Comisión Federal de Electricidad,
Productive State Enterprise and Subsidiaries

Unaudited Condensed Consolidated Statements of Financial Position

(Thousands of Mexican pesos)

Assets	30 June 2018	31 December 2017 (restated)	1 January 2017 (restated)
Current assets:			
Cash and cash equivalents (Note 5)	$ 37,357,739	67,237,901	42,266,944
Accounts receivable, net (Note 6)	101,525,362	85,332,209	55,678,158
Inventory of operating materials (Note 7)	11,174,567	14,642,993	14,025,765
Total current assets	150,057,668	167,213,103	111,970,867
Loans to employees	11,797,790	12,339,195	11,193,711
Plants, facilities and equipment, net (Note 8)	1,241,693,464	1,252,938,487	1,287,172,275
Derivative financial instruments (Note 10)	12,630,614	16,084,937	15,646,026
Intangible assets (Note 9)	33,789,053	32,836,987	32,643,820
Deferred income tax (Note 18)	81,907,510	76,867,662	-
	$ 1,531,876,099	1,558,280,371	1,458,626,699

Liabilities and equity	30 June 2018	31 December 2017 (restated)	1 January 2017 (restated)
Current liabilities:			
Current installments of documented debt (Note 11)	$ 18,114,024	27,351,967	16,373,774
Current installments of PIDIREGAS debt and capital lease obligations (Note 12)	27,931,613	29,267,762	25,354,442
Other payables and accrued liabilities (Note 13)	103,379,116	107,798,041	61,873,453
Taxes and duties payable (Note 14)	2,424,525	5,305,326	3,111,857
Total current liabilities	151,849,278	169,723,096	106,713,526
Long-term liabilities:			
Documented debt (Note 11)	195,339,704	181,003,413	193,239,697
PIDIREGAS debt and capital lease obligations (Note 12)	235,093,538	220,153,214	220,741,910
Other long-term liabilities (Note 15)	16,973,712	23,424,668	50,156,845
Long-term employee benefits (Note 17)	357,894,886	361,780,339	361,114,287
Total long-term liabilities	805,301,840	786,361,634	825,252,739
Total liabilities	957,151,118	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
Retained earnings (loss)	50,541,518	90,405,522	(15,601,570)
Other components of comprehensive income	414,418,855	416,780,451	447,252,336
Non-controlling interest (Note 19 (b))	14,754,940	-	-
Total equity	574,724,980	602,195,641	526,660,434
Contingencies and commitments (Note 21)			
	$ 1,531,876,099	1,558,280,371	1,458,626,699

See accompanying notes to unaudited condensed consolidated financial statements

Comisión Federal de Electricidad,
Productive State Enterprise and Subsidiaries

Unaudited condensed consolidated statements of comprehensive (loss) income

For the six-month period ended 30 June 2018 and 2017

(Thousands of Mexican pesos)

		2018	2017
Revenues:			
Electricity supply services	$	158,499,443	178,829,793
Subsidies		23,571,436	21,510,346
Sale of fuel		21,067,800	2,267,079
Transmission and distribution services		1,321,820	341,412
Other income, net (Note 16)		12,988,943	39,365,394
Total revenues		217,449,443	242,314,024
Costs:			
Energy and fuel supplies		153,866,380	127,409,318
Employee compensation and benefits		31,125,900	29,693,188
Maintenance, materials and general services		9,132,254	8,632,012
Taxes and duties		1,411,925	1,527,692
Wholesale Electricity Market (MEM) costs		1,286,886	1,276,980
Total costs		196,823,345	168,539,190
Income before other operating costs		20,626,097	73,774,834
Other operating costs			
Employee benefits costs		14,471,918	23,902,000
Depreciation		29,222,331	26,088,523
Other expenses		7,701,083	4,137,324
Total other operating costs		51,395,332	54,127,847
Operating (loss) income		(30,769,234)	19,646,987
Financing income (loss), net		10,986,906	(16,590,226)
(Loss) income before income tax and other comprehensive (loss) income		(41,756,140)	36,237,213
Income tax		(1,892,136)	285,736
Net (loss) income		(39,864,004)	35,951,477
Other comprehensive income		(2,361,597)	3,051,789
Comprehensive (loss) income	$	(42,225,601)	39,003,266

See accompanying notes to unaudited condensed consolidated financial statements

Comisión Federal de Electricidad,
Productive State Enterprise and Subsidiaries

Unaudited Condensed Consolidated Statements of Changes in Equity

For the six-month period ended 30 June 2018 and 2017

(Thousands of Mexican pesos)

		Contributions received from the Federal Government	Contributions in kind received from the Federal Government	Accumulated results	Other comprehensive income	Non-controlling interest	Total
Balances as at 1 January 2017 (as originally reported)	$	5,251	95,004,417	(1,565,462)	447,252,336	-	540,696,542
Restatement adjustments (Note 23)		-	-	(14,036,108)	-	-	(14,036,108)
Balances as at 1 January 2017 (restated)		5,251	95,004,417	(15,601,570)	447,252,336	-	526,660,434
Comprehensive income (Note 19(a))		-	-	35,951,477	3,051,789	-	39,003,266
Balances as at 30 June 2017	$	5,251	95,004,417	20,349,907	450,304,125	-	565,663,700
Balances as at 1 January 2018 (as originally reported)	$	5,251	95,004,417	90,405,423	416,780,451	-	602,195,542
Non-controlling interest contribution (Note 19 (b))		-	-	-	-	15,496,010	15,496,010
Payment of non-controlling interest dividend						(741,070)	(741,070)
Comprehensive income (Note 19(a))		-	-	(39,864,005)	(2,361,497)	-	(42,225,502)
Balances as at 30 June 2018	$	5,251	95,004,417	50,541,418	414,418,954	14,754,940	574,724,980

See accompanying notes to unaudited condensed consolidated financial statements

Comisión Federal de Electricidad,
Productive State Enterprise and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

For the six-month period ended 30 June 2018 and 2017

(Thousands of Mexican pesos)

		2018	2017
Cash flow from operating activities:			
Net (loss) income of the period before income taxes and other comprehensive (loss	$	(41,756,140)	36,332,241
Items related to operating activities:			
Employee benefits cost		14,471,918	14,425,137
Items related to investing activities:			
Depreciation		29,222,331	11,817,945
Retirements of plants, facilities and equipment		1,328,170	2,164,389
Unrealized loss on foreign exchange, interest expense and changes in the fair value of financial instruments		21,931,207	(11,049,471)
Subtotal		25,197,486	53,690,241
Changes in other operating assets and liabilities:			
Accounts receivable		(16,193,152)	(24,322,992)
Inventory of operating materials		3,468,426	(4,927,218)
Taxes and duties payable		(6,028,513)	12,068,289
Other assets		(410,664)	(3,029,089)
Other payables and accrued liabilities		(10,869,878)	(20,172,836)
Payments for employee benefits		(18,357,372)	(9,487,000)
Net cash flows from operating activities		(23,193,667)	3,819,395
Cash flow from investing activities-Acquisition of plants, facilities and equipment, net		(19,305,478)	(19,305)
Cash flow from financing activities:			
Proceeds from debt		44,693,004	7,233,506
Non-controlling interest contributions		14,754,940	-
Payments on debt		(29,892,726)	(8,494,973)
Interest expense		(15,572,457)	(4,453,152)
Proceeds from derivative fianancial instruments		(1,363,778)	(559,260)
Net cash flows from financing activities		12,618,982	(6,273,879)
Net decrease in cash and cash equivalents		(29,880,162)	(2,473,789)
Cash and cash equivalents:			
At beginning of period		67,237,901	42,266,944
At end of period	$	37,357,739	39,793,155

See accompanying notes to unaudited condensed consolidated financial statements

1. Incorporation, Business Purpose of the Productive State Enterprise and Relevant Events

- **Incorporation and business purpose of the Entity**

Comision Federal de Electricidad, Productive State Enterprise, is a Mexican entity located in Mexico that was initially incorporated by Decree as a Decentralized Public Entity of the Federal Government on August 14, 1937 and published in the *Official Gazette* on August 24, 1937. The Entity's registered address is Paseo de la Reforma 164, Colonia Juárez, C.P. 06600, in Mexico City. The accompanying unaudited condensed consolidated financial statements include the accounts of Comision Federal de Electricidad, Productive State Enterprise, and its subsidiaries (hereinafter referred to as the Entity or CFE).

Since the date of its incorporation, the business purpose of CFE is to provide electricity-related services in Mexico which include the generation, transformation, transmission, distribution and commercialization of electricity to consumers in Mexico.

The Comision Federal de Electricidad Law (CFE Law) was published on August 11, 2014 and became effective on October 7, 2014. The CFE Law mandated the transformation of CFE into a Productive State Enterprise.

The business purpose of CFE as of the date of its transformation into a Productive State Enterprise is to provide public transmission and distribution of electricity services on behalf of the Mexican State. CFE also engages in activities related to the generation and commercialization of electricity, as well as activities related to the import, export, transportation, storage and trading of natural gas, among others.

- **Relevant events**

<u>Infrastructure investment trust</u>

On February 7, 2018, CFE placed an issue for the first Energy and Infrastructure Investment Trust or Fibra E, specialized in the Mexican electricity sector. The total placement was for 16,388 million pesos and it is the first Fibra E in which domestic and foreign investors participated, highlighting the participation of institutional investors, private banking and investment funds from Mexico, the United States, Canada, Australia and Europe.

<u>Strict legal separation</u>

On January 11, 2016, the Ministry of Energy published the terms for the strict legal separation of CFE. The terms mandate CFE to carry out the activities related to the generation, transmission, distribution, commercialization and supply of primary inputs in the market independently through its separate units to generate economic value and profitability for the Mexican State as its owner.

As of January 1, 2017, CFE no longer carries out the independent activities related to the transmission, distribution, basic supply and commercialization (other than basic supply and supply of primary inputs) of electricity. These activities are carried out by the Productive Subsidiary Entities as of such date.

As of February 1, 2017, CFE no longer carries out the independent activity related to the generation of electricity nor does it participate in the Wholesale Electricity Market. These activities are carried out by the Productive Subsidiary Entities as of such date.

Incorporation of the Productive Subsidiary Entities of CFE

The resolutions for the incorporation of the following Productive Subsidiary Entities (EPS, Spanish acronym) were published on March 29, 2016 in the *Official Gazette*:

- CFE Distribución EPS, whose business purpose is to carry out the activities necessary to provide public distribution of electricity services, as well as to finance, install, maintain, manage, operate and enhance the required infrastructure to provide the public distribution of electricity services as set forth in the CFE Law, the Electrical Industry Law, the Terms for the Strict Separation of the CFE and other applicable legal provisions.

- CFE Transmisión EPS, whose business purpose is to carry out the activities required to provide the public transmission of electricity services, as well as to finance, install, maintain, manage, operate and enhance the required infrastructure to provide the public transmission of electricity services as set forth in the CFE Law, the Electrical Industry Law, the Terms for the Strict Separation of the CFE and other applicable legal provisions.

- CFE Generación I EPS, CFE Generación II EPS, CFE Generación III EPS, CFE Generación IV EPS, CFE Generación V EPS and CFE Generación VI EPS, whose business purpose is to generate electricity using any type of technology in Mexico, as well as to commercialize electricity in conformity with the terms set forth in Article 45 of the Electric Industry Law, excluding the supply of electricity to end users. These entities may represent, fully or partially, the power plants under their control or those owned by third parties in the Wholesale Electricity Market.

- CFE Suministrador de Servicios Básicos, whose business purpose is to provide the basic supply of electricity services set forth under the Electric Industry Law to any person who requests such services in terms of such Law.

The aforementioned resolutions establish the rules regarding the business activities, corporate governance, oversight and monitoring, as well as the responsibilities, disclosure obligations and oversight mechanisms applicable to the Productive Subsidiary Entities.

Mexican Wholesale Electricity Market

Derived from the operation of the Mexican Wholesale Electricity Market (MEM), the Ministry of Energy in exercising its power set forth in the Third Transitory Article of the Electricity Industry Law extended the term for CFE to continue carrying out, on an independent basis, the activities related to the transmission, distribution, basic supply and commercialization (other than basic supply and supply of primary inputs) of electricity services, including its participation in the Wholesale Electricity Market to December 31, 2016. The Ministry of Energy also extended the term for CFE to continue carrying out, on an independent basis, the activities related to the generation of electricity services to February 1, 2017. After the aforementioned dates, the Productive Subsidiary Entities must carry out these activities.

Incorporation of CFECapital

CFECapital, S. de R.L. de C.V. was incorporated in Mexico on December 7, 2017. The company can set up offices, agencies or branches anywhere in the United States.

The primary purpose of this entity is to manage all types of trusts and their patrimony, including energy and infrastructure investment trusts incorporated in conformity with current tax legislation, including but not limited to, all activities and acts deemed necessary or suitable by it to provide all types of services, such as management, operation, development and regulatory compliance.

Deferred revenue

Through 31 December 2016, the contributions received from customers to provide electricity connection and supply services were recorded as deferred income and recognized in profit or loss on a systematic basis over the useful lives of the fixed assets financed by said contributions, since the electricity supply services contracts entered into with such customers were for an indefinite term.

Contributions received from the State and Municipal Governments to electrify rural villages and poor neighborhoods, to expand the distribution network, as well as other contributions, were recorded as deferred revenue and recognized in profit or loss as income on a systematic basis over the useful lives of the fixed assets financed by said contributions.

Because of the legal separation of the Entity into several legal entities and the changes in the laws that allow for the existence of other qualified suppliers besides the Entity, as of 1 January 2017 contributions received from customers and the State and Municipal Governments to provide electricity connection and supply services are recorded as income in the statement of comprehensive income after the Entity has completed the customer's connection to the network, since customers now have the option to choose their electricity provider between either the Entity or another company.

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 Standard (IAS) 34 Interim Financial Reporting and does not include all 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 at 31 December 2017 and 2016 prepared under IFRS.

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

b) Functional and reporting currency of the unaudited condensed consolidated interim financial information

The accompanying unaudited condensed consolidated interim financial information and notes thereto 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, all references to “pesos” or "$" refer to Mexican pesos, all references to “dollars” refer to U.S. dollars, all references to “euros” refer to the legal currency of the European Union, all references to “yen” refer to the legal currency of Japan; and all references to “Swiss francs” refer to the legal currency of Switzerland. The financial information is presented in thousands of pesos and has been rounded to the nearest unit, except where otherwise indicated.

c) Unaudited condensed consolidated statements of comprehensive income

CFE prepared the unaudited condensed consolidated statements of comprehensive income by classifying costs and expenses based on their nature, since such classification allows for an accurate assessment of the Entity’s costs and expenses based on their specific nature, as set forth in IAS 1 *Presentation of Financial Statements*.

3. Summary of Significant Accounting Policies

The accounting policies applied in the preparation of the unaudited condensed consolidated interim financial information are the same as those applied by the Entity in the consolidated financial statements for the year ended 31 December 2017, except for those referred to below:

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard supersedes IAS 39 *Financial Instruments: Recognition and Measurement*

i. Classification – Financial Assets

The classification and measurement of financial assets under IFRS 9 is determined by both the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset. IFRS 9 sets out three major classifications for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 eliminates the existing categories under IAS 39 of held-to-maturity, loans and receivables and available for sale.

Under IFRS 9, embedded derivatives with host contracts that are financial assets in the scope of the standard are not bifurcated. Instead, the hybrid financial instrument is assessed as a whole for classification under the standard.

ii. Impairment – Financial assets and contract assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. This will require considerable judgment as to how changes in macroeconomic factors will affect ECLs, which is determined on a weighted average basis.

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

Under IFRS 9, loss allowances are measured on one of the following bases:

Measurement of lifetime ECLs is applied if the credit risk of the financial asset at the reporting date has increased significantly since initial recognition and measurement of 12-month ECLs is applied if the credit 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 lifetime expected credit losses is always applicable for trade receivables or contract assets that do not contain a significant financing component. The Entity has decided to apply this policy for trade receivables. The effects of the adoption of this standard are explained in Note 23 and detailed information regarding the calculation of the ECL is included in Note 4.

IFRS 15 Revenue from Contracts with Customers

The Entity recognizes revenue primarily from the following sources:

Electricity supply services: revenue is recognized at a point in time, in the period in which electricity is delivered to the customers. Electricity that was delivered at the end of the period and that is in the process of being billed is recognized as revenue in profit and loss and the related amount is estimated based on the actual billing of the previous two-month period.

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise)

Sale of fuel: revenue is recognized at a point in time, in the period in which the fuels are delivered to customers.

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

Third-party contributions: revenue from the contributions received from customers to connect them to the national transmission and distribution network is recorded in the statement of comprehensive income after the Entity has completed the customer's connection to the network. Customers have the option to choose their electricity provider between either the Entity or another company.

Subsidies – revenue from subsidies received from the Ministry of Finance and Public Credit is recognized at a point in time, when the subsidies are received by the Entity.

The effects of the adoption of this standard are described in Note 23.

4. Financial Instruments – Fair Value and Risk Management

Fair value

An analysis of the carrying amounts and fair values of the financial instruments recognized as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

		30 June 2018		31 December 2017		1 January 2017
Financial assets						
Cash and cash equivalents (1)	$	37,357,739	$	67,237,901	$	42,266,944
Accounts receivable (2)		101,525,362		85,332,210		55,678,158
Loans to employees (2)		11,797,792		12,339,193		11,193,711
Derivative financial instruments (1)		12,630,614		16,084,937		15,646,026
Financial liabilities:						
Documented debt (2)	$	213,453,728	$	208,355,380	$	209,613,471
PIDIREGAS debt and capital lease obligations (2)		263,025,151		249,420,976		246,096,352
Suppliers and contractors (1)		50,161,750		59,849,154		17,888,728
Deposits from users and contractors (1)		24,470,380		22,974,717		21,103,369
Accounts payable MEM (1)		0		0		2,011,804
Other liabilities (1)		23,751,019		20,761,051		17,103,988
Third-party contributions (1)		1,462,815		8,039,903		33,707,331

(1) Fair value
(2) Amortized cost

Objectives of financial risk management

The Entity's Financial Officer's functions include, among others, implementing strategies, coordinating access to domestic and international financial markets, and supervising and managing financial risks related to the Entity's operations through internal and market risk reports that analyze the degree and magnitude of the Entity's exposure to financial risks. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

To mitigate the effects of its debt related risks, the Entity uses hedging derivatives.

The Treasury Department is bound by the Ministry of Finance and Public Credit cash management policies that hold that investments must be made in low-risk short-term instruments. Monthly status reports are issued to the Treasury Investment Committee.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation. The Entity is subject to credit risk mainly on the financial instruments referred to as cash and temporary investments, loans and accounts receivable, and derivative financial instruments. To mitigate credit risk on cash, temporary investments, and derivative financial instruments, the Entity only carries out transactions with parties who are creditworthy and in good standing. The Entity also obtains sufficient guarantees, when appropriate, to mitigate the risk of financial losses due to non-performance.

For credit risk management purposes, the Entity considers that the credit risk on loans and accounts receivable from consumers is limited. The Entity determines the allowance for doubtful accounts based on the expected losses (EL) model.

The EL Model requires entities to estimate the expected credit losses based on their past collection experience and on current economic conditions and reasonable forecasts of future economic conditions.

Impairment is quantified based on the result of three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are estimated based on the accumulation and interpretation of historical information available regarding each of the Entity's customers, which are grouped into the different generic or specific segments depending on their characteristics.

PD is a measure that is calculated for a customer or segment to forecast its probability of default for 12 months. LGD is a measure that calculates the percentage risk of exposure that is not expected to be recovered in the event of default. EAD is the amount of the outstanding account receivable or debt at the time the allowance is calculated.

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise)

The Entity performed an analysis to identify its collections and estimate the recovery of its accounts receivable based on its accounts receivable portfolio that provides a monthly backlog of its accounts receivable over the last three years. This evaluation concludes that the Objective Evidence of Impairment (OEI) gap is after the 360-day term given that, the historical probability of recovery after this term is estimated at 4%, and is determined by the accumulated frequency of the averages of recovery of the stages current at 330 days, where the current term recovers approximately 90% of the accounts receivable, and for the remaining accounts receivable, the probabilities decreased exponentially to a minimum value of 0.1% located within the 330-day term.

Regarding the LGD parameter, the Entity performed an analysis to estimate the recovery of the amounts on OEI using the recovery allocation information provided by external agents. After the analysis, the Entity identified that in one year it manages to recover an average of 0% of its portfolio more than 360 days overdue, resulting in a loss severity of 100%.

With respect to the PD, the Entity uses a roll-rate model which allows it to calculate the probability of default of each of the overdue stages of the accounts receivable portfolio balances.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The financing obtained by the Entity is mainly through contracted debt, the leasing of plants, facilities and equipment and PIDIREGAS. To manage liquidity risk, the Entity periodically performs cash flow analyses and maintains open lines of credit with financial institutions and suppliers. In addition, the Entity's budget is controlled by the Federal Government, consequently, the net debt ceiling authorized on an annual basis by the Federal Congress based on the Entity's budgeted revenues, cannot be exceeded.

The following table shows the contractual maturities of the Entity's financial liabilities based on the payment terms:

As at 30 June 2018	Less than one year	More than 1 year and less than 3 years	More than 3 years and less than 5 years	More than 5 years	Total
Documented debt	$ 18,114,024	$ 29,290,818	$ 25,336,689	$ 140,712,197	$ 213,453,728
Interest payable on documented debt	12,441,614	22,683,524	17,855,363	61,058,279	114,038,780
PIDIREGAS debt and capital lease obligations	27,931,613	15,387,102	20,554,754	199,151,682	263,025,151
Interest payable on PIDIREGAS debt	8,194,285	13,250,488	9,708,111	31,792,284	62,945,168
Suppliers and contractors	50,161,750	-	-	-	50,161,750
Other liabilities	23,751,019	-	-	-	23,751,019
Third-party contributions	-		-	-	

		1,462,815			1,462,815
Deposits from users and contractors	24,470,380	-	-	-	24,470,380
Total	$ 165,064,685	$ 82,074,747	$ 73,454,917	$ 432,714,442	$ 753,308,791

As at 31 December 2017	**Less than one year**	**More than 1 year and less than 3 years**	**More than 3 years and less than 5 years**	**More than 5 years**	**Total**
Documented debt	$ 27,351,967	$ 29,320,404	$ 20,473,272	$ 131,209,737	$ 208,355,380
Interest payable on documented debt	12,101,655	21,733,041	16,630,583	61,325,343	111,790,622
PIDIREGAS debt and capital lease obligations	29,267,762	15,312,426	19,880,773	184,960,015	249,420,976
Interest payable on PIDIREGAS debt	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
Third-party contributions	-	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

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

Market risk

Because of its activities, the Entity has exposure to foreign currency and interest rate risks.

Foreign currency exchange risk management

The Entity preferably borrows credit in local currency.

The Entity preferably carries out transactions in local currency although it does carry out transactions in foreign currency. Consequently, the Entity's exposure to exchange rate fluctuations arises.

	Total debt as at 30 June 2018 millions of pesos
Local currency	166,715
Foreign currency	186,333

	Total debt as at 31 December 2017 millions of pesos
Local currency	169,449
Foreign currency	163,047

	Total debt as at 1 January 2017 millions of pesos
Local currency	159,278
Foreign currency	159,866

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

The carrying amounts of the Entity's foreign currency denominated monetary assets and monetary liabilities at the end of the period are discussed in Note 20.

- **Foreign currency sensitivity analysis**

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

The Entity's sensitivity analysis considers a 5% increase and decrease in the Mexican peso exchange rate against the other relevant foreign currencies. This 5% is the sensitivity rate used internally when the exchange risk is reported to key management personnel and represents Management's assessment of a reasonably possible change in exchange rates.

The sensitivity analysis only includes open items denominated in foreign currency and adjusts their translation for a 5% change in foreign currency exchange rates at period end. The sensitivity analysis includes foreign loans as well as loans from foreign operations within the

Entity, where the loan is denominated in a currency other than the loaner's or borrower's currency. A positive number (as observed in the table below) indicates an increase in profit where the Mexican peso strengthens 5% against the relevant currency. For a 5% weakening of the Mexican peso against the relevant currency, there would be a comparable impact on the profit, and the balances below would be negative.

	Millions of pesos		
	30 June 2018	**31 December 2017**	**1 January 2017**
Gain or loss	$10,068	$8,018	$8,415

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

Management believes that the impact of the inherent exchange risk is reflected in the electricity rates in the long-term through inflation adjustments and the peso to dollar exchange rate.

- **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 mix of fixed and variable rate loans and by contracting derivative financial instruments designated as interest rate hedges.

	Total debt as at 30 June 2018 millions of pesos
Fixed rate	248,792
Variable rate	104,256

	Total debt as at 31 December 2017 millions of pesos
Fixed rate	220,887
Variable rate	111,610

	Total debt as at 1 January 2017 millions of pesos
Fixed rate	156,792
Variable rate	122,388

- **Interest rate sensitivity analysis**

The sensitivity analysis below has been determined based on the exposure to interest rates for derivative and non-derivative financial instruments at the end of the reporting period.

For variable rate liabilities, an analysis is prepared assuming that the amount of the liability reported at the end of the period was the amount in effect throughout the whole year. When reporting 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, Spanish acronym) and a 0.01 point increase or decrease for the LIBOR. These changes represent Management's assessment of a reasonably possible change in interest rates.

	Millions of pesos		
	30 June 2018	**31 December 2017**	**1 January 2017**
Gain or loss	$ 60	$ 114	$ 119

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

Fair value of financial instruments

Fair value of financial instruments recognized at amortized cost

Management believes that the carrying amount of the financial assets and liabilities recognized at amortized cost in the Entity's condensed consolidated financial information approximates fair value, including the following:

Valuation techniques and assumptions used in determining fair value

	30 June 2018		**31 December 2017**		**1 January 2017**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Accounts receivable	$ 101,525,362	$ 101,525,362	85,332,210	$ 85,332,210	55,678,158	$ 55,678,158
Loans to employees	11,797,792	11,797,792	12,339,193	12,339,193	11,193,711	11,193,711
Documented debt	213,453,728	213,453,728	208,355,380	208,355,380	209,613,471	209,613,471

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise)

PIDIREGAS debt and capital lease obligations	263,025,151	263,025,151	249,420,976	249,420,976	246,096,352	246,096,352

The fair value of the Entity's financial assets and liabilities is determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions that are traded on active liquid markets are determined by references to quoted market prices.

- The fair value of other financial assets and liabilities (excluding derivative financial instruments) is determined in accordance with generally accepted pricing models, which are based on an analysis of discounted cash flows using current transaction prices observable in active markets and quoted prices for similar instruments.

- In conformity with the terms under which the ISDA (International Swaps and Derivatives Association) contracts were entered into, the counterparties or banking institutions are the appraisers who calculate and send the Mark-to-Market (which is the monetary valuation of the agreed upon transaction at a given time) on a monthly basis. CFE monitors this value and if there is any doubt or abnormal variance in the market value, CFE requests that the counterparty to provide a new valuation.

Valuations at fair value recognized in the statement of financial position

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

	Level 1		
	30 June 2018	**31 December 2017**	**1 January 2017**
Available-for-sale financial assets			
Temporary investments	$ 1,994,951	$ 25,232,468	$ 19,127,508
Total	$ 1,994,951	$ 25,232,468	$ 19,127,508

An analysis of the fair value of the derivative financial assets grouped in level 2, based on the degree to which their fair value is observable, is included in Note 10.

The levels referred to above are considered as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs are unobservable inputs for the asset or liability.

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise)

5. Cash and cash equivalents

An analysis of Cash and cash equivalents as at 30 June 2018, 31 December 31 2017 and 1 January 2017 is as follows:

		30 June 2018		31 December 2017		1 January 2017
Cash on hand and cash in banks	$	35,353,967	$	41,996,612	$	23,130,615
Temporary investments		1,994,951		25,232,468		19,127,508
Stock certificates		8,821		8,821		8,821
Total	$	37,357,739	$	67,237,901	$	42,266,944

6. Accounts receivable, net

An analysis of Accounts receivable, net as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

		30 June 2018		31 December 2017		1 January 2017
Public consumers (*)	$	75,722,610	$	71,619,421	$	63,548,878
Government agency consumers (*)		20,319,212		20,887,093		18,559,103
		96,041,822		92,506,514		82,107,981
Allowance for doubtful accounts		(46,415,440)		(43,157,735)		(40,578,864)
		49,626,382		49,348,779		41,529,117
Other receivables		38,565,934		33,512,182		14,149,041
Value added tax		13,333,046		2,471,248		-
Total	**$**	**101,525,362**	**$**	**85,332,209**	**$**	**55,678,158**

(*) Includes estimates of revenue for electricity supply services that are in the process of being billed.

For the six-month period ended 30 June 2018 and 31 December 2017, an analysis of the allowance for doubtful accounts is as follows:

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise)

	30 June 2018	31 December 2017
Beginning balance	$ 36,684,350	$ 33,632,871
Increase	11,531,678	11,702,655
Charges	(1,800,588)	(2,177,791)
Ending balance	**$ 46,415,440**	**$ 43,157,735**

7. Inventory of Operating Materials

An analysis of Inventory of operating materials as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	30 June 2018	31 December 2017	1 January 2017
Spare parts and equipment	$ 1,614,579	$ 2,570,001	$ 3,097,062
Fuel and lubricants	9,443,855	11,481,771	8,229,058
Nuclear fuel	3,456,637	3,994,473	3,226,186
	14,515,071	18,046,245	14,552,306
Allowance for obsolescence	(3,340,504)	(3,403,252)	(526,541)
Total	$ 11,174,567	$ 14,642,993	$ 14,025,765

8. Plants, Facilities and Equipment, net

An analysis of Plants, facilities and equipment, net as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise)

Rollforward of investment balances for the six-month period ended 30 June 2018:

	Plants, facilities and equipment	Capitalized spare parts	Construction-in progress	Advances and materials for construction	Total
Balance as at 1 January 18	2,083,914,726	7,233,446	19,907,935	11,621,276	2,122,677,382
Acquisitions	7,265,680	-	671,275	69,170	8,006,125
Retirements	(2,822,161)	-	-	-	(2,822,161)
Capitalization	305,461	(305,461)	-	-	-
Other fixed asset movements	11,299,353				11,299,353
Balance as at 30 June 2018	2,099,963,059	6,927,985	20,579,210	11,690,446	2,139,160,699

Rollforward of accumulated depreciation balances for the six-month period ended 30 June 2018:

	Plants, facilities and equipment	Spare parts	Construction-in progress	Advances and materials for construction	Total
Balance as at 1 January 2018	(867,149,847)	(2,589,048)	-	-	(869,738,895)
Net balance as at 1 January 2018	1,216,764,879	4,644,398	19,907,935	11,621,276	1,252,938,487
Depreciation for the period	(29,037,399)	(184,932)	-	-	(29,222,331)
Depreciation on retirements	1,493,991	-	-	-	1,493,991
Net Depreciation	(27,543,408)	(184,932)	-	-	(27,728,339)
Balance as at 30 June 2018	(894,693,255)	(2,773,980)	-	-	(897,467,235)
Net balance as at 30 June 2018	1,205,269,804	4,154,004	20,579,210	11,690,446	1,241,693,464

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise)

Rollforward of investment balances for the six-month period ended 30 June 2017:

	Plants, facilities and equipment	Spare parts	Construction-in progress	Materials for construction	Total
Net balance as at 1 January 2017	2,036,909,423	6,367,288	18,433,272	10,856,715	2,072,566,698
Acquisitions	20,406,905	1,063,454	830,298	-	22,300,658
Revaluation for the period	-	-	-	-	-
Retirements	(2,461,541)	-	-	-	(2,461,541)
Capitalization	361,678	-	-	(361,678)	-
	-				-
Net balance as at 30 June 2017	2,055,216,465	7,430,742	19,263,570	10,495,037	2,092,405,815

Rollforward of the accumulated depreciation balances for the six-month period ended 30 June 2017:

	Plants, facilities and equipment	Spare parts	Construction-in progress	Materials for construction	Total
Balance as at 1 January 2017	(783,175,239)	(2,219,184)	-	-	(785,394,423)
Net balance as at 1 January 2017	1,253,734,184	4,148,104	18,433,272	10,856,715	1,287,172,275
Depreciation for the period	(25,903,591)	(184,932)	-	-	(26,088,523)
Depreciation on retirements	1,737,516	-	-	-	1,737,516
Impairment of unused assets	(4,136,624)	-	-	-	(4,136,624)
Net Depreciation	(24,166,076)	(184,932)	-	-	(24,351,007)
Balance as at 30 June 2017	(811,477,939)	(2,404,116)	-	-	(813,882,055)
Net balance as at 30 June 2017	1,243,738,526	5,026,626	19,263,570	10,495,037	1,278,523,760

As at 31 December 2017 the Entity applied an impairment test to Genco VI and recognized a loss for impairment in other comprehensive income of $28,681,250 related to plant and equipment.

Based on the periodic review of the fair values of plants, facilities and equipment in operation, CFE revalues its assets to ensure that the carrying amount does not differ significantly from the amount that would have been calculated using fair values at the end of the reporting period.

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise)

Therefore, an analysis of fixed assets must be carried out to revalue the assets and review the useful life assigned to such, as well as to their useful life.

Construction in progress - The construction in progress balances as at 30 June 2018 and 1 January 2017 are as follows:

Plant:		30 June 2018		31 December 2017		1 January 2017
Steam	$	326	$	326	$	9,569
Hydroelectric		1,249,137		1,248,917		2,040,347
Nuclear power		1,321,818		1,316,029		1,273,489
Turbo gas and combined cycle		288,372		416,051		326,893
Geothermal		1,125,787		1,220,462		1,147,109
Internal combustion		682		682		107,694
Transmission lines, networks and substations		14,615,341		14,594,645		12,673,648
Offices and general facilities		1,977,747		1,110,823		854,523
Total	$	20,579,210	$	19,907,935	$	18,433,272

9. Intangible assets

An analysis of Intangible assets as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

		30 June 2018		31 December 2017		1 January 2017
Rights of way (1)	$	30,987,863	$	29,979,671	$	29,903,611
Deposits and advances		2,801,190		2,857,316		2,740,209
Total	$	33,789,053	$	32,836,987		32,643,820

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

10. Derivative Financial Instruments

a. Accounting classifications and fair values

CFE, in accordance with its risk management strategy, uses derivative financial instruments to mitigate its exchange rate and interest rate exposure. The hedging policies of CFE establish that derivative financial instruments that do not qualify as hedges are classified as held-for-trading.

The fair value of the total derivative financial position as at 30 June 2018 and 31 December 2017 amounts to $12,630,614 and $16,084,937, respectively.

Derivative financial instruments for trading purposes - As at 30 June 2018 and 31 December 2017, CFE maintains its position in derivative financial instruments for trading purposes, the fair value of which represented an asset of $49,769 as at 30 June 2018 and a liability of $438,115 as at 31 December 2017.

The transaction consists of a series of currency forwards that allow to fix the yen/dollar exchange rate during the agreed term of the transaction at 54.0157 yen per one US dollar, CFE pays an interest rate equal to 8.42% per annum in US dollars on this transaction. These instruments have not been designated as hedges as required by the financial reporting standard, consequently, the valuation effect of these instruments is recognized in financial cost; a gain (loss) in said value offsets a loss (gain) in the underlying liability.

In addition to the series of forwards, the derivative instrument includes two options: a long European call option through which CFE has the right to purchase Japanese yens upon maturity in the spot market in case the yen/dollar exchange rate is quoted below 118.75 yens per dollar, and a short European call option through which CFE is required to sell dollars at the yen/dollar exchange rate of 27.80, if the prevailing exchange rate at the settlement date exceeds this level.

If CFE decides to cancel this economic hedge (currency forwards on the yen/dollar exchange rate), it would give rise to an estimated extraordinary loss at 30 June 2018 and 31 December 2017 as follows:

Thousands of pesos				
Instrument	**Underlying**	**Maturity**	**Q2 2018**	**2017**
FWD JPY/USD	Exchange rate and interest rate	2036	49,769	(438,115)
		Total	**49,769**	**438,115**

Financial instruments for hedging purposes – As at 30 June 2018, 31 December 31 2017 and 1 January 2017, CFE maintains its hedging derivative position on exchange rates and interest rates, as shown below:

Instrument	**Underlying**	**Type of hedge**	**Maturity**	**Q2 2018**	**31 December 2017**	**1 January 2017**
CCS	Exchange rate and interest rate	Cash flow	2021	284,104	339,264	478,921
CCS	Exchange rate and interest rate	Cash flow	2022	81,158	93,469	125,767

CCS	Exchange rate and interest rate	Cash flow	2023	2,984,950	3,971,843	4,843,314
CCS	Exchange rate and interest rate	Cash flow	2024	2,930,298	5,081,986	5,623,272
CCS	Exchange rate and interest rate	Cash flow	2027	1,558,400	2,589,860	-
CCS	Exchange rate and interest rate	Cash flow	2032	88,224	(427,998)	-
CCS	Exchange rate and interest rate	Cash flow	2036	4,039,825	4,763,554	4,928,691
CCS	Exchange rate and interest rate	Cash flow	2042	364,174	-	-
CCS	Exchange rate and interest rate	Cash flow	2047	(11,650)	-	-
CCS	Exchange rate and interest rate	Cash flow	2048	251,366	-	-
Participating Swap	Exchange rate and interest rate	Cash flow	2027	(86,382)	(108,664)	-
Forwards	Exchange rate	Cash flow	Less than one year	33	105,058	41,329
IRS	Interest rate	Cash flow	2017	6,931	-	(1,805)
IRS	Interest rate	Cash flow	2017	-	-	(1,045)
IRS	Interest rate	Cash flow	2020	89,413	114,720	102,357
			Subtotal	**12,580,844**	**16,523,052**	**16,140,801**
CCS	Exchange rate JPY/USD	Trading		**49,770**	**(438,115)**	**(494,776)**
	Total thousands of Mexican pesos			**12,630,614**	**16,084,937**	**15,646,025**

The table above includes the mark to market of the hedging derivatives. As at 30 June 2018 the total mark to market corresponding to the hedging and trading derivatives was $ 12,630,614 based on their carrying amount.

The results of the effectiveness tests for these hedging instruments showed that the relationships are highly effective. CFE estimated that the amount of ineffectiveness 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 carrying amount of OCI includes the fair value (mark to market) and the reclassifications to profit and loss correspond to accrued interest and currency hedging (gain or loss).

b. Fair value measurement

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

Adjustment of fair value or Mark to Market by credit risk

The net fair value of the derivative financial instruments (Mark to Market) effective as at 30 June 2018, before considering credit risk, amounts to $12,630,614 which is included in the balance sheet and consists of $ 49,770 for financial instruments at fair value to profit and loss and $12,580,844 for fair value to OCI.

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

CFE applies a credit valuation adjustment (CVA) to reflect the creditworthiness of the counterparty of the derivative financial instrument. The CVA is the market value of the counterparty credit risk and reflects the estimated fair value of the hedging required to cover the counterparty credit risk included in such instruments

Methodology to adjust fair value or Mark to Market by credit risk

This mechanism was approved 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 derivative financial instruments to fair value.

As at 30 June 2018, the adjustments to fair value based on the CVA (Credit Valuation Adjustment) are shown below:

	Thousands of Pesos		
Counterparty	**Fair Value MTM**	**Adjusted fair value MTM**	**Adjustment as at 30 June 2018**
CREDIT SUISSE	163,549	163,549	162,359
DEUTSCHE BANK	2,635,830	2,635,830	2,597,521
MORGAN STANLEY	882,488	1,084,404	1,078,730
SANTANDER	2,204,176	2,204,176	2,188,071
BNP PARIBAS	1,132,221	1,133,523	1,128,027
BBVA BANCOMER	1,545,197	1,545,197	1,531,324
GOLDMAN SACHS	2,649,918	2,649,918	2,635,224
CITIBANAMEX	-85,172	83,283	82,880
CREDIT AGRICOLE	11,367	11,367	11,335
HSBC	11,628	11,628	11,590
JP MORGAN	92,642	92,642	92,270
BARCLAYS BANK	1,337,001	137,703	136,970
TOTAL	**12,630,614**	**11,802,990**	**11,705,795**

As at 31 December 2017, the adjustments to fair values based on the CVA (Credit Valuation Adjustment) are shown below:

	Thousands of Pesos		
Counterparty	**Fair value MTM**	**Adjusted fair value MTM**	**Adjustment as at 31 December 2017**
CREDIT SUISSE	233,994	233,994	233,104
DEUTSCHE BANK	3,102,561	3,102,561	3,086,245
MORGAN STANLEY	2,663,721	2,811,977	2,801,039
SANTANDER	3,133,420	3,133,420	3,125,902
BNP PARIBAS	1,408,676	1,409,163	1,406,602
BBVA BANCOMER	2,270,034	2,270,034	2,263,387
GOLDMAN SACHS	2,234,522	2,234,522	2,225,450
CITIBANAMEX	128,427	128,596	128,187
CREDIT AGRICOLE	14,663	14,663	14,639
HSBC	4,875	15,477	15,452
JP MORGAN	-424,143	5,915	5,897
BARCLAYS BANK	1,752,344	1,752,344	1,746,591
TOTAL	-438,115	0	0

As at 1 January 2017, the adjustments to fair values based on the CVA (Credit Valuation Adjustment) are shown below:

	Thousands of Pesos		
Counterparty	**Fair value MTM**	**Adjusted fair value MTM**	**Adjustment as at 1 January 2017**
CREDIT SUISSE	62,991	63,702	62,991
DEUTSCHE BANK	3,616,013	3,680,308	3,616,013
MORGAN STANLEY	2,507,685	2,514,752	2,507,685
SANTANDER	3,359,988	3,413,304	3,359,988
BNP PARIBAS	1,698,135	1,715,731	1,696,583
BBVA BANCOMER	2,235,287	2,278,568	2,235,595
GOLDMAN SACHS	2,559,533	2,567,647	2,559,533
CITIBANAMEX	52,117	54,850	54,659
CREDIT AGRICOLE	19,816	20,013	19,816
HSBC	20,019	20,149	20,019
JP MORGAN	7,653	7,678	7,653
GOLDMAN SACHS (Negociación)	-494,776	0	0
TOTAL	**15,644,462**	**16,336,700**	**16,140,537**

Fair Value hierarchy or Mark-to-Market

To increase consistency and comparability of fair value measurements and related disclosures, IFRS established a fair value hierarchy that categorizes into three levels the inputs to valuation techniques. This hierarchy grants the highest priority to quoted prices (unadjusted) in active markets for assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3)

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques. However, the fair value hierarchy prioritizes the inputs to valuation techniques.

Level 2 inputs

As explained above, and according to the terms under which the ISDA contracts were entered into, the counterparties or banking institutions are the appraisers and they calculate and send the Mark-to-Market calculation monthly.

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

a) Inputs are other than quoted prices and include inputs within Level 1 that are observable, either directly or indirectly

b) Quoted prices for similar assets or liabilities in active markets

c) Inputs other than quoted prices that are observable for the assets or liabilities

c. 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 mitigate credit risk, the Entity only trades instruments with highly creditworthy counterparties.

To manage 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 the derivative financial assets represents the maximum exposure to credit risk. As at 30 June 2018 and 31 December 2017, this amounted to $12,630,914 y $16,208,580, respectively.

Liquidity risk

The liquidity risk associated with financial derivative instruments is the risk that CFE may encounter difficulties in meeting the financial obligations arising from these instruments.

To manage credit risk, the Entity monitors the market value of the derivative and the use by the operating lines (threshold).

Exposure to liquidity risk for holding derivative financial instruments arises from the carrying amount of the financial liabilities corresponding to these instruments. As at 30 June 2018 and 31 December 2017, this amounted to $370,372 and $589,533, respectively.

Market risk

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

a) Currency exchange risk

52.8% of CFE's debt is denominated in foreign currency, mainly in US dollars, whereas most of CFE's assets and revenues are denominated in pesos. As a result, CFE is exposed to devaluation risks of the peso against the dollar. In conformity with its risk management policy, CFE has 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 at 30 June 2018 and 31 December 2017, CFE maintains foreign exchange swaps as a hedge of its debt in foreign currency of $121,825,275 and $ 73,623,954 million pesos, respectively.

To cover the exchange risks of the $ 32 billion debt in yens, CFE uses a series of exchange rate forwards under which it purchases Japanese yens. The market value of this transaction as at 30 June 2018 and 31 December 2017 was $371,853 and $(438,115), respectively. These derivative instruments were not designated as hedges.

Sensitivity analysis for exchange rate effects

A possible and reasonable strengthening (weakening) of the MXN/USD and JPY/USD exchange rate as at 30 June 2018 would have affected the fair value of the total position of the derivative financial instruments in foreign currency, and thus, profit and loss of the period and other comprehensive income (since some of them are designated as hedges), as shown in the following table:

30/06/18	Instrument	+100 pips	-100 pips
	Cross Currency	60,744	(60,744)
	JPY/USD	2,694	(2,694)
	FWD	194	(194)
	Total	63,632	(63,632)

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

b) Interest rate risk

25% of CFE's debt accrues interest at variable rates, which is calculated at the TIIE rate in the case of debt denominated in pesos. As at 30 June 2018 and 2017, CFE hedged $4,702,928 and $4,833,033, respectively, of its debt denominated in pesos bearing variable interest rates.

Interest rate sensitivity analysis

A potential and reasonable strengthening (weakening) of interest rates as at 30 June 2018 would have affected the fair value of the total position of derivative financial instruments associated with variable interest rates, and thus, profit and loss of the period and other comprehensive income (since some of them are designated as hedges), as shown in the following table:

31/06/18	+100 basis points	- 100 basis points
Interest rate swaps	47,015	(47,015)

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

11. Documented Debt

An analysis of documented debt as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

-				30 June 2018		31 December 2017		1 J
Foreign debt	Type of credit	Weighted interest rate	Maturities	Local currency	Foreign currency (thousands)	Local currency	Foreign currency (thousands)	Local currenc
In US Dollars:								
	Bilateral	Fixed and variable – 1.57%	Various through 2023	1,369,558	68,289	1,720,686	86,962	2,696
	Bonds	Fixed and variable – 5.26%	Various through 2045	97,413,606	4,857,250	97,696,627	5,206,964	107,124
	Revolving	Fixed and variable – 2.98%	Various through 2020	2,033,476	101,393	2,660,379	134,453	1,529
Total in U.S. dollars				100,816,640	5,026,932	102,077,692	5,428,379	111,350
In Euros:								
	Bilateral	Fixed and variable – 2%	Various through 2024	35,180	1,530	41,741	1,768	44
	Revolving	Fixed and variable – 1.79%	Various through 2020	3,622	158	4,946	210	9
Total in Euros				38,802	1,688	46,687	1,978	54
In Swiss francs:								
	Revolving	Fixed and variable – 0.55%	Various through 2021	592,611	29,880	909,359	45,080	1,575
Total in Swiss francs				592,611	29,880	909,359	45,080	1,575
In Japanese Yens:								
	Bilateral	Fixed and variable – 1.47%	Various through 2021	536,841	3,019,353	676,485	3,874,487	1,034
				536,841	3,019,353	676,485	3,874,487	1,034
Bond		Fixed - 3.83%	2032	5,689,600	32,000,000	5,587,200	32,000,000	5,657
Assets received for financial instruments,				(285,218)		(255,199)		(71
net (Note 10b)				5,404,382	32,000,000	5,332,001	32,000,000	5,586
Total in Japanese Yens				5,941,223	35,019,353	6,008,487	35,874,487	6,621

Total foreign debt	107,389,276	109,042,226	119,601

				30 June 2018		31 December 2017		1 January 2017
Domestic debt	Type of credit	Weighted interest rate	Maturities	Local currency	Foreign currency (thousands)	Local currency	Foreign currency (thousands)	Local currency
Mexican pesos	Banking	Fixed and variable – 8.18%	Various through 2023	15,500,000		7,600,000		18,700,000
	Stock market	Fixed and variable – 7.84%	Various through 2027	70,987,330		79,000,000		66,500,000
Total Mexican pesos				86,487,330		86,600,000		85,200,000
In UDIS:								
	Stock market	Fixed - 4.49%	2032	19,364,588		11,141,672		5,196,355
Total UDIS				19,364,588		11,141,672		5,196,355
Total domestic debt				105,851,918		97,741,672		90,396,355
Summary								
Total foreign debt				107,389,276		109,042,224		119,601,165
Total domestic debt				105,851,918		97,741,672		90,396,355
Interest payable				2,550,844		2,476,342		1,936,494
Unamortized debt expenses				(2,338,310)		(2,338,310)		(2,320,543)
Total documented debt				213,241,194		206,921,929		209,613,471
Short-term debt				15,563,180		23,442,173		14,437,280
Short-term interest payable				2,550,844		2,476,342		1,936,494
CFE Energía						1,433,451		
Total short-term				18,114,024		27,351,967		16,373,774
Long-term debt				197,678,014		183,341,723		195,560,240

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

Unamortized debt expenses	(2,338,310)	(2,338,310)	(2,320,543)
Total long-term	195,339,704	181,003,413	193,239,697
Total short- and long-term	213,453,728	208,355,380	209,613,471

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

30/06/2018	Amount
2018	18,114,024
2019	7,656,632
2020	21,634,186
2021	25,126,285
2022	210,404
2023 and subsequent years	140,712,197
TOTAL	213,453,728

Documented debt

An analysis of the financing obtained in the six-month period ending 30 June 2018 is as follows:

Domestic debt

In February 2018, CFE drew down 2,500 million pesos against its revolving line of credit with BBVA Bancomer, S. A. and in March it drew down 2,500 million pesos, that bear monthly interest at the 28-day TIIE rate plus 0.48%.

In May 2018, CFE drew down 5,000 million pesos against its revolving line of credit with Banco Santander, S.A., that bears monthly interest at the 28-day TIIE rate plus 0.20%.

In June 2018, CFE placed three Stock Certificate issuances in the domestic market for a total amount of 15,290.0 million pesos.

1. Second reopening of the CFE 17 series for an amount of 2,550.0 million pesos, that bears semi-annual interest at a fixed rate of 8.18% and matures in December 2027.
2. First reopening of the CFE 17 series for an amount of 2,286,414,200 UDIS, equal to 8,053.020 million pesos, that bears semiannual interest at a fixed rate of 4.54% and matures in September 2032.
3. Of the CFE 18 series, Stock Certificates were auctioned for an amount of 4,687.33 million pesos that bears variable interest at the 28-day TIIE rate plus 0.30% and matures in June 2021.

In April 2017, CFE drew down 2,500 million pesos against its revolving line of credit with Banco Santander (Mexico), S.A., and in July 2017 it drew down an additional 2,500 million pesos, that bear monthly interest at the 28-day TIIE rate plus 0.13%. These amounts were repaid in October 2017.

In July 2017, CFE placed two Stock Certificate issues:

1. Of the CFE 17 series, Stock Certificates were auctioned for an amount of $7,000 million pesos that bears fixed interest at the 28-day TIIE rate plus 8.18% and matures in December 2027.

2. Of the CFE 17-2 series, Stock Certificates were auctioned for an amount of $1,000 million pesos that bears variable interest at the 28-day TIIE rate plus 0.40% and matures in July 2020.

In August 2017, CFE drew down $2,500 million pesos against its revolving line of credit with BBVA Bancomer, S. A. that bears monthly interest at the 28-day TIIE rate plus 0.48%. This amount was repaid in November 2017.

In October 2017, CFE placed three Stock Certificate issuances:

1. First reopening of the CFE 17 series for an amount of $3,000 million pesos, that bears monthly interest at a fixed rate of 8.18% and matures in December 2027.

2. First reopening of the CFE 17-2 series for an amount of $1,500 million pesos, that bears monthly variable interest at the 28-day TIIE rate plus 0.40% and matures in July 2020.

3. Base placement of the CFE 17U series for an amount of 944,092,800 UDIS, that bears interest at a fixed rate of 4.54%, and matures in September 2032.

In November 2017, CFE drew down $2,500 million pesos against its revolving line of credit with Banco Santander (Mexico), S.A., that bears monthly interest at the 28-day TIIE rate plus 0.13%. This amount was repaid in December 2017.

Foreign debt

In January 2017, CFE drew down $126.3 million dollars against its line of credit with Banco Santander, (Mexico), S. A. to finance enriched uranium for the Laguna Verde Central, for a term of three years and semiannual payments and interest payments, at the 6-month USD LIBOR rate + 1.55%.

In February 2017, CFE drew down $200 million dollars against the syndicated loan (BBVA Bancomer, S.A. is the Administrative Agent), at the USD Libor rate plus 1.15%, which was repaid in November 2017.

In addition, to finance various payments of Financed Public Work (OPF, Spanish acronym) projects, $750 million dollars were placed through the issue of an international bond. Such bond bears 5.15% fixed interest, and the last payment will be in September 2047.

Lastly, to finance imports from Japan, Canada and Switzerland, CFE drew down $115,488,810 JPY (equal to 1.0 million dollars) against its line of credit with Japan Bank for International Cooperation (JIBC), $2.1 million dollars against its line of credit with Export Development of Canada (EDC), as well as $218,049.75 CHF (equal to $229,745.80 million dollars) against its line of credit with UBS Switzerland AG (UBS).

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

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

An analysis of the balances and maturities of the PIDIREGAS (direct investment) debt and capital lease obligations as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	Direct investment	Conditioned investment	Total	Total	Total
	PIDIREGAS	PEE's	30 June 2018	31 December 2017	1 January 2017
Short-term	$ 19,125,509	$ 8,806,104	$ 27,931,613	$ 29,267,762	$ 25,354,442
Long-term					
2019	244,423	6,536,383	6,780,806	6,795,755	5,780,384
2020	1,314,133	7,292,163	8,606,296	8,516,671	9,555,498
2021	256,480	8,142,686	8,399,165	7,895,360	9,460,320
2022	3,055,001	9,100,587	12,155,588	11,985,413	11,933,890
2023	2,012,112	10,180,275	12,192,388	11,650,024	9,373,246
2024	5,245,172	10,824,451	16,069,624	16,374,707	16,702,876
Subsequent years	110,324,775	60,564,896	170,889,670	156,935,284	157,935,696
Total long-term	$ 122,452,096	$ 112,641,441	$ 235,093,537	$ 220,153,214	$ 220,741,910
Total	$ 141,577,605	$ 121,447,545	$ 263,025,150	$ 249,420,976	$ 246,096,352

Direct investment (PIDIREGAS):

As at 30 June 2018, 31 December 2017 and 1 January 2017, the debt corresponding to the acquisition of plants, facilities and equipment through PIDIREGAS was recognized in accordance with International Financial Reporting Standards, an analysis is as follows:

Credit amount		Term of the agreement	Balance as at 30 June 2018 (amoiunts in thousands ofcorresponding currency)				Balance as at 31 December 2017 (amounts in thousands of corresponding currency)				Balance as at 1 Ja (amounts in thousands of co	
			Local currency		Foreign currency		Local currency		Foreign currency		Local currency	
			Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
Foreign debt												
38	million dollars	2018									44,787	0
21.4	million dollars	2019	429,170	0	21,399	0	539,009	145,636	27,241	7,360	498,499	717,332
54.6	million dollars	2020	547,536	547,536	27,301	27,301	540,203	810,304	27,301	40,952	565,994	1,414,985
38.5	million dollars	2026	90,756	680,666	4,525	33,939	89,540	716,320	4,525	36,202	0	0
306.8	million dollars	2029	547,774	5,605,047	27,313	279,480	540,438	5,800,198	27,313	293,136	566,240	6,643,364
461.8	million dollars	2032	1,208,137	8,052,676	60,240	401,524	1,191,956	8,540,805	60,240	431,644	1,248,865	10,197,445
857.6	million dollars	2036	881,458	16,318,186	43,951	813,660	840,265	16,301,098	43,951	823,841	798,249	16,980,848
1,165.2	million dollars	2047	1,356,055	22,011,676	67,616	1,097,549	1,397,362	22,954,350	69,136	1,160,090	0	0
1,030.5	million dollars	2048	755,724	19,910,607	37,682	992,785	0	0	0	0	0	0
Total foreign debt			5,816,610	73,126,394	290,027	3,646,238	5,138,773	55,268,711	259,709	2,793,225	3,722,634	35,953,974
Domestic debt												
6,771.7	million pesos	2016									-	36,598
2,265.0	million pesos	2017									88,611	-
963.6	million pesos	2018	963,610	0			1,915,888	-			669,445	3,156,305
1,029.4	million pesos	2019	784,962	244,423			1,011,552	542,528			778,024	1,607,113
1,561.9	million pesos	2020	795,324	766,597			1,143,268	895,664			910,344	2,554,330
414.8	million pesos	2021	158,325	256,480			181,999	293,720			121,828	475,719
4,720.2	million pesos	2022	1,665,219	3,055,001			2,265,874	3,493,333			1,702,554	6,754,195
2,632.9	million pesos	2023	620,760	2,012,112			792,720	2,154,690			486,945	2,336,413

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

6,634.5	million pesos	2024	1,389,377	5,245,172	1,578,043	5,748,122	1,099,555	5,826,698
2,795.5	million pesos	2025	491,312	2,304,199	644,745	2,736,176	670,430	4,035,698
12,990.1	million pesos	2026	2,104,335	10,885,724	2,550,125	12,027,493	2,120,550	16,085,716
12,436.7	million pesos	2027	1,686,337	10,750,322	1,612,159	9,360,896	-	-
733.0	million pesos	2028	76,792	656,159	-	-	-	-
5,032.0	million pesos	2032					526,735	2,258,328
1,547.8	million pesos	2036	83,664	1,464,127	83,664	1,505,959	83,664	1,589,623
12,403.5	million pesos	2042	726,944	11,676,564	753,698	12,013,283	726,944	12,766,982
Total domestic debt			11,546,963	49,316,881	14,533,735	50,771,863	9,985,631	59,483,717
Interest payable			1,761,936		1,473,412		1,018,221	
CEBURES				8,821		8,821		8,821
Total PIDIREGAS debt			19,125,509	122,452,096	21,145,914	106,049,395	14,726,486	95,446,512

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

a. As at 30 June 2018, 31 December 2017 and 1 January 2017, minimum payment commitments on PIDIREGAS are as follows:

	30 June 2018	31 December 2017	1 January 2017
PIDIREGAS	204,513,952	176,974,622	144,741,264
less:			
Unaccrued interest	62,945,168	49,788,133	34,577,085
Present value of obligations	139,806,848	127,186,489	110,164,179
less:			
Current portion of obligations	19,125,509	21,145,914	14,726,488
Long-term portion of PIDIREGAS	122,443,275	106,040,575	95,437,691
CEBURES	8,821	8,821	8,821
Total CEBURES and PIDIREGAS	$122,452,096	$106,049,396	$95,446,512

Capital lease obligations (conditioned investment)

As at 30 June 2018, CFE has entered into 27 contracts with private investors, called independent energy producers (PIE, Spanish acronym). Such contracts establish an obligation for CFE to pay various considerations to the PIEs in exchange for the PIEs to guarantee the provision of electricity supply services, based on a previously agreed-upon generation capacity through power generation plants financed and built by said investors.

The future payments obligation includes: a) rules for quantifying the acquisition amount of the power generating plants whenever a contingent event occurs that, under the terms of each contract, is considered an event of force majeure, applicable 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 the 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 until the termination of the contracts.

a) Classification as leases

The Entity has assessed that 23 of the contracts with independent producers have an embedded lease on the power generation plant in accordance with IFRIC 4 Determining Whether an Arrangement Contains a Lease, and IFRIC 12 Service Concession Agreements, and such leases, in turn, qualify as financial leases in accordance with IAS 17 Leases.

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

The lease agreements are for 25-year terms. The average annual interest rate on these lease agreements is 11.19%.

	Minimum lease payments			Present value of minimum lease payments		
	30/06/2018	31/12/2017	31/12/2016	30/06/2018	31/12/2017	31/12/2016
Short-term	$18,103,949	$15,631,775	$22,473,286	$8,806,104	$8,121,848	$10,627,954
From one to five years	83,338,889	86,151,051	102,490,749	41,252,095	38,507,349	36,140,956
More than five years	98,336,124	103,923,053	144,744,587	71,389,347	75,596,469	89,154,442
Total accumulated equity	$199,778,962	$205,705,879	$269,708,622	$121,447,546	$122,225,666	$135,923,354

	Minimum lease payments			Present value of minimum lease payments		
	31/12/2017	31/12/2016	31/12/2015	31/12/2017	31/12/2016	31/12/2015
Short-term	$15,631,775	$22,473,286	$14,304,540	$8,121,848	$10,627,954	$6,410,202
From one to five years	86,151,051	102,490,749	64,825,462	38,507,349	36,140,956	20,283,765
More than five years	103,923,053	144,744,587	122,295,964	75,596,469	89,154,442	87,990,858
Total accumulated equity	$205,705,879	$269,708,622	$201,425,966	$122,225,666	$135,923,354	$114,684,825

An analysis of the capital lease obligation as at 30 June 2018 is as follows:

			Foreign currency		Local currency	
Name	Start up of operations	Original amount of the obligation	Short term	Long term	Short term	Long term
CT MERIDA III	jun-00	242,685	14,050	130,263	281,777	2,612,465
CC HERMOSILLO	oct-01	156,144	7,649	101,760	153,409	2,040,832
CC SALTILLO	nov-01	152,383	7,355	92,713	147,515	1,859,391
TUXPAN II	dic-01	283,133	13,186	187,516	264,454	3,760,681
EL SAUZ BAJIO	mar-02	399,773	17,349	285,683	347,933	5,729,464
CC MONTERREY	mar-02	330,440	15,606	177,958	312,974	3,569,004
CC ALTAMIRA II	may-02	233,234	9,458	175,069	189,687	3,511,069
CC RIO BRAVO II	may-02	232,108	10,703	141,657	214,658	2,840,970
CC CAMPECHE	may-03	196,554	8,292	130,310	166,307	2,613,399
CC TUXPAN III Y IV	may-03	587,064	23,876	411,870	478,837	8,260,172
CC MEXICALI	jul-03	569,345	24,656	338,809	494,489	6,794,918
CC CHIHUAHUA III	sep-03	275,327	11,800	163,841	236,657	3,285,888
CC NACO NOGALES	oct-03	238,016	10,181	113,415	204,184	2,274,574
CC ALTAMIRA III Y IV	dic-03	600,897	24,660	383,395	494,564	7,689,094
RIO BRAVO III	abr-04	312,602	11,572	224,994	232,078	4,512,332
CC LA LAGUNA II	mar-05	367,578	12,447	274,989	249,634	5,514,986
CC RIO BRAVO IV	abr-05	270,697	8,628	209,808	173,030	4,207,765
CC VALLADOLID III	jun-06	288,160	9,239	216,273	185,292	4,337,429
CC TUXPAN V	sep-06	284,997	7,249	237,704	145,383	4,767,218
CC ALTAMIRA V	oct-06	532,113	11,425	464,585	229,133	9,317,394
CC TAMAZUNCHALE	jun-07	482,562	12,219	400,000	245,062	8,022,118

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

CCC NORTE	ago-10	450,097	12,100	367,124	242,662	7,362,785
CCC NORTE II	ene-14	427,733	8,703	386,805	174,535	7,757,494
Total			292,403	5,616,541	5,864,254	112,641,442

(1) The short-term balance does not include interest in the amount of $ 2,941,850 and $ 2,639,798 as at 30 June 2018 and 31 December 2017, respectively.

a) Other contracts with independent power producers

Currently, the CFE has three contracts in operation with wind farm private investors under which, as opposed to the contracts mentioned in the note above, the obligation established for CFE is to only pay for the wind energy that was generated and delivered; therefore, these contracts are not considered capital leases. The contracts are as follows:

C E Oaxaca I
C E Oaxaca II, III and IV
CE La Venta III
CE Sureste I

b) Service provider contracts

Gasoducto Pemex-Valladolid
Coal terminal

These service provider contracts are not considered financial leases since they do not meet the requirements of IFRS for such specific treatment.

13. Other Accounts Payable and Accrued Liabilities

An analysis of Other accounts receivable as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	30 June 2018	31 December 2017	1 January 2017
Suppliers and contractors	$ 50,161,750	$ 59,849,154	$ 17,888,728
Accounts payable CENACE	-	-	2,011,804
Employees	4,995,967	4,213,117	3,765,564
Deposits from users and contractors	24,470,380	22,974,717	21,103,369
Other liabilities	23,751,019	20,761,053	17,103,988
Total	**103,379,116**	**107,798,041**	**61,873,453**

14. Taxes and Duties Payable

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

An analysis of Taxes and duties payable as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

		30 June 2018		31 December 2017		1 January 2017
Payable by CFE						
Income tax		165,759		2,828,070		-
Income tax payable on behalf of third parties		180,338		411,290		270,792
Mexican Social Security Institute (IMSS) contributions		636,575		698,046		680,038
Rights for the use and utilization of national waters		529,947		370,375		224,741
Payroll tax		52,414		45,556		54,574
Federal Housing Financing Agency (INFONAVIT) contributions		11,231		12,481		10,895
Value added tax payable		242		0		985,948
Subtotal	**$**	**1,576,506**	**$**	**$4,365,818**	**$**	**$2,226,988**
Withholdings						
Income tax withheld from employees		775,438		738,923		693,591
Withheld value added tax		28,615		68,441		67,946
Income tax on interest paid abroad		33,613		27,993		26,846
Income tax on foreign residents		609		45,677		57,698
0.5% to contractors		5,638		50,404		18,010
Income tax on professional fees and rent to individuals		3,165		7,101		6,302
0.2% to contractors		418		547		342
Other		523		422		14,134
Subtotal	**$**	**848,019**	**$**	**$939,508**	**$**	**$884,869**
Total taxes and duties	**$**	**2,424,525**	**$**	**5,305,326**	**$**	**3,111,857**

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

15. Other Long-term Liabilities

An analysis of Other long-term liabilities as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

		30 June 2018	31 December 2017	1 January 2017
Third-party contributions	$	1,462,815	8,039,903	33,707,331
Asset retirement obligation		11,227,322	11,101,187	12,888,114
Other provisions		4,283,575	4,283,577	3,561,400
Total	**$**	**16,973,712**	**23,424,667**	**50,156,845**

16. Other Income

An analysis of Other income, net for the six-month period ended 30 June 2018 and 2017 is as follows:

		30 June 2018		30 June 2017
Other income (*)	$	12,988,943	$	39,365,394
Other income and gains	**$**	**12,988,943**	$	**39,365,394**

* Includes the recognition of deferred contributions

17. Long-term Employee Benefits

CFE has employee benefits plans for terminations of employee relationships and retirements for reasons other than a restructuring event. The retirement benefits plan considers the number of years of service completed by the employee and the employee’s compensation at the retirement date. The retirement benefits plan includes the seniority bonus that employees are entitled to receive upon termination of the employee relationship, as well as other defined benefits.

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

No significant changes or amendments were made to the plans during the six-month period ended as at 30 June 2018 and 2017.

18. Income tax

In 2015, CFE was transformed into a Productive State Enterprise, it formerly was a Decentralized Public Company and consequently, it was no longer eligible for the tax regime set out in Title III of the Income Tax Law (Non-Profit Legal Entities) bur rather had to begin to apply the provisions set out in Title II of the aforementioned Law (general regime for corporations and legal entities).

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

The Entity's effective tax rate on income from continuing operations for the six-month period ended as at 30 June 2018 and 2017 was 15% and 0%, respectively. Tax expense is recognized based on Management's best estimate of the expected tax expense for the whole year, considering the tax base of its subsidiaries for the interim period.

19. Other Equity Items

a. Other comprehensive income

An analysis of items included in Other comprehensive income for the six-month period ended as at 30 June 2018 and 2017, is as follows:

	30 June 2018	30 June 2017
Net (loss) income	(39,864,004)	35,951,477
Cash flow hedges	(2,361,597)	3,051,789
Comprehensive (loss) income	(42,225,601)	39,003,266

b. Non-controlling interest

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

The Entity's management has evaluated and concluded that it exerts control over the net assets of the Trust, and thus, such assets are consolidated as part of the financial statements. The non-controlling interest in the 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 thousand of Mexican pesos, unless explicitly indicated otherwise)

20. Foreign Currency Position

An analysis of CFE's foreign currency denominated assets and liabilities as at 30 June 2018, 31 December 2017 and 1 January 2017 is as follows:

	30 June 2018					
	Assets	Liabilities				
	Cash and cash equivalents	Suppliers	Domestic debt	Foreign debt	Capital lease obligations and PIDIREGAS	Short foreign currency position
U.S. dollars	2,307,342	143		5,296,407	9,845,213	12,834,420
Euros	-	-		1,688	-	1,688
Japanese yen	1,314,603	-		3,019,353	-	4,333,956
Swiss francs	-	-		29,880	-	29,880

	31 December 2017					
	Assets	Liabilities				
	Cash and cash equivalents	Suppliers	Domestic debt	Foreign debt	Capital lease obligations and PIDIREGAS	Short foreign currency position
U.S. 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 thousand of Mexican pesos, unless explicitly indicated otherwise)

	1 January 2017					
	Assets	Liabilities				
	Cash and cash equivalents	Suppliers	Domestic debt	Foreign debt	Capital lease obligations and PIDIREGAS	Short foreign currency position
U.S. 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

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

Note: The JPY foreign debt includes the 32 billion bond in yens.

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

As at 30 June 2018, 31 December 2017 and 1 January 2017 the foreign currency denominated assets and liabilities were translated to local currency at the exchange rate published in the *Official Gazette* by Banco de Mexico, as shown below:

Currency		30 June 2018		31 December 2017		1 January 2017
U.S. dollars	$	20.0553	$	19.7867	$	20.731
Euros		22.9884		23.6062		21.753
Japanese yens		0.1778		0.1746		0.1768
Swiss francs		19.8329		20.1721		20.294

21. Contingencies and Commitments

Contingencies

CFE is party to several lawsuits and claims filed against it in the normal course of its business. The amounts of such lawsuits are deemed immaterial with respect to the Entity's current financial position and its expected financial performance in the following years.

Commitments

a. Natural gas supply contracts

The Entity has entered into contracts for services related to the reception, storage, transportation, regasification and supply of liquefied natural gas. The contractual commitments consist of acquiring, during the supply period, daily base amounts of natural gas as set forth in the respective contracts.

b. Long-term auctions

In 2017, the Entity participated as a buyer in the long-term auction announced by CENACE for the month of November 2017, acquiring through the auction a commitment to purchase energy of 539.8 (MW / year) for 15 years, purchase of energy of 5,003,133.78 (MWh / year) for 15 years and to purchase CELs of 5,422,143.18 for 20 years. On April 13, 2018, CFE entered into the agreement with the Chamber of Compensation (who acts as the counterparty).

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

c. Financed public work contracts

As at 30 June 2018, CFE has entered into several financed public work contracts and the payment commitments will begin on the dates when the private investors complete the construction of each of the investment projects and deliver the related the assets to CFE for their operation. The estimated amounts of such financed public work contracts and the estimated dates of construction completion and start up of operations are shown in the table included on the next page.

Transmission lines and substations:

Project Name	Capacity Kmc	MVA	Estimated amount of the contract expressed in millions of: Dollars	Pesos	Operation stage
283 LT 1723 Red de Transm. Asoc. a CC Norte III	21.10		17.40	348.96	31-mar-17
188 SE 1116 Transformación del Noreste F4	97.60	500.00	50.00	1,002.77	31-may-17
339 SLT 2021 Reducción de Pérdidas de Energía en Distribución F6 (DIST)	158.00	62.10	65.88	1,321.32	17-jul-17
209 SE 1212 Sur - Peninsular F9 (DIST)	20.31	20.00	8.17	163.83	12-ago-17
321 SLT 1920 Subestaciones y Líneas de Distribución F5	1.42	30.00	5.46	109.44	31-ago-17
274 SE 1620 Distribución Valle de México F2	26.20	420.00	89.80	1,800.97	31-oct-17
282 SLT 1720 Distribución Valle de México F1	1.00	120.00	11.74	235.41	15-nov-17
259 SE 1521 Distribución Sur F5 (DIST)	9.00	30.00	8.84	177.25	06-ene-18
304 LT 1805 Línea de Transmisión Huasteca - Monterrey	441.80		126.83	2,543.61	30-ene-18
281 LT 1716 Red de Transmisión Asociada al CC Noreste	128.10		45.91	920.82	01-feb-18
321 SLT 1920 Subestaciones y Líneas de Distribución F4	42.40	50.00	11.74	235.37	10-feb-18
310 SLT 1821 Divisiones de Distribución F1 (DIST)		50.00	4.69	94.06	01-mar-18
297 LT 1811 Red de Transmisión Asociada al CC Empalme I	425.60		86.70	1,738.79	25-mar-18
309 SLT 1820 Divisiones de Distribución del Valle de México	5.20	360.00	48.15	965.66	19-abr-18
336 SLT 2001 Subestaciones y Líneas Baja California Sur - Noroeste F1	225.00	950.00	44.50	892.36	25-may-18
274 SE 1620 Distribución Valle de México F1	16.10	780.00	94.60	1,897.23	31-may-18
339 SLT 2021 Reducción de Pérdidas de Energía en Distribución F5 C2 (DIST)	1,185.00	162.30	169.89	3,407.19	06-jun-18
350 SLT 2121 Reducción de Pérdidas de Energía en Distribución F3 (DIST)	353.20	45.90	38.53	772.81	07-jun-18
337 SLT 2002 Subestaciones y Líneas de las Áreas Norte - Occidental F2	205.40	200.00	31.13	624.40	29-jul-18
273 SE 1621 Distribución Norte-Sur F4 C3 (DIST)	0.54	20.00	3.46	69.33	11-ago-18
338 SLT 2020 Subestaciones, Líneas y Redes de Distribución F1 (DIST)	25.33		10.75	215.61	11-ago-18
350 SLT 2121 Reducción de Pérdidas de Energía en Distribución F1 (DIST)	3.10	2.51	1.36	27.26	26-ago-18
321 SLT 1920 Subestaciones y Líneas de Distribución F2 (DIST)	0.72	20.00	3.40	68.17	16-sep-18
338 SLT 2020 Subestaciones, Líneas y Redes de Distribución F6 (DIST)	129.35		3.03	60.73	20-sep-18
266 SLT 1603 Subestación Lago	80.40	660.00	91.20	1,829.00	22-sep-18
337 SLT 2002 Subestaciones y Líneas de las Áreas Norte - Occidental F1	208.70	975.00	35.84	718.68	19-oct-18
349 SLT 2120 Subestaciones y Líneas de Distribución F1 (DIST)	5.70	70.00	5.97	119.77	21-nov-18

310 SLT 1821 Divisiones de Distribución F6 (DIST)	54.98		4.58	91.85	12-ene-19
338 SLT 2020 Subestaciones, Líneas y Redes de Distribución F2 (DIST)	4.84	60.00	8.51	170.71	19-feb-19
288 SLT 1722 Distribución Sur F3	3.96	40.00	6.00	120.27	23-feb-19
336 SLT 2001 Subestaciones y Líneas Baja California Sur - Noroeste F2	50.80	300.00	15.87	318.30	01-mar-19
300 LT 1812 Red de Transmisión Asociada al CC Topolobampo III	276.00		24.49	491.21	13-mar-19
	4,206.85	5,927.81	1,174.41	23,553.2	

Generation

Project name	Capacity MVA	Estimated amount of the contract expressed in millions of: Dollars	Pesos	Operation stage
268 CCI Guerrero Negro IV	7.52	20.63	413.7	01-abr-17
296 CC Empalme I	770.22	476.84	9,563.2	06-nov-17
298 CC Valle de México II	615.23	425.31	8,529.8	31-ene-18
38 CC Norte III (Juárez) C2	906.71	562.37	11,278.5	13-abr-18
313 CC Empalme II	791.17	397.00	7,962.0	28-abr-18
327 CG Azufres III F2 (DIST)	25.00	51.29	1,028.5	15-jun-18
43 CC Noreste	857.18	345.46	6,928.2	01-jul-18
289 CH Chicoasén II	240.00	386.42	7,749.8	12-sep-18
42 CC Noroeste (Topolobanpo II) C2	887.39	334.50	6,708.5	02-ene-19
45 CC Topolobampo III C2	665.88	630.87	12,652.3	01-ene-20
	5,766.29	3,630.69	72,814.5	

Renovation and/or modernization

Project name	Estimated amount of the contract expressed in millions of: Dollars	Pesos	Operation stage
311 RM CCC Tula Paquetes 1 y 2	323.1	6,479.5	02/09/2017
312 RM CH Temascal Unidades 1 a 4 (GEN)	26.5	531.5	18/09/2018
278 RM CT José López Portillo (GEN)	214.0	4,291.8	27/02/2019
258 RM CT Altamira U1 y 2	380.0	7,620.8	01/07/2019
	943.6	18,923.6	

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

d. Trusts

1 Area of competence

1.1. CFE currently participates as Trustor or Beneficiary in 11 (eleven) Trust Funds, of which 1 (one) is in the process of termination.

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

a. Energy saving
b. Prepaid expenses
c. Work contract management
d. Indirect participation trust funds

e. a. Energy saving

Trust funds to promote energy saving programs.

Trust fund	Role of CFE		
	Trustor	Trustee	Trust Beneficiary
Trust fund for Energy Savings (FIDE), created on August 14, 1990	Creation of the Trust: Confederación de Cámaras Industriales (CONCAMIN), Cámara Nacional de la Industria de Transformación (CANACINTRA), Cámara Nacional de Manufacturas Eléctricas (CANAME), Cámara Nacional de la Industria de la Construcción (CNIC), Cámara Nacional de Empresas de Consultoría (CNEC) and Sindicato Único de Trabajadores Electricistas de la República Mexicana (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 will form part of the public energy services infrastructure.
Mexicali Housing Thermal Isolation Trust (FIPATERM), created on October 19, 1990	CFE	Banco Nacional de Obras y Servicios Públicos, S.N.C.	CFE

As at 30 June 2018, the Trust fund for Housing Thermal Isolation (FIPATERM) has assets amounting to $1,495,773 and liabilities amounting to $52,707.

f. Prepaid expenses

Prepaid expenses finance and cover expenses prior to the execution of projects, and are subsequently recoverable and charged to the entity that incurs such expenses to comply with the regulations applicable to the type of project.

Trust fund	Role of CFE			Type of projects
	Trustor	Trust Beneficiary	Trustee	

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

CPTT prepaid expense management, created on August 11, 2003	CFE	CFE	Banco Nacional de Comercio Exterior, S.N.C.	Direct investment
Management and transfer of ownership 2030, created on September 30, 2000	CFE	**Primary beneficiary:** Contract winners **Second beneficiary:** CFE	Banobras, S.N.C.	Conditioned investment

As at 30 June 2018, the Prepaid Expenses Management Trust fund has assets amounting to $3,773,767 and liabilities amounting to $3,357,135.

As at 30 June 2018, the Domain Transfer and Administration Trust 2030 has assets amounting to $421,398.

g. Construction contract management

At the beginning of the ‘90s, the Federal Government implemented several off-budget schemes to continue to invest in infrastructure projects. The schemes were designed under two modalities:

- Turnkey Projects (1990)
- Build, Lease and Transfer Projects (1996)

Turnkey Projects. - Under this scheme, works were carried out for the construction of power generation plants and installation of transmission lines, through an irrevocable management and transfer of ownership trust, linked to a lease agreement. Under this modality, the trustee is responsible for the following:

Contracting credits, managing the trust property (assets), receiving the lease payments from CFE, and transferring the asset at no cost to CFE after the leases have been paid in an amount sufficient 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 receiving, in exchange, invoices approved by the construction area, payment of taxes and other charges, including trustee fees.

The trusts for managing and transferring ownership were carried out in accordance with the Guidelines for the performance of thermoelectric projects with off-budget funds, as well as with the Guidelines for the performance of transmission lines and substations with off-budget funds issued by the Ministry of Public Administration (formerly known as the Ministry of Comptrollership and Administrative Development).

The Trust shown below has completed its payment commitments; therefore, it is in process of termination by the General Counsel.

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Topolobampo II (Electrolyser, S. A. de C. V.), created on November 14, 1991	Bufete Industrial Construcciones, S. A. de C. V. and Electrolyser, S. A. de C. V.,with respect to its contribution to the Trust	**Primary beneficiary:** and Electrolyser, S. A. de C. V.,with respect to its contribution to the Trust and **Second beneficiary:** CFE	Santander, S. A.

Build, Lease and Transfer Projects (“CAT”, Spanish acronym).- The transition stage to carry out the CAT trusts began in 1996, whereby the trustee manages the trust property (assets) and transfers it to CFE after the lease payments have been covered. Credits are contracted directly with a consortium that is a special purpose entity, for which there is an irrevocable management and transfer of ownership trust contract.

In these types of trusts, CFE participates in making the lease payments 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 fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
C.C.C. Rosarito III (8 and 9), created on August 22, 1997	CFE and Rosarito Power, S.A. de C.V.	CFE	BANCOMEXT

The only project under this modality that is still in force is the one related to the CT Smalayuca II trust fund:

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
C.T. Samalayuca II, created on May 2, 1996	Compañía Samalayuca II, S.A. de C.V.	**Primary:** The foreign bank that is the common representative of the creditors; **Second:** Compañía Samalayuca II, S.A. de C.V. **Third:** CFE	Banco Nacional de México, S.A.

As at 30 June 2018, CFE has fixed assets amounting to $21,574,207 and liabilities amounting to $429,170 related to the CAT trusts referred to above.

Coal Terminal of the Thermoelectric Power Station Presidente Plutarco Elías Calles

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Coal Terminal of the Thermoelectric Power Station Presidente Plutarco Elias Calles (Petacalco) was created on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and TechintCompagnia Tecnica Internazionale S.P.A.	**Primary:** Carbonser, S.A. de C.V **Second:** CFE	Banco Nacional de México, S. A. (Banamex)

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

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

Facility	Fixed charge for capacity for Jan-June 2018
Petacalco	$59,484

h. Indirect participation in trust funds

Additionally, CFE maintains an indirect relationship since it is not a Trustor, but it participates as a beneficiary in four guarantee and loan payment Trusts, created by Financial Institutions as Trustors and Trust Beneficiaries for the issue of securities linked to credits granted to CFE. CFE is named as Second Beneficiary of the Trust, due to the specific possibility that it may acquire some of the certificates issued and it maintains representation in its Technical Committees in conformity with the contractual provisions.

CFE is required to reimburse to the Trust in the terms of the Indemnity Contract that forms part of the Trust Contract, the expenses incurred by the Trust for the issue of securities and their management.

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Trust No. 194 created on May 3, 2004	**Primary:** ING (México), S. A. de C. V. and Casa de Bolsa, ING Grupo Financiero. **Second:** Deutsche Securities, S. A. de C. V. and Casa de Bolsa.	**Primary:** Each of the preferred holders of each issue **Second:** CFE	Banamex
Trust No. 232246 created on November 3, 2006	Banco Nacional de México, S.A., a member entity of Grupo Financiero Banamex	**Primary:** Each of the preferred holders of each issue **Second:** CFE	HSBC México, S.A., Grupo Financiero HSBC
Trust No. 411 created on August 6, 2009	Banco Nacional de México, S.A., a member entity of Grupo Financiero Banamex	**Primary:** Each of the preferred holders of each issue **Second:** CFE	Banamex

As at 30 June 2018, available funds in trust No. 232246 amount to $8,821.

2. Legal nature

2.1 In conformity with the Federal Public Administration Act, none of the trusts are considered Public Trusts with the status of "entity", pursuant to the following:

a. In seven of the Trusts, CFE is not a Trustor in their creation.

b. The four remaining trusts do not have an organic structure similar to the state-owned entities that comprise them as “entities” in terms of the Law.

2.2 The SHCP has maintained a record for purposes of the Federal Budget and Financial Responsibility Law, of 4 (four) of the Trusts, due to the allocation of federal funds or the contribution of land owned by CFE where the works will be carried out.

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

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

22 . Segment Information

Information regarding the operating segments

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

- Electricity services
- Optical fiber network services

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

Since the Optic fiber network services segment represents 0.26% of the Entity's total revenues, Management does not consider this segment information to be significant in the context of the financial statements.

Information by type of services

		30 June 2018	30 June 2017
Domestic service		31,708,912	30,432,527
Commercial service		21,148,005	24,121,574
Public lighting service		5,720,170	11,163,020
Agricultural service		3,980,680	3,749,143
Industrial service		89,464,885	102,380,909
Total electricity service billed		**152,022,652**	**171,847,173**
Other programs:			
Consumption in the process of being billed		(54,163)	(760,554)
Illegal uses		510,931	735,785
Measurement failure		180,752	188,947
Billing error		341,233	405,453
Total income obtained from other programs		**978,753**	**569,631**
		153,001,405	**172,416,804**
Other operating income		5,498,038	6,412,989
Revenue from the sale of electricity	$	**158,499,443**	**178,829,793**

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

23. Restatement due to the adoption of new accounting pronouncements

The accumulated effect of the adoption of new accounting pronouncements IFRS 15 and IFRS 9 as at 31 December and 1 January 2017 is as follows:

		Accumulated as at 1 January 2017		Accumulated as at 31 December 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 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard supersedes IAS 39 Financial Instruments: Recognition and Measurement

i. Transition

Impairment in the value of financial assets

Retrospective effect of IFRS 9 in the Consolidated Statement of Financial Position (increase/(decrease)) as at 31 December 2017 and 1 January 2017:

	Adjustments	31 Dec 2017	1 Jan 2017
Assets			
Accounts receivable, net (allowance for doubtful accounts)	a)	$472,608	$(6,945,993)
Equity			
Accumulated deficit		-	$(6,945,993)
Net income for the period		$472,608	

B. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a conceptual framework to determine whether income from an entity's ordinary activities should be recognized, when it should be recognized and the amount to be recognized. The new revenue standard supersedes all current revenue recognition guidance included in IAS 18 Revenue; IAS 11 Construction Contracts; and Interpretation of the International Financial Reporting Interpretation Committee (IFRIC) 13 Customer Loyalty Programmes.

The two transition methods allowed under the new standard are the full retrospective approach and the modified retrospective approach. The Entity chose to apply the full retrospective approach; for purposes of the unaudited condensed consolidated financial information herein, the effects of the initial adoption of IFRS 15 were recognized in retained earnings as at 1 January 2017.

i. Electricity supply services

Revenue from electricity supply services is currently recognized when the electricity is delivered to the customers, which is considered to be the point in time at which the customer accepts the electricity and the risks and benefits related to the transfer of ownership. Other criteria applied in recognizing revenue includes that both the revenue and costs can be measured reliably by the entity, it is probable that the economic benefits associated with the transaction will flow to the entity and the entity does not retain continuing involvement over the goods sold.

Under IFRS 15, revenue is recognized when a customer obtains control of a good or service, and the first step is the identification of a contract. Among other requirements, IFRS 15 requires that the collectability of a contract be reasonably assured to be able to recognize it as revenue. The Entity identified that certain divisions experience problems related to the regularization of rates and social resistance and the customers can no longer pay or are not willing to pay the amount owed. In view of the above, the Entity performed a new assessment of these contracts, and has preliminarily determined that they do not meet the revenue recognition requirements and therefore, the Entity does not recognize revenue on the electricity delivered to these customers since it does not expect to make any collections from such.

Estimated effects of the adoption of IFRS 15.

Effect of IFRS 15 in the Consolidated Statement of Financial Position (increase/(decrease)) as at 31 December 2017 and 1 January 2017:

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

	Adjustments	31 Dec 2017	1 Jan 2017
Assets			
Accounts receivable, net	a)	$(2,375,908)	$(7,090,115)
Equity			
Accumulated deficit			$(7,090,115)
Net income for the period		$(2,375,908)	

The effects for the period ended as at 30 June 2017 were not significant.

a) Cancellation of revenue that does not meet the requirements under IFRS 15 Step 1, identifying the contract, since an assessment was made and it was determined that certain contracts correspond to revenue that will not be collected even though the electricity is delivered, since the revenues correspond to areas that experience problems related to the regularization of rates and social resistance and the uncollected amounts are more than one year overdue.

There are no significant impacts in the statement of cash flows.

ii. Revenue from contracts with customers

An analysis of revenue from contracts with clients corresponding to the electricity segment is as follows:

		30 June 2018	**30 June 2017**
Domestic service		31,708,912	30,432,527
Commercial service		21,148,005	24,121,574
Public lighting service		5,720,170	11,163,020
Agricultural service		3,980,680	3,749,143
Industrial service		89,464,885	102,380,909
Total electricity service billed		**152,022,652**	**171,847,173**
Other programs:			
Consumption in the process of being billed		(54,163)	(760,554)
Illegal uses		510,931	735,785
Measurement failure		180,752	188,947
Billing error		341,233	405,453
Total income obtained from other programs		**978,753**	**569,631**
		153,001,405	**172,416,804**
Other operating income		5,498,038	6,412,989
Revenue from the sale of electricity	$	**158,499,443**	**178,829,793**
Revenue from the sale of fuel to third parties		21,067,800	2,267,079
Transmission revenue		1,321,820	341,412
Subsidy income		23,571,436	21,510,346

(Amounts expressed in thousand of Mexican pesos, unless explicitly indicated otherwise

Other income and gains	12,988,943	39,365,394
Total	$ **217,449,442**	**$ 242,314,024**

Revenue recognition date:	**30 June 2018**	**30 June 2017**
Goods transferred at a point in time	216,127,623	241,972,612
Services transferred over time	1,321,820	341,412
Total revenue from contracts with customers	**217,449,443**	**242,314,024**

24. New Accounting Pronouncements Not Yet Effective

A. IFRS 16 Leases

IFRS 16 supersedes the current guidance on leases, including IAS 17 Leases; IFRIC 4 Determining whether an Arrangement contains a Lease; SIC-15 Operating Leases-Incentives; and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

IFRS 16 introduces a lease accounting model only for lessees. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The standard includes two recognition exemptions for lessees – leases of “low-value” assets and short-term leases. Lessor accounting is substantially unchanged from today's accounting (i.e., lessors will continue to classify all leases as either operating or finance leases).

The Entity is in the process of determining the potential effects on the financial statements due to the adoption of this standard.

B. Other standards

The Entity does not expect the following standards and interpretations to have a significant impact on its financial statements:

- Annual improvements to IFRS Cycle 2014-2016 – Amendments to IFRS 1 and IAS 28

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
- Transfer of Investment Property (Amendments to IAS 40)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments

25. Issuance of the condensed consolidated interim financial information

The issuance of the condensed consolidated interim financial statements and notes thereto were approved by Management on July 12, 2018. The Board of Directors has the power to modify the accompanying condensed consolidated interim financial information. Subsequent events were considered through July 12, 2018.