Comision Federal de Electricidad,
Productive State Enterprise and subsidiaries

Unaudited condensed consolidated financial information

March 31, 2018

(With Independent Auditors' Report Thereon)

(Translation from Spanish Language Original)

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Independent Auditors' Report on review of condensed consolidated interim financial information

The Board of Directors
Comision Federal de Electricidad, State-Owned Productive Enterprise and subsidiaries:

Introduction

We have reviewed the accompanying March 31, 2018 condensed consolidated interim financial information of Comision Federal de Electricidad, State-Owned Productive Enterprise and subsidiaries ("the Entity"), which comprises the condensed consolidated statements of financial position as at March 31, 2018; and the related condensed consolidated statements of comprehensive (loss) income, changes in equity and cash flows for the three-months period ended March 31, 2018; and notes to the interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' (IAS 34). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying March 31, 2018 condensed consolidated interim financial information, is not prepared, in all material respects, in accordance with IAS 34.

KPMG CARDENAS DOSAL, S. C.

Eduardo Palomino

May 29, 2018

Aguascalientes, Ags.
Cancún, Q. Roo.
Ciudad de México.
Ciudad Juárez, Chih.
Culiacán, Sin.
Chihuahua, Chih.
Guadalajara, Jal.
Hermosillo, Son.
León, Gto.
Mérida, Yuc.
Mexicali, B.C.
Monterrey, N.L.
Puebla, Pue.
Querétaro, Qro.
Reynosa, Tamps.
Saltillo, Coah.
San Luis Potosí, S.L.P.
Tijuana, B.C.

Comision Federal de Electricidad,
Productive State Enterprise and subsidiaries

Unaudited condensed consolidated statement of financial position

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

Assets	**March 31 2018**	**December 31 2017 (As adjusted)**	**January 1 2017 (As adjusted)**
Current assets:			
Cash and cash equivalents (note 5)	$ 50,983,845	67,237,901	42,266,944
Accounts receivable, net (note 6)	100,076,043	85,332,209	55,678,158
Inventory of materials for operation, net (note 7)	11,475,510	14,642,993	14,025,765
Total current assets	162,535,398	167,213,103	111,970,867
Loans to employees	12,631,707	12,339,195	11,193,711
Plants, facilities and equipment, net (note 8)	1,244,802,153	1,252,938,487	1,287,172,275
Derivative financial instruments (note 10)	4,105,166	16,084,937	15,646,026
Intangible assets (note 9)	33,162,951	32,836,987	32,643,820
Deferred income tax (note 18)	76,867,662	76,867,662	-
	$ 1,534,105,037	1,558,280,371	1,458,626,699

Liabilities and equity	**March 31 2018**	**December 31 2017 (As adjusted)**	**January 1 2017 (As adjusted)**
Current liabilities:			
Current installments of documented debt (note 11)	$ 30,727,089	27,351,967	16,373,774
Current installments of PIDIREGAS debt and obligations for capital leases (note 12)	27,767,217	29,267,762	25,354,442
Other payables and accrued liabilities (note 13)	85,732,071	107,798,041	61,873,453
Taxes and duties payable (note 14)	5,616,364	5,305,326	3,111,857
Total current liabilities	149,842,741	169,723,096	106,713,526
Non current liabilities:			
Documented debt (note 11)	171,317,593	181,003,413	193,239,697
PIDIREGAS debt and obligations for capital leases (note 12)	218,596,460	220,153,214	220,741,910
Other long-term liabilities (note 15)	21,530,845	23,424,668	50,156,845
Long-term employees benefits (note 17)	363,209,391	361,780,339	361,114,287
Total long-term liabilities	774,654,289	786,361,634	825,252,739
Total liabilities	924,497,030	956,084,730	931,966,265
Equity:			
Contributions received from the Federal Government	5,251	5,251	5,251
Contributions in kind received from the Federal Government	95,004,417	95,004,417	95,004,417
Accumulated results	78,999,932	90,405,522	(15,601,570)
Other comprehensive income	420,143,754	416,780,451	447,252,336
Non-controlling interest (note 19(b))	15,454,653	-	-
Total equity	609,608,007	602,195,641	526,660,434
Contingent liabilities and commitments (note 21)			
	$ 1,534,105,037	1,558,280,371	1,458,626,699

See accompanying notes to unaudited condensed consolidated financial statements.

Comision Federal de Electricidad,
Productive State Enterprise and subsidiaries

Unaudited condensed consolidated statements of comprehensive (loss) income

Three-months periods ended March 31, 2018 and 2017

(Thousands of Méxican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

		2018	2017
Revenues:			
Electricity supply service revenue	$	72,844,864	85,843,613
Subsidy revenue		9,886,255	8,622,868
Fuel sale revenue		9,749,895	858,898
Energy transportation revenue		159,846	-
Other income, net (note 16)		473,904	32,862,545
Total revenues		93,114,764	128,187,924
Costs:			
Energy and fuel supplies		64,504,063	54,091,080
Salaries and related costs		16,130,904	15,746,060
Maintenance, materials and general services		4,704,453	6,721,068
Tax and duties		906,115	789,351
Wholesale Electrical Market costs (MEM)		642,502	914,000
Total costs		86,888,037	78,261,559
Income before other operating costs		6,226,727	49,926,365
Other operating costs:			
Employee benefits cost		11,500,153	14,425,643
Depreciation		14,042,386	11,817,945
Other expenses		1,917,937	1,310,560
Total other operating cost		27,460,476	27,554,148
Operating results		(21,233,749)	22,372,217
Financing results, net		11,339,228	13,960,024
(Loss) income before income taxes and other comprehensive (loss) income		(9,894,521)	36,332,241
Income taxes		1,511,069	-
Net (loss) income		(11,405,590)	36,332,241
Other comprehensive income		3,363,303	210,001
Comprehensive (loss) income	$	(8,042,287)	36,542,242

See accompanying notes to unaudited condensed consolidated financial statements.

Comision Federal de Electricidad,
Productive State Enterprise and subsidiaries

Unaudited condensed consolidated statements of changes in equity

For the three-months periods ended March 31, 2018 and 2017

(Thousands of Mexican pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

	Contributions received from the Federal Goverment	Contributions in kind received from the Federal Goverment	Accumulated results	Other comprehensive income	Non-controlling interest	Total
Balances as of January 1st, 2017	$ 5,251	95,004,417	(1,565,462)	447,252,336	-	540,696,542
Adjustment (note 23)	-	-	(14,036,108)	-	-	(14,036,108)
Balance as of January 1st, 2017 adjusted	5,251	95,004,417	(15,601,570)	447,252,336	-	526,660,434
Comprehensive income (note 19(a))	-	-	36,332,241	210,001	-	36,542,242
Balances as of March 31, 2017	$ 5,251	95,004,417	20,730,671	447,462,337	-	563,202,676
Balances as of January 1st, 2018	5,251	95,004,417	106,344,931	416,780,451	-	618,135,051
Adjustment (note 23)	-	-	(15,939,409)	-	-	(15,939,409)
Balances as of January 1st, 2018, adjusted	5,251	95,004,417	90,405,522	416,780,451	-	602,195,641
Non-controlling interest contribution (note 19(b))	-	-	-	-	15,454,653	15,454,653
Comprehensive income (note 19(a))	-	-	(11,405,590)	3,363,303	-	(8,042,287)
Balances as of March 31, 2018	$ 5,251	95,004,417	78,999,932	420,143,754	15,454,653	609,608,007

See accompanying notes to unaudited condensed consolidated financial statements.

Comision Federal de Electricidad,
Productive State Enterprise and subsidiaries

Unaudited condensed consolidated statements of cash flows

Three-months periods ended March 31, 2018 and 2017

(Thousands of pesos)

These financial statements have been translated from the Spanish language original and for the convenience of foreign/English-speaking readers.

		2018	2017
Cash flow from operating activities:			
Net (loss) income of the period before income taxes and other comprehensive (loss) income	$	(9,894,521)	36,332,241
Items relating to operating activities:			
Employee benefits cost		11,500,153	14,425,137
Items relating to investing activities:			
Depreciation		14,042,386	11,817,945
Disposals of plants, facilities and equipment		1,819,345	2,164,389
Unrealized foreign exchange loss, interest expense and changes in financial derivative instruments fair value		1,125,044	(11,049,471)
Subtotal		18,592,408	53,690,241
Changes in other operating assets and liabilities:			
Accounts receivable		(14,743,834)	(24,322,992)
Inventory of materials for operation		3,167,483	(4,927,218)
Taxes and duties payable		(1,200,032)	12,068,289
Other assets		(618,476)	(3,029,089)
Other payables and accrued liabilities		(23,959,794)	(20,172,836)
Payments for employee benefits		(10,071,101)	(9,487,000)
Net cash provided by operating activities		(28,833,346)	3,819,395
Cash flow from investing activities-Acquisitions of plants, facilities and equipment, net		(7,725,397)	(5,731,471)
Cash flow from financing activities:			
Proceeds from debt		18,621,677	7,233,506
Non-controlling interest contribution		15,454,653	-
Payments on debt		(5,233,894)	(8,494,973)
Interest paid		(7,169,653)	(4,453,152)
Proceeds from derivative financial instruments		(1,368,096)	(559,260)
Net cash provided by financing activities		20,304,688	(6,273,879)
Net decrease in cash and cash equivalents		(16,254,056)	(8,185,955)
Cash and cash equivalents:			
At beginning of period		67,237,901	42,266,944
At end of period	$	50,983,845	34,080,989

See accompanying notes to unaudited condensed consolidated financial statements.

1. Creation, purpose of the business of the Productive State Enterprise and relevant events.

- **Creation and purpose of the Entity.**

Comision Federal de Electricidad, Productive State Enterprise is a Mexican entity located in Mexico initially created as a Decentralized Public Entity of the Federal Government. It was created by Decree on August 14, 1937 published in the Official Gazette of the Federation ("DOF" for its acronym in Spanish) on August 24 of the same year. Its registered address is Paseo de la Reforma 164, Colonia Juarez, C. P. 06600, in Mexico City. These consolidated financial statements include those of Comision Federal de Electricidad, Productive State Enterprise and its subsidiaries (subsequently referred to as "the Entity" or "CFE").

Since its creation, the purpose of CFE has been to provide electricity-related services in Mexico, including generation, transformation, distribution, and commercialization of electricity to Mexican consumers.

The Comision Federal de Electricidad Law ("CFE Law") was published on August 11, 2014, and became effective on October 7, 2014. The CFE Law mandates the transformation of CFE into a Productive State Enterprise. ("EPE" for its acronym in Spanish)

From the date of its transformation into a Productive State Enterprise, the purpose of CFE has been to provide the public service of transmission and distribution of electricity on behalf of the Mexican state. CFE also generates and commercializes electricity and imports, exports, transports, storages and trades natural gas, among other activities.

- **Relevant events.**

<u>Trust in investment and infrastructure</u>

On Febraury 7, 2018 CFE promoted the creation of the first Investment Trust in Energy and Infrastructure or Fibra E, specialized in the Mexican electricity sector, placed fiduciary stock certificates for investment in energy and infrastructure through the Stock Exchange Mexican Securities. The issue was for a total of 16,388 million pesos and it is the first Fibra E in which national a foreign investors participated, highlighting participation of institutional investors, private banking, investment funds from Mexico, United States, Canada, Australia and Europe.

<u>Strict legal separation</u>

The terms for the strict legal separation of CFE were published on January 11, 2016. The terms mandate CFE to perform the activities of generation, transmission, distribution, commercialization and supply of primary inputs in the market independently separate units, each with the purpose of, generating economic value and profitability for the Mexican State as its owner.

Starting on January 1, 2017, CFE, EPE, ceased to directly carry out the independent activity of transmission, distribution, basic supply, commercialization (other than basic supply) and supply of primary inputs and its participation in the Wholesale Electricity Market. Those activities are carried out by the corresponding Productive Subsidiary Entities ("EPS" for its acronym in Spanish) from that date.

Starting on February 1, 2017, CFE, EPE, ceased to directly carry out the independent activity of generation and its participation in the Wholesale Electricity Market. Those activities are carried out by the corresponding EPS from that date.

Incorporation of productive entities subsidiaries of CFE

On March 29, 2016 the resolutions for the incorporation of the following Productive Subsidiary Entities ("EPS for its acronym in Spanish) were published. These entities are as follows:

- CFE Distribución EPS, established to provide the public service of electricity distribution, as well as to finance, install, maintain, manage, operate and enhance the required infrastructure pursuant to the CFE Law, the Electrical Industry Law, the terms for the strict legal separation of CFE and other applicable regulations.

- CFE Transmisión EPS, established to provide the public service of electricity transmission, as well as to finance, install, maintain, manage, operate and enhance the necessary infrastructure pursuant the CFE Law, the Electrical Industry Law, the terms for the strict legal separation of CFE and other applicable regulations.

- CFE Generación I EPS, CFE Generación II EPS, CFE Generación III EPS, CFE Generación IV EPS, CFE Generación V EPS, and CFE Generacin VI EPS, each established to generate electricity within the Mexican territory using any available technology, as well as to commercialize electricity in accordance with the terms set forth in Article 45 of the Electric Industry Law, except for the supply of electricity to end users. Each one of these entities may represent, power plants either under its control or those owned by third parties in the Wholesale Electricity Market.

- CFE Suministrador de Servicios Basicos EPS, established to provide Basic supply, of electricity (i.e. electricity supplied under regulated tariffs), to any party requesting it in the terms of Electricity Industry Law.

Such creation resolutions set the rules for the operations, corporate governance, oversight and monitoring, as well as the responsibilities, disclosure obligations and oversight mechanisms applicable to the EPSs.

Mexican Wholesale Electricity Market (MEM)

Following the beginning of operations of the Mexican Wholesale Electricity Market (MEM) and pursuant to Transitory Article of the Electricity Industry Law the Ministry of Energy extended the term to December 31, 2016 and, in certain cases, to February 1, 2017, for Comisión Federal de Electricidad to conduct its activities independently. Thereafter, the activities of generation, transmission, distribution and commercialization including any participation on the Wholesale Electricity Market (MEM), must be performed through EPS.

Creation of CFE Capital

CFECapital, S. de R. L. de C. V. was incorporated on December 7, 2017. The Company can establish offices, agencies or branches of the Company anywhere in the United States.

The purpose of this entity is to carry out the administration of all types of trusts and their patrimony, including investment trusts in energy and infrastructure constituted in accordance with the current tax legislation, including, without limiting all activities and acts necessary and/or convenient for it such as, provide all kinds of services, administration operation, development and regulatory compliance.

Deferred income

Until December 31, 2016, the contributions received from customers to provide connection and supply service of electricity were recorded as a deferred income and recognized in profit or losses on a systematic basis considering the useful lives of the fixed assets financed by said contributions. Due to the electricity supply service contracts have an indefinite term, which is recognized in the in profit or losses of the period in accordance with the useful lives of the assets that financing said contributions.

The contributions received from State and Municipal Governments to electrify rural and popular colonies, and for expansions of the distribution network, are recorded as a deferred revenue and recognized in profit or losses as income on a systematic basis considering the useful lives of the fixed assets financed by said contributions.

From January 1, 2017 derived from legal separation of the Entity in various legal entities and the changes in the laws, which allow the existence of qualified suppliers different of the Entity, the contributions received from customers and State and Municipal Governments to provide connection and supply service of electricity, are recorded as a deferred income and recognized as income in the consolidated statement of comprehensive income once the Entity has concluded the customer connection to the network. The customer can select between the Entity or another entity to supply them service of electricity.

Considering the aforementioned, during the three month period ended March 31, 2017, the liability balance for deferred income, for an amount of $29,567,706 was recognized in the consolidated statement of comprehensive income. See note 15 and 16.

2. Basis of preparation of the unaudited condensed consolidated interim financial information.

a) Basis of preparation

The accompanying unaudited condensed interim financial information has been prepared in accordance with International Accounting Standards (IAS) 34 “Interim Financial Reporting” and does not include all of the information required for a complete set of annual financial statements prepared under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

This financial information should be read in conjunction with the financial statements as of December 31, 2017 and 2016 prepared in accordance with IFRS.

The unaudited condensed consolidated interim financial information has been prepared on a historical cost basis, except for certain derivative financial instruments, and the plants, facilities and equipment which are recognized at fair value.

b) Reporting currency of the unaudited condensed consolidated interim financial information

The unaudited condensed consolidated interim financial information and its notes are presented in Mexican pesos (reporting currency), which is the same as the functional currency.

For purposes of disclosure in the notes to the unaudited condensed consolidated financial information, reference to pesos or "$" refers to Mexican pesos, reference to dollars refers to dollars of the United States of America, reference to euros, refers to the legal currency of the European Union, reference to yen, refers to the legal currency in Japan; and reference to Swiss francs, refers to the legal currency in Switzerland. All information is presented in thousands of pesos and has been rounded to the nearest unit, except when otherwise indicated.

c) Unaudited condensed consolidated statements of comprehensive income

CFE prepared unaudited condensed consolidated information of comprehensive income and classified costs and expenses based on their nature, pursuant to the specific substance 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 accounting policies applied in the preparation of these unaudited condensed consolidated interim financial information are the same as those applied in the Entity´s consolidated financial statements for the year ended December 31, 2017, except for the follow:

IFRS 9 Financial instruments

IFRS 9 *Financial Instruments* establishes the requirements for the recognition and measurement of financial assets, financial liabilities and another purchase or sale contracts of non financial items. This new standar replaces IAS 39 , *Financial Instruments: Recognition and Measurement.*

i. Clasification – Financial assets

IFRS 9 contains a new approach of classification and measurement for the financial asstes which reflects a business model in that assets are managed and its cash flow characteristics. IFRS 9 includes 3 categories of main clasification for the financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The new standar eliminates the categories of IAS 39 maintained until maturity, loans, receivable items and available for sale.

Under IFRS 9 the derivatives incorporated in contracts in which the principal is a financial asset within the scope of the standard never forks. Instead, the classification of the hybrid financial instrument taken as a whole is evaluated.

ii. Impairment value – financial assets and assets by contracts

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL). This requires to apply considerable judgment respect to how the changes in economic factors affect the ECL, what is determined on a weight average basis.

The new impairment model is applicable to financial assets that are measured at amortized cost or at FVOCI.

Under IFRS 9 the provisions for losses will be measured using one of the follow basis:

The measurement of the ECL during the life time applies if the credit risk of the financial asset at the reporting date has increased significantly since the initial recognition and the measurement of the expected credit losses of 12 months applies if this risk has not increased. The entity may determine that the credit risk of a financial asset has not increased significantly if the asset has a low credit risk at the reporting date. However, the measurement of expected credit losses over the life time is always applicable for commercial accounts receivable and contract assets without a significant financing component; The Entity has chosen to apply this policy for trade accounts receivable. The impact of the adoption of the standard is explained in Note 23 and the details on the calculation of the PCE are detailed in note 4.

IFRS 15 Ordinary activities income precedent from contracts with customers

The Entity recognizes income mainly, because of the following :

Power electricity revenue: they are recognized at a point in time, in the period when the energy is delivered to the customers. That energy that was delivered at the end of the period but is in the invoicing process is considered income in the profit and loss and its amount is estimated based on the actual billing of the previous two-month period.

Fuel revenue: they are recognized at a point in time, in the period when the fuels are delivered to customers.

Transmission and distribution revenue: they are recognized over time, as the public electricity transmission service is provided.

Contributions from third party: the contributions received from customers to provide connection to the national transmission or distribution network are recognized as income in the statement of comprehensive income at a point in time, once CFE has concluded the customer's connection to the network , the client can choose between the Entity or another company to provide electricity.

Subsidy income: they correspond to subsidies received from the Ministry of Finance and Public Credit, these are recognized at a point in time, when they are received by the Entity.

The impact of this adoption is explained in note 23.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

4. Financial Instruments fair values and risk management.

Fair values

The carrying value amounts of financial instruments recognized in our unaudited condensed consolidated interim financial information as of March 31, 2018, December 31 and January 1, 2017, are included below:

		2018		December 31, 2017		January 1, 2017
Financial assets:						
Cash and cash equivalents (1)	$	50,983,845	$	67,237,901	$	42,266,944
Accounts receivable (2)		100,076,043		82,860,962		55,678,158
Loans to employees (2)		12,631,707		12,339,195		11,193,711
Derivative financial instruments (1)		4,105,166		16,084,937		15,646,026
Financial liabilities:						
Documented debt (2)	$	202,044,682	$	208,355,380	$	209,613,471
PIDIREGAS debt and obligations for the capital leases (2)		246,363,677		249,420,976		246,096,352
Suppliers and contractors (1)		42,079,624		59,849,154		17,888,728
Deposits from users and contractors (1)		23,233,000		22,974,717		21,103,369
Accounts payables MEM (1)		-		-		2,011,804
Other Liabilities (1)		18,825,835		20,761,051		17,103,988
Contribution from third parties (1)		6,083,247		8,039,903		33,707,331

(1) fair value

(2) amortized cost

Objectives of financial risk management

Part of the Entity's Financial Office functions is to implement strategies, coordinate access to domestic and international financial markets, and supervise and manage financial risks related to the Entity's operations through the use of internal reports and market risks reports, which analyze the degree and magnitude of the exposure to financial risks, including market risk (including currency exchange and interest rate risks), credit risk and liquidity risk.

The Entity aims to mitigate the effects of the debt related risks by using hedge derivative financial instruments.

The Treasury department is bound by the SHCP's policies on cash management which hold that. investments must be made in low risk instruments that are not long-term. Status reports are made on a monthly basis to the Treasury's Investments Committee.

Credit risk management

Credit risk, is the risk that one counterparty of a financial instrument causes a financial loss to the other counterparty when it fails to meet its contractual obligations. The Entity is subject to credit risk mainly on the financial instruments referred to as cash and temporary investments, loans and accounts receivables, and derivative financial instruments. In order to mitigate credit risk for cash, temporary investments, and derivative financial instruments. The Entity only carries out operations with parties having high solvency, creditworthiness and standing. The Entity obtains sufficient guarantees, when appropriate, to mitigate the risk of financial loss by non-performance.

For credit risk management purposes, loans and accounts receivable from consumers are deemed by the Entity to have a limited risk. The Entity accounts for an allowance for doubtful accounts under the expected losses model (EL).

The EL Model requires the entity to estimate the expected credit losses based on the historical experience of uncollectibility, as well as on the current conditions and reasonable forecasts of future economic conditions.

The quantification of the impairment is made through the product of three main parameters: the probability of default (PD), the severity of the loss (LGD, Loss Given Default) and the exposure of the amount at the time of default (EAD, Exposure at Default), which are parameters estimated based on the accumulation and interpretation of historical information available to each of the Entity's clients, which are grouped into the different generic or specific segments depending on their characteristics.

The PD is a measure that is calculated for a client or segment with the objective of forecasting its probability of default to 12 months. The LGD loss severity is a measure that calculates the percentage of the exposure that is not expected to recover in case of default. The exposure of the amount at the time of default EAD is the amount of the account receivable or debt pending payment at the time of calculation of the reserve.

The Entity executed an analysis where the collection was identified, and therefore the recovery was estimated, based on the portfolio where the backlog of the accounts receivable portfolio is detailed for each month in the last three years. This evaluation concludes that the Objective Evidence of Impairment ("OEI") gap is after the 360-day period, given that the historical probability of recovery after this period is estimated at 4%, and is determined by the accumulated frequency of the averages of recovery of the stages in force at 330 days, where the current term recovers approximately 90% of accounts receivable, and the rest of probabilities decreased exponentially to a minimum value of 0.1% located within 330 days.

In relation to the Severity of Loss (LGD) parameter, the Entity executed an analysis where the recovery of the amounts in OEI was estimated through information on the recovery allocation by external agents. After the analysis, it was identified that the Entity manages to recover 3.4% of the overdue portfolio in an average of more than 360 days in a year, resulting in a loss severity of 96.64%.

In relation to the PD, the Entity uses a model of roll rates, which allows calculating a probability of default for each of the stages of delay of the balances of the accounts receivable portfolio.

Liquidity risk

Liquidity risk is the risk that an Entity faces difficulties in meeting its obligations associated with financial liabilities settled with cash or other financial asset.

The financing obtained by the Entity is mainly through debt, the leasing of plants, facilities, equipment and PIDIREGAS. In order to manage liquidity risk, the Entity periodically performs cash flow analysis and maintains open credit lines with financial institutions and contractors. In addition, the Entity is subject to certain budgetary controls by the Federal Government, having a net debt ceiling authorized by the Federal Congress on a yearly basis based on its budgeted revenues.

The following table shows the contractual maturities of the Entity financial liabilities (not including derivate financial instruments) based on the payment terms:

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

At March 31, 2018	Less than 1 year	More than 1 year and less than 3	More than 3 year and less than 5	More than 5 years	Total
Documented debt	$ 30,727,089	$ 29,320,404	$ 20,473,272	$ 121,523,918	$ 202,044,666
Interest payable of documented debt	11,555,418	20,635,139	15,857,597	54,814,394	102,862,548
PIDIREGAS debt and obligations for capital leases	27,767,217	15,312,426	19,880,773	183,403,262	246,363,678
Interest payable of PIDIREGAS debt	7,982,916	12,767,850	9,261,149	29,117,485	59,129,400
Suppliers and contractors	42,079,624	-	-	-	42,079,624
Other liabilities	18,825,835	-	-	-	18,825,835
Contribution from third parties	-	6,083,248	-	-	6,083,248
Deposits from users and contractors	23,233,000	-	-	-	23,233,000
Total	$ 162,171,099	$ 84,119,067	$ 65,472,791	$ 388,859,059	$ 700,622,016

At December 31, 2017	Less than 1 year	More than 1 year and less than 3	More than 3 year and less than 5	More than 5 years	Total
Documented debt	$ 27,351,967	$ 29,320,404	$ 20,473,272	$ 131,209,737	$ 208,355,380
Interest payable of documented debt	12,101,655	21,733,041	16,630,583	61,325,343	111,790,622
PIDIREGAS debt and obligations for capital leases	29,267,762	15,312,426	19,880,773	184,960,015	249,420,976
Interest payable of PIDIREGAS debt and obligations for capital leases	7,854,887	11,743,205	8,363,221	23,300,233	51,261,546
Suppliers and contractors	59,849,154	-	-	-	59,849,154
Other liabilities	20,761,051	-	-	-	20,761,051
Contribution from third parties	-	8,039,903	-	-	8,039,903
Deposits from users and contractors	22,974,717	-	-	-	22,974,717
Total	$ 180,161,193	$ 86,148,979	$ 65,347,849	$ 400,795,328	$ 732,453,349

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

At January 1, 2017	Less than 1 year	More than 1 year and less than 3	More than 3 year and less than 5	More than 5 years	Total
Documented debt	$ 16,373,774	$ 29,963,324	$ 40,316,209	$ 122,960,164	$ 209,613,471
Interest payable of documented debt	11,649,717	20,990,298	17,517,821	64,302,533	114,460,369
PIDIREGAS debt and obligations for capital leases	25,354,442	15,335,882	21,394,210	184,011,818	246,096,352
Interest payable of PIDIREGAS debt and obligations for capital leases	5,806,029	8,897,601	5,976,378	14,915,297	35,595,305
Suppliers and contractors	17,888,728	-	-	-	17,888,728
Other liabilities	21,103,369	-	-	-	21,103,369
Contribution from third parties	$ 98,176,059	$ 75,187,105	$ 85,204,618	$ 386,189,812	$ 644,757,594

Market Risks

The Entity’s activities have exposure to foreign currency exchange and interest rate risks.

Foreign currency exchange risk management

The Entity borrows credit preferably in local currency when favorable market conditions are present; therefore, most of the debt is denominated in Mexican pesos.

The Entity also carries out foreign currency transactions. Consequently, exposures to foreign currency exchange arises.

	Total debt 31/03/2018 Million of pesos
Local currency	165,587
Foreign currency	168,684

	Total debt 31/12/2017 Million of pesos
Local currency	169,449
Foreign currency	163,047

	Total debt 01/01/2017 Million of pesos
Moneda local	159,278
Foreign currency	159,866

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

The Entity primarily uses interest rate and foreign currency exchange swaps and foreign currency exchange forward contracts to manage the exposure to interest rate and foreign currency fluctuations in accordance with its internal policies.

Carrying amounts of monetary assets and liabilities denominated in foreign currency at the end of the reporting period are shown in note 20.

- **Sensitivity analysis of foreign currency**

The Entity is mainly exposed to exchange rate variances between the Mexican peso, the US dollar and the Japanese yen.

The following table includes the Entity's sensitivity analysis considering a 5% increase and decrease in the Mexican peso currency exchange rate against the other relevant foreign currencies. The 5% represents the sensitivity rate used when the exchange risk is internally reported to key management personnel and it further represents Management's evaluation about a fair change in exchange rates.

The sensitivity analysis only includes monetary open items denominated in foreign currency, adjusting its translation by a 5% change in foreign exchange rates at period end. The sensitivity analysis includes external loans, as well as loans derived from foreign operations within the Entity, where the loan is in a currency other than the loaner or the borrower currency. A positive amount (as observed in the table below) indicates a gain when the Mexican peso strengthens 5% against the corresponding currency. If a weakening of 5% in the Mexican peso with respect to the corresponding currency occurred, then there would be a loss and the following figures would be negative:

	Million of pesos		
	31/03/2018	**31/12/2017**	**01/01/2017**
Gain or loss	$ 7,077	$ 8,018	$ 8,415

The sensitivity analysis has been estimated based on the fair value of the loans denominated in foreign currency.

In the Management's view, the impact of the inherent exchange risk affects electricity rates in the long-term due to inflation adjustments and fuel formula adjustments that considers the peso/dollar exchange rate.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

- **Interest rate risk management**

The Entity is exposed to interest rate risks for loans borrowed at variable interest rates. The Entity manages this risk by maintaining an appropriate combination between fixed rate and variable rate loans and by contracting derivative financial instruments designated as interest rate hedges.

	Total debt 31/03/2018 Million of pesos
Fixed rate	222,654
Variable	111,617

	Total debt 31/12/2017 Million of pesos
Fixed rate	220,887
Variable	111,610

	Total debt 01/01/2017 Million of pesos
Fixed rate	156,792
Variable	122,388

- **Interest rate sensitivity analysis**

The following sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivate instruments, at the end of the period reported.

For variable rate liabilities, an analysis is prepared under the assumption that the amount of the liability reported at the end of the period was the amount in effect throughout the entire year. For reporting the interest rate risk internally to key management personnel, a 0.50 point increase or decrease is used for the Mexican Equilibrium Interbank Interest Rate (EIIR or TIIE by its acronym in Spanish) and 0.01 points increase or decrease for the LIBOR. These changes represent the Management's evaluation about a fair change in interest rates.

	Million of pesos		
	31/03/2018	31/12/2017	01/01/2017
Gain and loss	$ 92	$ 114	$ 119

The sensitivity analysis has been estimated based on the fair value of the loans.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Fair value of financial instruments

Fair value of financial instruments recorded at amortized cost

The carrying values of the following financial assets and liabilities recognized at amortized cost in the condensed consolidated interim financial information are considered to approximate their fair value, as shown in the following page.

Valuation techniques and assumptions applied for determining fair values

	March 31, 2018		December 31, 2017		January 1, 2017	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Accounts receivable	$ 86,550,794	$ 86,550,794	$ 82,860,962	$ 82,860,962	$ 55,678,158	$ 55,678,158
Loans to employees	12,631,707	12,631,707	12,339,193	12,339,193	11,193,711	11,193,711
Document debt	202,044,682	202,044,682	208,355,380	208,355,380	209,613,471	209,613,471
PIDIREGAS debt and obligations for capital leases	246,363,677	246,363,677	249,420,976	249,420,976	246,096,352	246,096,352

The fair value of financial assets and liabilities is determined as follows:

- The fair value of financial assets and liabilities with standard terms and conditions that are negotiated in active markets are determined by reference to quoted prices on those markets.

- The fair value of other financial assets and liabilities (without including derivative financial instruments) is determined in accordance with generally accepted price determination models, which are based on analysis of discounted cash flows, transaction prices observable on the market and quotes for similar instruments.

- Pursuant to the terms in which the ISDA (International Swaps and Derivatives Association) contracts were signed, the counterparties or bank institutions are the appraisers who calculate and inform, on a monthly basis, the Mark-to-Market (which is the monetary valuation of the agreed upon transaction at a given time). CFE monitors this value and if there is any doubt or abnormal variance in the market value, it request a revision from its counterparty.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Valuations at fair value recognized in the statement of financial position

The following table provides an analysis of the financial instruments valued at fair value subsequent to their initial recognition, grouped in levels from 1 to 2, based on the degree at which their fair value is observable.

		Level 1		
		March 31, 2018	**December 31, 2017**	**January 1, 2017**
Available-for-sale financial assets				
Temporary investments	$	3,002,133	25,232,468	19,127,508
Total	$	3,002,133	25,232,468	19,127,508

The analysis of the fair value of derivative financial assets grouped in level 2 based on the degree at which their fair value is observable, is included in note 10.

The levels referred to above are considered as follows:

- Level 1 valuations at fair value are those derived from quoted prices (not adjusted) on asset markets for liabilities or identical assets.
- Level 2 valuations at fair value are those derived from indicators other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 valuations of fair value are those derived from unobservable indicators for the asset or liability.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

5. Cash and cash equivalents.

As of March 31, 2018, December 31 and January 1, 2017, cash and cash equivalents are summarized as follows:

		March 31, 2018		December 31, 2017		January 1, 2017
Cash on hand and in banks	$	47,972,891	$	41,996,612	$	23,130,615
Temporary investments		3,002,133		25,232,468		19,127,508
Stock certificates		8,821		8,821		8,821
Total	$	50,983,845	$	67,237,901	$	42,266,944

6. Accounts receivable, net.

As of March 31, 2018, December 31 and January 1, 2017, accounts receivable are summarized as shown below:

		March 31, 2018		December 31, 2017		January 1, 2017
Public consumers (*)	$	73,077,460	$	71,619,421	$	63,548,878
Government agencies consumers (*)		21,088,174		20,887,093		18,559,103
		94,165,634		92,506,514		82,107,981
Allowance for doubtful accounts		(41,764,997)		(43,157,735)		(40,578,864)
		52,400,637		49,348,779		41,529,117
Other receivables		34,150,157		33,512,182		14,149,041
Value added tax		13,525,249		2,471,248		-
Total	**$**	**100,076,043**	**$**	**85,332,209**	**$**	**55,678,158**

It includes revenue estimate for electricity supply services that are still pending to be billed.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

For the three month period ended March 31, 2018 and 2017 and December 31, 2017, the balances and movements of the allowance for doubtful accounts are summarized as follows:

		March 31, 2018		March 31, 2017
Opening balance	$	43,157,735	$	33,632,871
Increases		1,409,485		1,285,006
Applications		(2,802,223)		(962,247)
Ending Balance	$	**41,764,997**	$	**33,955,630**

7. Inventory of materials for operation.

At March 31, 2018, December 31 and January 1, 2017, the inventory of materials for operation is summarized as follows:

		March 31, 2018		December 31, 2017		January 1, 2017
Spare parts and equipment	$	1,947,638	$	2,570,001	$	3,097,062
Fuel and lubricants		9,261,614		11,481,771		8,229,058
Nuclear fuel		3,717,157		3,994,473		3,226,186
		14,926,410		18,046,245		14,552,306
Allowance for obsolescence		(3,450,900)		(3,403,252)		(526,541)
Total	$	11,475,510	$	14,642,993	$	14,025,765

8. Plants, facilities and equipment.

Carrying value of plants, facilities sand equipment at March 31, 2018, December 31 and January 1, 2017, are summarized below:

Rollforward of investment balance for the three-month period ended March 31, 2018.

	Plants, facilities and equipment	Capitalized spare parts	Construction-in-progress	Advances and materials for construction	Total
Balance at January 1, 2018	2,083,914,726	7,233,445	19,907,935	11,621,276	2,122,677,382
Acquisitions	2,807,733	152,964	2,697,308	-	5,658,005
Retirements	(2,173,889)	-	-	-	(2,173,889)
Capitalization	264,912	-	-	(264,912)	-
Other movements	2,067,393	-	-	-	2,067,393
Balance at March 31, 2018	2,086,880,875	7,386,409	22,605,243	11,356,364	2,128,228,891

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Rollforward of accumulated depreciation balance for the three-month period ended March 31, 2018:

	Plants, facilities and equipment	Capitalized spare parts	Construction-in-progress	Advances and materials for construction	Total
Balance at January 1, 2018	(867,149,847)	(2,589,048)	-	-	(869,738,895)
Net Balances January 1, 2018	1,216,764,878	4,644,397	19,907,935	11,621,276	1,252,938,487
Depreciation of the period	(13,994,920)	(92,466)	-	-	(14,042,386)
Depreciation on retirements	354,543	-	-	-	354,543
Net Depreciation	(13,595,377)	(92,466)	-	-	(13,687,843)
Balances at March 31, 2018	(880,745,224)	(2,681,514)	-	-	(883,426,738)
Net Balances at March 31, 2018	1,206,135,651	4,704,895	22,605,243	11,356,364	1,244,802,153

Rollforward of investment balance fot the for the three-month period ended March 31, 2017.

	Plants, facilities and equipment	Capitalized spare parts	Construction-in-progress	Advances and materials for construction	Total
Balances at January 1, 2017	2,036,909,423	6,367,288	18,433,272	10,856,715	2,072,566,698
Acquisitions	2,340,789	-	1,062,827	2,327,855	5,731,471
Retirements	(1,408,899)	-	-	-	(1,408,899)
Capitalizations	2,707,350	(2,707,350)			-
Other movements	(1,708,455)	-			(1,708,455)
Balances at March 31, 2017	2,038,840,208	3,659,938	19,496,099	13,184,570	2,075,180,815

Rollforward of accumulated depreciation balance for the three-month period ended March 31, 2017.

	Plants, facilities and equipment	Capitalized spare parts	Construction-in-progress	Advances and materials for construction	Total
Balances at January 1, 2017	(783,175,239)	(2,219,184)	-	-	(785,394,423)
Net Balances at January 1, 2017	1,253,734,184	4,148,104	18,433,272	10,856,715	1,287,172,275
Depreciation of the period	(11,725,479)	(92,466)	-	-	(11,817,945)
Depreciation on retirements	952,964	-	-	-	952,965
Net Depreciation	(10,772,515)	(92,466)	-	-	(10,864,981)
Impairment	(793,947,755)	(2,311,650)	-	-	(796,259,405)
Balances at March 31, 2017	1,244,892,454	1,348,288	19,496,099	13,184,570	1,278,921,411

At December 31, 2017 the Company applied an impairment test to Genco VI and recognized a loss for impairment for an amount of $28,681,250 related to plant and equipment.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Based on the periodic review of the fair values of plants, facilities and equipment in operation of CFE, the revaluation of the assets was carried out so that the value in books does not differ materially from what would have been calculated using the reasonable values at the end of the reporting period.

Therefore, it is necessary to make an analysis of the fixed assets, with the objective to revalue the assets and to review the useful lives assigned to them, as well as to their useful life, and to establish the process for the calculation of the impairment in the value thereof.

Construction in progress - The balances of construction in progress at March 31, 2018 and December 31, 2017 are as follows:

Plant:		**March 31, 2018**		**December 31, 2017**		**January 1, 2017**
Steam	$	326	$	326	$	9,569
Hydro electric		1,252,820		1,248,917		2,040,347
Nuclear power		1,321,818		1,316,029		1,273,489
Turbo gas and combined cycle		249,975		416,051		326,893
Geothermal		1,125,329		1,220,462		1,147,109
Internal combustion		682		682		107,694
Transmission lines, networks and substations		16,533,093		14,594,645		12,673,648
Offices and general facilities		2,124,200		1,110,823		854,523
Total	$	22,605,243	$	19,907,935	$	18,433,272

9. Intangible asstes

As of March 31, 2018, December 31 and January 1, 2017, the intangible assets are integrated as follows:

		March 31, 2018		**December 31, 2017**		**January 1, 2017**
Rights of way	$	30,084,423	$	29,979,671	$	29,903,611
Deposits and advances		3,078,528		2,857,316		2,740,209
Total	$	33,162,951	$	32,836,987	$	32,643,820

(1) Includes rights of way in an amount of $24,064,610 that are part of the assets contributed by the Federal Government to the Company through INDAABIN.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

10. Derivative financial instruments.

a. Accounting classifications and fair values

CFE, in accordance with the risk management strategy, enters into derivative financial instruments to mitigate exchange rate and interest rate exposure. CFE's hedging policies establish that derivative financial instruments that do not qualify as hedges are classified as held for trading purposes.

The fair value of the total derivative financial position as of March 31, 2018 and December 31, 2017 amounted to $4,083,540 and $16,084,977, respectively.

Financial instruments for trading purposes - As of March 31, 2018 and December 31, 2017 CFE maintained designated derivative financial instruments whose fair value represented a liability of $347,237 and $438,115 respectively.

The transaction consists of a series of currency "Forwards" that allow to fix the exchange rate yen/dollar, during the agreed term of the operation in 54.0157 yen per one US dollar. As a result of the transaction, CFE pays an interest rate equivalent to 8.42% per annum in US dollars. These instruments have not been designated as hedges under the requirements of the financial reporting standard, reason why their valuation effect is recorded as part the financial cost; a gain (loss) in said value offsets a loss (gain) in the underlying liability.

In addition, at the end of the hedging agreement and as part of these instruments that have been classified for trading purposes, two options expire, a long " European call ", by which CFE has the right to buy Japanese yen at maturity, at market price, in case the yen/dollar exchange rate is quoted below 118.75 yen per dollar. In addition, a short "European call", by which CFE is required to sell dollars at the yen/dollar exchange rate of 27.80, if the exchange rate prevailing at the settlement date is above this level.

In the event that the CFE decides to cancel this economic hedge (currency forwards on yen/dollar exchange rate) in advance, an estimated extraordinary at March 31, 2018 and 2017 as follows:

Instrument	Underlying	Maturity	2018	2017
FWD JPY/Usd	Exchange rate and interest rate	2036	347,237	(438,115)
		Total	**347,237**	**438,115**

Financial instruments for hedging purposes – As of March 31, 2018 and December 31, 2017 and January 1, 2017 CFE maintains its designated hedges on, exchange rate and interest rate hedging position, as described in the following page.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Instrument	Underlying	Hedging type	Maturity	March 31, 2018	December 31, 2017	January 1, 2017
CCS	Exchange rate and interest rate	Cash flow	2021	267,045	339,264	478,921
CCS	Exchange rate and interest rate	Cash flow	2022	66,895	93,469	125,767
CCS	Exchange rate and interest rate	Cash flow	2023	1,210,081	3,971,843	4,843,314
CCS	Exchange rate and interest rate	Cash flow	2024	2,380,855	5,081,986	5,623,272
CCS	Exchange rate and interest rate	Cash flow	2027	33,479	2,589,860	-
CCS	Exchange rate and interest rate	Cash flow	2032	(173,619)	(427,998)	-
CCS	Exchange rate and interest rate	Cash flow	2036	2,606,584	4,763,554	4,927,130
CCS	Exchange rate and interest rate	Cash flow	2042	(442,437)	-	-
CCS	Exchange rate and interest rate	Cash flow	2047	(1,008,532)	-	-
CCS	Exchange rate and interest rate	Cash flow	2048	(1,036,254)	-	-
Participating Swap	Exchange rate and interest rate	Cash flow	2027	(208,245)	(108,664)	-
Forwards	Exchange rate	Cash flow	Less tan 1 year	(29,396)	105,058	41,329
IRS	Interest rate	Cash flow	2017	6,821	-	(1,805)
IRS	Interest rate	Cash flow	2017	-	-	(1,045)
IRS	Interest rate	Cash flow	2020	63,026	114,720	102,355
			Subtotal	**3,736,303**	**16,523,092**	**16,139,238**
CCS	Exchange rate JPY/USD	Negotiation		**347,237**	**(438,115)**	**(494,776)**
	Total thousand of pesos			**4,083,540**	**16,084,977**	**15,644,462**

The previous table includes the mark to market of the hedging derivatives. At March 31, 2018 the total mark to market corresponding to the hedging and negotiation derivatives was $4,083,540 for the carrying value.

The results of the effectiveness tests for these hedging instruments showed that relationships are highly effective. CFE estimated that the amount of ineffectiveness for them is minimum.

Fair value (Mark to market - MTM) is determined using valuation techniques at present value to discount future cash flows, which are estimated using observable market data. The book value of ORI includes the fair value (mark to market) and the reclassifications to profit and loss correspond to accrued interest and currency coverage (gain or loss).

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

a. Fair value Measurement

The techniques for estimating the fair value of derivative instruments are described in the accounting policy described above, depending on the derivative instrument at which the fair value is estimated, CFE uses the corresponding technique to estimate that value.

Adjustment of Fair Value or Mark to Market by Credit Risk

The net of the fair value of derivative financial instruments (Mark to Market) effective as of March 31, 2018, before considering credit risk, amounted to $7,448,240 which is included in the balance sheet and consists of $347,237 from financial instruments to fair value in profit and loss and $7,420,623 from fair value to OCI.

The net of the fair value of derivative financial instruments (Mark to Market) effective as of December 31, 2017, before considering credit risk, amounted to $16,208,580 which is included in the balance sheet and consists of ($438,115) from fair value financial instruments to profit and loss and $15,770,465 from fair value to OCI.

CFE applies an adjustment (Credit Value Adjustment, CVA) to reflect the creditworthiness of the counterparty of the derivative financial instrument. The CVA is the fair value of the counterparty credit risk and reflects the estimated fair value of the hedging required to cover the counterparty credit risk included in these instruments.

Methodology to adjust Fair Value or Mark to Market by Credit Risk.

This mechanism was approved at the time by the Interinstitutional Delegate Committee for Financial Risk Management Associated to the financial position and price of fossil fuels (CDIGR), as the methodology for adjusting to the fair value of derivative financial instruments.

As of March 31, 2018, the adjustment to fair value by the CVA is detailed as follows:

Counterparty	Fair value MTM	Adjusted fair value MTM	Adjustment at March 31, 2018
CREDIT SUISSE	72,881	72,604	277
DEUTSCHE BANK	2,156,157	2,144,818	11,339
MORGAN STANLEY	796,321	793,223	3,098
SANTANDER	1,187,983	1,185,133	2,850
BNP PARIBAS	748,418	747,058	1,360
BBVA BANCOMER	1,012,389	1,009,424	2,964
GOLDMAN SACHS	1,195,401	1,190,548	4,853
CITIBANAMEX	7,624	7,599	25
CREDIT AGRICOLE	11,561	11,543	18
HSBC	11,204	11,186	18
JP MORGAN	4,361	4,347	14
BARCLAYS BANK	243,941	243,140	801
Total Cost	**7,448,241**	**7,420,653**	**27,617**

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

As of December 31, 2017, the adjustment to fair value by the CVA is detailed as follows:

Counterparty	Fair value MTM	Adjusted fair value MTM	Adjustment at December 31, 2017
CREDIT SUISSE	234,887	233,994	893
DEUTSCHE BANK	2,973,993	2,958,353	15,640
MORGAN STANLEY	2,678,187	2,667,769	10,418
SANTANDER	2,755,476	2,748,865	6,611
BNP PARIBAS	1,411,728	1,409,163	2,566
BBVA BANCOMER	1,987,436	1,981,617	5,819
GOLDMAN SACHS	2,243,630	2,234,522	9,109
CITIBANAMEX	129,006	128,596	410
CREDIT AGRICOLE	14,686	14,663	24
HSBC	15,502	15,477	25
JP MORGAN	5,933	5,915	18
BARCLAYS BANK	1,758,115	1,752,344	5,771
Total Cost	**16,208,580**	**16,151,276**	**57,304**

As of January 1, 2017, the adjustment to fair value by the CVA is detailed as follows:

Counterparty	Fair value MTM	Adjusted fair value MTM	Adjustment at December 31, 2017
CREDIT SUISSE	63,702	62,991	711
DEUTSCHE BANK	3,680,308	3,616,013	64,295
MORGAN STANLEY	2,514,752	2,507,685	7,067
SANTANDER	3,287,138	3,235,793	51,345
BNP PARIBAS	1,718,447	1,699,269	19,178
BBVA BANCOMER	2,278,255	2,235,287	42,968
GOLDMAN SACHS	2,199,037	2,192,088	6,949
CITIBANAMEX	49,583	49,411	172
CREDIT AGRICOLE	20,013	19,817	196
HSBC	20,149	20,019	130
JP MORGAN	7,678	7,653	25
Total Cost	**15,839,062**	**15,646,025**	**193,037**

Fair Value hierarchy or *Mark-to-Market*

In order to increase consistency and comparability of fair value measurements and their disclosures, IFRS set forth a fair value hierarchy that prioritizes on three levels of inputs to valuation techniques used. This hierarchy grants the highest priority to quoted prices (unadjusted) on the active markets for assets and liabilities (level 1) and the lowest priority for unobservable inputs (level 3).

The availability of relevant information and its relative subjectivity may affect the appropriate selection of the valuation technique. However, the fair value hierarchy prioritizes inputs based upon valuation techniques.

Level 2 input information

As was explained above, and according to the terms in which the ISDA contracts were entered into the counterparties or banking institutions are the appraisers that calculate and send the *Mark-to-Market* calculation in a monthly basis.

Therefore, the hierarchy level of the Company's *Mark-to-Market* for derivatives financial instruments as December 31, 2017 is level 2 by the following:

a) It is different information at quoted prices, and includes both level one information that is directly or indirectly observable

b) Prices quoted for assets or similar liabilities in active markets

c) Information other than quoted prices that is observable for assets and liabilities.

b. Financial Risk Management

CFE is exposed to the following financial risks for maintaining and using derivative financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

Credit risk

Credit risk associated with financial derivative instruments is the risk of experiencing a financial loss if a counterparty to these financial instruments fails to meet its financial obligations.

To manage the credit risk, the Entity monitors the credit rating and the probability of default of the counterparty, which is applied to the market value of the derivative.

The carrying amount of derivative financial assets represents the maximum exposure to credit risk. As of March 31, 2018 and December 31, 2017, this amounted to $7,420,623 and 16,208,580, respectively.

Liquidity risk

The liquidity risk associated with financial derivative instruments is the risk that CFE finds difficult to meet its financial obligations arising from these instruments.

To manage the credit risk, the Entity monitors the market value of the derivative and the consumption of the operating line (Threshold).

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Exposure to liquidity risk by holding derivative financial instruments arises from the carrying amount of the financial liabilities corresponding to these instruments. As of March 31, 2018 and 2017 this amounted to $3,568,844 and $589,533, respectively.

Market risks

The market risk associated with derivative financial instruments is the risk that changes in market prices, such as exchange rates and interest rates, affect CFE's income because of holding of derivative financial instruments.

CFE uses financial derivative instruments to manage market risk, generally seeking access to hedge accounting to control or immunize the volatility that might arise in the results.

a) Currency exchange risks.

50.5% of CFE's debt is denominated in foreign currency, mainly in US dollars, while most of our assets and revenues are denominated in pesos. As a result of this, we are exposed to the risk of devaluation of the peso against the dollar. As part of our risk management policy, we have contracted currency swaps to reduce the impact of currency fluctuations. The effect of this instrument is to replace the obligation to pay fixed interest rates in dollars for an obligation to pay a fixed rate in pesos. As of March 31, 2018 and December 31, 2017, CFE maintains foreign exchange swaps as a hedge of our debt in foreign currency for $ 103,545,712 and $ 73,623,954 million pesos, respectively.

To cover the exchange risks of our debt for $ 32 billion in yen, CFE enters into a series of exchange rate forwards under which we acquire Japanese yen. The market value of this transaction as of March 31, 2018 and December 31, 2017 is $ 347,237 and $(438,115), respectively. These derivative instruments were not designated as hedges.

Sensitivity analysis for exchange rate effect

A possible and reasonable strengthening (weakening) of the MXN / USD and JPY exchange rates as of March 31, 2018 would have affected the fair value of the total position of foreign currency derivative financial instruments, and thus, the results of the period and the other comprehensive income (as some of them are designated as hedges), in the amounts shown in the following table:

31/03/18	**Instrument**	**+1 cent (thousand of pesos)**	**-1 peso (thousand of pesos)**
	Cross Currency	5,649,961	(5,649,961)
	JPY/USD	269,474	(269,474)
	FWD	19,341	(19,341)
	Total	5,938,776	(5,938,776)

This analysis assumes that the other variables, in particular interest rates, remain constant (figures in thousands of pesos).

b) Interest rate risk

50% of our debt accrues interest at variable rates, which are calculated by reference to the TIIE rate in the case of debt denominated in pesos. As of March 31, 2018 and 2017 CFE hedged $4,702,928 and $4,833,033, respectively, of our peso-denominated debt bearing variable interest rates.

Sensitivity analysis for interest rates

A possible and reasonable strengthening (weakening) of interest rates as of March 31, 2018 would have affected the fair value of the total position of derivative financial instruments associated with a variable interest rate, and therefore the results of the period and the other comprehensive income (as some of them are designated as hedge), in the amounts shown below:

31/03/18	**+ 1 base point**	**- 1 base point**
Interest Rate swaps	47,029	(47,029)

This analysis assumes that the other variables, in particular interest rates, remain constant.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

11. Documented debt.

The documented debt balances March 31, 2018, December 31 and January 1, 2017 are as follows:

Foreign debt	Type of credit	Weighted Interest Rate	Maturities	March 31, 2018 Local currency	March 31, 2018 Foreign Currency (thousands)	December 31, 2017 Local currency	December 31, 2017 Foreign Currency (thousands)	January 1, 2017 Local currency	January 1, 2017 Foreign Currency (thousands)
In US Dollars at exchange rate per dollar of									
$18.3268 at March 2018, $19.7867	Bilateral	Fixed and variable - 1.55%	Various through 2023	1,359,359	74,173	1,720,686	86,962	2,696,259	130,057
at December 2017 and 20.7314	Bonds	Fixed and variable - 5.24%	Various through 2045	89,138,113	5,133,286	97,696,627	5,206,964	107,124,453	5,436,730
at January 1, 2017.	Revolving	Fixed and variable - 2.97%	Various through 2020	1,861,437	101,569	2,660,379	134,453	1,529,348	73,770
Total US dollar				92,358,909	5,309,028	102,077,692	5,428,379	111,350,060	5,640,557
In euros at exchange rate per euros of $22.5645 at March 2018, $23.6062									
at December 31, 2017 and $21.7534	Bilateral	Fixed and variable - 2%	Various through 2024	35,550	1,576	41,741	1,768	44,622	2,051
at January 1, 2017.	Revolving	Fixed and variable - 1.79%	Various through 2020	3,555	158	4,946	210	9,859	78,080
Total EUROS				39,105	1,734	46,687	1,978	54,481	80,131
In Swiss francs at the exchange rate per Swiss franc of $19.157 at March 2018, $20.1721 at December 2017 and $20.2936 at January 1, 2017.	Revolving	Fixed and variable - 0.55%	Various through 2021	764,605	39,913	909,359	45,080	1,575,319	77,626
Total Swiss francs				764,605	39,913	909,359	45,080	1,575,319	77,626
In Japanese Yen at the exchange rate of $0.172 at March 2018, $0.1746 at December 2017 and $0.1768 at January 1, 2017.	Bilateral	Fixed and variable - 1.52%	Various through 2021	577,834	3,359,500	676,485	3,874,487	1,034,732	5,852,554
				577,834	3,359,500	676,485	3,874,487	1,034,732	5,852,554
Bond		Fixed - 3.83%	In 2032	5,504,000	32,000,000	5,587,200	32,000,000	5,657,600	32,000,000
Assets received for financial instruments, net				(565,404)		(255,199)		(71,027)	
(Note 10b)				4,938,596	32,000,000	5,332,001	32,000,000	5,586,573	32,000,000
Total Japanese Yen				5,516,430	35,359,500	6,008,486	35,874,487	6,621,305	37,852,554
		Total foreign debt		98,679,049		109,042,224		119,601,165	

Notes to the unaudited condensed consolidated interim financial information at March 31, 2018, December 31 and January 1, 2017 and for the three-month periods ended March 31, 2018 and 2017.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

				March 31, 2018	December 31, 2017	January 1, 2017
Domestic debt	**Type of credit**	**Weighted interest rate**	**Maturities**	**Local currency**	**Local currency**	**Local currency**
Local currency	Banking	Fixed and variable - 8.6%	Various through 2023	12,600,000	7,600,000	18,700,000
	Stock market	Fixed and variable - 7.8%	Various through 2027	79,000,000	79,000,000	66,500,000
Mexican pesos				91,600,000	86,600,000	85,200,000
In UDIS: at the exchange rate per UDI of $6.0179 at March 2018, $5.269 at December 31, 2017 and $5.269 at January 1,2017	Stock market	Fixed - 4.46%	2032	11,304,347	11,141,672	5,196,355
Total UDIS				11,304,347	11,141,672	5,196,355
Total Domestic debt				102,904,347	97,741,672	90,396,355
Summary						
Total external debt				98,679,050	109,042,224	119,601,165
Total domestic debt				102,904,347	97,741,672	90,396,355
Interest payable				2,799,596	2,476,342	1,936,494
Expenses for amortization of debt				(2,338,310)	(2,338,310)	(2,320,543)
Total documented debt				202,044,683	206,921,928	209,613,471
Short-term debt				27,927,493	23,442,173	14,437,280
Short-term interest payable				2,799,596	2,476,342	1,936,494
CFE Energía				-	1,433,451	
Total short-term				30,727,089	27,351,967	16,373,774
Long-term debt				173,655,903	183,341,723	195,560,240
Expenses for amortization of debt				(2,338,310)	(2,338,310)	(2,320,543)
Total long-term				171,317,593	181,003,413	193,239,697
Total short and long-term				202,044,682	208,355,380	209,613,471

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

The short-term and long-term documented debt liabilities mature as follows:

31-03-2018	Amount
2018	30,727,089
2019	7,500,831
2020	21,819,573
2021	20,280,907
2022	192,365
2023 and subsequent	121,523,918
TOTAL	202,044,682

Documented debt

The integration of the financing obtained during the three month period ending March 31, 2018 and 2017 is shown below:

Domestic debt

In February 2018, 2,500 million of pesos were arranged of a revolving credit subscribed with BBVA Bancomer, S. A. and 2,500 million were arranged in March 2018, paying a montly interest TIIE 28 days plus 0.48%.

In April 2017, $2,500 million of a revolving credit suscribed with Banco Santander (Mexico), S. A., were arranged, in addition in July 2017 $2,500 million were arranged paying montly interest to TIIE 28 days plus 0.13%. Said disbursements were amortized in October 2017.

In July 2017, two issuances of Stock Certificates were placed in the national markets:

1- From the CFE 17 series, Stock Certificates were auctioned for an amount of $7,000 million, which paid monthly interest to a fixed rate of 8.18%, with maturity in December 2027.

2- From the CFE 17-2 series, Stock Certificates were auctioned for an amount of $1,000 million, which paid monthly interest to a variable rate of 28-day TIIE plus 0.40%, with maturity in July 2020.

In August 2017, $2,500 million of a revolving credit subscribed with BBVA Bancomer, S. A., was arranged at a 28-day TIIE rate plus 0.48%, with monthly interest payments, which was amortized in November 2017.

In October 2017, three issuances of Stock Certificates were placed:

1- First reopening of CFE 17 series, for an amount of $3,000 million, which pay monthly interest to a fixed rate of 8.18%, with maturity in December 2027.

2- First reopening of CFE 17-2 series, for an amount of $1,500 million, which pay monthly interest to a variable rate of 28-day TIIE plus 0.40%, with maturity in July 2020.

3- Base placement of CFE 17U series, for an amount of 944,092,800 UDIS to a fixed rate of 4.54%, with maturity in September 2032.

In November 2017, $2,500 million of a revolving credit subscribed with Banco Santander (México), S. A., was arranged at a 28-day TIIE rate plus 0.13%, with monthly interest payments, which was amortized in December 2017.

Foreign debt

During January 2017, $126.3 million dollar of the credit line suscribed with Banco Santander, (Mexico), S. A. were arranged to finance enriched uranium for the Laguna Verde Central, for a term of three years, amortizations and semi-annual interest payments, to a rate of LIBOR 6m USD + 1.55%.

In February 2017, $200 million dollar of the syndicated loan was arranged, in which BBVA Bancomer, S. A. has the character of Administrative Agent, at a rate of USD LIBOR plus 1.15% and that will be amortized in the last quarter of the year.

In addition, in order to finance various payments of Financed Public Work (OPF per its acronym in Spanish), $750 million dollar were placed throguh the issuance of an international bond. Such bond bears an interest rate of 5.15%, having its last amortization in September 2047.

Finally, in order to finance imports from Japan, Canada and Switzerland, respectively $115,488,810 JPY (equivalent to 1.0 million dollar) were arranged from the credit line with Japan Bank for International Cooperation (JIBC), $2.1 million dollar from the credit line with Export Development of Canada (EDC), as well as $218,049.75 CHF (equivalent to $229,745.80 million dollar) from the credit line with UBS Switzerland AG (UBS).

On January 13, 2016, a syndicated loan of $1,250 million was arranged with BBVA Bancomer, S.A., acting as the administrative agent. The loan bears an interest rate of LIBOR USD plus 1.15% and matures in November 14.

On September 29, 2016, $300 million of US dollars were placed through a private bond with Morgan Stanley & Co. acting as the placement agent. Such bond bears an interest rate of 4.39%, having a 20-year term and a maturity in September 2036.

On October 18, 2016, a fixed rate bond of $1,000 million of US dollars was placed with Deustche Bank Trust Company Americas. This bond was contracted at a coupon fixed rate of 4.75%, with a term of 10 years and four months, and a maturity in February 2027.

On October 19, 2016, $375 million of US dollars were placed through a fixed rate bond under the Regulation S, with Deustche Bank Trust Company Americas. This bond was contracted at a fixed coupon rate of 5.00%, with a term of 20 years and a maturity in September 2036.

On the first quarter of 2016, proceeds of $16.6 million of US dollars (in its equivalent in JPY) were obtained from a credit line executed with the Japan Bank for International Cooperation (JBIC).

In the second quarter of 2016, proceeds of $0.73 million of US dollars (in its equivalent in JPY) were obtained from a credit line signed with JBIC.

In the second quarter of 2016, proceeds of $23.5 million of US dollars (in its equivalent JPY and CHF) were obtained from a credit line executed with JBIC, Banco Bilbao Vizcaya (BBVA), UBS, and Export Development Canada (EDC).

In the third quarter of 2016, proceeds of $7.5 million of US dollars (in its equivalent JPY and CHF) were obtained from a credit line executed with JBIC.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

12. Debt for long-term Productive Infrastructure Projects (PIDIREGAS by its acronym in Spanish) and obligations for capital lease.

The balances of PIDIREGAS (direct investment) debt and obligations for capital leases as of March 31, 2018, December 31 and January 1st, 2017 are comprised and matures as follows:

	Direct Investment PIDIREGAS	Obligation for capital leases PEE's	Total 2018	Total December 31, 2017	Total January 1, 2017
Short-Term	$ 19,934,471	7,832,746	27,767,217	$ 29,267,762	25,354,442
Long-Term					
2019	425,588	5,801,357	6,226,945	6,795,755	5,780,384
2020	1,296,248	6,471,729	7,767,977	8,516,671	9,555,498
2021	292,977	7,226,160	7,519,137	7,895,360	9,460,320
2022	3,269,139	8,075,871	11,345,010	11,985,413	11,933,890
2023	2,116,667	9,033,660	11,150,327	11,650,024	9,373,246
2024	5,383,941	10,114,126	15,498,067	16,374,707	16,702,876
Subsequent years	101,325,079	57,763,918	159,088,997	156,935,283	157,935,696
Total long-term	$ 114,109,639	104,486,821	$ 218,596,460	$ 220,153,213	$ 220,741,910
Total	$ 134,044,110	112,319,567	$ 246,363,677	$ 249,420,975	$ 246,096,352

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Pidiregas debt (Direct investiment)

At March 31, 2018 and December 31, 2017, the debt corresponding to the acquisition of plants, facilities and equipment through PIDIREGAS was recorded in accordance to the International Financial Reporting Standards and is summarized as follows:

		Term	Balances at March 31, 2018 (Thousands)				Balances at December 31, 2017 (Thousands)				January 1, 2017 (Thousands)			
		of the	Local currency		Foreign currency		Local currency		Foreign currency		Local currency		Foreign currency	
Value of credit -		agreement	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term
Foreign Debt														
38.4	Million of dollars	2018									44,787	-	2,160	-
28.1	Million of dollars	2019	514,841	-	28,092	-	539,009	145,636	27,241	7,360	498,499	717,332	24,046	34,601
54.6	Million of dollars	2020	500,345	500,345	27,301	27,301	540,203	810,304	27,301	40,952	565,994	1,414,985	27,301	68,253
40.7	Million of dollars	2026	82,934	663,469	4,525	36,202	89,540	716,320	4,525	36,202	-	-	-	
306.8	Million of dollars	2029	500,563	5,121,967	27,313	279,480	540,438	5,800,198	27,313	293,136	566,240	6,643,364	27,313	320,449
491.90	Million of dollars	2032	1,104,012	7,910,649	60,240	431,644	1,191,956	8,540,805	60,240	431,644	1,248,865	10,197,445	60,240	491,884
867.8	Million of dollars	2036	805,488	15,098,373	43,951	823,841	840,265	15,660,160	42,466	791,449	798,249	16,980,848	38,504	819,088
1,302.9	Million of dollars	2047	1,312,052	22,565,998	71,592	1,231,311	1,397,362	23,595,288	70,621	1,192,482	-	-	-	
727.0	Million of dollars	2048	444,119	12,879,464	24,233	702,767	-	-	-	-	-	-	-	-
Total foreign debt			5,264,354	64,740,265	287,247	3,532,546	5,138,773	55,268,711	259,707	2,793,225	3,722,634	35,953,974	179,565	1,734,276

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

		Term	Balances at March 31, 2018 (Thousands)				Balances at December 31, 2017 (Thousands)				Balances at January 1, 2017 (Thousands)			
		of the	Local currency		Foreign Currency		Local currency		Foreign Currency		Local currency		Foreign Currency	
Value of credit		agreement	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term
Domestic Debt														
6,771.7	MoP	2016	-	-			-	-			-	36,598		
2,265.0	MoP	2017	-	-			-	-			88,611	-		
1,819.3	MoP	2018	1,819,261	-			1,915,888	-			669,445	3,156,305		
1,366,6	MoP	2019	941,008	425,588			1,011,552	542,528			778,024	1,607,113		
1,824.7	MoP	2020	1,028,771	795,903			1,143,268	895,664			910,344	2,554,330		
475.0	MoP	2021	181,999	292,977			181,999	293,720			121,828	475,719		
5,372.7	MoP	2022	2,103,609	3,269,139			2,265,874	3,493,333			1,702,554	6,754,195		
2,765.4	MoP	2023	648,695	2,116,667			792,720	2,154,690			486,945	2,336,413		
6,870.4	MoP	2024	1,486,451	5,383,941			1,578,043	5,748,122			1,099,555	5,826,698		
3,242.2	MoP	2025	585,227	2,657,020			644,745	2,736,176			670,430	4,035,698		
14,174.4	MoP	2026	2,284,582	11,889,769			2,550,125	12,027,493			2,120,550	16,085,716		
10,668.2	MoP	2027	1,432,288	9,235,922			1,612,159	9,360,896			-	-		
5,032.0	MoP	2032									526,735	2,258,328		
1,589.6	MoP	2036	83,664	1,505,959			83,664	1,505,959			83,664	1,589,623		
12,514.61	MoP	2042	726,938	11,787,669			753,698	12,013,283			726,944	12,766,982		
Total domestic debt			13,322,493	49,360,554			14,533,735	50,771,864			9,985,631	59,483,717		
Interest payable			1,347,624				1,473,412				1,018,221			
CEBURES				8,821				8,821				8,821		
PIDIREGAS total debt			19,934,471	114,109,640			21,145,914	106,049,396			14,726,488	95,446,512		

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

At March 31, 2018, December 31 and January 1, 2017, the minimum payment commitments for PIDIREGAS amounted to:

	March 31, 2018	December 31, 2017	January 1, 2017
PIDIREGAS	193,164,689	176,974,622	144,741,264
less:			
Unaccrued interest	59,129,400	49,788,133	34,577,085
Present value of obligations	134,035,289	127,186,489	110,164,179
less:			
Current portion of obligations	19,934,471	21,145,914	14,726,488
Long-term portion of PIDIREGAS	114,100,818	106,040,575	95,437,691
CEBURES	8,821	8,821	8,821
Total CEBURES y PIDIREGAS	$114,109,639	$ 106,049,396	$ 95,446,512

Obligations for capital leases (Conditioned Investment)

As of March 31, 2018, 27 contracts had been signed with private investors, denominated independent energy producers ("PEE" by its acronym in Spanish). Such contracts include whereas there is an obligation for CFE to pay certain considerations in exchange for a guaranteed electricity power supply service, based on an agreed generation capacity provided by power generation plants financed and built by those investors.

The future payments obligations includes: a) rules for quantifying the amount of acquiring the generation plants when a force majeure event occurred in the terms of each contract, from the construction stage of each project until the termination of the contracts; and b) fixed charges for power generation capacity, as well as variable charges for operation and maintenance of the generation plants, which are determined in accordance with the variable terms set forth in the contracts, applicable from the start-up testing stage up to the termination of the contracts.

a) Classification as leases

The Entity has evaluated that 23 of the contracts with independent producers have an embedded lease on the power generation plant in accordance with IFRIC 4 "Determination whether an arrangement contains a lease" and IFRIC 12 "Service Concession Agreements". In turn, those leases qualify as financial leases in accordance with IAS 17 "Leases".

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

The lease agreements have a term of 25 years. The average annual interest rate on those lease agreements is 11.19%.

	Minimum lease payments			Present value of lease Payments		
	31/03/18	**31/12/17**	**01/01/2017**	**31/03/18**	**31/12/17**	**01/01/2017**
Short-term	$18,103,949	$15,631,775	$ 22,473,286	$ 7,832,746	$8,121,848	$ 10,627,954
Between one and five years	83,338,889	86,151,051	102,490,749	36,608,775	38,507,349	36,140,956
More than five years	98,336,124	103,923,053	144,744,587	67,878,046	75,596,469	89,154,442
Total accumulated	$199,778,962	$205,705,879	$269,708,622	$112,319,567	$122,225,666	$135,923,352

As of March 31, 2018, the obligation for capital lease is comprised as follows:

			US dollar		**Mexican pesos**	
Name	Start of operations	Historical value of the obligation	Short-term	Us dollars Long-term	Short-term (1)	Mexican pesos Long-term
CT MERIDA III	Jun-00	242,685	13,242	137,496	242,678	2,519,864
CC HERMOSILLO	Oct-01	156,144	7,391	103,772	135,453	1,901,812
CC SALTILLO	Nov-01	152,383	7,355	92,713	134,801	1,699,136
TUXPAN II	Dec-01	283,133	12,340	194,327	226,149	3,561,398
EL SAUZ BAJIO	Mar-02	399,773	17,349	285,683	317,946	5,235,660
CC MONTERREY	Mar-02	330,440	15,606	177,958	286,000	3,261,403
CC ALTAMIRA II	May-02	233,234	9,458	175,069	173,338	3,208,462
CC RIO BRAVO II	May-02	232,108	10,703	141,657	196,157	2,596,116
CC CAMPECHE	May-03	196,554	8,069	132,469	147,873	2,427,725
CC TUXPAN III Y IV	May-03	587,064	23,136	418,123	424,010	7,662,864
CC MEXICALI	Jul-03	569,345	23,685	351,385	434,076	6,439,759
CC CHIHUAHUA III	Sep-03	275,327	11,574	166,878	212,105	3,058,336
CC NACO NOGALES	Oct-03	238,016	10,091	115,994	184,942	2,125,804
CC ALTAMIRA III Y IV	Dec-03	600,897	23,595	395,997	432,413	7,257,356
RIO BRAVO III	Apr-04	312,602	10,920	230,948	200,129	4,232,540
CC LA LAGUNA II	Mar-05	367,578	12,096	278,236	221,687	5,099,167
CC RIO BRAVO IV	Abr-05	270,697	8,100	214,258	148,456	3,926,662
CC VALLADOLID III	Jun-06	288,160	9,019	218,667	165,298	4,007,470
CC TUXPAN V	Sep-06	284,997	7,010	239,608	128,470	4,391,250
CC ALTAMIRA V	Oct-06	532,113	10,982	467,613	201,260	8,569,852
CC TAMAZUNCHALE	Jun-07	482,562	11,859	403,193	217,339	7,389,241
CCC NORTE	Aug-10	450,097	11,894	370,227	217,984	6,785,080
CCC NORTE II	Jan-14	427,733	8,547	389,040	156,630	7,129,863
Total			284,021	5,701,311	5,205,194	104,486,820

(1) The short-term balance does not include interest in the amount of $2,627,551 at March 31, 2018.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

a) Other contracts with independent power producers

There are four contracts in operation with wind farms private investors in which as apposed to the contracts aforementioned, the obligation established to CFE is to pay only for the wind energy that was generated and delivered; therefore, these are not considered capital leases. The contracts are as follows:

CE Oaxaca I
CE Oaxaca II, III y IV
CE La Venta III
CE Sureste I

b) Service providers contracts

Pemex-Valladolid Gas Pipeline
Coal terminal

These service provider contracts are not considered financial leases as their characteristics do not meet the requirements of IFRS for this particular treatment.

13. Other accounts payable and accrued liabilities.

Other accounts payable and accrued liabilities at March 31, 2018, December 31 and January 1, 2017, are as follows:

	March 31, 2018	December 31, 2017	January 1, 2017
Suppliers and contractors	$ 42,079,624	$ 59,849,154	$ 17,888,728
Accounts payable MEM			2,011,804
Employees	1,593,612	4,213,117	3,765,564
Deposits from users and contractors	23,233,000	22,974,717	21,103,369
Other liabilities	18,825,835	20,761,053	17,103,988
Total	**$ 85,732,071**	**107,798,041**	**61,873,453**

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

14. Taxes and duties payable.

Taxes and payable as of March 31, 2018, December 31 and January 1, 2017, are summarized as follows:

	March 31, 2018	December 31, 2017	January 1, 2017
Payable by CFE			
Income Tax (IT)	$ 2,889,650	2,828,070	-
Income tax payable on behal of third parties	733,264	411,290	270,792
Contributions to the IMSS	452,972	698,046	680,038
Rights for use and development of national waters	420,009	370,375	224,741
Payroll Tax	43,970	45,556	54,574
Contributions to INFONAVIT	1,718	12,481	10,895
VAT payable			985,948
Subtotal	4,551,583	4,365,818	2,226,988
Withholdings			
Income tax withheld from employees	960,521	738,923	693,591
Withholdings of value added tax	21,883	68,441	67,946
Income tax on interest paid abroad	37,822	27,993	26,846
Income tax on foreign residents	14,085	45,677	57,698
0.5% to contractors	36,713	50,404	18,010
Income tax on professional fees and rent to individuals	(6,952)	7,101	6,302
0.2% to contractors	501	547	342
Others	208	422	14,134
Subtotal	1,064,781	939,508	884,869
Total	$ 5,616,364	5,305,326	3,111,857

15. Other long-term liabilities.

As of March 31, 2018, December 31 and January 1, 2017, other long-term liabilities are as follows:

	March 31, 2018	December 31, 2017	January 1, 2017
Contributions from third parties	$ 6,083,247	$ 8,039,903	33,707,331
Retirement asset obligation	11,164,018	11,101,187	12,888,114
Other provisions	4,283,580	4,283,578	3,561,400
	$ 21,530,845	$ 23,424,668	50,156,845

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

16. Other income, net

For the three month period ended March 31, 2018 and 2017, other income net is summarized as follows:

		March 31, 2018		March 31, 2017
Other income*	$	(8,278,911)	$	(33,676,505)
Other expenses		7,805,007		813,960
Total	$	(473,904)	$	(32,862,545)

* Includes the recognition of deferred contributions.

17. Long-term employees benefits.

Employee benefit plans have been established in relation to the termination of an employee relationship and for retirement due to causes other than a restructuring. Retirement benefit plans consider the years of service completed by the employees and their remuneration at the date of retirement. Retirement plan benefits include the seniority bonus that employees are entitled to receive upon termination of the employment relationship, as well as other defined benefits.

The actuarial valuations of the plan assets and the present value of the defined benefit obligation are anually performed by independent actuaries using the projected unit credit method.

No significant changes or amendments to the plans were made during the three-months period ended March 31, 2018 and 2017.

18. Income tax.

During 2015, CFE was Transformed into a Productive State Enterprise, previously was a Decentralized Public Company, This Situation consequently lead CFE to no longer apply for the regime included in Title III of the Income Tax Law (Non-Profit Legal Entities), and rather, to apply the provisions in the Title II of the above Law (General regime for corporations and legal entities).

CFE effective tax rate in respect of income from continuing operations for the nine and three months period ended March 31, 2018 and 2017 were 15% and 0%, respectively. Tax expense is recognized based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

19. Other equity´s items.

a. Other comprehensive income

Items included in the Comprehensive (loss) income for the period ended March 31, 2018 and 2017 were as follows:

	2018	2017
Net (loss) income	(11,405,590)	36,332,241
Cash flow hedging	3,363,303	210,001
Comprehensive (loss) income	(8,042,287)	36,542,242

b. Non-controlling interests-

As mentioned in note 1, on February 7, 2018, an Energy and Infrastructure Investment Trust (also referred as Fibra-E), specialized in the Mexican electricity sector was incorporated. Such Trust issued energy and infrastructure investment trust certificates, receiving contributions from the Entity and other investors.

Entity’s management has evaluated and concluded that it exert control over the Trust’s net asset, and thus, those are consolidated as part of the financial statements. The non-controlling interest for an amount of $15,454,653 represents the equity in this Trust that is not attributable directly or indirectly to the parent entity.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

20. Foreign currency position.

As of March 31, 2018, December 31 and January 1, 2017 the Entity had assets and liabilities denominated in foreign currency as follows:

March 31, 2018

	Assets	Liabilities				
		Trade			Obligations for capital lease and PIDIREGAS	Short position
	Cash and cash equivalents	Payables	Domestic debt	External Debt		In foreign Currency
US dollars	$ 2,235,179	638		5,309,029	9,805,129	12,878,340
Euros	-	-		1,733	-	1,733
Japanese yen	1,358,978	-		3,359,500	-	4,718,478
Swiss francs		-		39,913	-	39,913

December 31, 2017

	Assets	Liabilities				
		Trade			Obligations for capital lease and PIDIREGAS	Short position
	Cash and cash equivalents	Payables	Domestic debt	External Debt		In foreign Currency
US dollars	$ 1,215,536	21,659	-	5,428,378	9,096,684	13,331,184
Euros	505	-	-	2,360	-	1,855
Japanese yen	1,335,513	-	-	3,874,487	-	5,210,000
Swiss francs	31,644	-	-	45,080	-	13,436

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

	January 1, 2017					
	Assets	Liabilities				
		Trade			Obligations for capital lease and PIDIREGAS	Short position
	Cash and cash equivalents	Payables	Domestic debt	External Debt		In foreign Currency
US dollars	$ 248,696	139,595	-	5,640,557	8,206,499	13,737,956
Euros	-	-	-	2,628	-	2,628
Japanese yen	102,217	-	-	5,852,554	-	5,750,337
Swiss francs	-	-	-	77,626	-	77,626

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

Note: The PIDIREGAS dollar debt includes the amount of 6,043,750 million dollars of the financial lease debt with External Producers (as per IFRS)

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

These assets and liabilities in foreign currency were converted into local currency at the exchange rate established by the Banco de Mexico in the DOF effective at March 31, 2018, December 31 and January 1, 2017, as follows:

Currency	**March 31, 2018**	**December 31, 2017**	**January 1, 2017**
US dollars	$ 18.3268	$ 19.7867	20.7314
Euros	22.5645	23.6062	21.7534
Japanese yen	0.1720	0.1746	0.1768
Swiss francs	19.1570	20.1721	20.2936

21. Contingent liabilities and commitments.

Contingent liabilities

The Entity is involved in several lawsuits and claims derived from the normal course of its operations, which were not expected to have a material effect in the financial position and future results.

Commitments

a. Natural gas supply contracts

The Entity has entered into contracts to provide services of reception, storage, transportation, regasification and supply of liquefied natural gas. Such contractual commitments consist of acquiring, during the supply period, daily amounts of natural gas as agreed upon in the respective contracts.

b. Long-term auctions

During 2017, the Entity participated as buyer in the long-term auction convened by CENACE for the month of November 2017, acquiring through the same a commitment to purchase energy of 539.8 (MW / year) for 15 years, of purchase of energy of 5,003,133.78 (MWh / year) for 15 years and purchase of CELs of 5,422,143.18 by 20 years, respectively. On April 13, 2018, an agreement with the Chamber of Compensation (that acts as counterpart) was signed.

As of December 31, 2017, the Entity has the obligation to acquire the 5% of CELs that shield the production of electricity generation companies for 2018 and 5.8% for 2019.

c. Financed public works contracts

At March 31, 2018, CFE has signed a number of finance public works contracts, whose commited payments will commence on the dates when private investors complete the construction of each of the investment projects and deliver to the Entity the related the assets for their operation. The estimated amounts of these financed public work contracts and the estimated dates of completion of the construction and start of operations are as shown in the table included on the next page.

Transmission lines and substations:

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Project name	Capacity Kmc	Capacity MVA	Estimated contract amount in million of Dollar	Estimated contract amount in million of Pesos	Operation stage
283 LT 1723 Red de Transm. Asoc. a CC Norte III	21.10		17.40	318.89	31-mar-17
188 SE 1116 Transformación del Noreste F4	97.60	500.00	50.00	916.34	31-may-17
339 SLT 2021 Reducción de Pérdidas de Energía en Distribución F6 (DIST)	158.00	62.10	65.88	1,207.44	17-jul-17
209 SE 1212 Sur - Peninsular F9 (DIST)	20.31	20.00	8.17	149.71	12-ago-17
321 SLT 1920 Subestaciones y Lineas de Distribución F5	1.42	30.00	5.46	100.01	31-ago-17
274 SE 1620 Distribución Valle de México F2	26.20	420.00	89.80	1,645.75	31-oct-17
282 SLT 1720 Distribución Valle de México F1	1.00	120.00	11.74	215.12	15-nov-17
322 SLT 1921 Reducción de Perdidas de Energía en Distribución F4 (DIST)	427.54	102.42	139.88	2,563.55	31-dic-17
259 SE 1521 Distribución Sur F5 (DIST)	9.00	30.00	8.84	161.97	06-ene-18
339 SLT 2021 Reducción de Pérdidas de Energía en Distribución F8 (DIST)	156.00	46.50	85.35	1,564.19	12-ene-18
288 SLT 1722 Distribución Sur F2	4.30	40.00	7.13	130.65	19-ene-18
304 LT 1805 Línea de Transmisión Huasteca - Monterrey	441.80		126.83	2,324.39	30-ene-18
281 LT 1716 Red de Transmsión Asociada al CC Noreste	128.10		45.91	841.46	01-feb-18
321 SLT 1920 Subestaciones y Líneas de Distribución F4	42.40	50.00	11.74	215.08	10-feb-18
280 SLT 1721 Distribución Norte F4	17.20	30.00	6.49	118.90	15-feb-18
321 SLT 1920 Subestaciones y Líneas de Distribución F1 C2 (DIST)	0.18	20.00	2.88	52.85	25-feb-18
339 SLT 2021 Reducción de Pérdidas de Energía en Distribución F7 (DIST)	870.17	309.50	222.73	4,081.98	01-mar-18
310 SLT 1821 Divisiones de Distribución F1 (DIST)		50.00	4.69	85.95	01-mar-18
339 SLT 2021 Reducción de Perdidas de Energía en Distribución F1 (DIST)	36.62	11.70	10.97	201.08	05-mar-18
328 LT Red de Transmisión Asociada a la CG Los Azufres III F2 C2 (2011)	1.45		4.48	82.10	23-mar-18
297 LT 1811 Red de Transmisión Asociada al CC Empalme I	425.60		86.70	1,588.93	25-mar-18
209 SE 1212 Sur - Peninsular F6 C2 (DIST)	0.90	20.00	4.35	79.68	01-abr-18
309 SLT 1820 Divisiones de Distribución del Valle de México	5.20	360.00	48.15	882.44	19-abr-18
253 SE 1420 Distribución Norte F7 (DIST)	2.70	20.00	3.02	55.42	03-may-18
242 SE 1323 Distribución Sur F2 C2 (DIST)	3.26	50.00	9.77	179.03	04-may-18
336 SLT 2001 Subestaciones y Líneas Baja California Sur - Noroeste F1	225.00	950.00	44.50	815.45	25-may-18
274 SE 1620 Distribución Valle de México F1	16.10	780.00	94.60	1,733.72	31-may-18
339 SLT 2021 Reducción de Pérdidas de Energía en Distribución F5 C2 (DIST)	1,185.00	162.30	169.89	3,113.54	06-jun-18
350 SLT 2121 Reducción de Pérdidas de Energía en Distribución F3 (DIST)	353.20	45.90	38.53	706.20	07-jun-18
350 SLT 2121 Reducción de Pérdidas de Energía en Distribución F2 (DIST)			36.56	669.97	10-jun-18
337 SLT 2002 Subestaciones y Líneas de las Áreas Norte - Occidental F2	205.40	200.00	31.13	570.59	29-jul-18
273 SE 1621 Distribución Norte-Sur F4 C3 (DIST)	0.54	20.00	3.46	63.36	11-ago-18
338 SLT 2020 Subestaciones, Líneas y Redes de Distribución F1 (DIST)	25.33		10.75	197.03	11-ago-18
350 SLT 2121 Reducción de Pérdidas de Energía en Distribución F1 (DIST)	3.10	2.51	1.36	24.91	26-ago-18
321 SLT 1920 Subestaciones y Líneas de Distribución F2 (DIST)	0.72	20.00	3.40	62.29	16-sep-18
338 SLT 2020 Subestaciones, Líneas y Redes de Distribución F6 (DIST)	129.35		3.03	55.49	20-sep-18
266 SLT 1603 Subestación Lago	80.40	660.00	91.20	1,671.37	22-sep-18
337 SLT 2002 Subestaciones y Líneas de las Áreas Norte - Occidental F1	208.70	975.00	35.84	656.74	19-oct-18
349 SLT 2120 Subestaciones y Lineas de Distribución F1 (DIST)	5.70	70.00	5.97	109.45	21-nov-18
310 SLT 1821 Divisiones de Distribución F6 (DIST)	54.98		4.58	83.94	12-ene-19
338 SLT 2020 Subestaciones, Líneas y Redes de Distribución F2 (DIST)	4.84	60.00	8.51	156.00	19-feb-19
288 SLT 1722 Distribución Sur F3	3.96	40.00	6.00	109.91	23-feb-19
336 SLT 2001 Subestaciones y Líneas Baja California Sur - Noroeste F2	50.80	300.00	15.87	290.86	01-mar-19
300 LT 1812 Red de Transmisión Asociada al CC Topolobampo III	276.00		24.49	448.88	13-mar-19
	5,727.17	6,577.93	1,708.03	31,302.6	

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Generation

Project name	Capacity	Estimated amount in million of: Dollar	Pesos	Operation stage
268 CCI Guerrero Negro IV	7.52	20.63	378.1	01-abr-17
296 CC Empalme I	770.22	476.84	8,739.0	06-nov-17
298 CC Valle de Mexico II	615.23	425.31	7,794.6	31-ene-18
38 CC Norte III (Juárez) C2	906.71	562.37	10,306.4	13-abr-18
313 CC Empalme II	791.17	397.00	7,275.7	28-abr-18
327 CG Azufres III F2 (DIST)	25.00	51.29	939.9	15-jun-18
43 CC Noreste	857.18	345.46	6,331.1	01-jul-18
289 CH Chicoasén II	240.00	386.42	7,081.8	12-sep-18
42 CC Noroeste (Topolobanpo II) C2	887.39	334.50	6,130.3	02-ene-19
45 CC Topolobampo III C2	665.88	630.87	11,561.8	01-ene-20
	5,766.29	3,630.69	66,538.9	

Rehabilitation and modernization

Project name	Estimated amount in million of: Dollars	Pesos	Operation stage
311 RM CCC Tula Paquetes 1 y 2	323.1	5,921.0	02/09/2017
312 RM CH Temascal Unidades 1 a 4 (GEN)	26.5	485.7	18/09/2018
278 RM CT José López Portillo (GEN)	214.0	3,921.9	27/02/2019
258 RM CT Altamira U1 y 2	380.0	6,964.0	01/07/2019
	943.6	17,292.6	

These projects are registered under the PIDIREGAS scheme (long-term productive infrastructure projects).

d. Trust Funds

1 Area of competence.

1.1. CFE currently participates in the capacity of Trustor or Beneficiary in 11 (eleven) Trust Funds, 1 (one) of which are in the process of extinction.

1.2. In conformity with its purpose and operating characteristics, the trust funds can be categorized in the following groups:

a. Energy saving
b. Prepaid expenses
c. Management contracts
d. Indirect participation trust funds

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

e. Energy saving

Those organized to promote energy saving programs.

Trust Fund	Role of CFE		
	Trustor	Trustee	Beneficiary of the trust fund:
Trust fund for Energy Savings (FIDE), created August 14, 1990	Organization: Confederacion de Camaras Industriales (CONCAMIN), Camara Nacional de la Industria de Transformacion (CANACINTRA), Camara Nacional de Manufacturas Electricas (CANAME), Camara Nacional de la Industria de la Construccion (CNIC), Camara Nacional de Empresas de Consultoría (CNEC) and Sindicato Unico de Trabajadores Electricistas de la Republica (SUTERM)	Nacional Financiera, S.N.C.	**a.** Electric energy consumers who are beneficiaries of the services rendered by the Trust fund. **b.** CFE, only for the materials that would have formed part of the infrastructure of public energy service.
Mexicali Housing Thermal Isolation Trust (FIPATERM), created on October 19, 1990	CFE	Banco Nacional de Obras y Servicios Publicos, S.N.C.;	CFE

As of March 31, 2018, the Trust fund for Housing Thermal Isolation (FIPATERM) had assets amounting to $1,463,783 and liabilities amounting to $47,995.

f. Prepaid expenses

Those created for financing and covering expenses prior to the execution of projects, subsequently recoverable and charged to whom realizes them to be adjusted to the framework applicable to the type of project.

Trust Fund	Role of CFE			Type of projects
	Trustor	Beneficiary of the trust fund:	Trustee	
CPTT prepaid expense management, organized on August 11, 2003	CFE	CFE	Banco Nacional de Comercio Exterior, S. N. C.	Direct investment

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Management and transfer of ownership 2030, organized on September 30, 2000	CFE	**Primary beneficiary** Winners of the contracts. **Secondary beneficiary** CFE	Banobras, S.N.C.	Conditioned investment

As of March 31, 2018, the Prepaid Expenses Management Trust fund has assets amounting to $3,769,266 and liabilities amounting to $3,357,258.

As of March, 31 2018, the Domain Transfer and Administration Trust 2030 has assets of $414,136.

g. Management of construction contracts

Beginning in the ´90s, the Federal Government implemented several off-budget schemes in order to continue to invest in infrastructure projects. Those schemes were designed under two modalities:

- Turnkey Projects (1990)
- Building, Leasing, and Transferring Projects (CAT) (1996)

Turnkey Projects. - Under this scheme, works were carried out for constructing power generation centrals and installing transmission lines, through an irrevocable management and transfer of ownership trust, linked to a lease agreement. In this modality, the trustee discharges the following duties:

Contracting credits, managing the trust property (assets), receiving the leases payments from CFE, and transfering the asset free to CFE with no charg once those leases have been covered in a sufficient amount to pay the contracted credits.

CFE participates in the payment of the leases to the trustee, based on the credits contracted by the trust, instructing the trustee to pay the contractors. In exchange, receiving invoices approved by the construction area, payment of taxes and other charges, including trustee fees.

These trust for managing and transfering ownership were carried out in accordance with the "Guidelines for the performance of thermoelectric projects with off-budget funds", as well as with "Guidelines for the performance of transmission lines and substations with off-budget funds" issued by the Ministry of Public Adminstration (SFP formerly known as Ministry of Controlling and Administrative Development).

The Trust shown below has concluded with its payment commitments; therefore, is in process of extinction which is in charge of the General Counsel.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary	
Topolobampo II (Electrolyser, S. A. de C. V.), formed on de November 14, 1991	Bufete Industrial Construcciones, S. A. de C. V. and Electrolyser, S. A. de C. V.,with respect to its contribution to the Trust.	Primary Beneficiary: Electrolyser, S. A. de C. V., with respect to its contribution and Secondary Beneficiary: CFE	Santander, S. A.

Building, Leasing and Transfering Projects ("CAT", per its acronym in Spanish).- The transition stage to carry out the trusts denominated CAT started in 1996, in which the trustee manages the trust property (assets) and transfers it to CFE once the lease payments have been covered. Credits are contracted directly with a consortium which is a special purpose entity, existing for the purposes set forth in the irrevocable management and transfer of ownership trust.

In this type of trusts, CFE participates in the realization of the payment of leases based on quarterly amortization tables presented by the consortiums in their bids. Most of these tables include forty quarterly payments. The projects under this modality that are in process of being terminated are as follows.

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary of the trust:	
C.C.C. Rosarito III (8 and 9), formed on August 22, 1997	CFE and Rosarito Power, S.A. de C.V.	CFE	BANCOMEXT

The only project under this modality that is force is the related to the CT Smalayuca II:

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary of the trust:	
C.T. Samalayuca II, formed on May 2, 1996	Compañía Samalayuca II, S. A. de C. V.	**Firstly: F**oreign bank common agent foreign bank of the debtors; **Secondly:** Compañía Samalayuca II, S. A. de C. V. **Thirdly:** CFE	Banco Nacional de México, S. A.

As of March 31, 2018, CFE has fixed assets amounting to $21,444,673 and liabilities amounting to $514,840 related to the CATs of the trusts referred to above.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Presidente Plutarco Elias Calles Terminal Coal TC

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Presidente Plutarco Elias Calles Terminal Coal TC (Petacalco), formed on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and TechintCompagnia Tecnica Internazionale S.P.A.	**Firstly:** Carbonser, S.A. de C.V **Secondly:** CFE	Banco Nacional de Mexico, S.A, (BANAMEX)

An irrevocable management, guarantee, and transfer of ownership trust agreement number 968001 was entered into in 1996, which, among other considerations, sets forth that the trustee will enter into a service contract with CFE.

Upon the entry into effect of the coal management service contract between CFE and Banco Nacional de México, S. A. (Banamex) as trustee of the Petacalco Trust, comprised by Techint Compagnia Tecnica Internazionale S.P.A., Grupo Mexicano de Desarrollo, S. A. de C. V., and Techint, S. A. signed on November 22, 1996, in accordance with the clause 8.1, CFE will pay the amounts of the invoices related to the fixed charge for capacity.

Facility	Fixed charge for capacity of Jan-March 2018
Petacalco	$29,752

h. Indirect equity participation trusts

Additionally, CFE maintains an indirect relationship since it is not a Trustor, but it participates as a beneficiario in four trusts for guarantee and payment of financing, created by Financial Institutions as Trustors and Beneficiaries of Trusts for the issue of securities linked to credits granted to CFE. 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.

CFE is obliged to reimburse to the Trust in the terms of the "Indemnification Contract", the expenses incurred for the issue of securities and their management.

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 194 created on May 3, 2004	**Firstly:** ING (Mexico), S. A. de C. V. and Casa de Bolsa, ING Grupo Financiero **Secondly:** Deutsche Securities, S. A. de C. V. and Casa de Bolsa.	**Firstly:** Each one of the preferred holders of each issue **Secondly:** CFE	Banamex

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Trust	Participation of CFE		Trustee
	Trustor	Beneficiary of the trust:	
Trust No. 232246 created on November 3, 2006	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	**Firstly:** Each one of the preferred holders of each issue **Secondly:** CFE	HSBC Mexico, S.A., Grupo Financiero HSBC
Trust No. 411 created on August 6, 2009	Banco Nacional de Mexico, S.A, Member of Grupo Financiero Banamex.	**Firstly:** Each one of the preferred holders of each issue **Secondly:** CFE	Banamex

At March 31, 2018, there are available funds in trust No. 232246 for the amount $8,821.

2 Legal nature.

2.1 In conformity with the Ley Organica de la Administracion Publica Federal (“Federal Public Administration Act”), none of the trusts are considered as Public Trusts with the status of "entity", pursuant to the following:

a. In 7 of them, CFE does not have the capacity of Trustor in their constitution.

b. The 4 remaining trusts do not have a similar organic structure to the state-owned entities that conform them as "entities" in terms of the Law.

2.2 The SHCP has maintained a record for purposes of the Federal Budget and Financial Responsibility Law, only for 4 (four) of them,due to the assigment of federal funds or the contribution of land owned by CFE where the works take place.

Registry of Trusts with SHCP		
No.	Trusts	Record
1	Mexicali Housing Thermal Isolation Trust, FIPATERM	700018TOQ058
2	Prior Expenses Trust	200318TOQ01345
3	Trust Management and Transfer of Ownership 2030	200318TOQ01050
4	Trust for Power Savings (FIDE)	700018TOQ149

22. Segment information.

Information about the operating segments

Management identified the following two operating segments where the Entity performs business activities, generates income and expenses, there is financial information available, and the operations results are regularly reviewed by the Board of Directors and the Chief Executive Officer in order to make decisions about the resources allocated to the segment and to evaluate its performance.

• Electricity services
• Optical fiber network services

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

The "Electricity services" segment is mainly comprised by the service of electricity supply, which consists of: generation, conduction, transformation, distribution and supply of electricity to consumers in Mexico, as well as planning and carrying out all the installations and works required by the National Electricity System in terms of planning, executing, operating and maintaining it with the collaboration of the independent energy producers, in accordance with the Public Electric Energy Service Law and its regulations.

The “Optic fiber network services” segment represents 0.26% of the Entity´s total activity, Management does not consider this segment information to be significant in the context of the financial statements.

Information by type of services

		2018		2017
Domestic service	$	18,653,384	$	15,145,544
Commercial service		37,617,291		11,154,748
Public lighting service		2,281,160		5,635,640
Agricultural service		1,789,665		1,503,316
Industrial service		10,735,025		48,922,193
Total electricity services billed		71,076,525		82,361,441
Other programs:				
Consumptions in process of billing		(55,563)		(45,882)
Illicit uses		211,165		404,940
Failure of measuring		395,638		92,224
Billing error		150,880		234,649
Total income from others Programs	$	702,120	$	685,931
		71,778,645		83,047,372
Other operating products		1,066,219		2,796,241
Total Electricity supply revenue service	**$**	**72,844,864**	**$**	**85,843,613**

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

23. Adjustment for adoption of recently issued financial reporting standards.

The accumulated effect of the accounting pronouncements of IFRS 15 and 9 at December 31 and January 1, 2017 are shown as follows:

		Acummulated at January 1, 2017		Acummulated at December 31, 2017
Total IFRS 15	$	(7,090,115)	$	(9,466,023)
Total IFRS 9		(6,945,993)		(6,473,385)
Total	$	(14,036,108)	$	(15,939,408)

A. IFRS 9 "Financial Instruments"

IFRS 9 *Financial Instruments* establishes the requirements for the recognition and measurement of financial assets, financial liabilities and another purchase or sale contracts of non financial items. This new standar replaces IAS 39 , *Financial Instruments: Recognition and Measurement.*

i. Transition

Impairment value – financial assets

Estimated impact of IFRS 15 in the consolidated statement of financial position (increase/decrease) at December 31, 2017 and January 1, 2017:

Assets:	**Adjustments**	**Dec 31, 2017**	**Jan 1, 2017**
Accounts receivable to customers, net (allowance for doubtful accounts)	a)	$ 472,608	$ (6,945,993)
Equity			
Acumulated results			$ (6,945,993)
Profit and loss		$ 472,608	

B. IFRS 15 *"Customer contract income"*

IFRS 15 establishes a complete conceptual framework for determining whether to recognize Income from ordinary activities, when to recognize it and in what amount. This standard replaces the existing revenue recognition guideline, including IAS 18 *"Income from Ordinary Activities"* and IAS 11 *"Construction Contracts"* and the IFRIC 13.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

The two trasition methods accepted under the new standard are the complete retrospective method and the modified retrospective approach. The entity selected to use the complete retrospective method for effects of this unaudited condensed consolidated financial information. The initial effect of IFRS 15 adoption was recognized in accumulated results at January 1, 2017.

i. Electricity supply service

For electric power sales, currently revenues are recognized when the electric power services are rendered to customers; considering this as the moment in that the customer accepts the energy and the corresponding risks and benefits related with the transfer of the property. Other elements for income recognition are that both revenues and costs can be reliably measured, the recovery of the consideration is probable and there is no continuous involvement in relation to the assets.

In accordance with IFRS 15, income is recognized when the customer obtains control of the goods and services, the first step being the identification of a contract. Among other features, this standard requires that a contract be collected in order to be recognized as income. The Entity has identified that in certain divisions there are problems of social resistance and regularization of rates for which the client no longer has the capacity or intention to pay the amount owed. Due to the foregoing, the Entity has made a new evaluation of these contracts, preliminarily determining that they do not meet the requirements to recognize the relative income, so it does not recognize the income for the energy delivered to said customers since it does not expect to collect for the same.

Estimated impact of the IFRS 15 adoption:

Impact of IFRS 15 on the consolidated statement of financial position (increase / (decrease)) as of December 31, 2017 and January 1, 2017:

	Adjustments	March 31, 2018	December 31, 2017	January 1, 2017
Assets:				
Accounts receivable, net	a)	(1,103,495)	$(2,375,908)	$(7,090,115)
Equity:				
Acumulated results			-	$(7,090,115)
Comprehensive income, net		(1,103,495)	$(2,375,908)	

Effects for the three month period ended at March 2017 were not significant.

a) Cancellation of income that is not in compliance with step 1 of IFRS 15, contract identification, due to the Entity has made an evaluation and identified certain contracts corresponding to income not recoverable in spite of the power electricity has been delivered, them correspond to areas which the Entity has identified with social conflicts and regularization of rates and the aging of the energy delivered not collected is greater than one year.

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

There is not impact in the consolidated statements of cash flows.

ii. Customer contracts income

The disaggregation of income from contracts with customers of the Entity:

	March 31, 2018	**March 31, 2017**
Domestic service	18,653,384	15,145,544
Comercial service	37,617,291	11,154,748
Service for public lighting	2,281,160	5,635,640
Agricural service	1,789,665	1,503,316
Industrial service	10,735,025	48,922,193
Total electric service invoiced	71,076,525	82,361,441
Other programs:		
Consumptions in invoicing process	(55,563)	(45,882)
Ilegal uses	211,165	404,940
Measurement failure	395,638	92,224
Invoicing error	150,880	234,649
Total of income obtained for other programs	702,120	685,931
	71,778,645	83,047,372
Other exploitation products	1,066,218	2,796,240
Power electricicy revenue	72,844,864	85,843,613
Fuel revenue	9,749,895	858,898
Transmission revenue	159,846	-
Subsidy income	9,886,255	8,622,868
Other income	473,904	32,862,545
Total	93,114,764	128,187,924

(Amounts expressed in thousands of Mexican pesos, unless explicity indicated)

Income recognition date	**March 31, 2018**	**March 31, 2017**
Goods tranferred at a point in time	92,954,918	98,620,218
Services transferred over time	159,846	-
Total income of contracts with customers	**93,114,764**	**98,620,218**

24. Recently issued financial reporting standards not yet effective.

A. IFRS 16 "Leases"

IFRS 16 replaces existing lease guidance including IAS 17 *"Leases"*, IFRIC 4 I, the SIC-15 *"Operational Leases-Incentives"* and SIC 27 *"Evaluation of the substance of transactions that take the legal form of a lease"*.

This standar is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted to entities that apply IFRS 15 in the date of initial adoption of IFRS 16 or before thi date

IFRS 16 introduces a lease accounting model only for leassees. Leassees will recognize an asset representing the right to use the underlying asset during the lease term and a liability to make lease payments. There are exemptions for leases of short-term or low value. Leassor accounting is substantially unchanged from today´s accounting. Leassors will continue using the same leases classification as finance leases and operating.

The Entity is in the process of to determine the potential impacts in the financial statements due to the adoption of this standar.

C. Other standards

The Entity does not expect any significant impact as a result of the follow standards and modified pronouncements over its financial statements:

- Annual improvements to IFRS 2014-2016 – Modifications to IFRS 1 and IAS 28
- Clasification and Measurement of Share- based Payment (Amendments to IFRS 2)
- Transfer of Investment Property (Amendments to IAS 40
- Sale or Contibution of Assets between an Investor and Its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

25. Issuance of the condensed consolidated interim financial information.

The issuance of the condesed consolidated interim financial statements and their corresponding notes were approved by the Management on May 29, 2018. Such financials shall be approved by the Board of Directors on a subsequent date. The Board of Directors has the power to modify the accompanying condensed consolidated interim financial information. The subsequent events were considered until May 29, 2018.