,452	Interest rate EIR 28 + 0.45%	\$ (3,894)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9650%	89%
HSBC	\$ 554,726	Change from floating rate to fixed rate	\$ 532,430	Interest rate EIR 28 + 0.45%	\$ (3,672)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9800%	96%
BANCOMER	\$ 580,614	Change from floating rate to fixed rate	\$ 529,682	Interest rate EIR 28 + 0.45%	\$ (3,391)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9800%	91%
BANAMEX	\$ 576,581	Change from floating rate to fixed rate	\$ 529,264	Interest rate EIR 28 + 0.45%	\$ (3,729)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9750%	92%
GOLDMAN SACHS	\$ 558,268	Change from floating rate to fixed rate	\$ 527,253	Interest rate EIR 28 + 0.45%	\$ (3,596)	March 30, 2012	July 10, 2020	CETES 28 + 0.45%	5.9850%	94%
CREDIT AGRICOLE	\$ 468,606	Change from floating rate to fixed rate	\$ 374,884	Interest rate EIR 28 + 1.59%	\$ 329	July 2, 2012	June 29, 2020	CETES 28 + 1.59%	6.8180%	80%
BANAMEX	\$ 459,982	Change from floating rate to fixed rate	\$ 367,985	Interest rate EIR 28 + 1.59%	\$ 508	July 2, 2012	June 29, 2020	CETES 28 + 1.59%	6.8100%	80%
SANTANDER	\$ 450,342	Change from floating rate to fixed rate	\$ 360,274	Interest rate EIR 28 + 1.59%	\$ 588	July 2, 2012	June 29, 2020	CETES 28 + 1.59%	6.8290%	80%
HSBC	\$ 436,070	Change from floating rate to fixed rate	\$ 348,856	Interest rate EIR 28 + 1.59%	\$ 452	July 2, 2012	June 29, 2020	CETES 28 + 1.59%	6.8300%	80%
CREDIT SUISSE	16,788	Translate Dollars into Pesos	USD 12,005	Exchange rate USD/Mexican Peso	\$ 6,312	January 24, 2005	July 24, 2021	US dollars	Pesos	72%
CREDIT SUISSE	10,750	Translate Dollars into Pesos	USD 8,311	Exchange rate USD/Mexican Peso	\$ 4,071	February 2, 2005	February 2, 2023	US dollars	Pesos	77%
DEUTSCHE BANK	208,188	Translate Dollars into Pesos	USD 171,323	Exchange rate USD/Mexican Peso	\$ 86,049	May 3, 2005	June 21, 2021	US dollars	Pesos	82%

COMISION FEDERAL DE ELECTRICIDAD
Decentralized Government Agency of the Federal Government

Exhibit E

Counterparty	Primary Position	Purpose	Amount of notional	Underlying asset	Market value	Hedge (fund) inception date	Hedge (fund) termination date	Rate / type of currency received	Rate / type of currency paid	% hedged
GOLDMAN SACHS	USD 49,296	Translate Dollars into Pesos	USD 40,977	Exchange rate USD/Mexican Peso	\$ 18,967	March 26, 2005	March 26, 2022	US dollars	Pesos	83%
GOLDMAN SACHS	USD 200,000	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 186,667	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ (108,126)	December 15, 2008	December 15, 2036	US dollars at LIBOR Rate:	Fixed rate pesos	93%
DEUTSCHE BANK	USD 200,000	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 186,667	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ (124,924)	December 15, 2008	December 15, 2036	US dollars at LIBOR Rate:	Fixed rate pesos	93%
GOLDMAN SACHS	USD 105,450	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 96,662	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ (111,629)	June 15, 2009	December 15, 2036	US dollars at LIBOR Rate:	Fixed rate pesos	92%
DEUTSCHE BANK	USD 105,450	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 96,662	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ (116,998)	June 15, 2009	December 15, 2036	US dollars at LIBOR Rate:	Fixed rate pesos	92%
DEUTSCHE BANK	USD 255,000	Change from Dollars with LIBOR rate at Fixed Rate Pesos	USD 233,750	Exchange rate USD LIBOR Rate / Fixed Rate Mexican Peso	\$ (224,611)	June 15, 2009	December 15, 2036	US dollars at LIBOR Rate:	Fixed rate pesos	92%

COMISION FEDERAL DE ELECTRICIDAD

Decentralized Government Agency of the Federal Government

Exhibit E

- Effectiveness measurement of derivative financial instruments designated as hedges at Tuesday, December 31, 2013

Name of the Hedge in Accordance with the Documentation	Date of Swap	Cash Flow		Effectiveness	Rate used to Calculate Cash Flow of Primary		Rate Used to Calculate Cash Flow of Derivative	Surchage	Base of Calculation for Both Cash Flows	Frequency of Periods	Date of Calculation of Both Rates
		on Primary Position	Receivable on Derivative Instrument		Position	Instrument					
BANAMEX 2	January 2, 2013	\$ 3,149	\$ 3,149	100 %	4.54 %	4.54 %	0.65 %	CURRENT 360	Semester	June 28, 2012	
BANCOMER BANAMEX	January 4, 2013	\$ 23,028	\$ 23,028	100 %	4.8395 %	4.8395 %	0.45 %	CURRENT 360	Monthly	December 5, 2012	
ING IV	January 17, 2013	\$ 5,296	\$ 5,296	100 %	4.39 %	4.39 %	0.45 %	CURRENT 360	Quarterly	October 18, 2012	
ICO 4	January 24, 2013	USD 406	USD 406	100 %	1.25 %	1.25 %	0.00 %	CURRENT 360	Semester	May 5, 2005	
BANCOMER 2	January 31, 2013	\$ 7,543	\$ 7,543	100 %	4.8450 %	4.8450 %	1.59 %	CURRENT 360	Monthly	December 28, 2012	
BANCOMER BANAMEX	February 1, 2013	\$ 21,606	\$ 21,606	100 %	4.8437 %	4.8437 %	0.45 %	CURRENT 360	Monthly	January 2, 2013	
ICO 8	February 5, 2013	USD 262	USD 262	100 %	1.25 %	1.25 %	0.00 %	CURRENT 360	Semester	May 5, 2005	
BANCOMER 1	February 8, 2013	\$ 4,449	\$ 4,449	100 %	4.52 %	4.52 %	0.25 %	CURRENT 360	Semester	August 9, 2012	
ING III	February 28, 2013	\$ 7,283	\$ 7,283	100 %	4.37 %	4.37 %	0.50 %	CURRENT 360	Quarterly	November 29, 2012	
BANCOMER 2	February 28, 2013	\$ 6,808	\$ 6,808	100 %	4.84 %	4.84 %	1.59 %	CURRENT 360	Monthly	January 30, 2013	
BANCOMER BANAMEX	March 1, 2013	\$ 21,591	\$ 21,591	100 %	4.84 %	4.84 %	0.45 %	CURRENT 360	Monthly	January 30, 2013	
ING II	March 8, 2013	\$ 23,533	\$ 23,533	100 %	4.28 %	4.28 %	0.79 %	CURRENT 360	Quarterly	December 6, 2012	
CEBUR	March 25, 2013	\$ 18,061	\$ 18,061	100 %	4.51 %	4.51 %	0.85 %	CURRENT 360	Semester	September 20, 2012	
ICO 5 6 AND 7	March 26, 2013	USD 1,349	USD 1,349	100 %	1.25 %	1.25 %	0.00 %	CURRENT 360	Semester	May 4, 2005	
BANCOMER BANAMEX	April 1, 2013	\$ 23,719	\$ 23,719	100 %	4.7990 %	4.7990 %	0.45 %	CURRENT 360	Monthly	February 27, 2013	
BANCOMER 2	April 1, 2013	\$ 7,731	\$ 7,731	100 %	4.7990 %	4.7990 %	1.59 %	CURRENT 360	Monthly	February 27, 2013	
ING IV	April 18, 2013	\$ 4,745	\$ 4,745	100 %	4.32 %	4.32 %	0.45 %	CURRENT 360	Quarterly	January 17, 2013	
BANCOMER BANAMEX	April 26, 2013	\$ 17,483	\$ 17,483	100 %	4.3475 %	4.3475 %	0.45 %	CURRENT 360	Monthly	March 26, 2013	
BANCOMER 2	April 30, 2013	\$ 6,515	\$ 6,515	100 %	4.3512 %	4.3512 %	1.59 %	CURRENT 360	Monthly	March 27, 2013	
BANAMEX 1	May 21, 2013	\$ 3,997	\$ 3,997	100 %	4.65 %	4.65 %	0.65 %	CURRENT 360	Semester	November 15, 2012	
BANCOMER BANAMEX	May 24, 2013	\$ 19,489	\$ 19,489	100 %	4.3251 %	4.3251 %	0.45 %	CURRENT 360	Monthly	April 24, 2013	
ING III	May 30, 2013	\$ 6,115	\$ 6,115	100 %	4.10 %	4.10 %	0.50 %	CURRENT 360	Quarterly	February 28, 2013	
IXE 1	May 31, 2013	\$ 18,979	\$ 18,979	100 %	4.65 %	4.65 %	0.25 %	CURRENT 360	Semester	November 29, 2012	
BANCOMER 2	May 31, 2013	\$ 6,936	\$ 6,936	100 %	4.3275 %	4.3275 %	1.59 %	CURRENT 360	Monthly	April 30, 2013	
ING II	June 7, 2013	\$ 18,121	\$ 18,121	100 %	4.09 %	4.09 %	0.79 %	CURRENT 360	Quarterly	March 7, 2013	
GOLDMAN SACHS 1, AND 3	June 14, 2013	USD 6,336	USD 6,336	100 %	0.5130 %	0.5130 %	0.4950 %	CURRENT 360	Semester	December 13, 2012	
GOLDMAN SACHS 2, 4,	June 14, 2013	USD 11,626	USD 11,626	100 %	0.5130 %	0.5130 %	0.4950 %	CURRENT 360	Semester	December 13, 2012	
AND 5	June 19, 2013	USD 5,749	USD 5,749	100 %	1.25 %	1.25 %	0.00 %	CURRENT 360	Semester	May 3, 2005	
ICO 2 AND 3	June 21, 2013	\$ 19,413	\$ 19,413	100 %	4.3065 %	4.3065 %	0.45 %	CURRENT 360	Monthly	May 22, 2013	
BANCOMER BANAMEX											

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Exhibit E

Name of the Hedge in Accordance with the Documentation	Date of Swap	Cash Flow Payable on Primary Position		Cash Flow Receivable on Derivative Instrument	Effectiveness %	Rate used to Calculate Cash Flow of Primary Position		Rate Used to Calculate Cash Flow of Derivative Instrument		Surcharge	Base of Calculation for Both Cash Flows		Frequency of Periods	Date of Calculation of Both Rates
		\$		\$		Position		Instrument			Both Cash Flows			
BANCOMER 2	July 1, 2013	\$ 6,909		\$ 6,909	100 %	4.3040 %		4.3040 %		1.59 %	CURRENT 360		Monthly	May 30, 2013
BANAMEX 2	July 2, 2013	\$ 2,301		\$ 2,301	100 %	4.49 %		4.49 %		0.65 %	CURRENT 360		Semester	January 3, 2013
ING IV	July 18, 2013	\$ 4,307		\$ 4,307	100 %	3.88 %		3.88 %		0.45 %	CURRENT 360		Quarterly	April 18, 2013
BANCOMER BANAMEX	July 19, 2013	\$ 19,397		\$ 19,397	100 %	4.3025 %		4.3025 %		0.45 %	CURRENT 360		Monthly	June 19, 2013
ICO 4	July 24, 2013	USD 403		USD 403	100 %	1.25 %		1.25 %		0.00 %	CURRENT 360		Semester	May 5, 2005
BANCOMER 2	July 31, 2013	\$ 6,251		\$ 6,251	100 %	4.3137 %		4.3137 %		1.59 %	CURRENT 360		Monthly	June 28, 2013
ICO 8	August 2, 2013	USD 260		USD 260	100 %	1.25 %		1.25 %		0.00 %	CURRENT 360		Semester	May 5, 2005
BANCOMER 1	August 9, 2013	\$ 3,836		\$ 3,836	100 %	4.32 %		4.32 %		0.25 %	CURRENT 360		Semester	February 7, 2013
BANCOMER BANAMEX	August 16, 2013	\$ 18,164		\$ 18,164	100 %	4.3182 %		4.3182 %		0.45 %	CURRENT 360		Monthly	July 19, 2013
ING III	August 29, 2013	\$ 5,676		\$ 5,676	100 %	3.77 %		3.77 %		0.50 %	CURRENT 360		Quarterly	May 30, 2013
BANCOMER 2	September 2, 2013	\$ 6,883		\$ 6,883	100 %	4.3200 %		4.3200 %		1.59 %	CURRENT 360		Monthly	July 29, 2013
ING II	September 6, 2013	\$ 16,895		\$ 16,895	100 %	3.76 %		3.76 %		0.79 %	CURRENT 360		Quarterly	June 6, 2013
BANCOMER BANAMEX	September 13, 2013	\$ 18,085		\$ 18,085	100 %	4.2975 %		4.2975 %		0.45 %	CURRENT 360		Monthly	August 14, 2013
CEBUR	September 23, 2013	\$ 8,255		\$ 8,255	100 %	4.05 %		4.05 %		0.85 %	CURRENT 360		Semester	March 21, 2013
ICO 5 6 AND 7	September 26, 2013	USD 1,344		USD 1,344	100 %	1.25 %		1.25 %		0.00 %	CURRENT 360		Semester	May 4, 2005
BANCOMER 2	September 30, 2013	\$ 5,825		\$ 5,825	100 %	4.3044 %		4.3044 %		1.59 %	CURRENT 360		Monthly	August 30, 2013
BANCOMER BANAMEX	October 11, 2013	\$ 17,089		\$ 17,089	100 %	4.0361 %		4.0361 %		0.45 %	CURRENT 360		Monthly	September 11, 2013
ING IV	October 17, 2013	\$ 3,886		\$ 3,886	100 %	3.89 %		3.89 %		0.45 %	CURRENT 360		Quarterly	July 18, 2013
BANCOMER 2	October 31, 2013	\$ 6,151		\$ 6,151	100 %	4.0327 %		4.0327 %		1.59 %	CURRENT 360		Monthly	September 27, 2013
BANCOMER BANAMEX	November 8, 2013	\$ 17,066		\$ 17,066	100 %	4.0300 %		4.0300 %		0.45 %	CURRENT 360		Monthly	October 9, 2013
BANAMEX 1	November 21, 2013	\$ 2,239		\$ 2,239	100 %	3.73 %		3.73 %		0.65 %	CURRENT 360		Semester	May 16, 2013
ING III	November 29, 2013	\$ 5,151		\$ 5,151	100 %	3.88 %		3.88 %		0.50 %	CURRENT 360		Quarterly	August 29, 2013
IXE 1	November 29, 2013	\$ 14,185		\$ 14,185	100 %	3.87 %		3.87 %		0.25 %	CURRENT 360		Semester	May 30, 2013
BANCOMER 2	December 2, 2013	\$ 6,062		\$ 6,062	100 %	3.7781 %		3.7781 %		1.59 %	CURRENT 360		Monthly	October 30, 2012.
ING II	December 6, 2013	\$ 13,006		\$ 13,006	100 %	3.88 %		3.88 %		0.79 %	CURRENT 360		Quarterly	September 5, 2013
BANCOMER BANAMEX	December 6, 2013	\$ 16,121		\$ 16,121	100 %	3.7820 %		3.7820 %		0.45 %	CURRENT 360		Monthly	November 6, 2013
GOLDMAN SACHS 1, AND 3	December 13, 2013	USD 6,191		USD 6,191	100 %	0.41476 %		0.41476 %		0.4950 %	CURRENT 360		Semester	June 13, 2013
GOLDMAN SACHS 2, 4, AND 5	December 13, 2013	USD 11,360		USD 11,360	100 %	0.41476 %		0.41476 %		0.4950 %	CURRENT 360		Semester	June 13, 2013
ICO 2 AND 3	December 19, 2013	USD 5,719		USD 5,719	100 %	1.25 %		1.25 %		0.00 %	CURRENT 360		Semester	May 3, 2005
BANCOMER 2	December 31, 2013	\$ 5,512		\$ 5,512	100 %	3.7960 %		3.7960 %		1.59 %	CURRENT 360		Monthly	November 29, 2013

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 0.0765 %, that is, \$4,311 (thousands of pesos) by December 31, 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 0.0765 %, that is, \$7,724 (thousands of pesos), that is, \$8,136 (thousands of pesos) for December 31, 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 0.1730%, that is, \$894 (thousands of pesos) for December 31, 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 December 31, 2013 amounts to \$724,746 (thousands of pesos), which are included in patrimony and consist of \$833,802 against CFE, included in the

value of the liability of the caption of financial instruments and \$109,056 in favor of CFE included in the value of the asset of the caption of financial instruments.

Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month. CFE monitors the Mark-to-market and if there is any doubt or observes any irregularity in the Mark-to-market behavior, it asks the counterparty for a new valuation.

Pursuant to the foregoing, the Market Value sent by the Calculation agent or counterparty is only an indicative value, since the models used by banks can differ between each other.

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

In accordance with 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, the Comision Federal de Electricidad adjusted the Fair Values or Mark-to-market that represent a credit risk for the entity.

Methodology to Adjust Fair Value or Mark-to-Market due on Credit Risk

In order to adjust the fair value of Derivative Financial Instruments pursuant to IFRS for credit risks, Comision Federal de Electricidad will adopt the Credit Value Adjustment (CVA) concept.

The CVA consists of items of exposure or potential loss, likelihood of nonperformance and rate of recovery. Its formula is:

$$CVA = Exp * q * (1 - r)$$

Where:

Exp = Exposure

q = Likelihood of Nonperformance

r = Recovery Rate

Simplifications:

$$\text{Exp} = \text{MTM}$$

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

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

Exposure will be considered as total market value (MTM) of each counterparty, that is, the sum of all the MTMs that we have with the financial institution.

The likelihood of nonperformance by one less the recovery rate will be the adjustment to the sum factor of the market values or exposure of each counterparty.

In order to obtain the likelihood of nonperformance (q), the Credit Default Swaps (CDS) of the counterparties are taken to their closest term available, in the understanding that the adjustment of the CVA will be carried out on a month-to-month basis. The CDS are data that reflect the market vision on credit risk, and it is transparent information for all financial entities.

For purposes of the calculation of the CVA, the recovery rate (r) will be zero. This rate is totally conservative, since the standard on the financial standard is 40%.

Once it is obtained, the CVA will proceed to adjust the MTM in the following manner:

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

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

Policies.

This mechanism was approved by the Interinstitutional Delegate Committee of Financial Risk Management Associated with the Financial Position and Price of Fossil Fuel (CDIGR) as an adjustment to fair value policy of Derivative Financial Instruments.

The adjustment to Market Value (MTM) will be realized monthly, provided that the total exposure position of each counterparty is favorable toward CFE, that is, the market valuation is positive for the entity and, consequently, there is a credit risk.

In the event that the total MTM position is negative for the entity, that adjustment will not be made since the credit risk will be for the counterparty, not for CFE.

COUNTERPARTY	MTM	ADJUSTED MTM	ADJUSTMENT AT DECEMBER 31, 2013
Credit Suisse	10,383	10,355	28
Collateral received			0
Total Cost (thousands of pesos)			28

Hierarchy of Fair Value or Mark-to-Market

In order to increase consistency and comparability of fair value measurements and their disclosures, IFRS set forth a fair value hierarchy that prioritizes on three levels of data in the valuation techniques used. This hierarchy grants the highest priority to quoted prices (unadjusted) on the active markets for assets and liabilities (level 1) and the lowest priority for unobservable data (level 3).

The availability of relevant information and its relative subjectivity can affect the appropriate selection of the valuation technique. However, fair value hierarchy prioritizes data about valuation techniques.

Level 2 Information

As explained above and pursuant to the terms in which the ISDA contracts were signed, the counterparties or banking institutions are the appraisers, and they are the persons who calculate and send the Mark-to-Market every month.

Therefore, it is determined that the hierarchy level of the Entity's Mark-to-Market at December 31, 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 prices quoted that is observable.
- d) Information that is derived mainly from observable information and correlated through other means.

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

- 1) The objectives for carrying out derivatives trading

The Comision Federal de Electricidad may realize any type of explicit financial hedge, either at interest rates and/or exchange rates, or those strategies that are necessary to mitigate the financial risk faced by the Entity.

2) Instruments used:

The CFE may buy or sell one or more of the following types of instruments individually or collectively, provided that performance is maintained within approved risk management limits and guidelines.

- 1.- Futures, forwards and swaps
- 2.- Acquisition of call options
- 3.- Acquisition of put options
- 4.- Acquisition of collars or tunnels
- 5.- Acquisition of equity futures

3) Hedging or trading strategies implemented:

The CFE cannot sell call options, put options or any other open instrument that exposes CFE to unlimited risk that is not totally offset by a corresponding opposite position.

4) Trading Markets

Domestic and Foreign

5) Eligible counterparties

Any Bank or Financial institution with which CFE has signed an ISDA

6) Policies for the designation of calculation or valuation agents:

All ISDA contracts define that the counterparty is the calculation agent.

7) Main contract conditions or terms:

The ISDA (International Swaps and Derivatives Association) are standardized contracts, and the conditions are the same in all of them. There are special characteristics only in confirmations.

8) Margin Policies

In the event that the market value of any operation should exceed the maintenance level agreed upon in the ISDA contracts and their supplements, the counterparty issues a request for deposit of collateral in an off-balance sheet item via fax or e-mail. CFE sends the security deposit to the counterparty. While there is a deposit for the margin call, the market value is reviewed by the "calculation agent", defined in the ISDA contract every day, in order for the entity to be able to request the refund of the collateral when the market value returns to levels below the agreed upon maintenance level. These security deposits are considered as a restricted asset in derivative financial instrument trading for CFE, and it is given the pertinent accounting treatment.

At December 31, 2013, CFE does not have any security deposits or margin calls.

8) Collateral and Lines of Credit

Defined credit lines for deposits of collateral are established in each one of the ISDA contracts signed with each counterparty.

Authorization processes and levels required by type of trade (simple hedge, partial hedge, speculation) indicating if derivatives trading was previously approved by the committee or committees that undertake corporate and audit practices.

The limits on the extension of transactions and derivative financial instruments are established based on the general conditions of the primary position and the underlying asset to hedge.

CFE may contract hedge transactions with financial derivatives, either at interest rates and/or exchange rates when the conditions thereof are a mirror of the primary position and underlying asset or liability to be hedged.

CFE has the Interinstitutional Delegate Committee of Financial Risks Associated with the Financial position and Price of Fossil Fuels (CDIGR). When that Committee 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.

11. Documented debt

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

Foreign Debt	Type of credit	Weighted Interest rate	Due dates	2013		2012	
				Foreign currency	Foreign currency (Thousands)	Foreign currency	Foreign currency (Thousands)
In US dollars at the exchange rate per dollar of \$13.0765 at December 2013 and of \$13.0101 at December 2012	Bilateral Bonuses Revolving Syndicated	Fixed and variable - 1.45% Fixed and variable - 5.12% Fixed and variable - 1.98% Fixed and Variable - 0 %	Various up to 2023 Various up to 2042 Various up to 2017 Up to 2018	\$ 3,576,675 41,785,955 2,354,449 0	273,519 3,195,500 180,052 0	\$ 4,400,056 25,421,736 1,531,337 16,262,625	338,203 1,954,000 117,704 1,250,000
Total US dollars				47,717,079	3,649,071	47,615,754	3,659,907
In euros at exchange rate for euros of \$18.0194 at December 2013 and \$ 17.1968 at December 2012	Bilateral Revolving	Fixed and variable - 1.34% Fixed -3.75%	Various up to 2024 Various up to 2017	268,486 63,712	14,900 3,536	444,229 90,954	25,832 5,289
Total euros				332,198	18,436	535,183	31,121
In Swiss francs at the exchange rate per Swiss franc of \$14.7056 at June 2013 and of \$14.2454 at December 2012	Bilateral Revolving	Variable - 1.21% Fixed - 1.12%	Various up to 2015 Various up to 2018	128,525 777,965	8,740 52,902	396,293 710,296	27,819 49,862
Total Swiss francs				906,490	61,642	1,106,589	77,681
In Swedish kronas at the exchange rate Swedish Krona of \$2.0342 at December 2013 and \$2.0007 at December 2012	Bilateral	Fixed -3.26%	Various up to 2015	15,506	7,623	22,876	11,434
Total Swedish kronas				15,506	7,623	22,876	11,434
In Japanese yens at the exchange rate of Japanese yen of \$0.0145 at December 2013 and \$0.1507 at December 2012	Bilateral	Fixed and Variable-1.85% Fixed -3.83%	Various up to 2020 Various up to 2032	590,349 (460,223)	4,741,767 32,000,000	897,543 4,822,400	5,955,827 32,000,000
Bond Assets received for financial instruments, net (Note 10)				3,523,777	32,000,000	3,505,884	32,000,000
Total Japanese yens				4,114,126	36,741,767	4,403,427	37,955,827
Total foreign debt				\$ 53,085,399		\$ 53,683,829	

Internal debt	Type of credit	Weighted Interest rate	Due dates	Foreign currency	Local Currency (Thousands)	Foreign currency	Local Currency (Thousands)
In US dollars at the exchange rate per US dollar of \$13.0765 at December 2013 and \$13.0101 at December 2012							
	Multilateral	Annual cost of loans IDB	Various up to 2013	\$ -	-	\$ 15,366	1,181
Total US dollars				-	-	15,366	1,181
Local currency							
	Bank loans	Variable - 5.46%	Various up to 2023	\$ 41,133,333		\$ 37,000,000	
	Securities market	Fixed and variable - 0%	Various up to 2020	51,000,000		29,000,000	
Total Mexican pesos				92,133,333		66,000,000	
Total internal debt				<u>\$ 92,133,333</u>		<u>\$ 66,015,366</u>	
Summary							
Total foreign debt				\$53,085,399		\$53,683,829	
Total internal debt				92,133,333		66,015,365	
Total documented debt				<u>\$145,218,732</u>		<u>\$119,699,194</u>	
Total short-term				\$ 32,540,555		\$ 15,047,525	
Total long-term				112,678,177		104,651,669	
Total short and long-term				<u>\$145,218,732</u>		<u>\$119,699,194</u>	

a. The short-term liability and long-term documented debt mature as follows:

Short-Term	\$	<u>32,540,555</u>
Long-Term		
2015		9,830,080
2016		10,503,964
2017		2,636,771
2018		18,678,093
2019		302,573
2020		16,799,680
2021		13,305,992
2022		134,049
2023		9,364,937
2024-2042		<u>31,122,038</u>
Total Long-Term	\$	<u>112,678,177</u>
Total Short and Long-Term	\$	<u>145,218,732</u>

b. Documented debt

Internal debt

Securities exchange certificates were issued through a direct credit to finance general treasury needs in a total amount of 12 billion nominal pesos in June. A bank credit was obtained in the amount of 2 billion pesos from BBVA Bancomer at an EIIR rate at 182 days, less 0.55 in August. A credit was obtained in the amount of 6 billion pesos from Santander at an EIIR 28 less 0.95 in October. In addition, two securities exchange certificates were issued through Indeval, which amounted to a total of 10 billion pesos (one for 3.25 billion pesos at an EIIR rate less 0.15 and the other in the amount of 6.75 billion pesos at a 7.77% fixed rate) in November. A credit amounting to 3 billion pesos was obtained from HSBC at a EIIR 28 less 0.75, also in November. Finally, a credit amounting to 5 billion pesos was obtained from Banorte at an EIIR rate 182, less 0.75 in December. These loans amount to a total of 38 billion pesos.

Foreign Debt

Among other credits contracted, a bond was obtained from BBVA Bancomer in the amount of 1,250,000 dollars at a LIBOR rate 6M less than 1.0 in September. A credit was obtained from Deutsche Bank Trust Company Americas in the amount of \$1,250,000 dollars at a 4.875% fixed rate in October. Those amounts stated in pesos add up to around 34 billion pesos.

In 2012, a bond was placed in the amount of 750 million dollars at a 30 year term, with a 5.755 coupon and an oversubscription of 2.8 times. The funds from the placement of this bond served to participate the payment in the same amount, part of the syndicated credit subscribed in the amount of 2 billion dollars in December 2010, due June 2014. This transaction successfully deferred the due date of the original liability from June 2014 to February 2042.

12. Long-term Productive Infrastructure Projects (PIDIREGAS)

The balances of direct and conditioned investment at December 31, 2013 and 2012 are summarized as follows:

	Direct Investment PIDIREGAS	Conditioned investment PEE's (Note 13)	Total 2013	Total 2012
Short-Term	\$ 13,652,898	\$ 2,291,039	\$ 15,943,937	\$ 15,438,728
Long-Term				
2015	11,817,232	2,545,979	14,363,211	15,078,512
2016	11,520,107	2,831,882	14,351,989	13,325,427
2017	8,502,346	3,152,762	11,655,108	13,338,121
2018	11,929,737	3,513,186	15,442,923	7,470,758
2019	7,014,111	3,918,347	10,932,458	7,151,107
2020	5,121,815	4,374,152	9,495,967	5,995,343
Subsequent years	25,952,769	61,999,670	87,952,439	103,290,865
Total long-term	\$ 81,858,117	\$ 82,335,978	\$ 164,194,095	\$ 165,650,133

DIRECT INVESTMENT (PIDIREGAS)

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

COMISION FEDERAL DE ELECTRICIDAD
Decentralized Government Agency of the Federal Government

Exhibit E

Term	Value of the credit:	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)				
		for the agreement	Local currency		Foreign currency		Local currency		Foreign currency	
			Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Foreign Debt										
479.71 Millions of dollars	2013	\$ -	\$ -			\$ 82,505	\$ -	6,342		
1,133.42 Millions of dollars	2014	1,218,680			93,196	1,691,961	1,270,441	130,050	97,650	
355.71 Millions of dollars	2015	328,630	326,957		25,131	419,405	812,849	32,237	62,478	
585.22 Millions of dollars	2016		1,901,615			414,471	2,070,334	31,858	159,133	
56.00 Millions of dollars	2017					67,238	171,123	5,168	13,153	
384.19 Millions of dollars	2018	337,155	245,821		25,783					
701.22 Millions of dollars	2019	216,292	1,289,128		16,541	189,951	1,497,775	14,600	115,124	
259.36 Millions of dollars	2020	357,005	1,963,530		27,301	355,193	2,308,752	27,301	177,458	
491.64 Millions of dollars	2029	357,161	5,261,839		27,313	355,347	5,590,467	27,313	429,702	
664.98 Millions of dollars	2032	641,975	7,776,375		49,094	275,814	6,245,377	21,200	480,041	
607.39 Millions of dollars	2036	266,281	5,858,184		20,364	264,929	6,093,367	20,363	468,357	
Total foreign debt		3,723,179	24,623,449		284,723	4,116,814	26,060,485	316,432	2,003,096	
Internal debt										
4,693.87 Millions of pesos	2013					469,234				
1,050.831 Millions of pesos	2014	70,492				560,807	263,490			
1,388.77 Millions of pesos	2015	141,881	70,939			577,238	854,767			
6,771.70 Millions of pesos	2016	1,208,397	1,789,308			1,022,583	4,347,891			
2,265.65 Millions of pesos	2017	234,620	513,141			639,792	2,178,060			
29,091.45 Millions of pesos	2018	2,167,514	5,390,928			623,027	1,936,348			
13,336.78 Millions of pesos	2019	1,395,092	6,308,180			1,431,105	7,239,390			
9,294.17 Millions of pesos	2020	962,949	5,096,215			1,153,387	6,411,992			
1,244.72 Millions of pesos	2021	132,075	926,472			934,145	6,720,842			
15,336.68 Millions of pesos	2022	1,537,311	10,889,241			1,118,906	8,223,512			
5,579.81 Millions of pesos	2023	575,230	4,258,198			209,602	2,245,736			
3,099.66 Millions of pesos	2024	266,620	2,358,560							
5,131.79 Millions of pesos	2032	514,794	3,606,796							
2,491.18 Millions of pesos	2036	83,664	1,840,616			83,664	1,924,281			
15,261.71 Millions of pesos	2042	639,081	14,177,253			445,376	12,915,900			
Total internal debt		9,929,720	57,225,847			9,268,866	55,262,209			
Total		13,652,898	81,849,296			13,385,680	81,322,695			
CEBURES			8,821				130,140			
Total external and internal debt of										
PIDIREGAS and										
CEBURES		\$13,652,898	\$ 81,858,117			\$ 13,385,680	\$81,452,835			

a) At December 31, 2013, minimum payment commitments for PIDIREGAS are as follows:

PIDIREGAS	\$	127,644,837
less:		
Unaccrued interest		(32,142,643)
Present value of obligations		<u>95,502,194</u>
less:		
Current value of obligations		<u>(13,652,898)</u>
Long-term portion of PIDIREGAS		81,849,296
CEBURES		<u>8,821</u>
Total internal and external debt of PIDIREGAS and CEBURES	\$	<u><u>81,858,117</u></u>

b) Securities Exchange Certificate Program - In order to refinance Financed Public Works projects (PIDIREGAS), the CFE has implemented a structured mechanism by which Securities Exchange Certificates (CEBURES) are issued. This mechanism starts with the signing of a loan agreement, which is granted by the creditor Bank to a private Trust that securitizes the rights on the credit, and issues CEBURES. Funds from those issues are invested by the Trustee, while the CFE disburses them to pay the contractors of the Financed Public Works projects (PIDIREGAS), upon delivery thereof to the satisfaction of the entity. Every issue of CEBURES is a liability for the CFE, and each one of the disbursements becomes a PIDIREGAS debt.

To be able to carry out this financing mechanism, the National Banking and Securities Commission previously authorizes the CEBURES Programs, normally in minimum amounts of \$ 6 billion pesos, with a duration of two or more years, in order to be able to carry out the issues required up to the total authorized amount, which can be extended upon request.

During fiscal 2003, the first issues of CEBURES were carried out with three tranches in an accumulated amount of \$ 6 billion nominal pesos. The first two tranches were in the amount of \$ 2 billion 600 million nominal pesos each one, and they were carried out on October 6 and November 7, 2003, respectively. The third tranche was realized in the amount of \$800 million nominal pesos on December 11, 2003.

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

The effective period of all these transactions is approximately 10 years, at a Federal Treasury Certificates ("Cetes") interest rate at 182 days plus 0.85 percentage points

For the four tranches referred to above, the amortization of the principal will be approximately every 182 days, and the calculation of interest will include protection against inflation (inflation floor), that is, for each interest period that applies, if applicable, the rate will be adjusted as the result of a comparison of the percentage increase in the value of the investment unit ("UDI") during the interest period at issue, with the annual gross interest rate payable with respect to the CEBURES for that interest period.

The issues of the first three tranches of a new CEBURES program was carried out in a total amount of \$ 7 billion 700 million nominal pesos in August 2005. The first tranche in the amount of \$ 2 billion 200 million nominal pesos on March 18, 2005, the second one in the amount of \$ 3 billion nominal pesos on July 1, 2005, and the third one in the amount of \$ 2 billion 500 million nominal pesos on August 19, 2005. Their effective period is approximately 10 years, at a Cetes interest rate at 182 days plus 0.79 percentage points.

At December 31, 2005, of the \$7,700,000 issued in that year, only \$6,112,196 had been disbursed for payment of the "PIDIREGAS" financed debt, and the remaining balance to be drawn down amounts to \$1,587,804. This balance was drawn down in its entirety in 2006.

On January 27, 2006, the fourth tranche was issued in the amount of \$ 2 billion nominal pesos, and the fifth tranche in the amount of \$ 1 billion 750 million nominal pesos on March 9, 2007 with a 10 year term at an interest rate equivalent to Cetes at 91 days plus 0.429 percentage points and 0.345 percentage points, respectively.

On April 24, 2006, the National Banking and Securities Commission authorized a new CEBURES Program, having been issued in the amount of \$ 2 billion nominal pesos in each one of these transactions on April 28, June 9, and October 20, 2006. Furthermore, a fourth issue was realized in the amount of \$1 billion pesos on November 30, 2006.

The effective period of the transactions referred to above is approximately 10 years. The weighted average interest rate is equivalent to Cetes at 91 days plus 0.42 percentage points of the first three transactions, and it was set at 7.41% for that of the fourth transaction.

At December 31, 2006, of the \$7 billion nominal pesos of the four issues, a total amounting to \$3,631,952 had been disbursed from the Trusts for refinancing Financed Public Work projects.

The National Banking and Securities Commission authorized a new Program, and the first issue was realized in the amount of \$ 1 billion 500 million nominal pesos on November 10, 2006, which would be used for payment to the contractors awarded the tenders of PIDIREGAS projects. This first issue has a 30 year term, and it pays an annual gross interest rate of 8.58% payable every 182 days. The amount of \$ 1 billion 384.7 million pesos were disbursed on February 28, 2007, which were used for the partial payment to the PIDIREGAS project contractor known as "El Cajon".

On August 30, 2007, a second issue was realized at 30 years in the amount of \$ 1 billion pesos to cover the second payment to the PIDIREGAS project contractor "El Cajon".

The following issues were realized at 10 years in fiscal 2007: an issue amounting to \$1 billion 750 million nominal pesos at Cetes plus 0.345% annual on March 9, 2007, another issue also amounting to \$1 billion 750 million nominal pesos with a Cetes interest rate plus 0.25% annual on June 8, a third issue amounted to \$ 1 billion 750.0 pesos at Cetes plus 0.25% on August 17, 2007, and finally a last issue amounting to \$1 billion 200 million pesos at a cost of Cetes 182 plus 0.30% on November 23, 2007.

During fiscal 2007, a total amounting to \$9 billion 945.2 million pesos was disbursed from the Trusts for financing various payments on the Financed Public Work projects.

Two issues were realized in 2008, one amounting to \$ 2 billion pesos on January 25, 2008, and the second issue in the amount of \$1 billion 700 million on May 23, 2008, both at a CETES rate at 91 days plus 0.45%.

During fiscal 2008, a total amounting to \$4 billion 827.3 million pesos was disbursed from the Trusts for financing various Financed Public Work projects.

The following issues at 10 years were realized in fiscal 20 09: Three (3) issues in Investment Units (UDIs): an issue amounting to UDIS 285.1 million at an annual fixed 4.80% rate in UDIS on April 29, 2009, an issue amounting to UDIS 457.0 million at an annual fixed 4.60% rate in UDIS on August 7, 2007, and an issue amounting to UDIS 618.5 million at an annual fixed 5.04% rate in UDIS on October 2, 2009, and Two (2) issues in pesos: the first issue amounting to \$ 2 billion 594.6 million nominal pesos on April 29, 2009, and the second issue amounting to \$ 1 billion 466.7 million pesos on August 7, 2009, both at an annual fixed 8.85% rate.

During fiscal 2009, a total amounting to \$4 billion 618.3 million pesos and 676.2 UDIS were disbursed from the Trusts for financing various payments on the Financed Public Work projects.

Two issues were realized during fiscal 2010: the first issue in two tranches on March 25, one at a 10 year term for \$ 2 billion 400 million nominal pesos, and interest was paid at an annual fixed 8.05% rate, and the other tranche at a 7 year term for \$ 2 billion 600 million nominal pesos, and interest was paid at an interest rate equivalent to EIIR plus 0.52% annually. The second issue was carried out on July 23, also in two tranches at a 10 year term with an interest rate equivalent to EIIR plus 0.45% annual, and the second tranche at a 9 year term for \$ 1 billion 750 million nominal pesos, and interest was paid at an annual fixed rate of 7.15%.

On February 19, 2011, 3 billion 800 million pesos were issued to finance Financed Public Works projects at a 9.4 year term, and paying annual EIIR interest + 0.40%.

On September 24, 2012, Securities Exchange Certificates were placed in a total amount of \$ 13 billion 500 million pesos at a 30 year term and a 7.70% annual coupon. The funds of this issue were used to pay the "La Yesca" Financed Public Work project.

There were no issues nor drawdowns of CEBURES in the last quarter of 2013; therefore, the balance amounting to 8 billion 821 million consists of a balance to be drawn down that was not appropriated to the "La Yesca" project.

At December 31, 2013 and December 31, 2012, debts contracted for the acquisition of plants, facilities and equipment through PIDREGAS are included and itemized as follows:

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)					
		Interest, taxes and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
PIDREGAS														
FOREIGN DEBT 1 Geothermoelectric Comprehensive Units with a total capacity of 100 MW for the C. G. Cerro Prieto IV	103.34 million US dollars	71.32 million US dollars Interest	103.34 millones de dólares estadounidenses	<u>Main</u> \$ 1 billion 256.10 million dollars <u>Interest</u> \$920.68 million 70.41 million US dollars <u>Taxes and trustee fees</u> \$71.38 million 5.47 million US dollars	up to year 2015	1,351,273	\$ 27,356	\$ 67,815	2,092	5,186	\$ 27,217	\$ 94,688	2,092	7,278
2 combined cycle type module with capacity of 423.3 MW, of C. C. Chihuahua	277.37 million US dollars	157.72 million US dollars Interest	277.37 millones de dólares estadounidenses	<u>Main</u> \$3,436.10 million 262.77 million US dollars <u>Interest</u> \$2,028.01 million 155.09 million US dollars <u>Taxes and trustee fees</u> \$76.17 million 5.82 million US dollars	up to year 2016	3,626,976	\$ -	\$ 190,878	-	14,597	178,579	189,908	13,726	14,597
2 combined cycle type module with capacity of 437 MW, for both of the C. C. Monterrey II	331.09 million US dollars	275.39 million US dollars Interest	331.09 millones de dólares estadounidenses	<u>Main</u> \$3 billion 562.73 million dollars <u>Interest</u> \$3 billion 577.02 million 273.35 million US dollars <u>Taxes and trustee fees</u> \$193.77 million 14.82 million US dollars	up to year 2014	4,329,458	\$ 766,730	\$ -	58,634	-	750,860	750,860	57,714	57,714

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees					Main	Local Currency		Foreign Currency		Local Currency		Foreign Currency		
								Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
One combined cycle type module with capacity 497.6 MW, of the C. C. C. Rosario III	307.85 million US dollars	338.46 million US dollars interest	307.85 millones de dólares estadounidenses	Main	up to year 2016	4,025,644 \$	\$	-	\$	1,710,737	-	130,825	144,674	1,702,050	11,120	130,825
				\$2 billion 314.91 million												
				177.03 million US dollars)												
				Interest												
		37.86 million US dollars taxes and trustee fees	Taxes and trustee fees	\$3 billion 907.10 million												
				289.79 million US dollars)												
				5437.13 million												
				33.43 million US dollars)												
3 Combined cycle type modules multi-arrow, with a capacity of nominal generation of 168.6 MW each one for C. C. C. Samalayuca II, M- 1, 2, and 3.	701.22 million US dollars	578.47 million US dollars interest	701.22 millones de dólares estadounidenses	Main	up to year 2019	9,169,501 \$	\$	216,292	\$	1,289,128	16,541	98,584	189,951	1,497,775	14,600	115,124
				\$7 billion 64.08 million												
				586.10 million US dollars)												
				Interest												
		87.04 million US dollars taxes and trustee fees	Taxes and trustee fees	\$6,985.41 million												
				534.20 million US dollars)												
				51,017.05 million												
				77.78 million US dollars)												
L. T. 215 Southeast Peninsular	132.67 million US dollars	123.63 million US dollars interest	132.67 millones de dólares estadounidenses	Main	up to year 2015	1,278,611 \$	\$	139,869	\$	131,375	10,696	10,047	127,467	269,867	9,797	20,743
				\$1 billion 463.59 million												
				111.93 million US dollars)												
				Interest												
		16.19 million US dollars taxes and trustee fees	Taxes and trustee fees	\$1 billion 590.73 million												
				121.65 million US dollars)												
				\$203.23 million												
				15.54 million US dollars)												
SE 213 SFe Power and Distribution	175.18 million US dollars	162.86 million US dollars interest	175.18 millones de dólares estadounidenses	Main	up to year 2015	921,458 \$	\$	63,831	\$	-	4,881	-	1,057,031	63,507	81,247	4,881
				\$2 billion 226.89 million												
				170.30 million US dollars)												
				Interest												

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013 (dollars)	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees	Main				Local Currency	Foreign Currency	Local Currency	Foreign Currency	Short-term	Long-term	Short-term	Long-term		
SE 218 5f6 Northwest				<u>Interest</u> \$2 billion 126.34 million 162.61 million US dollars)												
		8.16 million US dollars		<u>Taxes and trustee fees</u> \$105.86 million 8.10 million US dollars)												
		34.30 million US dollars	50.66 millones de dólares estadounidenses	<u>Main</u> \$944.16 million 45.44 million US dollars)	up to year 2015	662,415	\$	34,778	\$	33,475	2,660	2,560	31,686	67,907	2,436	5,220
		Interest		<u>Interest</u> \$440.72 million 33.70 million US dollars)												
		1.29 million US dollars		<u>Taxes and trustee fees</u> \$15.84 million 1.21 million US dollars)												
SE 221 Western		52.22 million US dollars	72.51 millones de dólares estadounidenses	<u>Main</u> \$759.61 million 58.09 million US dollars)	up to year 2014	948,190	\$	188,575	\$	-	14,421	-	63,570	187,617	4,886	14,421
		Interest		<u>Interest</u> \$672.48 million 51.43 million US dollars)												
		1.37 million US dollars		<u>Taxes and trustee fees</u> \$16.88 million 1.29 million US dollars)												
		15.70 million US dollars	52.33 millones de dólares estadounidenses	<u>Main</u> \$663.81 million 50.76 million US dollars)	up to year 2014	684,296	\$	20,484	\$	-	1,566	-	50,478	20,380	3,880	1,566
		Interest		<u>Interest</u>												

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency	
							dollars		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
L.T. 408 Nacozari - Nogales Northwest Areas				\$4.69 million										
				0.36 million US dollars)										
L.T. 408 Nacozari - Nogales Northwest Areas														
L.T. 411 National System														
L.T. 411 National System														
L.T. 409 Manuel Moreno Torres Associated Network (2nd Stage)														
L.T. 409 Manuel Moreno Torres Associated Network (2nd Stage)														
L.T. 409 Manuel Moreno Torres Associated Network (2nd Stage)														

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
SE 402 Eastern Peninsular	73.13 million US dollars	18.45 million US dollars interest	73.13 millones de dólares estadounidenses	Main \$956.24 million (73.13 million US dollars)	up to year 2013				42,881		3,296			
				Interest \$241.25 million (18.45 million US dollars)										
		0.01 million US dollars taxes and trustee, fees		Taxes and trustee fees \$0.12 million (0.01 million US dollars)										
SE 405 High Tension Compensation	8.59 million US dollars	2.19 million US dollars interest	8.59 millones de dólares estadounidenses	Main \$172.31 million (8.59 million US dollars)	up to year 2013				5,876		452			
				Interest \$28.61 million (2.19 million US dollars)										
CC El Sazur Conversion from T. G. to C. C.	54.49 million US dollars	15.65 million US dollars interest	54.49 millones de dólares estadounidenses	Main \$588.60 million (45.01 million US dollars)	up to year 2015	712,514	\$	61,958	\$	61,643	123,286	4,738	9,476	
				Interest \$197.86 million (15.13 million US dollars)					4,738					
L. T. 414 North - Western	63.01 million US dollars dollars	19.49 million US dollars dollars interest	63.01 millones de dólares estadounidenses	Main \$785.16 million (60.35 million US dollars)	up to year 2018	823,963	\$	34,803	\$	77,347	34,627	5,945	2,662	
				Interest \$253.97 million (19.42 million US dollars)					2,661					
L. T. 502 Eastern-North	3.80 million US dollars dollars	1.16 million US dollars dollars	3.80 millones de dólares estadounidenses	Main \$42.22 million	up to year	49,675	\$	4,967	\$	4,942	7,413	380	570	

Type of asset	Value of the credit dollars	Amount of payments agreed upon equivalent to the rents		Term of contract up to year 2014	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)				
		Interest, taxes others and trustee fees dollars interest	Main 31.71 millones de dólares estadounidenses			Payments up to December 31, 2013 Main \$404.80 million (30.96 million US dollars) Interest \$108.69 million (8.31 million US dollars)	Local Currency		Foreign Currency		Local Currency		Foreign Currency	
							Short-term \$ 9,865	Long-term \$.	Short-term 754	Long-term .	Short-term 30,443	Long-term 9,815	Short-term 2,340	Long-term 754
SE 504 North - Western	31.71 million US dollars	8.33 million US dollars	31.71 millones de dólares estadounidenses	up to year 2014	414,667	\$ 9,865	\$.	754	.	30,443	9,815	2,340	754	
C. C. I. Baja California Sur I	51.91 million US dollars	16.23 million US dollars	51.91 millones de dólares estadounidenses	up to year 2018	678,853	\$ 67,581	\$ 104,416	5,168	7,985	67,238	171,123	5,168	13,153	
L. T. 610 Northwest-North Transmission	22.17 million US dollars	7.50 million US dollars	22.17 millones de dólares estadounidenses	up to year 2018	289,890	\$ 32,210	\$ 16,105	2,463	1,232	32,046	48,070	2,463	3,695	
L. T. 612 North-Northeast Subtransmission	5.01 million US dollars	1.53 million US dollars	5.01 millones de dólares estadounidenses	up to year 2015	65,545	\$ 6,555	\$ 3,277	501	251	6,521	9,782	501	752	
L. T. 613 Western Subtransmission	6.65 million US dollars	2.25 million US dollars	6.65 millones de dólares estadounidenses	up to year 2018	86,914	\$ 9,657	\$ 4,829	739	369	9,609	14,412	739	1,108	

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)				
		Interest, taxes others and trustee fees	Main				Short-term	Long-term	Foreign Currency	Local Currency	Short-term	Long-term	Foreign Currency	Local Currency	
L. T. 614 Eastern Subtransmission	12.17 million US dollars dollars	3.67 million US dollars dollars Interest	12.17 millones de dólares estadounidenses	Interest	up to year 2015	159,188	\$	15,919	\$	7,959	1,217	609	23,797	1,217	1,826
				\$28.68 million (2.19 million US dollars)											
				Main \$135.31 million (10.35 million US dollars)											
L. T. 712 Associated Transmission Network W. of CCI Baja California Sur	21.18 million US dollars dollars	5.52 million US dollars dollars Interest	21.18 millones de dólares estadounidenses	Interest	up to year 2014	276,945	\$	13,847	\$	-	1,099	-	13,777	2,118	1,059
				\$46.65 million (3.57 million US dollars)											
				Main \$263.10 million (20.12 million US dollars)											
SE 607 Bajío - Oriental System	4.65 million US dollars dollars	1.27 million US dollars dollars Interest	4.65 millones de dólares estadounidenses	Interest	up to year 2018	60,818	\$	3,201	\$	-	245	-	3,185	490	245
				\$71.90 million (5.50 million US dollars)											
				Main \$57.62 million (4.41 million US dollars)											
Supply of Steam to the Plants of Cerro Prieto	13.12 million US dollars	3.98 million US dollars Interest	13.12 millones de dólares estadounidenses	Interest	up to year 2015	171,600	\$	17,160	\$	8,580	1,312	656	25,609	1,312	1,968
				\$16.47 million (1.26 million US dollars)											
				Taxes and trustee fees \$0.06 million 0 million US dollars)											
				Main \$145.86 million (11.15 million US dollars)											
				Interest \$50.60 million (3.87 million US dollars)											

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)					
		Interest, taxes and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency			
							Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term		
OPF 062 CCE Pacific	259.36 million US dollars	64.88 million US dollars interest	259.36 millones de dólares estadounidenses	Main	up to year 2020	3,391,552	\$	357,005	\$	1,963,530	27,301	150,157	355,193	2,308,752	27,301	177,458
				\$1,071.02 million (81.90 million US dollars)												
				Interest \$422.09 million (32.28 million US dollars)												
				Taxes and trustee fees \$0.44 million (0.03 million US dollars)												
C.H. El Cajon	607.39 million US dollars	135.03 million US dollars interest	607.39 millones de dólares estadounidenses	Main	up to year 2036	7,942,470	\$	266,281	\$	5,858,185	20,363	447,993	264,929	6,093,367	20,363	468,357
				\$1 billion 818.00 million (139.03 million US dollars)												
				Interest \$1,101.41 million (84.23 million US dollars)												
				Taxes and trustee fees \$282.11 million (21.57 million US dollars)												
L. T. 710 Network Associated with CC Altamira V	12.96 million US dollars	4.03 million US dollars interest	12.96 millones de dólares estadounidenses	Main	up to year 2015	169,442	\$	18,827	\$	9,413	1,440	720	18,732	28,097	1,440	2,160
				\$141.20 million (10.80 million US dollars)												
				Interest \$51.10 million (3.91 million US dollars)												
RM Botello	5.71 million US dollars	1.84 million US dollars interest	5.71 millones de dólares estadounidenses	Main	up to year 2018	74,709	\$	8,301	\$	4,151	635	317	8,259	12,388	635	952
				\$62.26 million (4.76 million US dollars)												
				Interest \$23.39 million												

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013 (1.79 million US dollars)	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency			
							Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term		
RM Carbon II	7.00 million US dollars	2.34 million US dollars interest	7.00 millones de dólares estadounidenses	<u>Main</u> \$76.33 million (5.84 million US dollars)	up to year 2018	91,597	\$	10,177	\$	5,089	778	389	10,126	15,189	778	1,167
RM Dos Bocas	12.96 million US dollars	4.29 million US dollars interest	12.96 millones de dólares estadounidenses	<u>Main</u> \$141.26 million (10.80 million US dollars)	up to year 2018	169,514	\$	18,835	\$	9,417	1,440	720	18,739	28,109	1,440	2,161
RM Gomez Palacio	9.56 million US dollars	2.66 million US dollars interest	9.56 millones de dólares estadounidenses	<u>Main</u> \$ 106.22 million (8.12 million US dollars)	up to year 2015	124,966	\$	12,497	\$	6,248	956	478	12,434	18,650	956	1,433
RM Itzaczoquitlan	0.82 million US dollars	25 million US dollars interest	0.82 millones de dólares estadounidenses	<u>Main</u> \$8.98 million (0.69 million US dollars)	up to year 2018	10,772	\$	1,197	\$	598	92	46	1,191	1,786	92	137
RM Tuxpango	1.74 million US dollars	0.56 million US dollars interest	1.74 millones de dólares estadounidenses	<u>Main</u> \$18.97 million (1.45 million US dollars)	up to year 2018	22,765	\$	2,529	\$	1,265	193	97	2,517	3,775	193	290

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees	Main			Payments up to December 31, 2013		Local Currency		Foreign Currency		Local Currency		Foreign Currency	
						Interest		Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
RM CT Valley of Mexico	5.79 million US dollars	1.73 million US dollars interest	5.79 millones de dólares estadounidenses	up to year 2015	75,713	\$	7,571	\$	3,786	579	7,533	11,299	579	869	
RM CT Carbon II Units 2 and 4	4.04 million US dollars	1.31 million US dollars interest	4.04 millones de dólares estadounidenses	up to year 2018	52,863	\$	5,874	\$	2,937	449	5,844	8,766	449	674	
OPF 181 RM CN Laguna Verde	491.64 million US dollars	201.55 million US dollars interest	491.64 millones de dólares estadounidenses	up to year 2029	6,428,895	\$	357,161	\$	5,261,839	27,313	402,389	5,590,468	27,313	429,702	
OPF 222 CCC Reponteclacion CT Manzanillo-1 And 2	664.98 million US dollars	134.47 million US dollars interest	664.98 millones de dólares estadounidenses	up to year 2032	8,695,572	\$	641,977	\$	7,776,373	49,094	594,683	6,245,376	21,200	480,041	
TOTAL FOREIGN DEBT					3,773,179		24,021,440			4,116,814		26,060,486			

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 003 CCI Guerrero Negro II	310.44 million Mexican pesos	154.73 million Mexican pesos	310.44 millones de pesos	Main \$294.92 million Interest \$153.98 million	up to year 2014	310,444	15,522	-	31,044	15,522				
OPF 025 CG Los Azufres II And Geothermal Field	890.44 million Mexican pesos	382.27 million Mexican pesos	890.44 millones de pesos	Main \$827.07 million Interest \$369.09 million	up to year 2018	890,438	-	63,367	86,897					
OPF 026 C.H. Manuel Moreno Torres (2nd Stage)	509.20 million Mexican pesos	239.30 million Mexican pesos	509.20 millones de pesos	Main \$375.62 million Interest \$215.70 million	up to year 2018	509,202	48,981	92,598	43,853	40,981				
OPF 027 LT 406 Network Associated with Tuguan II, III And IV	31.43 million Mexican pesos	7.15 million Mexican pesos	31.43 millones de pesos	Main \$0 million Interest \$0.64 million	up to year 2018	31,429	-	31,429						
OPF 028 LT 407 Network Associated with Atlamira II, III And IV	430.07 million Mexican pesos	175.90 million Mexican pesos	430.07 millones de pesos	Main \$385.65 million Interest \$166.68 million	up to year 2018	430,073	-	44,428	40,594					
OPF 030 LT 411 National System	527.33 million Mexican pesos	226.28 million Mexican pesos	527.33 millones de pesos	Main \$488.87 million Interest \$218.28 million	up to year 2018	527,335	-	38,465	51,460					
OPF 031 LT 409 Manuel Moreno Torres Network Associated (2nd Stage)	2,027.16 million Mexican pesos	860.77 million Mexican pesos	2,027.16 millones de pesos	Main \$1,811.06 million Interest \$823.31 million	up to year 2018	2,027,159	48,715	166,384	195,871	49,715				
OPF 033 SE 402 Eastern - Peninsular	47.33 million Mexican pesos	17.11 million Mexican pesos	47.33 millones de pesos	Main \$40.23 million	up to year	47,329	4,733	2,366	4,733	7,099				

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees	Main				Local Currency	Short-term	Long-term	Foreign Currency	Local Currency	Short-term	Long-term	Foreign Currency	Local Currency	
				Interest \$16.86 million	2015											
OPF 038 CC El Sauc Conversion from TG to CC	668.35 million Mexican pesos	276.13 million Mexican pesos	668.35 millones de pesos pesos	Main \$605.80 million	up to year 2018	668,354	-	62,549		63,769						
				Interest \$262.19 million												
OPF SE 039 LT 414 North - Western	33.89 million Mexican pesos	7.71 million Mexican pesos	33.89 millones de pesos pesos	Main \$0 million	up to year 2018	33,887	-	33,887								
				Interest \$0.69 million												
OPF 040 LT 502 Eastern - North	125.88 million Mexican pesos	57.95 million Mexican pesos	125.88 millones de pesos pesos	Main \$113.29 million	up to year 2014	125,880	12,588	-		12,588		12,588				
				Interest \$57.20 million												
OPF 041 LT 506 Saltillo - Calada	2,156.81 million Mexican pesos	907.10 million Mexican pesos	2,156.81 millones de pesos pesos	Main \$2,012.08 million	up to year 2018	2,156,805	-	144,724		211,798						
				Interest \$877 million												
OPF 042 LT 715 Network Associated with the Plant Tamarizunchale	1,166.18 million Mexican pesos	432.47 million Mexican pesos	1,166.18 millones de pesos pesos	Main \$783.58 million	up to year 2018	1,166,182	120,551	262,047		120,351		322,323				
				Interest \$388.63 million												
OPF 043 LT 509 Network Associated with the Rio Bravo Plant	497.45 million Mexican pesos	223.55 million Mexican pesos	497.45 millones de pesos pesos	Main \$458.89 million	up to year 2018	497,449	13,683	24,872		49,745		13,683				
				Interest \$217.57 million												
OPF 045 SE LT 413 North - Western	406.93 million Mexican pesos	172.43 million Mexican pesos	406.93 millones de pesos pesos	Main \$334.24 million	up to year 2018	406,927	37,596	35,090		39,141		37,596				
				Interest \$163.76 million												

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)			
		Interest, taxes others and trustee fees	Main				Local Currency	Foreign Currency	Short-term	Long-term	Local Currency	Foreign Currency	Short-term	Long-term
OPF 047 SE 504 North - Western	147.16 million Mexican pesos	62.48 million Mexican pesos	147.16 millones de pesos pesos	Main \$147.16 million Interest \$62.48 million	up to year 2013	147,164	-	-	-	-	-	-	-	14,716
OPF 048 CCI Baja California Sur I	52.88 million Mexican pesos	12.27 million Mexican pesos	52.88 millones de pesos pesos	Main \$ 0 million Interest \$0.74 million	up to year 2018	52,878	-	52,878	-	-	-	-	-	-
OPF 049 LT 609 Northwestern - Western Transmission	1 billion 378.65 million Mexican pesos	527.75 million Mexican pesos	1,378.65 millones de pesos pesos	Main \$1 billion 102.92 million Interest \$506.15 million	up to year 2018	1,378,651	137,865	137,865	137,865	137,865	137,865	206,798	-	-
OPF 050 LT 610 Northwestern - North Transmission	1 billion 455.83 million Mexican pesos	649.78 million Mexican pesos	1,455.83 millones de pesos pesos	Main \$1 billion 117.44 million Interest \$608.95 million	up to year 2018	1,455,827	142,371	196,019	142,371	196,019	142,371	235,087	-	-
OPF 051 LT 612 North - Northwest Subtransmission	261.41 million Mexican pesos	90.64 million Mexican pesos	261.41 millones de pesos pesos	Main \$202.90 million Interest \$87.18 million	up to year 2016	261,406	26,735	31,775	26,735	31,775	26,735	58,510	-	-
OPF 052 LT 613 Western Subtransmission	237.45 million Mexican pesos	114.60 million Mexican pesos	237.45 millones de pesos pesos	Main \$193.29 million Interest \$108.47 million	up to year 2018	237,452	22,814	21,353	22,814	21,353	22,814	23,130	-	-
OPF 053 LT 614 Eastern Subtransmission	48.72 million Mexican pesos	19.31 million Mexican pesos	48.72 millones de pesos pesos	Main \$41.91 million Interest \$18.99 million	up to year 2016	48,715	4,890	1,918	4,890	1,918	4,890	6,808	-	-
OPF 054 LT 615 Peninsular Subtransmission	286.27 million Mexican pesos	113.60 million Mexican pesos	286.27 millones de pesos pesos	Main \$242.98 million	up to year 2016	286,271	29,162	14,128	29,162	14,128	29,162	43,290	-	-

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)		
		Interest, taxes others and trustee fees	Main				Local Currency	Foreign Currency	Local Currency	Foreign Currency	
											Short-term
				Interest \$111.53 million							
OPF 057 LT 1012 Transmission Network Associated Associated CCC Baja California	139.17 million Mexican pesos	34.69 million Mexican pesos	139.17 millones de pesos	Main \$73.25 million	up to year 2018	139,168	14,649	51,273		14,649	65,922
				Interest \$28.82 million							
OPF 058 SE 607 Bajío - Oriental System	810.22 million Mexican pesos	333.91 million Mexican pesos	810.22 millones de pesos	Main \$762.01 million	up to year 2018	810,224	4,606	43,613		80,696	4,606
				Interest \$323.32 million							
OPF 059 SE 611 Baja California - Northwestern Subtransmission	330.91 million Mexican pesos	112.47 million Mexican pesos	330.91 millones de pesos	Main \$247.06 million	up to year 2016	330,910	35,023	48,828		35,023	83,851
				Interest \$105.30 million							
OPF 060 SUV Steam Supply to Cerro Prieto Plants	1 billion 091.40 million Mexican pesos	393.56 million Mexican pesos	1,091.40 millones de pesos	Main \$894.92 million	up to year 2016	1,091,405	110,443	86,045		110,443	196,488
				Interest \$384.29 million							
OPF 061 CC Hermosillo Conversion from TG to CC	813.96 million Mexican pesos	279.22 million Mexican pesos	813.96 millones de pesos	Main \$642.60 million	up to year 2018	813,960	85,680	85,680		85,680	128,520
				Interest \$265.79 million							
OPF 062 CCE Pacific	4 billion 414.02 million Mexican pesos	1 billion 294.24 million Mexican pesos	4,414.02 millones de pesos	Main \$1,630.62 million	up to year 2019	4,414,016	543,539	2,239,861		543,539	2,335,208
				Interest \$801.80 million							
OPF 063 CH El Cajon	2 billion 491.18 million Mexican pesos	3 billion 205.97 million Mexican pesos	2,491.18 millones de pesos	Main \$566.90 million	up to year 2036	2,491,179	83,664	1,840,616		83,664	1,924,281
				Interest \$1 billion 244.45 million							
OPF 064 LT 723 Central Lines	70.93 million Mexican	23.13 million Mexican	70.93 millones de pesos	Main	up to	70,935	7,330	6,261		7,330	13,591

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract year	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)			Balances at December 31, 2012 (Thousands)							
		Interest, taxes others and trustee fees	Main				Local Currency	Short-term	Long-term	Foreign Currency	Local Currency	Short-term	Long-term	Foreign Currency			
	pesos	pesos	pesos	\$57.34 million	2016												
				Interest \$22.54 million													
OPF 065 LT 714 Transmission Network Associated with Ch El Cajon	747.40 million Mexican pesos	238.24 million Mexican pesos	747.40 millones de pesos pesos	Main \$517.03 million Interest \$217.75 million	up to year 2018	747,404	76,792	153,585		76,792	191,981						
OPF 066 LT 710 Transmission Network Associated with Altamira V	679.57 million Mexican pesos	273.21 million Mexican pesos	679.57 millones de pesos pesos	Main \$439.38 million Interest \$238.45 million	up to year 2018	679,567	68,422	171,768		68,422	187,206						
OPF 067 LT 710 Transmission Network Associated with la Laguna II	233.12 million Mexican pesos	113.23 million Mexican pesos	233.12 millones de pesos pesos	Main \$209.81 million Interest \$111.57 million	up to year 2014	233,119	23,312	-		23,312	23,312						
OPF 068 LT 718 Transmission Network Associated with Pacific	1 billion 206.46 million Mexican pesos	403.53 million Mexican pesos	1,206.46 millones de pesos pesos	Main \$311.65 million Interest \$192.09 million	up to year 2023	1,206,461	122,456	772,358		104,916	719,606						
OPF 069 LT 707 North - Northwest Subtransmission Pacific	378.59 million Mexican pesos	189.82 million Mexican pesos	378.59 millones de pesos pesos	Main \$359.66 million Interest \$188.91 million	up to year 2014	378,591	18,930	-		37,859	18,930						
OPF 070 LT 717 Riviera Maya	422.14 million Mexican pesos	205.20 million Mexican pesos	422.14 millones de pesos pesos	Main \$358.82 million Interest \$197.78 million	up to year 2018	422,139	42,214	21,107		42,214	42,214						
OPF 071 PRR Amata Safety Regulation Dam	144.42 million Mexican pesos	51.34 million Mexican pesos	144.42 millones de pesos pesos	Main \$122.76 million	up to year 2015	144,418	14,442	7,221		14,442	21,663						

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)			
		Interest, taxes others and trustee fees	Main				Local Currency	Short-term	Long-term	Local Currency	Short-term	Long-term
OPF 072 RM Adolfo López Mateos	329.18 million Mexican pesos	117.32 million Mexican pesos	329.18 millones de pesos	Main \$278.54 million Interest \$115.53 million	up to year 2015	329,182	33,764	16,882	33,764	50,647		
OPF 074 RM Botello	8.28 million Mexican pesos	1.94 million Mexican pesos	8.28 million Mexican pesos	Main \$0 million Interest \$0.10 million	up to year 2018	8,277	-	8,277				
OPF 075 RM Carbon II	52.19 million Mexican pesos	23.17 million Mexican pesos	52.19 millones de pesos	Main \$35.74 million Interest \$20.18 million	up to year 2018	52,191	4,204	12,250	4,204	4,204		
OPF 076 RM Carlos Rodríguez Rivero	205.00 million Mexican pesos	66.62 million Mexican pesos	205.00 millones de pesos	Main \$152.27 million Interest \$63.89 million	up to year 2016	204,997	21,091	31,637	21,091	52,728		
OPF 077 RM Carbon II	18.78 million Mexican pesos	4.40 million Mexican pesos	18.78 millones de pesos	Main \$0 million Interest \$0.23 million	up to year 2018	18,781	-	18,781				
OPF 078 RM Emilio Portes Gil	2.80 million Mexican pesos	1.40 million Mexican pesos	2.80 millones de pesos	Main \$2.66 million Interest \$1.40 million	up to year 2014	2,797	140	-	280	140		
OPF 079 RM Francisco Pérez Ríos	1,385.32 million Mexican pesos	408.04 million Mexican pesos	1,385.32 millones de pesos	Main \$76.93 million Interest \$337.11 million	up to year 2018	1,385,321	138,532	484,862	138,532	554,128		

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)			
		Interest, taxes others and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 080 RM Gomez Palacio	219.77 million Mexican pesos	66.36 million Mexican pesos	219.77 millones de pesos	Main \$161.93 million Interest \$63.35 million	up to year 2016	219,766	23,133	34,700			23,133	57,833		
OPF 082 RM Huinala	6.26 million Mexican pesos	2.02 million Mexican pesos	6.26 millones de pesos	Main \$5.27 million Interest \$1.99 million	up to year 2015	6,264	659	330			659	989		
OPF 083 RM Iztaczoquitlan	1.19 million Mexican pesos	0.28 million Mexican pesos	1.19 millones de pesos	Main \$0 million Interest \$0.01 million	up to year 2018	1,193	-	1,193						
OPF 084 RM Jose Aceves Pazos (Mazatlan II)	150.12 million Mexican pesos	42.17 million Mexican pesos	150.12 millones de pesos	Main \$110.62 million Interest \$39.48 million	up to year 2016	150,124	15,803	23,704			15,803	39,506		
OPF 087 RM Gral. Manuel Alvarez Moreno (Manzanillo)	525.50 million Mexican pesos	188.81 million Mexican pesos	525.50 millones de pesos	Main \$444.72 million Interest \$185.95 million	up to year 2015	525,495	53,851	26,925			53,851	80,776		
OPF 090 RM Puerto Libertad	142.41 million Mexican pesos	51.50 million Mexican pesos	142.41 millones de pesos	Main \$121.05 million Interest \$50.74 million	up to year 2015	142,408	14,241	7,120			14,241	21,361		
OPF 091 RM Punta Prieta	131.63 million Mexican pesos	43.86 million Mexican pesos	131.63 millones de pesos	Main \$92.14 million Interest \$40.54 million	up to year 2018	131,634	13,163	26,327			13,163	32,909		
OPF 092 RM Salamanca	344.54 million Mexican pesos	121.85 million Mexican pesos	344.54 millones de pesos	Main \$288.04 million Interest	up to year 2016	344,537	35,352	21,142			35,352	56,494		

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)	
		Interest, taxes others and trustee fees	Main				Local Currency	Foreign Currency	Local Currency	Foreign Currency
				\$119.71 million			Short-term	Long-term	Short-term	Long-term
OPF 093 RM Tuxpango	168.84 million Mexican pesos	60.97 million Mexican pesos	168.84 millones de pesos	Main \$131.31 million Interest \$57.67 million	up to year 2018	168,844	17,508	20,030	17,508	26,261
OPF 095 SE 722 North	83.36 million Mexican pesos	30.16 million Mexican pesos	83.36 millones de pesos	Main \$70.19 million Interest \$29.69 million	up to year 2015	83,355	8,774	4,387	8,774	13,161
OPF 098 SE 705 Capacitors	37.08 million Mexican pesos	13.14 million Mexican pesos	37.08 millones de pesos	Main \$31.52 million Interest \$12.94 million	up to year 2015	37,081	3,708	1,854	3,708	5,562
OPF 099 LT 708 Eastern Dynamic Compensation North	482.20 million Mexican pesos	182.28 million Mexican pesos	482.20 millones de pesos	Main \$385.76 million Interest \$174.73 million	up to year 2018	482,201	48,220	48,220	48,220	72,330
OPF 100 SLT 701 West - Central	863.33 million Mexican pesos	273.35 million Mexican pesos	863.33 millones de pesos	Main \$530.50 million Interest \$239.43 million	up to year 2018	863,327	89,113	243,716	89,113	288,273
OPF 101 SLT 705 Southeast Peninsular	321.31 million Mexican pesos	112.56 million Mexican pesos	321.31 millones de pesos	Main \$191.34 million Interest \$92.06 million	up to year 2019	321,310	32,647	97,319	32,647	129,967
OPF 102 SLT 703 Northeast - North	210.31 million Mexican pesos	69.56 million Mexican pesos	210.31 millones de pesos	Main \$155.50 million Interest \$65.33 million	up to year 2016	210,312	21,242	33,572	21,242	54,813
OPF 103 SLT 704 Baja California - Northwest	73.23 million Mexican pesos	26.15 million Mexican pesos	73.23 millones de pesos	Main	up to	73,235	7,709	3,854	7,709	11,563

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)		
		Interest, taxes others and trustee fees	Main				Local Currency	Foreign Currency	Local Currency	Foreign Currency	
											pesos
	pesos			\$61.67 million	year 2015						
				Interest \$25.74 million							
OPF 104 SLT 706 North System	1869.57 million Mexican pesos	620.16 million Mexican pesos	1869.57 millones de pesos pesos	Main \$1,241.99 million	up to year 2018	1,869,573	187,501	440,078	187,501	533,828	
				Interest \$560.34 million							
OPF 105 SLT 709 South System	1074.93 million Mexican pesos	379.88 million Mexican pesos	1074.93 millones de pesos pesos	Main \$848.63 million	up to year 2018	1,074,932	113,151	113,151	113,151	169,726	
				Interest \$362.15 million							
OPF 106 CC El Encino Conversion from TG to CC	809.85 million Mexican pesos	319.87 million Mexican pesos	809.85 millones de pesos pesos	Main \$526.40 million	up to year 2018	809,849	80,985	202,462	80,985	242,955	
				Interest \$283.50 million							
OPF 107 CCI Baja California Sur II	658.77 million Mexican pesos	192.03 million Mexican pesos	658.77 millones de pesos pesos	Main \$439.18 million	up to year 2016	658,772	73,197	146,394	73,197	182,992	
				Interest \$172.19 million							
OPF 108 LT 807 Durango I	370.59 million Mexican pesos	123.67 million Mexican pesos	370.59 millones de pesos pesos	Main \$281.61 million	up to year 2016	370,591	37,269	51,711	37,269	88,980	
				Interest \$119.15 million							
OPF 110 RM CCC Tula	57.43 million Mexican pesos	15.95 million Mexican pesos	57.43 millones de pesos pesos	Main \$41.90 million	up to year 2016	57,428	6,212	9,318	6,212	15,530	
				Interest \$15.03 million							
OPF 111 RM CG Cerro Prieto (US)	413.34 million Mexican pesos	196.26 million Mexican pesos	413.34 millones de pesos pesos	Main \$144.67 million	up to year 2019	413,338	41,334	227,336	41,334	248,003	
				Interest \$119.85 million							

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents Interest, taxes others and trustee fees		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 112 RM CT Carbon II Units 2 and 4	101.99 million Mexican pesos	33.37 million Mexican pesos	101.99 millones de pesos	Main \$75.90 million Interest \$30.49 million	up to year 2018	101,994	10,120	15,977		10,120	15,180			
OPF 113 RM CT Emilio Portes Gil Unit 4	389.24 million Mexican pesos	100.46 million Mexican pesos	389.24 millones de pesos	Main \$277.34 million Interest \$93.40 million	up to year 2017	389,238	42,648	69,230		42,648	111,897			
OPF 114 RM CT Francisco Perez Ries Unit 5	345.18 million Mexican pesos	115.86 million Mexican pesos	345.18 millones de pesos	Main \$241.63 million Interest \$107.80 million	up to year 2018	345,182	34,518	69,036		34,518	86,296			
OPF 117 RM CT Pending Add'l to Lopez Mateos Units 3, 4, 5, and 6	481.60 million Mexican pesos	142.88 million Mexican pesos	481.60 millones de pesos	Main \$317.60 million Interest \$129.84 million	up to year 2017	481,597	48,798	115,197		48,798	163,995			
OPF 118 RM Plutarco Elias Calles Units 1 and 2	224.01 million Mexican pesos	64.97 million Mexican pesos	224.01 millones de pesos	Main \$153.55 million Interest \$59.84 million	up to year 2017	224,010	23,623	46,838		23,623	70,461			
OPF 122 SE 811 Northwest	120.48 million Mexican pesos	39.01 million Mexican pesos	120.48 millones de pesos	Main \$90.36 million Interest \$37.44 million	up to year 2016	120,480	12,048	18,072		12,048	30,120			
OPF 123 SE 812 North Gulf	57.31 million Mexican pesos	18.25 million Mexican pesos	57.31 millones de pesos	Main \$42.23 million Interest \$17.42 million	up to year 2016	57,305	6,030	9,045		6,030	15,075			
OPF 124 SE 813 Bajío Division	582.59 million Mexican pesos	163.99 million Mexican pesos	582.59 millones de pesos	Main \$347.71 million	up to year 2018	582,587	58,975	175,899		58,975	234,873			

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)	
		Interest, taxes others and trustee fees	Main				Local Currency	Foreign Currency	Local Currency	Foreign Currency
OPF 126 SLT 801 Atlapilano	924.70 million Mexican pesos	284.85 million Mexican pesos	924.70 millones de pesos	Main \$619.36 million	up to year 2018	924,704	94,957	210,387	94,957	257,865
				Interest \$256.80 million						
OPF 127 SLT 802 Tamaulipas	776.33 million Mexican pesos	246.50 million Mexican pesos	776.33 millones de pesos	Main \$465.80 million	up to year 2018	776,331	77,633	232,899	77,633	271,716
				Interest \$215.39 million						
OPF 128 SLT 803 Noine	721.47 million Mexican pesos	209.91 million Mexican pesos	721.47 millones de pesos	Main \$477.33 million	up to year 2017	721,468	74,597	169,541	74,597	244,138
				Interest \$190.26 million						
OPF 130 SLT 806 Bajío	56 million Mexican pesos	346.30 million Mexican pesos	1,044.56 millones de pesos	Main \$576.94 million	up to year 2020	1,044,564	104,456	363,168	104,456	398,257
				Interest \$277.70 million						
OPF 132 CE La Venta II	1,178.20 million Mexican pesos	542.20 million Mexican pesos	1,178.20 millones de pesos	Main \$471.28 million	up to year 2022	1,178,204	78,547	628,376	78,547	667,649
				Interest \$411.77 million						
OPF 136 LT 904 Transmission Network Associated with the CE La Venta II	74.80 million Mexican pesos	29.91 million Mexican pesos	74.80 millones de pesos	Main \$52.36 million	up to year 2016	74,804	7,480	14,961	7,480	22,441
				Interest \$27.22 million						
OPF 138 SE 911 Northeast	98.36 million Mexican pesos	28.79 million Mexican pesos	98.36 millones de pesos	Main \$63.93 million	up to year 2017	98,359	9,836	24,590	9,836	34,426
				Interest \$26.12 million						

Type of asset	Value of the credit	Amount of payments		Payments up to December 31, 2013	Term of contract up to year 2019	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)					
		agreed upon equivalent to the rents					Local Currency	Foreign Currency	Local Currency	Foreign Currency				
		Interest, taxes others and trustee fees	Main								Short-term	Long-term	Short-term	Long-term
OPF 139 SE 912 East Division	160.79 million Mexican pesos	53.98 million Mexican pesos	Interest, taxes others and trustee fees	160.79 millones de pesos pesos	Main \$76.10 million Interest \$37.96 million	160,787	16,910	67,781	16,910	84,691				
OPF 140 SE 914 Central South Division	28.05 million Mexican pesos	8.52 million Mexican pesos		28.05 millones de pesos pesos	Main \$11.22 million Interest \$5.47 million	28,049	2,805	14,024	2,805	16,829				
OPF 141 SE 915 West	122.00 million Mexican pesos	32.85 million Mexican pesos		122.00 millones de pesos pesos	Main \$67.10 million Interest \$27.97 million	121,999	12,200	42,700	12,200	54,899				
OPF 142 SLT 901 Pacific	431.09 million Mexican pesos	118.51 million Mexican pesos		431.09 millones de pesos pesos	Main \$211.82 million Interest \$95.89 million	431,093	44,647	174,621	44,647	196,944				
OPF 143 SLT 902 Isthmus	893.03 million Mexican pesos	276.99 million Mexican pesos		893.03 millones de pesos pesos	Main \$519.03 million Interest \$237.44 million	893,033	89,434	284,564	89,434	329,281				
OPF 144 SLT 903 Cabo - North	619.45 million Mexican pesos	209.23 million Mexican pesos		619.45 millones de pesos pesos	Main \$419.28 million Interest \$188.13 million	619,448	64,749	135,417	64,749	167,791				
OPF 146 CH La Yesca	15,261.71 million Mexican pesos	16,247.38 million Mexican pesos		15,261.71 millones de pesos pesos	Main \$445.38 million Interest \$850.12 million	15,261,710	639,081	14,177,253	445,376	12,915,900				
OPF 147 CCC Baja California	1,157.02 million Mexican pesos	517.39 million Mexican pesos		1,157.02 millones de pesos pesos	Main \$520.66 million Interest	1,157,020	115,702	520,659	115,702	636,361				

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)	
		Interest, taxes others and trustee fees	Main				Local Currency	Foreign Currency	Local Currency	Foreign Currency
				\$346.55 million						
OPF 148 RFO Optic Fiber Network South Project	305.28 million Mexican pesos	85.96 million Mexican pesos	305.28 millones de pesos	Main \$209.36 million Interest \$77.86 million	up to year 2019	305,281	32,715	63,203	32,715	95,918
OPF 149 RFO Optic Fiber Network Central Project	491.87 million Mexican pesos	230.44 million Mexican pesos	491.87 millones de pesos	Main \$310.65 million Interest \$200.83 million	up to year 2018	491,868	51,776	129,439	51,776	155,327
OPF 150 RFO Optic Fiber Network North Project	512.87 million Mexican pesos	157.26 million Mexican pesos	512.87 millones de pesos	Main \$300.73 million Interest \$135.44 million	up to year 2020	512,871	51,287	160,858	51,287	186,501
OPF 151 SE 1006 Central South	201.32 million Mexican pesos	77.39 million Mexican pesos	201.32 millones de pesos	Main \$34.33 million Interest \$23.75 million	up to year 2022	201,320	20,132	146,860	20,132	166,992
OPF 152 SE 1005 Northwest	623.67 million Mexican pesos	155.71 million Mexican pesos	623.67 millones de pesos	Main \$260.57 million Interest \$110.91 million	up to year 2020	623,673	66,953	296,153	66,953	321,558
OPF 156 RM Infernillo	168.34 million Mexican pesos	41.72 million Mexican pesos	168.34 millones de pesos	Main \$69.31 million Interest \$28.29 million	up to year 2020	168,341	17,604	81,427	17,604	99,032
OPF 157 RM CT Francisco Perez Rios Units 1 and 2	1,367.95 million Mexican pesos	486.06 million Mexican pesos	1,367.95 millones de pesos	Main \$452.55 million Interest \$291.29 million	up to year 2019	1,367,947	133,313	782,083	133,313	799,880
OPF 158 RM CT Puerto Libertad Unit 4	142.73 million Mexican pesos	44.52 million Mexican pesos	142.73 millones de pesos	Main	up to	142,728	14,273	28,546	14,273	42,818

Type of asset	Value of the credit pesos	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013 \$99.91 million	Term of contract year 2016	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)	
		Interest, taxes others and trustee fees pesos	Main pesos				Local Currency	Foreign Currency	Local Currency	Foreign Currency
OPF 159 RM CT Valley of Mexico Units 5, 6, and 7	49.79 million Mexican pesos	12.89 million Mexican pesos	49.79 millones de pesos pesos	Main \$35.96 million Interest \$12.08 million	up to year 2016	49,791	5,532	8,299	5,532	13,831
OPF 160 RM CCC Samalayuca II	11.72 million Mexican pesos	3.33 million Mexican pesos	11.72 millones de pesos pesos	Main \$8.46 million Interest \$3.14 million	up to year 2016	11,718	1,302	1,953	1,302	3,255
OPF 161 RM CCC El Sauz	46.16 million Mexican pesos	13.91 million Mexican pesos	46.16 millones de pesos pesos	Main \$26.55 million Interest \$11.85 million	up to year 2018	46,162	4,616	15,001	4,616	17,309
OPF 162 RM CCC Huinala II	19.66 million Mexican pesos	5.27 million Mexican pesos	19.66 millones de pesos pesos	Main \$9.83 million Interest \$4.28 million	up to year 2018	19,655	1,966	7,862	1,966	8,845
OPF 163 SE 1004 Air Dynamic Compensation	171.76 million Mexican pesos	47.51 million Mexican pesos	171.76 millones de pesos pesos	Main \$126.56 million Interest \$44.85 million	up to year 2016	171,756	18,080	27,119	18,080	45,199
OPF 164 SE 1003 West Electric substation	477.84 million Mexican pesos	114.62 million Mexican pesos	477.84 millones de pesos pesos	Main \$62.40 million Interest \$39.96 million	up to year 2022	477,840	52,213	363,225	54,479	236,075
OPF 165 LT 1011 Transmission Network Associated with CCC San Lorenzo	63.38 million Mexican pesos	18.32 million Mexican pesos	63.38 millones de pesos pesos	Main \$34.87 million Interest \$15.78 million	up to year 2018	63,382	6,338	22,179	6,338	28,517

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)			
		Interest, taxes others and trustee fees	Main				Local Currency	Short-term	Long-term	Local Currency	Short-term	Long-term
OPF 166 SLT 1002 Compensation and Transmission Northeast - Southeast	700.56 million Mexican pesos	214.69 million Mexican pesos	700.56 millones de pesos	Main \$309.22 million Interest \$158.04 million	up to year 2019	700,557	70,747	320,593		70,747	341,882	
OPF 167 CC San Lorenzo Conversion from TG to CC	69.63 million Mexican pesos	17.38 million Mexican pesos	69.63 millones de pesos	Main \$0 million Interest \$0 million	up to year 2018	69,634	-	69,634				
OPF 168 LT 1001 Baja - Nogales Transmission Network	350.98 million Mexican pesos	105.75 million Mexican pesos	350.98 millones de pesos	Main \$228.14 million Interest \$95.72 million	up to year 2017	350,978	35,098	87,745		35,098	122,842	
OPF 170 LT 904 Transmission Network Associated with the CH 1, Yesca	1,098.41 million Mexican pesos	303.40 million Mexican pesos	1,098.41 millones de pesos	Main \$176.32 million Interest \$98.41 million	up to year 2022	1,098,410	109,841	812,247		109,841	922,088	
OPF 176 LT 904 Transmission Network Associated with the CC, Agua Prieta II	458.32 million Mexican pesos	162.17 million Mexican pesos	458.32 millones de pesos	Main \$51.27 million Interest \$27.67 million	up to year 2022	458,318	47,888	359,161		6,763	57,483	
OPF 177 LT 904 Transmission Network Associated with the CE, La Venta III	15.36 million Mexican pesos	4.58 million Mexican pesos	15.36 millones de pesos	Main \$6.14 million Interest \$2.92 million	up to year 2019	15,357	1,536	7,679		1,536	9,214	
OPF 181 RM CN Laguna Verde	1 billion 836.95 million Mexican pesos	366.90 million Mexican pesos	1,836.95 millones de pesos	Main \$0 million Interest \$257.28 million	up to year 2016	1,836,950	696,770	1,140,180			1,836,950	
OPF 182 RM CT Puerto Libertad Units 2 and 3	332.70 million Mexican pesos	86.78 million Mexican pesos	332.70 millones de pesos	Main \$179.18 million	up to year	332,703	34,116	119,405		34,116	153,520	

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)	
		Interest, taxes others and trustee fees	Main				Local Currency	Foreign Currency	Local Currency	Foreign Currency
				Interest	2018		Short-term	Long-term	Short-term	Long-term
				\$73.13 million						
OPF 183 RM CT Punta Prieta Unit 2	61.56 million Mexican pesos	17.67 million Mexican pesos	61.56 millones de pesos pesos	Main	up to year 2018	61,557	6,156	24,623	6,156	27,700
				\$30.78 million						
				Interest						
				\$14.56 million						
OPF 185 SE 1110 North Capacitative Compensation	97.46 million Mexican pesos	24.13 million Mexican pesos	97.46 millones de pesos pesos	Main	up to year 2021	97,460	10,247	61,994	14,572	67,517
				\$25.62 million						
				Interest						
				\$11.91 million						
OPF 188 SE 1116 Northeast Transformation	2 billion 153.94 million Mexican pesos	823.20 million Mexican pesos	2,153.94 millones de pesos pesos	Main	up to year 2022	2,153,939	222,383	1,534,717	163,186	1,127,142
				\$396.84 million						
				Interest						
				\$335.45 million						
OPF 189 SE 1117 Guaymas Transformation	206.67 million Mexican pesos	56.18 million Mexican pesos	206.67 millones de pesos pesos	Main	up to year 2022	206,672	21,216	132,238	23,438	171,232
				\$33.22 million						
				Interest						
				\$20.84 million						
OPF 190 SE 1120 Northwest	515.04 million Mexican pesos	149.79 million Mexican pesos	515.04 millones de pesos pesos	Main	up to year 2023	515,042	53,033	364,699	43,998	307,987
				\$97.31 million						
				Interest						
				\$64.84 million						
OPF 191 SE 1121 Baja California	29.27 million Mexican pesos	6.34 million Mexican pesos	29.27 millones de pesos pesos	Main	up to year 2020	29,270	3,213	19,280	4,820	20,887
				\$6.78 million						
				Interest						
				\$3.12 million						
OPF 192 SE 1122 North Gulf	351.40 million Mexican pesos	146.36 million Mexican pesos	351.40 millones de pesos pesos	Main	up to year 2019	351,404	36,764	204,350	36,764	220,581
				\$110.29 million						
				Interest						
				\$78.55 million						

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)			Balances at December 31, 2012 (Thousands)				
		Interest, taxes others and trustee fees	Main				Local Currency	Short-term	Long-term	Foreign Currency	Local Currency	Short-term	Long-term	Foreign Currency
OPF 193 SE 1123 North	49.51 million Mexican pesos	11.99 million Mexican pesos	49.51 millones de pesos	Main \$14.85 million Interest \$7.02 million	up to year 2020	49,509	4,951	29,705				4,951	34,656	
OPF 194 SE 1124 Bajío Central	481.87 million Mexican pesos	121.23 million Mexican pesos	481.87 millones de pesos	Main \$79.06 million Interest \$47.61 million	up to year 2022	481,872	50,441	352,372				48,511	262,932	
OPF 195 SE 1125 Distribution	1005.86 million Mexican pesos	321.32 million Mexican pesos	1005.86 millones de pesos	Main \$278.35 million Interest \$156.55 million	up to year 2022	1,005,857	102,498	625,011				104,931	725,077	
OPF 197 SE 1127 Southeast	194.62 million Mexican pesos	57.13 million Mexican pesos	194.62 millones de pesos	Main \$65.55 million Interest \$31.70 million	up to year 2020	194,615	19,470	109,594				19,470	129,064	
OPF 198 SE 1128 Central South	266.54 million Mexican pesos	66.68 million Mexican pesos	266.54 millones de pesos	Main \$182.42 million Interest \$9.19 million	up to year 2023	266,541	28,125	219,995				11,835	65,814	
OPF 199 SE 1129 Network Compensation	140.91 million Mexican pesos	39.70 million Mexican pesos	140.91 millones de pesos	Main \$58.37 million Interest \$26.40 million	up to year 2020	140,909	14,397	68,139				14,397	82,536	
OPF 200 SLT 1111 Central - West Transmission and Transformation	834.48 million Mexican pesos	274.09 million Mexican pesos	834.48 millones de pesos	Main \$13.69 million Interest \$34.62 million	up to year 2023	834,480	85,688	735,103				22,180	188,077	
OPF 201 SLT 1112 Northwest Transmission and Transformation	24.02 million Mexican pesos	5.46 million Mexican pesos	24.02 millones de pesos	Main \$0 million Interest	up to year 2018	24,015		24,015						

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)			Balances at December 31, 2012 (Thousands)							
		Interest, taxes others and trustee fees	Main				Local Currency	Short-term	Long-term	Foreign Currency	Local Currency	Short-term	Long-term	Foreign Currency			
				\$0.48 million													
OPF 202 SLT 1114 East Transmission and Transformation	1,180.74 million Mexican pesos	365.86 million Mexican pesos	1,180.74 millones de pesos	Main \$69.04 million	up to year 2023	1,180,738	125,783	985,918									
OPF 203 SLT 1118 North Transmission and Transformation	237.47 million Mexican pesos	60.21 million Mexican pesos	237.47 millones de pesos	Main \$129.53 million	up to year 2018	237,472	24,997	82,942	24,997	107,940							
OPF 204 SLT 1119 Southeast Transmission and Transformation	1,339.02 million Mexican pesos	523.40 million Mexican pesos	1,339.02 millones de pesos	Main \$361.16 million	up to year 2020	1,339,020	144,463	833,401	144,463	897,125							
OPF 205 SLV Supply from 970 T/H a the Central Plants of Cerro Prieto	1,499.99 million Mexican pesos	523.84 million Mexican pesos	1,499.99 millones de pesos	Main \$485.26 million	up to year 2020	1,499,987	151,554	863,170	151,554	903,275							
OPF 206 SE 1206 Conv- To 400 KV from the LT Mazatlan II - La Higuera	564.38 million Mexican pesos	264.22 million Mexican pesos	564.38 millones de pesos	Main \$225.75 million	up to year 2019	564,381	56,438	282,191	56,438	310,410							
OPF 207 SE 1213 Network Compensation	482.54 million Mexican pesos	166.23 million Mexican pesos	482.54 millones de pesos	Main \$133.77 million	up to year 2020	482,537	48,634	300,130	50,297	310,789							
OPF 209 SE 1212 South - Peninsular	469.97 million Mexican pesos	137.23 million Mexican pesos	469.97 millones de pesos	Main \$64.74 million	up to year 2023	469,971	47,822	357,404	33,918	212,370							
OPF 210 SLT 1204 Conversion to 400 KV of the	1,699.98 million Mexican	405.78 million Mexican	1,699.98 millones de pesos	Main	up to	1,699,983	173,330	1,020,431	189,987	1,177,104							

Type of asset	Value of the credit	Amount of payments		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)	
		agreed upon equivalent to the rents					Local Currency	Foreign Currency	Local Currency	Foreign Currency
		Interest, taxes others and trustee fees	Main							
Peninsular Area	pesos	pesos	pesos	\$506.22 million	year 2020		Short-term	Long-term	Short-term	Long-term
				Interest \$232.50 million						
OPF 211 SLT 1203 East - Southeast Transmission and Transformation	2,143.25 million Mexican pesos	571.88 million Mexican pesos	2,143.25 millones de pesos pesos	Main \$588.63 million	up to year 2022	2,143,246	217,298	1,337,318	215,050	1,518,419
				Interest \$285.12 million						
OPF 212 SE 1202 Energy Supply to the Manzanillo Zone	449.76 million Mexican pesos	148.47 million Mexican pesos	449.76 millones de pesos pesos	Main \$111.05 million	up to year 2020	449,763	48,766	289,947	59,632	303,464
				Interest \$74.40 million						
OPF 213 SE 1211 Northwest - Central	309.55 million Mexican pesos	83.91 million Mexican pesos	309.55 millones de pesos pesos	Main \$39.64 million	up to year 2023	309,550	30,955	238,956	8,233	54,048
				Interest \$20.57 million						
OPF 214 SE 1210 North - Northwest	1,026.09 million Mexican pesos	294.54 million Mexican pesos	1,026.09 millones de pesos pesos	Main \$196.55 million	up to year 2022	1,026,089	107,421	722,118	128,043	713,697
				Interest \$133.49 million						
OPF 215 SLT 1201 Baja California Transmission and Transformation	485.96 million Mexican pesos	195.13 million Mexican pesos	485.96 millones de pesos pesos	Main \$101.48 million	up to year 2022	485,960	50,349	334,133	39,276	249,651
				Interest \$85.78 million						
OPF 216 RM CCC Poza Rica	178.40 million Mexican pesos	47.96 million Mexican pesos	178.40 millones de pesos pesos	Main \$9.39 million	up to year 2022	178,404	18,779	150,235		
				Interest \$7.30 million						
OPF 218 LT 1220 Tr Network Assoc with Pry de Open Temp and .ax ll, l	488.77 million Mexican pesos	184.83 million Mexican pesos	488.77 millones de pesos pesos	Main \$132.04 million	up to year 2020	488,773	52,815	303,922	52,815	327,399
				Interest \$95.02 million						

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 219 SLT Transmission Network Associated with Manzanillo I U-1 and 2	540.08 million Mexican pesos	148.58 million Mexican pesos	540.08 millones de pesos	Main \$81.01 million Interest \$50.70 million	up to year 2021	540,083	54,008	405,062		54,008	423,067			
OPF 222 CC Repotentialition CT Manzanillo I U-1 And 2	5,131.79 million Mexican pesos	1,474.80 million Mexican pesos	5,131.79 millones de pesos	Main \$1,010.20 million Interest \$359.37 million	up to year 2032	5,131,794	514,794	3,606,796		511,263	4,044,926			
OPF 223 LT Transmission Network Associated with Los Humeros II	59.10 million Mexican pesos	12.12 million Mexican pesos	59.10 millones de pesos	Main \$10.87 million Interest \$5.20 million	up to year 2020	59,103	6,891	41,345		10,336	44,791			
OPF 225 LT Transmission Network Associated with CI Guerrero Negro III	14.86 million Mexican pesos	6.89 million Mexican pesos	14.86 millones de pesos	Main \$3.72 million Interest \$3.32 million	up to year 2021	14,861	1,486	9,660		1,486	11,146			
OPF 227 CG Los Humeros II	1 billion 329.34 million Mexican pesos	348.64 million Mexican pesos	1,329.34 millones de pesos	Main \$69.97 million Interest \$45.66 million	up to year 2022	1,329,341	139,931	1,119,445						
OPF 228 LT Transmission Network Associated with CCC North II	258.77 million Mexican pesos	67.47 million Mexican pesos	258.77 millones de pesos	Main \$27.08 million Interest \$11.80 million	up to year 2023	258,766	27,223	204,466		27,239	231,527			
OPF 231 SLT 1304 East Transmission and Transformation	80.88 million Mexican pesos	24.52 million Mexican pesos	80.88 millones de pesos	Main \$28.31 million Interest \$14.45 million	up to year 2020	80,879	8,088	44,484		8,088	52,571			
OPF 233 SLT 1303 Baja - Northwest Transmission and Transformation	108.06 million Mexican pesos	32.66 million Mexican pesos	108.06 millones de pesos	Main \$37.82 million	up to year	108,064	10,806	59,435		10,806	70,241			

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)	
		Interest, taxes others and trustee fees	Main				Local Currency	Foreign Currency	Local Currency	Foreign Currency
				Interest	2020		Short-term	Long-term	Short-term	Long-term
				\$19.21 million						
OPF 236 CCI Baja California Sur III	1,215.68 million Mexican pesos	426.54 million Mexican pesos	1,215.68 millones de pesos	Main \$182.35 million	up to year 2022	1,215,678	121,568	911,759	121,568	1,033,327
				Interest \$90.43 million						
OPF 242 SE 1323 South Distribution	168.69 million Mexican pesos	37.06 million Mexican pesos	168.69 millones de pesos	Main \$37.49 million	up to year 2020	168,689	18,743	112,459	28,115	121,831
				Interest \$18.24 million						
OPF 243 SE 1322 Central Distribution	61.19 million Mexican pesos	13.43 million Mexican pesos	61.19 millones de pesos	Main \$13.60 million	up to year 2020	61,186	6,798	40,791	10,198	44,190
				Interest \$6.60 million						
OPF 244 SE 1321 Northeast Distribution	393.73 million Mexican pesos	96.70 million Mexican pesos	393.73 millones de pesos	Main \$100.37 million	up to year 2023	393,732	39,400	253,965	32,158	225,108
				Interest \$47.15 million						
OPF 245 SE 1320 Northwest Distribution	420.34 million Mexican pesos	116.64 million Mexican pesos	420.34 millones de pesos	Main \$55.67 million	up to year 2022	420,341	44,459	320,215	31,997	208,829
				Interest \$26.81 million						
OPF 247 SLT 1404 East Substations	168.01 million Mexican pesos	57.33 million Mexican pesos	168.01 millones de pesos	Main \$9.69 million	up to year 2022	168,015	18,626	139,697		
				Interest \$2.88 million						
OPF 248 SLT 1401 SES and LTS of the Baja California and Northwest	835.34 million Mexican pesos	266.25 million Mexican pesos	835.34 millones de pesos	Main \$84.73 million	up to year 2022	835,342	85,106	645,506	90,344	687,138
				Interest \$75.75 million						

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)					
		Interest, taxes others and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency	
							Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
OPF 250 SLT 1402 change of Tension of the Culiacan - Los Mochis LT	592.32 million Mexican pesos	144.27 million Mexican pesos	592.32 millones de pesos	Main \$75.83 million Interest \$57.40 million	up to year 2021	592,316	66,334	450,156	90,008	459,648				
OPF 251 SE 1421 South Distribution	80.77 million Mexican pesos	19.63 million Mexican pesos	80.77 millones de pesos	Main \$4.04 million Interest \$0.67 million	up to year 2023	80,769	8,077	68,654						
OPF 252 SE 1403 Compens. Capacitative of the Northwest - North Areas	92.43 million Mexican pesos	19.87 million Mexican pesos	92.43 millones de pesos	Main \$24.32 million Interest \$10.10 million	up to year 2020	92,429	9,729	58,376	14,290	63,546				
OPF 253 SE 1420 North Distribution	65.15 million Mexican pesos	23.04 million Mexican pesos	65.15 millones de pesos	Main \$6.86 million Interest \$3.76 million	up to year 2022	65,150	6,858	51,434						
OPF 260 SE 1520 North Distribution	8.19 million Mexican pesos	1.97 million Mexican pesos	8.19 millones de pesos	Main \$0.41 million Interest \$0.05 million	up to year 2023	8,189	819	6,961						
OPF 262 SLT 1601 Northwest - North Transmission and Transformation	206.69 million Mexican pesos	61.99 million Mexican pesos	206.69 millones de pesos	Main \$21.76 million Interest \$7.62 million	up to year 2022	206,687	21,757	163,174						
OPF 274 SE 1620 Valley of Mexico Distribution Northwest - North	11.40 million Mexican pesos	2.83 million Mexican pesos	11.40 millones de pesos	Main \$0 million Interest \$0 million	up to year 2023	11,400	1,200	10,200						
OPF 294 SLT 1702 Baja California Transmission and Transformation Northwest - North	11.40 million Mexican pesos	2.83 million Mexican pesos	11.40 millones de pesos	Main \$0 million	up to year 2023	44,168	4,649	39,519						

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)						
		Interest, taxes and trustee fees	Main				Local Currency		Foreign Currency		Local Currency		Foreign Currency		
							Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
				Interest \$0 million											
OPF 073 RM Alamilra	123.98 million Mexican	27.52 million Mexican	123.98 millones de UDIS	Main \$250.87 million pesos. \$ 49.59 UDIS Interest \$82.32 million pesos. \$ 16.27 UDIS	up to year 2019	627,178	62,718	313,589		60,435	362,612				
OPF 140 SE 914 Central South Division	30.33 million UDIS	11.37 million UDIS	30.33 millones de UDIS	Main \$37.03 million pesos. \$7.32 UDIS Interest \$23.43 million pesos. \$4.63 UDIS	up to year 2024	153,414	10,580	105,803		10,195	112,148				
OPF 147 CCC Baja California	285.09 million UDIS	69.14 million UDIS	285.09 millones de UDIS	Main \$648.99 million pesos. \$128.29 UDIS Interest \$234.29 million pesos. \$46.31 UDIS	up to year 2019	1,442,198	144,220	648,989		138,971	764,342				
OPF 152 SE 1005 Northwest	47.28 million UDIS	18.48 million UDIS	47.28 millones de UDIS	Main \$57.73 million pesos. \$11.41 UDIS Interest \$40.30 million pesos. \$7.97 UDIS	up to year 2024	239,166	16,494	164,942		15,894	174,833				
OPF 156 RM Infernillo	12.59 million UDIS	2.97 million UDIS	12.59 millones de UDIS	Main \$25.47 million pesos. \$5.04 UDIS Interest \$9.26 million pesos. \$1.83 UDIS	up to year 2019	63,684	6,368	31,842		6,137	36,820				
OPF 157 RM CT Francisco Perez Rios Units 1 and 2	133.69 million UDIS	31.90 million UDIS	133.69 millones de UDIS	Main \$249.16 million pesos. \$49.25 UDIS Interest	up to year 2019	676,287	71,188	355,941		68,597	411,584				

Type of asset	Value of the credit	Amount of payments agreed upon equivalent to the rents		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)		Balances at December 31, 2012 (Thousands)		
		Interest, taxes others and trustee fees	Main				Local Currency	Foreign Currency	Local Currency	Foreign Currency	
											Short-term
				\$96.80 million pesos. \$19.14 UDS							
OPF 167 CC San Lorenzo Conversion from TG to CC	407.87 million UDS	159.75 million UDS	407.87 millones de UDS	Main	up to year 2024	2,063,312	142,297	1,422,974		137,119	1,508,306
				\$498.04 million pesos. \$7.32 UDS							
				Interest \$23.43 million pesos. \$4.63 UDS							
OPF 191 SE 1121 Baja California	8.47 million UDS	3.13 million UDS	8.47 millones de UDS	Main	up to year 2024	42,857	2,857	28,572		2,753	30,285
				\$11.43 million pesos. \$2.26 UDS							
				Interest \$6.64 million pesos. \$1.31 UDS							
OPF 192 SE 1122 North Gulf	8.54 million UDS	3.02 million UDS	8.54 millones de UDS	Main	up to year 2024	43,214	3,375	29,715		3,252	31,886
				\$10.12 million pesos. \$2.00 UDS							
				Interest \$23.43 million pesos. \$4.63 UDS							
OPF 195 SE 1125 Distribution	51.69 million UDS	12.21 million UDS	51.69 millones de UDS	Main	up to year 2019	261,479	26,148	130,740		25,196	151,178
				\$104.59 million pesos. \$20.68 UDS							
				Interest \$38.03 million pesos. \$7.52 UDS							
OPF 199 SE 1129 Network Compensation	14.67 million UDS	5.71 million UDS	14.67 millones de UDS	Main	up to year 2024	74,189	4,946	49,459		4,766	52,425
				\$19.78 million pesos. \$3.91 UDS							
				Interest \$12.93 million pesos. \$2.56 UDS							
OPF 201 SLT 1112 Northwest Transmission and Transformation	92.22 million UDS	22.57 million UDS	92.22 millones de UDS	Main	up to year 2024	466,503	49,106	245,528		47,318	283,911
				\$171.87 million pesos. \$33.98 UDS							

Type of asset	Value of the credit	Amount of payments		Payments up to December 31, 2013	Term of contract	Total amount of the project (Thousands)	Balances at December 31, 2013 (Thousands)				Balances at December 31, 2012 (Thousands)					
		agreed upon equivalent to the rents					Local Currency	Foreign Currency	Short-term	Long-term	Local Currency	Foreign Currency	Short-term	Long-term		
		Interest, taxes others and trustee fees	Main													
OPF 203 SLT 1118 North Transmission and Transformation	40.21 million UDS	15.45 million UDS	40.21 millones de UDS	Main \$54.25 million pesos. \$10.72 UDS Interest \$24.44 million pesos. \$6.81 UDS	up to year 2024	203,419	13,561	135,613		13,068	143,745					
OPF 207 SE 1213 Network Compensation	27.23 million UDS	7.30 million UDS	27.23 millones de UDS	Main \$42.77 million pesos. \$8.46 UDS Interest \$18.98 million pesos. \$3.75 UDS	up to year 2024	137,773	13,919	81,081		13,412	91,543					
OPF 208 SE 1205 Eastern - Peninsular Compensation	28.13 million UDS	10.81 million UDS	28.13 millones de UDS	Main \$37.95 million pesos. \$7.50 UDS Interest \$24.09 million pesos. \$4.76 UDS	up to year 2024	142,313	9,485	94,873		9,140	100,564					
TOTAL INTERNAL DEBT						9,929,719	57,225,847		9,929,719	55,662,209						
TOTAL PIDREGAS EXTERNAL AND INTERNAL DEBT						\$ 13,652,898	\$ 81,849,296		\$ 13,385,680	\$ 81,322,695						
CEBURES							8,821			100,140						
TOTAL PIDREGAS EXTERNAL AND INTERNAL DEBT AND CEBURES						\$ 13,652,898	\$ 81,858,117		\$ 13,385,680	\$ 81,432,835						

13. CONDITIONED INVESTMENT (INDEPENDENT ENERGY PRODUCERS OR PEE)

At December 31, 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 a lease

The Agency has evaluated that 22 of the contracts with independent producers have lease characteristics of the power generating plant, in accordance with IFRIC 4 "*Determination if an agreement contains a lease*" and IFRIC 12 "*Service Concession Agreements*". In turn, those leases qualify as financial leases in accordance with IAS 17 "*Leases*".

The lease agreements have a 25 year duration. The annual interest rate on those lease agreements is 11.19% on the average.

		<u>Minimum lease payments</u>	<u>Present value of lease payments</u>	
	<u>12/31/2013</u>	<u>12/31/2012</u>	<u>12/31/2013</u>	<u>12/31/2012</u>
Short-term	\$ 11,862,781	\$ 11,802,544	\$ 2,291,039	\$ 2,053,048
Between one and five years	50,416,820	59,012,721	15,962,156	14,262,059
More than five years	<u>123,410,291</u>	<u>122,783,637</u>	<u>66,373,822</u>	<u>69,935,238</u>
Final accumulated equity	<u>\$185,689,892</u>	<u>\$193,598,902</u>	<u>\$84,627,017</u>	<u>\$86,250,345</u>

At December 31, 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	Jun-00	242,685	182,227	7,322	\$ 2,382,890	\$ 107,787
CC HERMOSILLO	Oct-01	156,144	129,237	3,593	1,689,963	53,900
CC SALTILLO	Nov-01	152,383	120,216	3,983	1,572,009	58,229
TUXPAN II	Dec-01	283,133	235,225	6,356	3,075,914	94,905
EL SAUZ BAJIO	Mar-02	399,773	346,692	7,546	4,533,520	114,804
CC MONTERREY	Mar-02	330,440	239,494	10,146	3,131,741	143,476
CC ALTAMIRA II	May-02	233,234	207,599	3,791	2,714,665	58,543
CC Rio Bravo II	May-02	232,108	182,263	6,096	2,383,360	88,308
CC CAMPECHE	May-03	196,554	161,420	4,543	2,110,807	66,276
CC TUXPAN III Y IV	May-03	587,064	499,166	11,947	6,527,349	177,181
CC MEXICALI	Jul-03	569,345	435,708	15,849	5,697,534	224,588
CC CHIHUAHUA III	Sept-03	275,327	210,424	7,701	2,751,605	108,825
CC NACO NOGALES	Oct-03	238,016	156,520	8,379	2,046,737	113,522
CC ALTAMIRA III Y IV	Dec-03	600,897	479,067	15,171	6,264,519	216,698
RIO BRAVO III	Apr-04	312,602	267,964	6,115	3,504,029	89,799
CC LA LAGUNA II	Mar-05	367,578	321,322	6,634	4,201,761	97,271
CC RIO BRAVO IV	Apr-05	270,697	241,343	4,312	3,155,920	63,964
CC VALLADOLID III	Jun-06	288,160	251,668	5,443	3,290,938	78,359
CC TUXPAN V	Sept-06	284,997	263,871	3,465	3,450,506	51,821
CC ALTAMIRA V	Oct-06	532,113	504,345	4,783	6,595,069	73,276
CC TAMAZUNCHALE	Jun-07	482,562	445,110	6,326	5,820,476	93,244
CCC NORTH	Aug-10	450,097	415,606	8,303	5,434,666	116,263
Total					<u>\$82,335,978</u>	<u>\$ 2,291,039</u>

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 section, they set forth the obligation that CFE should only pay for the aeolian power generated and delivered; therefore, these contracts are not considered as financial leases, which are as follows:

C E Oaxaca I
C E Oaxaca II, III and IV
CE La Venta III

c) Service provider contracts.

Pemex-Valladolid Gas Pipeline
Terminal de Carbon

These service provider contracts are not considered as financial leases, since their characteristics do not comply with the provisions of IFRS of this particular treatment.

14. Taxes and fees payable

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

	2013	2012
Payable by CFE:		
Income Tax on		
distributable remaining balance	\$ 1,574,530	\$ 1,559,813
Income Tax for account of third parties	242,999	251,064
Contributions to the Mexican Institute of Social Security (includes Retirement Insurance)	620,068	599,980
National water use		
and exploitation rights	363,448	327,643
Payroll tax	39,334	31,378
Contributions to the Mexican National Workers' Housing Fund Institute	11,025	12,505
Subtotal	2,851,404	2,782,383
Withholdings by CFE		
Income Tax withheld from employees	524,000	469,529
Value added tax withholdings.	123,672	121,368
Income Tax on interest abroad	4,800	7,348
Income Tax on foreign residents	806	4,303
Five to the thousandth to contractors	24,738	70,983
Income tax on fees and leases	8,930	8,658
Two to the thousandth to contractors	1,535	13,822
Others	113	85
Subtotal	688,594	696,096
Total	\$ 3,539,998	\$ 3,478,479

15. Unrealized proceeds

At December 31, 2013 and 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>
Contributions Government	\$ 1,447,646	\$ 1,888,980
Contributions from private persons	16,993,870	11,479,712
Contributions Others	<u>1,097,096</u>	<u>667,637</u>
	<u>19,538,612</u>	<u>14,036,329</u>
Electric power products and other related products	11,738	11,889
Unrealized products optic fiber	<u>909,505</u>	<u>953,337</u>
	<u>\$ 20,459,855</u>	<u>\$ 15,001,555</u>

16. Other long-term liabilities

In fiscal 2010, the entity upgraded a technical - economic study to realize the dismantling of the Laguna Verde Nuclear Power Station, supported on studies realized by international companies about the dismantling of similar plants in order to determine the necessary provisions. As a result of that that upgrading, a provision was determined in the amount of 809.6 million US dollars, which 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 provision for other liabilities mainly includes the liability for dismantling the Laguna Verde Nuclear Power Station at December 31, 2013, which at present value amounts to \$3,563,166.

17. Employee benefits

Employee benefit plans have been established relative to the termination of the employer - employee relationship and for retirement due to causes other than restructuring. Retirement benefit plans consider based the years of service completed by the employee and their remuneration at the date of retirement. Retirement plan benefits include the seniority bonus that workers are entitled to receive upon termination of the employer - employee relationship, as well as other defined benefits.

Actuarial valuations of the plan assets and present value of defined benefit obligations were realized by independent actuaries, by using the projected unit credit method.

- a. The economic hypotheses in nominal and real terms used were:

	12/31/2013	12/31/2012
Discount rate	6.90%	6.30%
Expected rate of return on assets	3.50%	3.50%
Rate of salary increase	4.40%	3.50%

- b. Net cost of the period is summarized as follows :

	2013	2012
Service cost of the year	\$ 13,827,000	\$ 13,381,000
Financial cost	31,716,000	29,529,000
Recognition of prior services	3,146,000	2,779,618
Net actuarial gain or loss of the period (with a charge to patrimony-comprehensive loss)	30,423,326	2,876,382
Adjustment on early liquidation of obligations	-	6,616,000
Net cost for the period	<u>\$ 79,112,326</u>	<u>\$ 55,182,000</u>

The net actuarial gain or loss for the period amounting to \$30,423,326 in 2013 is due to the variations in the assumptions used by the actuary to determine the labor liability, as a result of the growth of the average salary rate of workers and the increase in retirements.

The amount included as a liability in the statements of financial position in connection with the amount that the Agency has with respect to its defined benefit plans is summarized as follows:

	2013	2012
Defined benefit obligations	\$ 532,469,000	\$ 477,026,000
Fair value of plan assets	(4,940,000)	(5,363,000)
Funded status		
Projected net liability	<u>\$ 527,529,000</u>	<u>\$ 471,663,000</u>

- c. Reconciliation between opening and final balances of the present value of the Defined Benefit Obligation (DBO).

Item	2013	2012
Opening balance: (nominal)	\$ 477,026,000	\$ 446,865,473
Labor cost of present service	13,831,000	13,381,000
Financial cost	32,086,000	29,859,000
Actuarial gains and losses	2,777,000	8,787,527
Benefits paid	<u>(23,251,000)</u>	<u>(21,867,000)</u>
Defined benefit obligations	<u>\$ 532,469,000</u>	<u>\$ 477,026,000</u>

- d. Reconciliation between opening and final balances of fair value of plan assets.

	2013	2012
Opening balance: (nominal)	\$ 5,363,000	\$ 4,791,000
Return on assets included in plan	-	241,000
Expected returns	-	331,000
Early liquidations actuarial Gain or Loss AP	(370,000)	-
Defined benefit obligations	\$ 4,940,000	\$ 5,363,000

- e. Amortization period of unamortized items for the pension plan and seniority bonus for retirement or substitutive retirement.

Retirement benefits:

		Years
Seniority premium	Amendments of plan and wage growth	2.00
Pensions	Amendments of plan and wage growth	2.00

Termination benefits

Seniority premium	Amendment of plan	2.00
Compensations and Indemnifications	Amendments to plan	2.00

- f. Sensitivity analysis

For performing the sensitivity analysis, the amendment of +/- .5 points in the discount rate, so that the scenarios considered contemplate the following financial hypotheses:

Item	Scenario		
	Pessimistic	Base	Optimistic
Long-term inflation	3.5% annual	3.5% annual	3.5% annual
Discount rate	6.4% annual	6.9% annual	7.4% annual
Rate of salary increase	4.4% annual	4.4% annual	4.4% annual
Minimum wage rate of increase	3.5% annual	3.5% annual	3.5% annual

Based on these hypotheses, the following liabilities were determined (amounts in millions of pesos):

Defined Benefit Obligation (BDO)	Scenario		
	Pessimistic	Base	Optimistic
Seniority premium	23,582	22,706	21,887
Indemnifications and compensations	1,764	1,706	1,652
Pensions and retirements	540,171	505,127	473,580
Seniority bonus	3,049	2,930	2,819
Total	568,565	532,469	499,938

The percentage differences of the liabilities determined in the two additional scenarios with respect to the base scenario are shown in the following charts:

Item	Scenario		Variation
	Base	Pessimistic	
Seniority premium	22,706	23,582	3.86%
Indemnifications and compensations	1,706	1,764	3.36%
Pensions and retirements	505,127	540,171	6.94%
Seniority bonus	2,930	3,049	4.05%
Total	532,469	568,565	6.78%

Item	Scenario		Variation
	Base	Optimistic	
Seniority premium	22,706	21,887	-3.61%
Indemnifications and compensations	1,706	1,652	-3.17%
Pensions and retirements	505,127	473,580	-6.25%
Seniority bonus	2,930	2,819	-3.79%
Total	532,469	499,938	-6.11%

As can be observed, in the case of the Pessimistic Scenario, the amount of the liability increases 6.78% with respect to the Base scenario, whereas there is a 6.11% decrease in comparison with the Optimistic Scenario.

g. Collective bargaining agreement

On August 18, 2008, the CFE and the Sole Union of Electricity Workers of the Mexican Republic (SUTERM) signed the CFE-SUTERM 20/2008 agreement about the pension regime for workers who joint 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%).
- 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 is increased by five years, except for those life lines that maintain the same number of years of service.

18. Patrimony

The restatement of equity is distributed among each one of its distinct components, as shown below

	2013			2012
	Par value	Restatement	Total	Total
Accumulated patrimony	\$ (125,618,729)	\$ 239,243,076	\$ 113,624,347	\$ 142,597,161
Revaluation surplus		141,320,040	141,320,040	
Payment of public use tax				
Federal Revenue Law of the				
Federal Government	(30,600,000)		(30,600,000)	(24,757,200)
Contributions received from				
Federal Government	23,126,100		23,126,100	15,000,000
Charge to equity for				
benefits	(33,299,708)		(33,299,708)	(2,876,382)
Effect of financial				
instruments on patrimony:	(640,887)		(640,887)	(1,603,750)
Net income for the period	(37,552,354)		(37,552,354)	(19,215,614)
	<u>\$ (204,585,578)</u>	<u>\$ 380,563,116</u>	<u>\$ 175,977,538</u>	<u>\$ 109,144,215</u>

19. Other (expenses) income, net

At December 31, 2013 and 2012, other net (expenses) income are summarized as follows:

	2013		2012
Other revenue	\$ 7,955,348	\$	7,889,433
Other expenses	(3,138,984)		(4,171,530)
External electric power producers, net	382,287		71,125
Total	\$ 5,198,651	\$	3,789,028

20. Income tax on the distributable remaining balance

In accordance with the provisions of the Income Tax Law in effect up to December 31, 2013, 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, 2013 and 2012, the Agency was subject to Income Tax on the distributable remaining balance in the amount of \$1,580,509 and \$1,579,611, respectively, which were determined in accordance with Article 95 last paragraph and Article 192 of the Income Tax Law in effect up to December 31, 2013.

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. That Law was repealed beginning January 1, 2014.

Accounting effects of the 2014 fiscal reform

The 2014 Fiscal Reform repeals the Income Tax Law in effect up to December 31, 2013, and it sets forth a new Income Tax Law that goes into effect beginning January 1, 2014. This new Law eliminates or limits a series of deductions that were permitted by the law that was repealed, with respect to investments, donations, payment to related parties, and payment to workers, among other things, as well as the elimination of various incentives and options for the determination of the tax as well as the tax consolidation regime. It further sets forth that the tax rate will be 30%.

The effectiveness of the new Law does not constitute a change of regime for the agency, since it is maintained as a non-taxpayer.

21. Transactions with the Federal Government

The main transactions carried out with the Federal Government in the years ended December 31, 2013 and 2012 were as follows:

	2013	2012
Rate Insufficiency	\$ 85,770,342	\$ 77,036,195
Less: Public us tax payable by CFE by applying a 9% rate on the net fixed assets in operation of the prior year	<u>46,012,501</u>	<u>44,779,134</u>
Net gain or loss on insufficiency and Public Use Tax	39,757,841	32,257,061
Less: Charge off of insufficiency not covered by the public use tax	<u>39,757,841</u>	<u>32,257,061</u>
	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The amount of public use taxes of 2013 and 2012 was calculated based on the Regulations of the Public Electric Power Service Law, which sets forth the concept of "net fixed asset in operation".

22. Comprehensive Income (Loss)

Comprehensive income and loss at December 31, 2013 and 2012, respectively, is summarized as follows:

	2013	2012
Loss as per statements of income	\$ (37,552,354)	\$ (19,215,614)
Effect of the period for financial instruments recorded in accumulated patrimony	962,863	(1,603,750)
Charge to Patrimony for employee benefits	(30,423,326)	(2,876,382)
Revaluation of Fixed Assets	<u>141,320,040</u>	<u>-</u>
	<u>111,859,577</u>	<u>(4,480,132)</u>
Comprehensive income (loss)	\$ <u><u>74,307,223</u></u>	\$ <u><u>(23,695,746)</u></u>

23. Foreign currency position

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

	2013					
	Assets			Liabilities		
	Cash and cash equivalents	Trade Suppliers	Internal debt	External debt	Leasing of equipment and PidiREGAS	Short position in foreign currency
US dollars	24,007	33,060	-	3,918,545	8,639,440	12,615,052
Euros	-	-	-	18,436	-	18,436
Japanese yen	39,795	-	-	36,741,767	-	36,701,972
Swiss francs	-	-	-	61,642	-	61,642
Swedish krona	-	-	-	7,623	-	7,623

	2012					
	Assets			Liabilities		
	Cash and cash equivalents	Trade Suppliers	Internal debt	External debt	Leasing of equipment and pidiREGAS	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

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 December 31, 2013 and 2012.

Foreign	2013	2012
US dollars	\$ 13.0765	\$ 13.0101
Euros	18.0194	17.1968
Japanese yen	0.1245	0.1507
Swiss francs	14.7058	14.2451
Swedish krona	13.0765	2.0007

24. Contingencies and commitments

Contingencies

The Agency has 35,282 lawsuits and administrative proceedings pending at December 31, 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

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.

During fiscal 2013, consumption was 40866 MMPC, which concurs with what was programmed.

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.

During fiscal 2013, consumption was 93,018 MMPC, which concurs with what was programmed.

3.- Natural gas supply contract at the delivery points of the CCC. Altamira V and the National Gas Pipeline System from a storage plant and reclassification in the Altamira Tamaulipas Mexico Zone, with the supplier Gas del Litoral, S. de R. L. de C. V.

During fiscal 2013, consumption was 129,135 MMPC, and the amount programmed was 188,292 MMPC.

The foregoing was due to some Force Majeure events, as well as tanker delays and cancellations of boats, Gas del Litoral has been incurring in a deficit in the delivery of gas on an average of 5,100,000 MMBtu/Month (4,850 MMPC/ Month): therefore, consumption does not coincide with what is programmable.

b. Financed Public Works Contracts

At December 31, 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 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:

<u>Project</u>	Capacity		Estimated amount of the contract stated in thousands of		<u>Operating stage</u>
	Km-c	MVA	US dollars	Pesos	
SE 1421 Distribution South F1 C2	8.9	50.0	10,400	135,996	September 2013
SE 1322 Distribution Central F2	47.5	20.0	8,400	109,843	December 2013
SLT 1601 T and T Northwest-North F2 C2	130.6		18,000	235,377	December 2013
SLT 1111 T and T Central Western F2	36.9	300.0	20,000	261,530	January 2014
SLT 1521 Distribution South F1	30	6.4	4,900	64,075	January 2014
SE 1110 Capacitative Compensation North F1 C2			16,400	214,455	January 2014
SLT 1203 T and T East Southeast F2	42.6	30.0	8,900	116,381	January 2014
SLT 1404 East Substations	48.6	325.0	16,700	218,378	February 2014
SLT 1405 Substation And Transmission lines of the Southeast Areas C2	64	300.0	31,600	413,217	February 2014
SLT 1114 T and T Eastern F1 C3	183.2	1000.0	82,000	1,072,273	March 2014
SLT 1201 T and T Baja California F4	3	40.0	7,200	94,151	March 2014
SE 1321 Distribution Northeast F6	49		13,700	179,148	March 2014
SLT 1704 Inter. Isolated Systems Guerrero Negro - Santa Rosalia	136.9		18,600	243,223	March 2014
SE 1620 Distribution Valley of Mexico F1	16.1	780.0	96,600	1,263,190	April 2014
SLT 1702 T and T Baja-North F1	119.8	200.0	21,700	283,760	April 2014
SLT 1112 T and T Northeast F2	201		53,900	704,823	May 2014
SE 1122 Gulf North (Dist) F2	19.5	30.0	8,100	105,920	June 2014
SE 1321 Distribution Northeast F2	29.9	30.0	11,000	143,842	July 2014
SLT 1421 Distribution South F3	3	40.0	9,600	125,534	July 2014
SLT 1702 T and T Baja-North F2	44.4	300	24,500	320,374	July 2014
SE 1801 Substations Baja Northwest F1		30	3,300	43,152	August 2014
SLT 1621 Distribution North-South F1		140	8,700	113,766	October 2014
SLT 1703 Conversion to 400 kv of the Riviera Maya	15.2	1000	65,700	859,126	November 2014
SLT 1604 Ayotla Chalco	9.9	133.3	23,300	304,682	February 2014

Power stations:

Project	Estimated amount of the contract stated in thousands of			Operating Stage
	Capacity MVA	US dollars	Pesos	
CC Agua Prieta	394.1	251.7	3,291.36	April 2013
Solar Field at Project 171 CC Agua Prieta II	14.0	46.2	604.13	April 2013
CH La Yesca C2	750.0	1,304.0	17,051.76	July 2013
CCI Guerrero Negro III	11.0	25.3	330.84	September 2013
TG Baja California II F1 C2	134.5	103.9	1,358.65	October 2013
CCI Baja California Sur IV	42.3	91.2	1,192.58	December 2013
CCC Cogeneration Salamanca F1	373.1	319.9	4,183.17	February 2014
CC Power Station I	642.3	439.8	5,751.04	July 2014
CE Southeast Stage II	102.0	156.6	2,047.78	October 2014
CG Los Azufres III (Stage I)	50.0	69.8	912.74	December 2014

Rehabilitation and/or Modernization Projects

Project	Estimated amount of the contract stated in thousands of		Operating stage
	US dollars	Pesos	
RM CCC El Sauz Package I	150.00	1961.48	July 2017
RM CCC El Sauz Package I	8.70	113.77	July 2013
RM CCC Poza Rica	136.80	1788.87	October 2013
RM CT Altamira U1 AND 2	379.90	4967.76	July 2017

These projects are recorded under the PIDIREGAS scheme, and CFE applies the accounting policy described in Note 3-f. Long-term Productive Infrastructure Projects (PIDIREGAS)

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 3 (three) are not in the process of extinction.

1.2 In conformity with its purpose and operating characteristics, they can be defined in the following groups:

- Power saved
- Prior expenses
- Construction contract management
- 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 Publicos, S.N.C.;	CFE

The Trust for Thermal Insulation of Housing (FIPATERM) has assets amounting to \$1,244,604 and liabilities amounting to \$23,394.

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:

Trust	Equity of CFE			Type of projects
	Trustor	Beneficiary of the trust:	Trustee	
Management and transfer of ownership 20930, organized on Saturday, September 30, 2000	CFE	Primary beneficiary Winners of the contracts. Secondary beneficiary CFE	Banobras, S.N.C.	Conditioned investment

The Prior Expenses Management Trust has assets amounting to \$2,783,775 and liabilities amounting to \$2,461,949.

The Management and Transfer of Ownership Trust 2030 has assets amounting to \$ 376,281.

c. Construction contract management

Beginning in the decade of the 90s, the Federal Government implemented various off-budget schemes in order to continue to invest in infrastructure projects. Those schemes were designed under two modalities:

- Turnkey Projects (1990)
- Build, Lease, and Transfer Projects (CAT) (1996)

Turnkey Projects.- Under this scheme, plants works were carried out to generate electric power and transmission lines, through an irrevocable management and transfer of ownership trust, linked to a lease agreement. In this modality, the trustee discharges the following duties:

Contract credits, manage the trust property (assets), receive the rents from CFE, and transfer the asset to CFE gratuitously, once those rents have been covered in a sufficient amount to pay the credits contracted.

The CFE participates in the payment of the rents to the trustee, based on the credits contracted by the trust, and instructs the trustee to pay the contractors. In exchange, it receives invoices approved by the construction area, payment of taxes and other charges, including trustee fees.

These management and transfer of ownership were carried out in accordance with the "Guidelines for the realization of thermoelectric projects with off-budget funds", as well as the "Guidelines for the realization of transmission lines and substations with off-budget funds" issued by the Ministry of Public Office (formerly Ministry of Controllorship and Administrative Development).

The Trusts shown below have concluded with their payment commitments; therefore, they are only in the process of extinction.

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
**Topolobampo II (Electrolyser, S. A. de C. V.), organized on November 14, 1991	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.
SE 212 Substations SF6 Potencia, built on August 21, 1997	Siemens Proyecto de Energia, S.A. de C.V.	CFE	Nacional Financiera, S.N.C.
SE 213 Substations, built on August 25, 1997	Siemens Proyecto de Energia, S.A. de C.V.	CFE	Nacional Financiera, S.N.C.

Build, Lease and Transfer Projects (CAT).- The transition stage to carry out the trusts denominated CAT started in 1996, in which the trustee manages the trust property (assets) and transfers it to CFE once the rents have been covered. Credits are contracted directly with a Consortium which is a specific purpose company. An irrevocable management and transfer of ownership irrevocable trust exists for these purposes.

In this type of trusts, the CFE participates in the realization of the payment of rents based on quarterly amortization tables presented by the consortiums in their bids. Most of these tables include forty quarterly payments. The projects carried out under this modality and are in effect are as follows:

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
C. G. Cerro Prieto IV, built on November 28, 1997	Constructora Geotermo-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

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
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,
LT 215 Alstom CEGICA, built on December 5, 1997	CEGICA, S. A. de C. V.	CFE	BANCOMEXT
SE 218 Northwest, organized on December 5, 1997	Dragados y CYMI, S. A. de C. V.	CFE	BANCOMEXT
SE 221 Western, organized on November 7, 1997	SPE Subestaciones AEG, S. A. de C. V.	CFE	Nacional Financiera, S.N.C.

At December 31, 2013, CFE has liabilities amounting to \$6,298,268 and fixed assets amounting to \$18,522,911, applicable to the CATs of the trusts referred to above.

Terminal de Carbon de CT Presidente Plutarco Elias Calles

Trust	Equity of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Terminal de Carbon CT Presidente Plutarco Elias Calles (Petacalco), organized on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and TechintCompagnia Tecnica Internazionale S.P.A.	Primary beneficiary Carbonser, S.A. de C.V Secondary beneficiary: CFE	Banco Nacional de Mexico, S.A, (BANAMEX)

An irrevocable management, guaranty, and transfer of ownership trust agreement number 968001 was entered into in 1996, which, among other things, set forth that the trustee will enter into a service contract with CFE.

With the effectiveness of the coal management service contract between CFE and Banco Nacional de Mexico, S. A. (Banamex) as trustee of the Petacalco Trust, consisting of Techint Compagnia Tecnica Internazionale S.P.A., Grupo Mexicano de Desarrollo, S. A. de C. V., and Techint, S. A. signed on November 22, 1996, in accordance with the provisions of clause 8.1, Comision will pay the amounts of the invoices related to the fixed charge for capacity.

Installation	Book entry of a fixed charge for capacity of Jan-Dec 2013
Carbon Petacalco	\$80,316

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	Patrimony of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 161 created on October 2, 2003	ING (Mexico), S. A. de C. V., Casa de Bolsa, ING Grupo Financiero	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 194 created on May 3, 2004	Primary beneficiary ING (Mexico), S. A. de C. V. and Casa de Bolsa, ING Grupo Financiero Secondary beneficiary Deutsche Securities, S. A. de C. V. and Casa de Bolsa.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 290 created on April 7, 2006	Casa de Bolsa BBVA Bancomer, S. A. de C. V., Grupo Financiero BBVA Bancomer, HSBC Casa de Bolsa, S. A. de C. V., Grupo Financiero HSBC and IXE Casa de Bolsa, S. A. de C. V., IXE Grupo Financiero.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex
Trust No. 232246 created on November 3, 2006	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	HSBC Mexico, S.A., Grupo Financiero

Trust	Patrimony of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 411 created on August 6, 2009	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	Primary beneficiary Each one of the preferred holders of each issue Secondary beneficiary: CFE	Banamex

At December 31, 2013, there are funds available in trusts No. 232246 and No. 411 amounting to \$116,694.

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
6	C. T. Monterrey II	199818TOQ00850
7	C. G. Cerro Prieto IV	199818TOQ00860

25.- Off-balance sheet accounts

The off-balance sheet items presented in the balance sheet at December 31, 2013 and 2012 consist of the following items:

	2013	2012
Off-balance sheet accounts of Assets under Gratuitous Loan		
Assets	\$ 104,175,000	\$ 106,933,274
Liabilities	(104,175,000)	(106,933,274)
Off-balance sheet accounts of SAE portfolio management		
Assets	5,856,738	5,965,846
Liabilities	(5,856,738)	(5,965,846)
Total off-balance sheet items	<u>\$ 110,031,738</u>	<u>\$ 112,899,120</u>
Total off-balance sheet items liabilities	<u>\$ (110,031,738)</u>	<u>\$ (112,899,120)</u>

26. Segment information

At DECEMBER 31, 2013, CFE has a National Optic Fiber Network of 39,214.37 kilometers that are divided into an Internodal Network: 36,721.60 kilometers and Access Network and Local Access; 2,492.77 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 December 31, 2013 with respect to the expansion of the optic fiber network has shown an increase of only 64.08 Km with regard to December 31, 2013, derived from the services delivered.

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.

The CFE TELECOM segment described includes revenues mainly from rendering supply and leasing network capacity services and marketing the capacity acquired, with respect to other concessionaires nationwide with their own and/or leased infrastructure, as well as revenues obtained from adjustments and their costs incurred in each caption.

As a result of the telecommunications reform, it is foreseen that CFEE will assign its concession to Telecomunicaciones de Mexico to install, operate, and exploit a public telecommunications network, and it will transfer all the resources and equipment thereto that are required for operating and exploiting that network. In accordance with this reform, CFE retains the optic fiber network, indispensable for rendering electric service and, together with the operation, it will transfer the necessary resources for exploiting that network, in order to guarantee coverage of telecommunications services to all Mexicans.

Up to December 2013, 177 contracts have been signed with 123 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 Tuesday, December 31, 2013		
	ENERGY	CFE TELECOM	TOTAL
Revenues	\$ 318,409,598	\$ 830,315	\$ 319,239,913
Depreciation and amortization	36,234,508	1,024	36,235,532
Financial Cost	22,447,390	(4,966)	22,442,424
Operating loss	19,041,614	(313,542)	18,728,072
Investment in productive assets	954,227,581	18,824 (*)	954,246,405
Total assets	1,124,778,311	340,013	1,125,118,324

Item	At December 31, 2012		
	ENERGY	CFE TELECOM	TOTAL
Revenues	\$ 311,020,877	\$ 888,910	\$ 311,909,787
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	19,671	813,402,748
Total assets	989,778,844	145,293	989,924,137

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

(*) It only considers the cost of the administrative building, furniture and office equipment, and transportation assigned to the personnel of that area. The energy column includes the investment in the optic fiber network with a value at December 31, 2013 amounting to \$4,983,705.

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
Corporate Headquarters	\$ 992,069	\$ 1,217,675
Generation	378,516,841	333,048,266
Distribution	260,770,827	217,560,602
Transmission and Transformation	185,246,013	123,341,980
Optic Fiber	4,832,329	4,761,769
Control	550,886	641,626
Construction	1,262,197	1,131,005
	832,171,162	681,702,923
Equipment under lease agreements External Producers, Net	77,011,459	81,938,804
Dismounting of Laguna Verde Nuclear Station	284,685	299,250
Total property, plants and equipment (net)	\$ 909,467,306	\$ 763,940,977

c. Revenues per division (geographical zone)

	2013	2012
2013 Baja California	\$ 18,167,707	\$ 18,213,177
Northwest	21,326,632	20,758,333
North	21,384,571	21,025,376
North Gulf	44,013,072	44,405,305
Central West	13,056,054	12,777,885
South Central	12,403,625	12,227,175
East	15,967,705	16,207,146
Southeast	13,125,346	12,732,233
Bajio	30,883,314	29,901,800
Central Gulf	14,478,764	14,322,565
East Central	18,298,539	17,916,496
Peninsular	13,782,851	13,135,017
Jalisco	20,579,046	20,080,950
North Valley of Mexico	17,948,100	17,553,664
Central Valley of Mexico	16,453,368	15,841,496
South Valley of Mexico	17,036,376	16,367,435
Subtotal retail sales	308,905,070	303,466,053
Block for resale	962,661	1,213,264
Other programs:		
Consumption in manufacturing process	364,614	(345,465)
Illegal Uses	1,258,191	1,470,263
Due to measurement failure	861,581	1,357,753
Due to billing error	3,136,992	1,639,514
	5,621,378	4,122,065
Other operating proceeds	2,920,489	2,219,495
Total operating proceeds	\$ 318,409,598	\$ 311,020,877

d. Revenues from homogeneous customer groups

	2013	2012
Retail sales		
Domestic service	\$ 59,382,988	\$ 59,974,307
Commercial service	39,286,398	39,087,677
Service for public lighting	18,586,006	16,510,626
Agricultural service	5,466,253	6,082,163
Industrial service	186,183,425	181,811,280
Total retail sales	308,905,070	303,466,053
Block for resale	962,661	1,213,264
Other programs:		
Consumption in manufacturing process	364,614	(345,465)
Illegal Uses	1,258,191	1,470,263
Due to measurement failure	861,581	1,357,753
Due to billing error	3,136,992	1,639,514
Total	5,621,378	4,122,065
Other operating proceeds	2,920,489	2,219,495
Total operating proceeds	\$ 318,409,598	\$ 311,020,877

The "Electric power services" segment mainly includes the sale of electric power utilities, which consists of generating, conducting, transforming, distributing, and supplying electric power to all users of the country, as well as planning and realizing all works, installations, and work required by the national electric system with respect to planning, execution, operation, and maintenance, with the participation of independent producers, in terms of the Electric Power Utilities Law and its Regulations.

27.- New accounting pronouncements

In order to advance with the updating of International Financial Reporting Standards, the International Accounting Standards Board (IASB) enacted the amendments to the Standards that have an effective date beginning January 1, 2014, which are described below:

IFRS 1 First-time Adoption of International Financial Reporting Standards
IFRS 2 Share-based Payment
IFRS 3 Business Combinations
IFRS 8 Operating Segments
IFRS 9 Financial Instruments
IFRS 13 Fair Value Measurement
IFRS 16 Property, Plant and Equipment
IFRS 19 Employee benefits
IAS 24 Related party disclosures
IAS 38 Intangible assets

IAS 40 Investment Properties
IFRIC 21 Levies

28. Issue of the financial statements

These financial statements were approved on March 13, 2014 by Enrique Ochoa Reza, Chief Executive Officer, Francisco J. Santoyo Vargas, Director of Finance; Oscar H. Lara Andrade, Deputy Director of Financial Control, and Román Castillo Morquecho, Accounting Manager, persons responsible for the Agency's Financial Information.



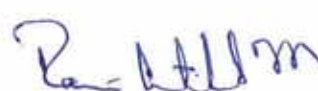
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Chief Executive Officer



Francisco J. Santoyo Vargas
Director of Finance



Oscar H. Lara Andrade
Deputy Director of Financial Control



Román Castillo Morquecho
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