COMISIÓN FEDERAL DE ELECTRICIDAD
(Productive State Enterprise and Subsidiaries and Affiliated Companies)
Unaudited Condensed Consolidated Statements of Financial Position
(Amounts in thousands of Mexican pesos)

Concept	As at 31 March 2019	As at 31 December 2018
ASSETS		
Current assets	**164,569,506**	**193,196,623**
Cash, cash equivalents and other investments	44,968,233	78,483,263
Accounts receivable	102,548,546	99,175,895
Materials for operation	17,052,727	15,537,465
Loans to workers (Housing Fund)	**12,729,534**	**12,367,879**
Plants, facilities and equipment, net	**1,177,614,834**	**1,186,590,258**
Derivative financial instruments	**12,856,142**	**17,783,141**
Other assets	**39,253,105**	**34,281,864**
Right of use asset	**343,601,612**	**337,493,233**
Deferred tax asset, net	**172,919,707**	**176,616,976**
TOTAL ASSETS	**1,923,544,439**	**1,958,329,975**
LIABILITIES		
Current liabilities	**148,460,809**	**165,074,500**
Short-term debt	31,773,035	39,829,270
Other accounts payable and accrued liabilities	97,093,726	109,234,093
Taxes and duties payable	4,611,511	3,724,408
Income tax	6,242,120	3,709,859
Short-term lease liability	8,740,416	8,576,870
Non-current liabilities	**1,113,302,487**	**1,114,204,900**
Long-term debt	309,412,462	314,795,714
Labor obligations	329,711,805	327,452,589
Other long-term liabilities	21,362,268	20,451,195
Long term lease liability	452,815,953	451,505,402
TOTAL LIABILITIES	**1,261,763,296**	**1,279,279,400**
Equity	**661,781,143**	**679,050,575**
Contributions received from the Federal Government	5,251	5,251
Contributions in kind received from the Federal Government	95,004,417	95,004,417
Retained earnings	86,397,547	100,338,214
Accumulated other comprehensive income items	462,877,286	466,206,051
Non-controlling interest	17,496,642	17,496,642
LIABILITIES + EQUITY	**1,923,544,439**	**1,958,329,975**

COMISIÓN FEDERAL DE ELECTRICIDAD

(Productive State Enterprise and Subsidiaries and Affiliated Companies)
Statement of Income
AS AT 31 MARCH 2019 AND MARCH 2018
(Amounts in thousands of Mexican pesos)

Concept	Accumulated to March	
	March 2019	March 2018
Revenues	**$119,458,295**	**$93,114,764**
Revenue from the sale of electricity	$92,231,048	$72,844,864
Revenue from the sale of fuel	$11,577,957	$9,749,895
Revenue from the transmission of electricity	$234,989	$159,846
Revenue from subsidies	$10,417,160	$9,886,255
Other income and gains	$4,997,142	$473,904
Costs	**$125,363,410**	**$114,348,513**
Energy and fuel supplies	$78,232,051	$64,504,063
Employee compensation	$17,001,269	$16,130,904
Maintenance, materials and general services	$2,498,124	$4,704,453
Taxes and duties	$780,131	$906,115
Wholesale Electricity Market (MEM) costs	$722,166	$642,502
Cost of labor obligations	$8,683,741	$11,500,153
Depreciation	$17,445,927	$14,042,386
Other expenses	$0	$1,917,937
OPERATING INCOME (LOSS)	**($5,905,114)**	**($21,233,750)**
Financing cost	**$3,635,345**	**($11,339,229)**
Other financial (income) expense, net	$7,333,980	$3,535,725
Interest expense, net	$6,590,996	$7,120,043
Foreign exchange (gain) loss, net	($10,289,630)	($21,994,996)
INCOME BEFORE INCOME TAX	**($9,540,460)**	**($9,894,521)**
Income tax	**$4,400,206**	**$1,511,069**
NET (LOSS) INCOME	**($13,940,666)**	**($11,405,590)**
Other comprehensive (loss) income	($3,328,766)	$3,363,303
COMPREHENSIVE LOSS	**($17,269,432)**	**($8,042,287)**

Comisión Federal de Electricidad, Productive State Enterprise and Subidiaries

Consolidated Statements of Cash Flows

For the Period Ended 31 March 2019 and 31 December 2018

(Amounts in thousands of Mexican pesos)

		1 March 2019		31 December 2018
Operating activities:				
Net (loss) income	$	(13,940,666)	$	47,916,958
Items related to operating activities:				
Net period cost of employee benefits		8,683,741		20,539,778
Increase (decrease) in the current and deferred income tax provision		3,697,270		(52,363,237)
Items related to investing activities:				
Depreciation		12,718,341		57,535,932
Retirements of plants, facilities and equipment		2,366,818		1,008,377
Unrealized loss on foreign exchange, interest expense and changes in the fair value of financial instruments		8,432,320		32,382,087
Changes in other operating assets and liabilities:				
Accounts receivable		3,479,354		(4,108,373)
Inventory of operating materials		(1,515,261)		(894,472)
Taxes and duties payable		(3,432,538)		(5,695,946)
Other assets		(5,332,896)		(1,480,495)
Other accounts payable and accrued liabilities		(11,275,905)		(1,537,422)
Payment of employee benefits		(6,424,525)		(39,534,335)
Net cash flows (used in) from operating activities		(2,543,949)		53,768,852
Investing activities:				
Acquisition of plants, facilities and equipment		(12,054,540)		(46,114,216)
Financing activities				
Debt contracting		(8,154,907)		91,373,548
Non-controlling interest contribution		-		15,494,065
Payment of dividends		-		(1,247,450)
Payment of debt		(3,494,988)		(78,934,168)
Interest paid		(5,201,449)		(22,053,366)
Payment of financial instruments		(2,065,197)		(1,041,903)
Net cash flows (used in) from investing activities		(18,916,541)		3,590,726
Cash surplus to be (obtained from) applied to financing activities		(33,515,030)		11,245,362
Cash and cash equivalents:				
At beginning of period		78,483,263		67,237,901
At end of period	$	44,968,233	$	78,483,263

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

Comisión Federal de Electricidad, Productive State Enterprise and Subidiaries

Consolidated Statements of Changes in Equity

As at 31 December 2016, 2017, 2018, and 31 March 2019

(Amounts in thousands of Mexican pesos)

	Contributions received from the Federal Government	Contributions in kind received from the Federal Government	Retained earnings (loss)	Other comprehensive income	Total equity holders of the parent	Non-controlling interest	Total equity
Balance as at 31 December 2017	$ 5,251	$ 95,004,417	$ 100,140,833	$ 416,780,451	611,930,952	-	$ 611,930,952
Adoption of IFRS 16			(38,238,852)		(38,238,852)		(38,238,852)
Balances as at 1 January 2018	$ 5,251	$ 95,004,417	$ 61,901,981	$ 416,780,451	573,692,100	-	$ 573,692,100
Non-controlling interest	-	-	-	-	-	15,494,065	15,494,065
Comprehensive income (loss) for the period	-	-	44,666,931	49,425,600	94,092,531	3,250,027	97,342,558
Distributions to the holders of Fibra E	-	-	-	-	-	(1,247,450)	(1,247,450)
Balances as at 31 December 2018	**5,251**	**$ 95,004,417**	**$ 106,568,912**	**$ 466,206,051**	**$ 667,784,631**	**17,496,642**	**$ 685,281,273**
Adoption of IFRS 16			(6,230,698)		(6,230,698)		(6,230,698)
Balances as at 1 January 2019	**5,251**	**$ 95,004,417**	**$ 100,338,214**	**$ 466,206,051**	**$ 661,553,933**	**17,496,642**	**$ 679,050,575**
Comprehensive income (loss) for the period			(13,940,666)	(3,328,766)	(17,269,432)		(17,269,432)
Balances as at 31 March 2019	**5,251**	**$ 95,004,417**	**$ 86,397,548**	**$ 462,877,285**	**$ 644,284,501**	**17,496,642**	**$ 661,781,143**

1. Incorporation, Business Purpose and Relevant Events

- **Incorporation and business purpose**

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

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

The Comisión 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 Group's business purpose 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**

a) Infrastructure investment trust

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, placing Fiduciary Stock Certificates (CBFEs, Spanish acronym) for investment in energy and infrastructure through the Mexican Stock Exchange. 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 banks and investment funds from Mexico, the United States, Canada, Australia and Europe.

The structure of the Fibra E comprises a "Promoted Trust", created by CFE Transmisión, Productive Subsidiary Group (EPS, hereinafter CFE Transmisión) who is the EPS that contributes the collection rights of the income obtained from the provision of the public transmission of electricity services; the Irrevocable Trust of Issuance of Stock Certificates CIB/2919 (hereinafter Fibra E), who acquires from CFE Transmisión the certificates of the Promoted Trust; and CFE Capital, administrator of the Fibra E.

A detailed description of the activities of each one of these CFE Capital Trusts is as follows:

Promoted Trust

The Irrevocable Trust of Administration and Source of Payment No. 80757 (hereinafter the Promoted Trust) was incorporated on January 22, 2018 to acquire the collection rights derived from the Agreement for the Technical and Commercial Operation of Electricity Transmission entered into with the National Energy Control Center (CENACE) on March 28, 2016.

As part of the structure of the Promoted Trust, CFE Transmisión, irrevocably transferred and assigned the collection rights of the Agreement entered into with the CENACE for a term of 30 years to the Promoted Trust. In exchange for the assignment of such collection rights, the Promoted Trust granted full title of the trust rights to CFE Transmisión. Subsequently, through the issuance of the Fibra E in the market, it acquired up to 6.78% of the instruments in exchange for $15,454,653 in cash and $5,403,571 in instruments in favor of CFE Transmisión, equal to 25% of the issue of shares in Fibra E.

The main activities of the Promoted Trust are as follows:

1. Receive, manage and hold the collection rights contributed;
2. Open, manage and maintain the trust bank accounts;
3. Make the transfers and payments set out in the trust agreement;
4. Evaluate the reimbursement of non-budgeted expenses requested by CFE Transmisión;
5. Receive any payments arising from the collection rights and other rights derived from the agreement entered into with the CENACE;
6. Exercise any other rights arising from the agreement entered into with the CENACE;
7. Carry out the instructions issued by the Trustor, the Technical Committee or the Beneficiaries, to the extent that they are authorized to do so in accordance with the terms of the trust agreement.

Issuing Trust (Fibra E)

The Fibra E trust entered into with CI Banco, S. A., Institución de Banca Múltiple, Monex Casa de Bolsa, S.A. de C.V. and Monex Grupo Financiero (FIBRA E) was created on January 22, 2018, as a trust for the issuance of Fiduciary Stock Certificates (CBFEs).

The primary purpose of the trust is to invest in eligible entities, whose exclusive activity consists of:

1. Investing in assets and projects related to Generation, Transmission and Distribution of Electricity, and Infrastructure Projects.
2. Investing in or performing any other activity provided for in the tax regulations related to the FIBRA E, as well as in Rule 3.21.3.9. of the Miscellaneous Tax Resolutions or any other tax law that supersedes it.

The initial asset of the Trust consists of beneficiary rights that have an economic ownership interest in the Promoted Trust.

CFE Capital

The primary purpose of this entity is to manage all types of trusts and their property, including the Fibra E and the Promoted energy and infrastructure investment trusts created in conformity with current tax legislation, including but not limited to, all the activities and acts deemed necessary or suitable for such purpose, and to provide all types of management, operation, development and regulatory compliance services.

b) Incorporation of the Productive Subsidiary Entities of CFE

In accordance with the CFE Law, the Subsidiary Productive Entities are productive entities of the State that have legal personality and their own equity, which will be organized and operate as set forth in the provisions of said Law and in the provisions that derive from such.

The Subsidiary Productive Entities shall be subject to the provisions of Articles 3, 7 and 8 of the CFE Law, and their business purpose shall be the activities defined by CFE's Board of Directors, and they shall be bound by the provisions of the Electric Industry Law, and shall operate under the special scheme provided for in this Law in terms of budget, debt, acquisitions, leases, services and works, administrative responsibilities, remunerations, assets and State dividend.

The terms of the strict legal separation that the CFE had to observe to carry out Generation, Transmission, Distribution, Commercialization and Supply of Primary Inputs activities, and of its participation in the market that was to be carried out independently through the units it was separated into, were issued on January 11, 2016, generating economic value and profitability for the Mexican State as its owner.

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 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. Each of these entities may fully or partially represent the Power Plants under their control or those owned by third parties in the Wholesale Electricity Market.

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

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

- CFE Suministrador de Servicios Básicos, EPS; whose business purpose is to provide the services related to the basic supply of electricity referred to in the Electric Industry Law, to any person who requests such services as required by such Law.

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

As of January 1, 2017, Comisión Federal de Electricidad, EPE (Holding Group) ceased to carry out the Transmission, Distribution, Basic Supply and Commercialization (other than the basic supply and supply of primary inputs) independent activities, and of such date these activities are carried out by the Productive Subsidiary Entities.

As of February 1, 2017, Comisión Federal de Electricidad, EPE (Holding Group) no longer directly carries out the Generation independent activity nor does it participate in the Wholesale Electricity Market; and as of such date, these activities are carried out by the Productive Subsidiary Entities.

Incorporation of Affiliated Entities

According to the CFE Law, affiliated entities are those in which the CFE participates, directly or indirectly, with more than fifty percent of their share capital, regardless of whether they are incorporated under Mexican or foreign legislation.

The affiliated entities shall not be state-owned entities and shall have legal nature, and they shall be organized in accordance with the private law of the place of their incorporation or creation.

CFE Intermediación de Contratos Legados, S.A. de C.V. was incorporated on March 29, 2016, in which CFE made an initial contribution of $99,900 on February 1, 2017. The purpose of this entity is to manage, on behalf of the CFE, the legacy interconnection contracts, the agreements for the purchase and sale of surplus electricity and all the other related agreements entered into by the CFE, and to represent the Power Plants and Load Centers included in the legacy interconnection contracts as an Intermediation Generator, and will not carry out electricity supply activities.

CFE Calificados, S.A. de C.V. was incorporated on May 23, 2016, in which CFE made an initial contribution of $19,980 and $10,020 on September 27 and 29, 2016, respectively. The purpose of this entity is to carry out commercialization of electricity activities and other related services in Mexico or abroad.

CFE Capital, Sociedad de Responsabilidad Limitada de Capital Variable (S. de R.L. de C.V., Spanish acronym) was incorporated on December 7, 2017. This entity may set up offices, agencies or branches anywhere in the United States. Its business purpose is described on page 3.

c) Mexican Wholesale Electricity Market

As a result of the operation of the Mexican Wholesale Electricity Market (MEM) and pursuant to the Third Transitory Article of the Electricity Industry Law, the Ministry of Energy extended the term for CFE to continue carrying out the Transmission, Distribution, Basic Supply and Commercialization (other than basic supply and supply of primary inputs) independent activities, including its participation in the Wholesale Electricity Market to December 31, 2016.

d) Long-Term Auctions and Clean Energy Certificates

The Wholesale Electricity Market allows for Medium and Long-term Auctions, which are defined in the Wholesale Electricity Market Rules as follows:

Section 2.1.134 states that long-term auctions are those in which basic service suppliers and other load serving entities are allowed to enter into hedging agreements for electricity generation, Electricity Certificates, Cumulative Energy and Clean Energy Certificates (CELs, Spanish acronym) with maturity terms of 15 and 20 years.

Section 2.1.135 states that Medium-term auctions are those in which basic service suppliers and other load serving entities are allowed to enter into hedging agreements for electricity generation, Electricity Certificates, Cumulative Energy Certificates and CELs with maturity terms of 3 years.
The first Long-Term Auction in 2015 resulted in 18 awarded bids deferred among 11 companies involved. In total, these bids amount to 5.4 million MWh of energy and 5.3 million of CELs (annual committed volume, except for the first year which will have a different volume based on the Bid Commercial Operation Date). The hedging agreements resulting from this Auction will be effective in 2018.

The second Long-term Auction in 2016 resulted in 56 awarded bids and 23 companies involved. In total, these bids amount to 1,187 MW per year of energy, 8.9 Million MWh of energy, and 9.275 million of CELs (annual committed volume, except for the first year which will have a different volume based on the Bid Commercial Operation Date). The hedging agreements related to this Auction will be effective in 2019.

In the third Long-term Auction in 2017 (SMP No. 01/2017), four companies participated as sellers, namely CFE Generación VI, Vitol, Azteca X (Integen) and PGP, and the following companies participated as buyers: CFE Suministrador de Servicios Básicos, Vitol, Enel and Iberdrola; in this auction no awarding was made for CFE Suministrador de Servicios Básicos EPS.

e) Assets contributed by the Federal Government

On October 7, 2015, the Ministry of Public Administration (SFP, Spanish acronym) through the Institute of Management and Valuation of National Assets (INDAABIN, Spanish acronym), terminated the commodatum agreement of the assets contributed by the Federal Government, and delivered the assets with a certificate of delivery that includes annexes for the different types of assets to the CFE.

The CFE also obtained the legal and physical possession of the related assets, as per the aforementioned annexes. The procedures for the legal divestiture of the assets from the Federal public domain regime began as of such date. These assets were included in the consolidated statements of financial position as at 31 December 2015, at a value of $95,004,417, as determined by the Asset Management and Divestiture Service (SAE, Spanish acronym), which will be adjusted based on the detailed breakdown by each of the corresponding areas. In 2016, these assets are included in the Plants, facilities and equipment and Other intangible assets captions (see Notes 8 and 9), and an additional amount of $63,000 was recognized related to these types of assets. As at 31 December 2018, this activity is still ongoing.

f) <u>Amendments to the Collective Labor Agreement</u>

On May 19, 2016, CFE carried out a review of the terms of the Collective Labor Agreement it entered into with the Sole Union of Electricity Workers of the Mexican Republic (“SUTERM”, Spanish acronym).

As shown in Note 15, as a result of this review, various clauses that mainly affect the retirements caption were amended and are presented as a reduction in CFE's labor obligations.

g) <u>Assumption of the Group's employee benefits liability by the Federal Government</u>

On November 14, 2016, the Ministry of Finance and Public Credit (SHCP, Spanish acronym) published the "Agreement through which the general provisions related to the assumption by the Federal Government of CFE's employee benefits liability are issued" in the Official Gazette, whereby the Federal Government through the SHCP, assumes a portion of the pension and retirement payment obligation actuarially recognized and accounted for in CFE's financial statements, that correspond to the workers that were hired on or prior to August 18, 2008.

The Federal government had stated that it would assume a portion of CFE's labor liabilities, and this would be equal, peso by peso, to the reduction that would be achieved from the labor obligations liability at the time the Collective Labor Agreement is renegotiated. On December 29, 2016, the Federal Government announced the it had completed the review process of the savings amount of CFE's labor obligations, resulting from the amendments to the collective labor agreement.

On December 19, 2016, through official document No. 35.-187/2016, the Public Credit Unit of the SHCP, informed the CFE that the Federal Government’s commitment to pay would be assumed by the SHCP through the issue of debt instruments by the Federal Government in favor of the CFE for a total amount of $161,080,204, distributed in amounts that will be delivered annually to cover such commitment.

1. Basis of preparation of the consolidated financial statements

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 2018 and 2017 prepared under IFRS.

The consolidated unaudited consolidated interim financial information has been prepared on a historical-cost basis, except for the Group's derivative financial instruments and plants, facilities and equipment (as at 31 December 2016), which are recognized at fair value, and the defined benefits plans which are recognized at the present value of the defined benefit obligation less the fair value of the plan's assets.

(a) Functional and reporting currency of the unaudited consolidated interim financial information

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

For purposes of disclosure in the notes to the unaudited 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.

(b) Unaudited condensed consolidated statements of comprehensive income

The Group has elected to present comprehensive income in a single statement of profit or loss and other comprehensive income (OCI) called statement of comprehensive income.

CFE prepared the unaudited consolidated statements of comprehensive income, and presented ordinary costs and expenses based on their nature, since it considers that the information presented in this way is much more clearer. The Group also presents operating income (loss) in the statement of comprehensive income. Operating income is the difference between the Group's revenue and costs, and it is an important indicator for evaluating the Group's financial and economic performance.

2. 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 Group in the financial statements for the year ended 31 December 2018, except for those referred to below:

a) 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

b) Initial recognition and measurement

Accounts receivable are recognized as they are generated. All other financial assets and liabilities are recognized initially when the Group becomes a party to the contractual provisions.

Financial assets (unless it is an account receivable that does not contain a significant financing component) or financial liabilities are initially measured at fair value plus, in the case of an item not measured at fair value through profit or loss, the cost of the transaction directly attributable to the acquisition or issue. An account receivable that does not contain a significant financing component is initially measured at the price of the transaction.

i. Classification and subsequent measurement - Financial assets

Financial assets are classified as follows: financial instruments measured at amortized cost (AC), fair value through other comprehensive income (FVOI) and fair value through profit or loss (FVTPL). As a result of the adoption of IFRS 9, the existing categories under IAS 39 of held-to-maturity, loans and receivables and available for sale have been eliminated.

IFRS 9 retains almost all of the existing requirements from IAS 39 regarding the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant impact on the Group's accounting policies related to financial liabilities and derivative financial instruments (for derivatives that are used as hedging instruments, see Note 10).

For an explanation of how the Group classifies and measures financial instruments and recognizes the related gains and losses under IFRS 9, see Note 10.

The Group recognizes revenue primarily from the following sources:

Sale of fuel: revenue is recognized at a point in time, which is when 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 Group has completed the customer's connection to the network. Customers have the option to choose their electricity provider between either the Group or another company. The revenues are presented as part of the Other revenue caption.

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, they were recognized in profit or loss based on the useful lives of the asset that funded the contributions.

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

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 Other income over the useful lives of the fixed assets financed by said contributions.

As a result of the legal separation of the Group into several legal entities and the changes in the laws that allow for the existence of other qualified suppliers besides the Group, 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 Group has completed the customer's connection to the network, since customers now have the option to choose their electricity provider between either the Group or another company.

In view of the above, the deferred income liability recognized as Third party contributions in the "Other Long-Term Liabilities" as at 31 December 2016, in the amount of $ 33,701,253, has been recognized in the income statement as Other income from 2017. As at 31 December 2018 and 2017, revenue from third party contributions amounted to $ 1,798,471 and $ 1,735,011, respectively.

Revenue from 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 Group.

4. Financial Instruments – Fair Value and Risk Management

Fair values

An analysis of the carrying amounts and fair values of the financial instruments recognized as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

	31 March 2019	31 December 2018	31 December 2017
Financial assets:			
Cash and cash equivalents (2)	$ 44,968,233	$ 78,483,263	$ 67,237,901
Accounts receivable (2)	102,548,546	99,175,895	95,067,522
Loans to workers (2)	12,729,534	12,367,879	12,339,193
Derivative financial instruments (1)	12,856,142	17,783,141	16,084,937
Financial liabilities:			
Short- and long-term debt (2)	$ 341,185,497	$ 347,130,269	$ 334,117,238
Suppliers and contractors (2)	42,658,936	60,196,913	59,849,154
Deposits from customers and contractors (2)	29,106,522	25,619,843	22,974,717

(1) Fair value
(2) Amortized cost

The Group'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 Group's operations through internal and market risk reports that analyze the degree and magnitude of the Group's exposure to financial risks. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

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To mitigate the effects of its debt related risks, the Group 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 of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is subject to credit risk mostly in respect of its financial instruments comprising cash and short-term investments, loans and accounts receivable, and derivative financial instruments. In order to mitigate the credit risk in its cash, short-term investments and derivative financial instruments, the Group conducts transactions exclusively with counterparties that are financially solvent and that have a good reputation and high credit quality. The Group also obtains sufficient guarantees, when appropriate, to mitigate the risk of financial losses due to non-performance.

The carrying amount of the Group's financial assets represents the maximum exposure to credit risk.

For credit risk management purposes, the Group considers that the credit risk on loans and accounts receivable from consumers is limited. The Group determines the allowance for doubtful accounts based on the incurred loss model.

An aging analysis of the past due receivables, for which an allowance has not been deemed necessary as at 31 March 2019 and 31 December 2018 and 2017, is as follows:

	31 March 2019	31 December 2018	31 December 2017
Less than 90 days	$ 3,219,326	$ 3,778,989	$ 2,431,134
From 90 to 180 days	3,890,539	3,498,198	2,350,281
More than 180 days	14,170,297	13,812,362	10,795,106
	$ 21,280,162	**$ 21,089,549**	**$ 15,576,521**

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 Group is mainly through contracted debt, the leasing of plants, facilities, and equipment and PIDIREGAS. To manage liquidity risk, the Group periodically performs cash flow analyses and maintains open lines of credit with financial institutions and suppliers.

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In addition, the Group'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 Group's budgeted revenues, cannot be exceeded.

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

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

31 March 2019	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	$ 15,623,412	$ 45,973,236	45,342,542	$ 106,044,751	$ 212,983,941
Interest payable on documented debt	12,598,339	21,449,909	17,625,974	53,942,776	105,616,998
PIDIREGAS debt	16,149,624	25,073,034	20,278,679	66,700,219	128,201,556
Interest payable on PIDIREGAS debt	8,038,237	12,589,432	9,049,969	28,895,307	58,572,945
Suppliers and contractors	42,658,936	-	-	-	42,658,936
Other liabilities	23,592,112	-	-	-	23,592,112
Total	$ 118,660,659	$ 105,085,611	$ 92,297,164	$ 255,583,053	$ 571,626,487

As at 31 December 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	$ 15,554,180	$ 47,006,781	$ 21,496,201	$ 131,988,076	$ 216,045,238
Interest payable on documented debt	12,751,923	22,239,932	17,887,246	56,627,971	109,507,072
PIDIREGAS debt	16,780,375	25,402,698	19,973,829	68,928,130	131,085,032
Interest payable on PIDIREGAS debt	7,979,683	12,824,805	9,391,087	30,219,922	60,415,497
Suppliers and contractors	60,196,913	-	-	-	60,196,913
Other liabilities	18,007,260	-	-	-	18,007,260
Total	$ 131,270,334	$ 107,474,216	$ 68,748,363	$ 287,764,099	$ 595,257,012,

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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	$	25,918,515	$	29,320,404	$	20,473,272	$	131,209,737	$	206,921,928
Interest payable on documented debt		12,101,655		21,733,041		16,630,583		61,325,343		111,790,622
PIDIREGAS debt		21,145,914		26,125,588		20,171,431		59,752,377		127,195,310
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
Total	$	147,631,177	$	88,922,238	$	65,638,507	$	275,587,690	$	577,779,612

Market risk

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

Foreign currency exchange risk management

To fund its working capital requirements and public works financing, the Group contracts debt in foreign currency, consequently, it is exposed to exchange rate risk.

	Total debt as at 31 March 2019 millions of pesos	Total debt as at 31 December 2018 millions of pesos	Total debt as at 31 December 2017 millions of pesos
Local currency	153,616	154,334	169,449
Foreign currency	185,533	191,061	163,047

The Group 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 Group’s foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are discussed in Note 18.

Foreign currency sensitivity analysis

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

The Group’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.

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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 Group, 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		
	31/03/2019	**31/12/2018**	**31/12/2017**
Gain or loss	$9,179	$8,976	$8,018

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 Group is exposed to interest rate risks for loans borrowed at variable interest rates. The Group 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 31 March 2019 millions of pesos	**Total debt as at 31 December 2018 millions of pesos**	**Total debt as at 31 December 2017 millions of pesos**
Fixed rate	238,337	242,971	169,449
Variable rate	100,811	102,423	163,047

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 reporting 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.

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	Millions of pesos		
	31/03/2019	31/12/2018	31/12/2017
Gain or loss	$ 83	$ 82	$ 114

The sensitivity analysis of the debt without considering the derivative financial instruments was estimated based on the fair value of the loans.

The sensitivity analysis of the derivative financial instruments is described in Note 10.

Therefore, the hierarchy level of the Group's Mark-to-Market for derivatives financial instruments as at 31 March 2019 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.

Fair value of financial instruments

Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

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 Group's condensed consolidated financial information approximates fair value, including the following:

Valuation techniques and assumptions used in determining fair value

	31 March 2019		31 December 2018		31 December 2017	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	$ 44,968,233	$ 44,968,233	$ 78,483,263	$ 78,483,263	$ 67,237,901	$ 67,237,901
Accounts receivable	102,548,546	102,548,546	99,175,895	99,175,895	95,067,522	95,067,522
Loans to workers	12,729,534	12,729,534	12,367,879	12,367,879	12,339,193	12,339,193
Suppliers and contractors	42,658,936	42,658,936	60,377,913	60,377,913	59,849,154	59,849,154
Documented debt	212,983,941	212,983,941	216,045,238	270,631,391	206,921,928	223,791,475
PIDIREGAS debt	128,201,556	128,201,556	131,085,031	131,085,031	127,195,310	127,195,310

The fair value of the Group'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.

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- 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 will request that the counterparty 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		
	31 March 2019	**31 December 2018**	**31 December 2017**
Available-for-sale financial assets:			
Temporary investments	$ 8,762,069	$ 14,666,617	$ 25,232,468
Total	$ 8,762,069	$ 14,666,617	$ 25,232,468

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 11.

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.

5. Cash and Cash Equivalents

An analysis of Cash and cash equivalents as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

	31 March 2019	**31 December 2018**	**31 December 2017**
Cash on hand and cash in banks	$ 36,197,343	$ 63,807,825	$ 41,996,612
Temporary investments	8,762,069	14,666,617	25,232,468
Stock certificates	8,821	8,821	8,821
Total	$ 44,968,233	$ 78,483,263	$ 67,237,901

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

6. Accounts Receivable, net

An analysis of the Group's accounts receivable as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

		31 March 2019		31 December 2018		31 December 2017
Public consumers (*)	$	57,876,870	$	57,453,309	$	60,335,248
Government agency consumers (*)		22,266,481		22,060,633		20,887,093
		80,143,351		79,513,942		81,222,341
Impairment of receivables		(29,184,963)		(28,446,893)		(25,049,197)
		50,958,388		51,067,049		56,173,144
Other accounts receivable		33,834,760		37,205,453		33,512,184
Value added tax		17,755,398		10,903,393		5,382,194
Total	**$**	**102,548,546**	**$**	**99,175,895**	**$**	**95,067,522**

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

An analysis of the allowance for doubtful accounts as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

		31 March 2019		31 December 2018		31 December 2017
Beginning balance	$	28,446,893	$	25,049,197	$	26,493,149
Increase		2,322		4,706,151		239,337
Charges		735,748		(1,308,455)		(1,683,289)
Ending balance	**$**	**29,184,963**	**$**	**28,446,893**	**$**	**25,049,197**

7. Inventory of operating materials

An analysis of inventory of operating materials as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

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	31 March 2019	31 December 2018	31 December 2017
Spare parts and equipment	$ 893,719	$ 1,974,821	$ 2,570,001
Fuel and lubricants	13,097,705	13,607,510	11,481,771
Nuclear fuel	4,022,238	4,160,797	3,994,473
	18,013,662	19,743,129	18,046,245
Allowance for obsolescence	(960,936)	(4,205,664)	(3,403,252)
Total	$ 17,052,727	$ 15,537,465	$ 14,642,993

8. Plants, Facilities and Equipment, net

An analysis of Plants, facilities and equipment, net, as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

	31 December 2018	Acquisitions	Retirements	Depreciation for the period	31 March 2019
Plants, facilities and equipment	$2,011,989,949	$6,536,940	($2,091,369)		$2,016,435,520
Capitalized spare parts	7,306,914	1,052,547	0		8,359,461
Construction in progress	32,189,380	0	(1,465,974)		30,723,407
Advances and materials for construction	14,044,721	0	(1,140,242)		12,904,480
Subtotal	2,065,530,964	7,589,487	(4,697,585)	0	2,068,422,865
Accumulated depreciation	(878,940,815)		864,793	(12,732,118)	(890,808,140)
Total	$1,186,590,148	$7,589,487	($3,832,792)	($12,732,118)	$1,177,614,725

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

	31 December 2017	Acquisitions	Retirements	Depreciation for the period	Reversal of impairment of assets	31 December 2018
Plants, facilities and equipment	1,990,250,148	31,335,858	9,596,057			2,011,989,949
Capitalized spare parts	7,233,446	73,468	-	-	-	7,306,914
Construction in progress	19,907,935	12,281,445	-	-	-	32,189,380
Advances and materials for construction	11,621,276	2,423,445	-	-	-	14,044,721
Subtotal	2,029,012,804	46,114,216	9,596,057	0	0	2,065,530,964
Accumulated depreciation	(809,483,251)		(8,587,680)	(52,381,592)		(853,277,163)
Impairment	(28,681,250)				3,017,598	(25,663,652)
Total	1,190,848,303	46,114,216	1,008,377	-52,381,529	3,017,598	1,186,590,148

As 31 December 2018, a partial amount of the impairment recognized in 2017 was reversed in the amount of $2,074,323.

	31 December 2016	Acquisitions	Retirements	Depreciation for the period	Impairment of assets	31 December 2017
Plants, facilities and equipment	1,943,244,845	66,682,159	19,676,856	0	0	1,990,250,148
Capitalized spare parts	6,367,288	866,157	-	-	-	7,233,445
Construction in progress	18,433,272	1,474,663	-	-	-	19,907,935
Advances and materials for construction	10,856,715	764,561	-	-	-	11,621,276
Subtotal	1,978,902,120	69,787,540	19,676,856	-	-	2,029,012,804
Accumulated depreciation	(753,820,030)	-	-	(55,663,221)	-	(809,483,251)
Impairment	-	-	-	-	(28,681,250)	(28,681,250)
Total	1,225,082,090	69,787,540	19,676,856	(55,663,221)	(28,681,250)	1,190,848,303

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

As at 31 December 2017 the Group carried out 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.

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

Construction in progress - an analysis of the construction in progress balances as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

Plant:	**31 March 2019**	**31 December 2018**	**31 December 2017**
Steam	$ 28,561	$ 24,587	$ 326
Hydroelectric	1,180,110	1,180,110	1,248,917
Nuclear power	220,163	589,870	1,316,029
Turbo gas and combined cycle	11,189,444	11,171,320	416,051
Geothermal	709,477	870,738	1,220,462
Internal combustion	682	682	682
Transmission lines, networks and substations	15,630,640	16,698,221	14,594,645
Offices and general facilities	1,764,329	1,653,852	1,110,823
Total	$ 30,723,406	$ 32,189,380	$ 19,907,935

Fair value measurement

As mentioned in Note 1, a valuation of plants, facilities and equipment was carried out in 2016. As a result of this process, the net increase in the value of these assets of $ 210,725,169 was recognized in other comprehensive income.

i. Fair value hierarchies

The fair value of plants, facilities and equipment in operation was determined by independent external appraisers with a recognized professional capacity and experience in terms of the property, plant and equipment that underwent the appraisal. The independent external appraisers provided the fair value of the plants, facilities and equipment as at 31 December 2016.

ii. Valuation technique and relevant unobservable inputs

The following table shows the valuation technique used to measure the fair value of investment properties, as well as the significant unobservable inputs used.

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

Valuation technique	Significant unobservable inputs	Interrelationship between the key unobservable inputs and the measurement of fair value
Discounted cash flows: The valuation model used the present value of the net cash flows that will be generated by the plants, facilities and equipment, considering the expected income growth rate. Net expected cash flows are discounted using risk-adjusted discount rates.	Generation Useful life of the assets (30-60 years) Discount rate 7.67%-8.68% Transmission Useful life of the assets (30 years) Discount rate 7.67% Distribution Useful life of the assets (30 years) Discount rate 7.67%	The estimated fair value would increase (decrease) if: - Income growth is higher (lower) - The useful life is higher (lower) - The risk-adjusted discount rate is lower (higher)

9. Right of Use Asset

Leases

The Group has elected to adopt IFRS 16 Leases as of 1 January 2019, applying the retrospective approach to each period presented in the annual financial statements. Consequently, the cumulative effect of the adoption of IFRS 16 will be recognized as an adjustment to the beginning balance of taxable gains as at 1 January 2017.

The Group is not planning to use a practical expedient to adopt the definition on transition. This means that the Group again assessed the contracts identified as leases in accordance with IAS 17 and IFRIC 4.

Right of use asset

An analysis of the net balances of the Right of use assets as at 31 March 2019 and 31 December 2018 is as follows:

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31 March 2019

Right of use assets	31 December 2018	Acquisitions	Retirements	Restatement	Depreciation for the year	31 March 2019
Property	$ 356,727	$ 2,681	$ -	$ -	$ -	$ 359,408
Automotive equipment	2,302	-	-	-	-	2,302
Furniture and equipment	48,219	-	-	-	-	48,219
Technological equipment	1,569	-	-	-	-	1,569
			-	-	-	
Infrastructure	111,636,127	10,819,507				122,455,634
Gas pipelines	287,211,961	-	-	-	-	287,211,961
Subtotal	399,256,905	10,822,188				410,079,093
Accumulated depreciation	(61,763,672)				(4,713,809)	(66,477,481)
Total	$ 337,493,233	$ 10,822,188	$	$	$ (4,713,809)	$ 343,601,612

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

As at 31 December 2018

Right of use assets	1 January 2018	Acquisitions	Retirements	Restatement	Depreciation for the year	31 December 2018
Property	$ 225,146	$ 131,581	$ -	$ -	$ -	$ 356,727
Automotive equipment	2,302	-	-	-	-	2,302
Furniture and equipment	743	47,476	-	-	-	48,219
Technological equipment	1,569	-	-	-	-	1,569
Infrastructure	111,636,127	-	-	-	-	111,636,127
Gas pipelines	205,594,715	81,617,246	-	-	-	287,211,961
Subtotal	317,460,602	81,796,303				399,256,905
Accumulated depreciation	(44,428,453)				(17,335,219)	(61,763,672)
Total	$ 273,032,149	$ 81,796,303	$ -	$ -	$ (17,335,219)	$ 337,493,233

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

December 2017

Right of use assets	1 January 2017	Acquisitions	Retirements	Restatement	Depreciation for the year	31 December 2017
Property	$ 195,710	$ 29,436	$ -	$ -	$ -	$ 225,146
Automotive equipment	2,302	-	-	-	-	2,302
Furniture and equipment	-	743	-	-	-	743
Technological equipment	1,569	-	-	-	-	1,569
Infrastructure	111,626,783	9,344	-	-	-	111,636,127
Gas pipelines	118,730,936	86,863,779	-	-	-	205,594,715
Subtotal	230,557,300	86,903,302				317,460,602
Accumulated depreciation	(30,226,463)				(14,201,990)	(44,428,453)
Total	$ 200,330,837	$ 86,903,302	$ -	$ -	$ (14,201,990)	$ 273,032,149

10. Intangibles and Other Assets

An analysis of Intangibles and other assets as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

	31 March 2019	31 December 2018	31 December 2017
Rights of way (1)	$ 35,211,631	$ 30,444,834	$ 29,979,671
Deposits and advances	4,041,475	3,837,030	2,857,316
Total	$ 39,253,105	$ 34,281,864	$ 32,836,987

(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 Group through INDAABIN.

11. Derivative Financial Instruments

a. Accounting classifications and fair values

CFE is exposed to interest rate and foreign currency risks which it tries to mitigate through a hedging program that includes the use of derivative financial instruments. The Group mainly uses foreign exchange “Cross Currency Swaps” and “Forwards” to mitigate its foreign currency risk. To reduce its interest rate risk exposure, the Group uses interest rate swaps.

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

Also, for the periods ended 31 March 2019 and 31 December 2018 and 2017, the derivative financial instruments have been designated as and qualify mainly as cash flow hedges since they are referenced to contracted debt. The effective portion of gains or losses on cash flow derivatives is recognized in equity under the concept of "Effects on the fair value of derivatives", and the ineffective portion is charged to profit or loss of the period.

The fair value of the total derivative financial position as at 31 March 2019 amounts to $12,856,142 and as at 31 December 2018 and 2017 it amounts to $17,783,141 and $16,084,937, respectively.

Derivative financial instruments for trading purposes - As at 31 March 2019 and 31 December 2018 and 2017, CFE maintains its position in derivative financial instruments for trading purposes, the fair value of which represented a liability of $116,439 in March 2019 and an asset of $24,963 as at 31 December 2018, and a liability of $438,116 as at 31 December 2017.

This transaction consists of a series of currency forwards that allow the Group to lock in a JPY/USD exchange rate of 54.0157 JPY per USD over the established term of the transaction. As part of this transaction, CFE pays annual interest in U.S. dollars at a rate of 8.42%. 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.

The Group suspends cash flow hedge accounting when the derivative has matured, the hedge is not effective enough to offset the changes in the cash flows of the hedged item, or the Group decides to revoke the hedge designation. The gains or losses recognized in Other comprehensive income and accumulated in Equity, remain in Equity and are recognized when the forecast transaction is ultimately recognized in profit or loss.

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 31 March 2019 and 31 December 2018 and 2017 as follows:

Thousands of pesos

Instrument	Underlying	Maturity	31 March 2019	31 December 2018	31 December 2017
FWD JPY/USD	Exchange rate and interest rate	2036	(116,439)	24,963	(438,115)
		Total	**(116,439)**	**24,963**	**(438,115)**

Financial instruments for hedging purposes – As at 31 March 2019 and 31 December 2018 and 2017, CFE maintains its hedging derivative position on exchange rates and interest rates, as shown below:

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

Instrument	Underlying	Type of hedge	Maturity	Primary position (Lines/Bonds)	Hedge Ratio	31 March 2019	31 December 2018	31 December 2017
CCS	Exchange rate and interest rate	Cash flow	2021	1100000074 to 76	100%	210,699	237,481	339,264
CCS	Exchange rate and interest rate	Cash flow	2022	1100000077 to 79	100%	57,728	71,531	93,469
CCS	Exchange rate and interest rate	Cash flow	2023	1100000080	100%	943,227	1,815,259	3,971,843
CCS	Exchange rate and interest rate	Cash flow	2024	1100002956	100%	2,778,938	3,835,201	5,081,946
CCS	Exchange rate and interest rate	Cash flow	2027	1100003606	100%	1,892,888	2,585,145	2,589,860
CCS	Exchange rate and interest rate	Cash flow	2032	1200002801	100%	224,231	387,053	(427,998)
CCS	Exchange rate and interest rate	Cash flow	2036	1200000551 Pidiregas Line	100%	3,621,827	4,718,366	4,763,554
CCS	Exchange rate and interest rate	Cash flow	2042	BOND 2042	100%	543,790	1,015,880	-
CCS	Exchange rate and interest rate	Cash flow	2047	Formosa 1	100%	667,192	1,210,485	-
CCS	Exchange rate and interest rate	Cash flow	2045	BOND 2045	60%	911,903	-	-
CCS	Exchange rate and interest rate	Cash flow	2048	Formosa 2	100%	877,058	1,714,359	-
Participating Swap	Exchange rate and interest rate	Cash flow	2027	Bond 2027	100%	185,380	83,185	(108,664)
Forwards	Exchange rate	Cash flow	Less than one year	CFE Qualified	100%	19	115	105,058
IRS	Interest rate	Cash flow	2020	1100003807, 1200001251 and 1200001451	100%	57,701	84,118	114,720
			Subtotal			**12,972,581**	**17,758,178**	**16,523,052**
CCS	Exchange rate JPY/USD	Trading		Line of credit in yens	N/A	(116,439)	24,963	(438,115)
	Total thousands of Mexican pesos					**12,856,142**	**17,783,141**	**16,084,937**

The table above includes the mark to market of the hedging derivatives. As at 31 March 2019 the total mark to market corresponding to the hedging and trading derivatives was $12,856,142 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.

The economic relationship criteria is documented in the Hedge File and included in the hedging instrument, mainly the lines of credit and bonds included in the hedge ratio.

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 OI 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. Measurement of fair values

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

IFRS 13 requires derivative instruments to include an adjustment for the risk that the financial counterparties will have difficulty meeting their obligations and accordingly, the fair values of derivatives are adjusted for this risk. This is known as a Credit Value Adjustment.

To reflect counterparty risk, the valuation is adjusted based on the probability of default and the recovery rate with the counterparties of the derivative positions.

The net of the fair value of derivative financial instruments (Mark to Market) effective as at 31 March 2019, before considering credit risk, amounts to $13,620,470 which is included in the balance sheet and represents the amount in favor of the Corporate with the counterparties.

The net of the fair value of derivative financial instruments (Mark to Market) effective as at 31 December 2018, before considering credit risk, amounts to $18,027,897 which is included in the balance sheet and represents the amount in favor of the Corporate with the counterparties.

The net of the fair value of derivative financial instruments (Mark to Market) effective as at 31 December 2017, before considering credit risk, amounts to $17,112,665 which is included in the balance sheet and represents the amount in favor of the Corporate with the counterparties.

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.

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As at 31 March 2019, the adjustments to fair values based on the CVA (Credit Valuation Adjustment) are shown below:

Counterparty	Fair value MTM subject to CVA	Adjusted fair value MTM	Adjustment as at 31 March 2019
BBVA BANCOMER	798,490	773,178	25,312
BNP PARIBAS	569,100	559,571	9,529
CITIBANAMEX	437,575	422,391	15,184
CREDIT AGRICOLE	5,715	5,607	108
CREDIT SUISSE	30,367	29,462	905
DEUTSCHE BANK	2,659,248	2,460,868	198,380
GOLDMAN SACHS	2,159,022	2,088,422	70,600
HSBC	5,773	5,648	125
JP MORGAN	2,263	2,217	46
MORGAN STANLEY	1,331,379	1,160,409	170,970
SANTANDER	1,220,157	1,194,534	25,623
BARCLAYS BANK	4,289,890	4,161,688	128,202
BANK OF AMERICA	111,447	108,542	2,905
MONEX	44	44	-
GOLDMAN SACHS (Trading)	-	(116,439)	-
	13,620,470	**12,856,142**	**647,889**

As at 31 December 2018, the adjustments to fair values based on the CVA (Credit Valuation Adjustment) are shown below:

Thousands of pesos

Counterparty	Fair value MTM subject to CVA	Adjusted fair value MTM	Adjustment as at 31 December 2018
BBVA BANCOMER	227,559	225,761	1,798
BNP PARIBAS	3,051,653	2,977,803	73,850
CITIBANAMEX	2,232,949	2,146,936	86,013
CREDIT AGRICOLE	1,687,633	1,679,195	8,438
CREDIT SUISSE	771,993	767,593	4,400
DEUTSCHE BANK	1,081,491	1,074,569	6,922
GOLDMAN SACHS	5,035,369	4,976,669	58,700
HSBC	1,088,699	1,082,711	5,988
JP MORGAN	7,694	7,650	44
MORGAN STANLEY	7,793	7,763	30
SANTANDER	392,195	390,156	2,039
BARCLAYS BANK	2,442,869	2,421,372	21,497
GOLDMAN SACHS (Trading)	-	24,963	(24,963)
	18,027,897	**17,783,141**	**244,756**

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

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

	Thousands of pesos		
Counterparty	**Fair value MTM subject to CVA**	**Adjusted fair value MTM**	**Adjustment as at 31 December 2017**
CREDIT SUISSE	233,994	233,994	-
DEUTSCHE BANK	3,102,561	3,102,561	-
MORGAN STANLEY	2,811,977	2,663,721	148,256
SANTANDER	3,133,420	3,133,420	-
BNP PARIBAS	1,409,163	1,408,675	488
BBVA BANCOMER	2,270,034	2,270,034	-
GOLDMAN SACHS	2,234,522	2,234,522	-
CITIBANAMEX	128,596	128,426	170
CREDIT AGRICOLE	14,663	14,663	-
HSBC	15,476	4,875	10,601
JP MORGAN	5,915	(424,143)	430,058
BARCLAYS BANK	1,752,344	1,752,304	(40)
J Aron (Trading)	-	(438,115)	438,115
	17,112,665	**16,084,937**	**1,027,648**

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 Group’s Mark-to-Market for derivatives financial instruments as at 31 March 2019 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 its credit risk, the Group follows a policy of maintaining a significant portion of its positions with investment grade counterparties and substantially limiting its positions with counterparties below investment grade.

To manage credit risk, the Group 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 31 March 2019 and 31 December 2018 and 2017, it amounted to $13,620,470, 417,783,141 and $16,084,937, 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 Group 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 31 March 2019 and 31 December 2018 and 2017, this amounted to $251,753,139, $72,614,881 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

54.7% 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 31 March 2019 and 31 December 2018 and 2017, CFE maintains foreign exchange swaps as a hedge of its debt in foreign currency of $115,022, $108,837 and $72,135 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 31 March 2019 and 31 December 2018 and 2017 was $(116,439), $24,973 and $(438,115) , respectively. These derivative instruments were not designated as hedges.

<u>*Sensitivity analysis for exchange rate effects*</u>

A possible and reasonable strengthening (weakening) of the MXN/USD and JPY/USD exchange rate as at 31 March 2019 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:

31/03/2019	**Instrument**	**+100 pips**	**-100 pips**
	Cross Currency	57,035	(57,035)
	JPY/USD	2,694	(2,694)
	FWD	28	(28)
	Total	59,757	(59,757)

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

b) Interest rate risk

29.7% 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 31 March 2019 and 2018, CFE hedged $3,912 and $4,833, respectively, of its peso-denominated debt bearing variable interest rates.

<u>Interest rate sensitivity analysis</u>

A potential and reasonable strengthening (weakening) of interest rates as at 31 March 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:

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

31/03/19	+ 100 basis points	- 100 basis points
Interest rate swaps	39,125	(39,125)

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

12. Short-Term and Long-Term Debt

An analysis of the Group's debt as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

	31 March 2019	31 December 2018	31 December 2017
Bank loans	$ -	$ 7,494,715	$ 1,433,452
Documented debt	15,623,412	15,554,180	25,918,515
PIDIREGAS debt	16,149,624	16,780,375	21,145,914
Total short-term debt	**31,773,035**	**39,829,270**	**48,497,881**
Documented debt	197,360,529	200,491,058	181,003,413
PIDIREGAS debt	112,051,933	114,304,657	106,049,396
Total long-term debt	**309,412,461**	**314,795,715**	**287,052,809**
Total debt	$ **341,185,497**	$ **354,624,984**	$ **335,550,690**

An analysis of the debt and each its concepts is as follows:

As at 31 March 2019 and 31 December 2018 and 2017, the following affiliated entities have bank loans with third parties:

	31 March 2019	31 December 2018	31 December 2017
CFE Internacional LLC	$ -	$ 394,273	$ -
CFEnergía	-	7,100,442	1,433,452
Total bank loans	**$ -**	**$ 7,494,715**	**$ 1,433,452**

a) CFE Internacional LLC

In December 2018 CFE International LLC acquired a short-term loan from JPMorgan Chase Bank NA that is repayable in a term of 30 days, with repayment due by January 17, 2019, and which bears interest at a rate equal to the LIBOR plus a margin of 1.25%.

b) CFEnergía

i. On December 22, 2017, CFEnergía contracted a revolving line of credit with Grupo Financiero Banorte of USD $85,000,000 million (eighty million dollars), which can be withdrawn in dollars and/or local currency for up to the aforementioned amount. Drawdowns in Mexican pesos bear interest equal to the 28-day Mexican weighted interbank rate (TIIE) + 95 and drawdowns in U.S. dollars bear interest equal to the one-month London Interbank Offered Rate (LIBOR) + 195.

   On August 17, 2018, CFEnergía entered into an agreement with Banorte to amend the current account loan agreement entered into on December 22, 2017 in order to increase the available line of credit to USD$ 250,000,000 (two hundred fifty million dollars 00/100).

ii. ii.On December 20, 2018, CFEnergía contracted a revolving line of credit with Monex for up to USD $25,000,000 (twenty-five million dollars 00/100), which may be drawn down in U.S. dollars or Mexican pesos. Drawdowns in Mexican pesos bear interest equal to the Mexican weighted interbank rate (TIIE) + 2 percentage points and drawdowns in U.S. dollars bear interest equal to the LIBOR + 1.75 percentage points, as indicated on the corresponding promissory notes.

iii. An analysis of bank loans at 31 December 2018 is as follows:

   - Drawdowns made against the line of credit with BANORTE on December 27 in the amounts of $ 4,450,000 and $ 150,000, which will mature on January 28, 2019. Interest accrued on the drawdowns mentioned above amounted to $4,860, which was recognized as part of comprehensive financing cost. the Group repaid the principal plus accrued interest on this loan on January 22, 2019.

   - As at December 31, CFEnergía obtained a one-time special line of credit from BANORTE in the amount of $ 2,000,000, which will mature on February 4, 2019. This drawdown will bear interest at a rate equal to the Mexican weighted interbank rate (TIIE) plus 1 percentage point. The Group repaid the principal plus accrued interest on this loan on January 28, 2019.

   - On December 27, 2018, the Group drew down $ 495,000 against its line of credit with MONEX. This drawdown will mature on January 28, 2019. Accrued interest on the drawdown amounted to $582, which was recognized as part of comprehensive financing cost. the Group repaid the principal plus accrued interest on this loan on January 22, 2019.

iv. As at 31 December 2017, bank loans are comprised of the drawdowns made on December 27, 2017 in the amount of USD $65,000,000 (sixty-five million dollars 00/100) and USD $150,000,000 (one hundred fifty million dollars 00/100), both of which mature on January 22, 2018.
   CFEnergía repaid the drawdowns in due time and form in January 2018.

v. CFEnergía repaid the drawdowns referred to in the preceding points in January 2019.

vi. The loan agreement stipulates affirmative and positive loan covenants that the Group must adhere to. These loan covenants require the Group to refrain from doing the following until the loan has been repaid in full:

a) Modify its corporate purpose, except for adding complementary or secondary activities to its main activity;
b) Modify its line of business and the nature of its principal activities or cease engaging in them altogether;
c) Initiate its dissolution or liquidation;
d) d) Merge into another company or carry out a corporate transformation or spin-off, etc;

The Group agrees that its non-compliance with any of these obligations would be sufficient cause for the Bank to demand the immediate settlement of the loan, plus all accrued interest and related accessory charges.

An analysis of the debt and each its concepts is as follows:

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

i) Documented debt

An analysis of the documented debt as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

FOREIGN DEBT -

-

Foreign debt	Type of credit	Weighted interest rate	Maturities	2019 Local currency	2019 Foreign currency (thousands)	2018 Local currency	2018 Foreign currency (thousands)	2017 Local currency	2017 Foreign currency (thousands)
IN US DOLLARS: at an exchange rate									
of $19.3201 per dollar as at 31 March 2019	BILATERAL	Fixed and variable – 2.27%	Various through 2023	1,629,462	84,340	1,892,101	96,129	1,720,686	86,962
and of $19.6829 as at December 2018	BONDS	Fixed and variable – 5.28%	Various through 2045	93,760,445	4,853,000	96,020,078	4,878,350	97,696,627	5,206,964
	REVOLVING	Fixed and variable – 3.12%	Various through 2020	987,222	51,098	1,459,081	74,129	2,660,379	134,453
	SYNDICATED	Fixed and variable – 3.9%	2023	11,592,060	600,000	11,809,740	600,000	-	-
TOTAL IN U.S. DOLLARS				107,969,189	5,588,438	111,181,000	5,648,608	102,077,692	5,428,379
IN EUROS: at an exchange rate of	BILATERAL	Fixed and variable – 2%	Various through 2024	22,941	1,055	24,710	1,100	41,741	1,768
$21.7546 per euro as at March 2019 and of	REVOLVING	Fixed and variable – 2.05%	Various through 2020	1,140	52	2,307	103	4,946	210
TOTAL EUROS				24,081	1,107	27,017	1,203	46,687	1,978
IN SWISS FRANCS: at an exchange rate of	BILATERAL	Fixed and variable – 0%	Various through 2015	-	-	-	-	-	-
$19.8329 per Swiss franc as at March 2019									
and of $19.6829 as at December 2018	REVOLVING	Fixed and variable – 0.87%	Various through 2021	229,700	11,803	338,458	16,970	909,359	45,080
TOTAL SWISS FRANCS:				229,700	11,803	338,458	16,970	909,359	45,080
IN JAPANESE YENS: at an exchange rate of									
of $0.1778 per Japanese yen at March 2018 and of $0.179 as at December 2018	BILATERAL	Fixed and variable – 1.33%	Various through 2021	290,551	1,662,192	388,555	2,170,700	676,485	3,874,487
				290,551	1,662,192	388,555	2,170,700	676,485	3,874,487
Bond		Fixed - 3.83%	2032	5,593,600	32,000,000	5,728,000	32,000,000	5,587,200	32,000,000
Assets received for financial instruments, net (Note 10b)				(387,335)		(423,970)		(255,199)	
				5,206,265	32,000,000	5,304,030	32,000,000	5,332,001	32,000,000
TOTAL JAPANESE YENS				5,496,816	33,662,192	5,692,585	34,170,700	6,008,486	35,874,487

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

		TOTAL FOREIGN DEBT		113,719,786		117,239,060		109,042,224	

DOMESTIC DEBT -

Domestic debt	Type of credit	Weighted interest rate	Maturities	2019 Local currency	2019 Foreign currency (thousands)	2018 Local currency	2018 Foreign currency (thousands)	2017 Local currency	2017 Foreign currency (thousands)
LOCAL CURRENCY	BANKING	Fixed and variable – 9.27%	Various through 2023	7,500,000		7,500,000		7,600,000	
	STOCK MARKET	Fixed and variable – 7.77%	Various through 2027	70,987,330		70,987,330		79,000,000	
TOTAL MEXICAN PESOS:				78,487,330		78,487,330		86,600,000	
IN UDIS: at an exchange rate of $6.2586 per UDI as at 31 March 2019 and of $6.2266 as at December 2018	STOCK MARKET	Fixed - 4.49%	2,032	20,157,544		20,054,478		11,141,673	
TOTAL UDIS				20,157,544		20,054,478		11,141,673	
TOTAL DOMESTIC DEBT				98,644,874		98,541,808		97,741,673	

Summary

	2019	2018	2017
Total foreign debt	113,719,786	117,239,060	109,042,224
Total domestic debt	98,644,874	98,541,808	97,741,673
Interest payable	2,957,591	2,602,680	2,476,342
Unamortized debt expenses	(2,338,310)	(2,338,310)	(2,338,310)
Total documented debt	212,983,941	216,045,238	206,921,929
Short-term debt	12,665,821	12,951,500	23,442,174
Short-term interest payable	2,957,591	2,602,680	2,476,342
Total short-term	15,623,412	15,554,180	25,918,516
Long-term debt	199,698,839	202,829,368	183,341,723

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

Unamortized debt expenses	**(2,338,310)**	**(2,338,310)**	**(2,338,310)**
Total long-term	**197,360,529**	**200,491,058**	**181,003,413**
Total short- and long-term	**212,983,941**	**216,045,238**	**206,921,929**

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

31-03-2019	Amount
2019	15,623,412
2020	21,894,824
2021	24,676,035
2022	225,507
2023	21,012,234
2024	24,314,717
2025	21,164,221
SUBSEQUENT YEARS	84,072,991
TOTAL	**212,983,941**

Documented debt

In the first quarter of 2019, no new debt has been taken out.

An analysis of drawdowns from January 1 to December 31, 2018 is as follows:

Domestic debt

In the first quarter of 2019, no new debt has been taken out.

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 1,342,321,400 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 July 2018, CFE drew down 4,000 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% and 3,000 million pesos against its revolving line of credit with BBVA Bancomer, S.A., that bears monthly interest at the 28-day TIIE rate plus 0.30%, both with monthly interest payments.

In October, CFE drew down 4,000 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% and 3,000 million pesos against its revolving line of credit with BBVA Bancomer, S.A., that bears monthly interest at the 28-day TIIE rate plus 0.30%, both with monthly interest payments.

In April 2017, CFE drew down $2,500 million pesos against its revolving line of credit with Banco Santander (México), 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 0.1%. 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 in the amount of $7,000 million pesos at a fixed interest of 8.2% and mature in December 2027.
2. Of the CFE 17-2 series, Stock Certificates were auctioned in the amount of $1,000 million pesos that bears variable interest at the 28-day TIIE rate plus 0.4% 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 0.5%. This amount was repaid in November 2017.

In October 2017, CFE placed three Stock Certificate issuances:

1. First reopening of the CFE 17 series in the amount of $3,000 million pesos, that bears monthly interest at a fixed rate of 8.2% and matures in December 2027.

2. First reopening of the CFE 17-2 series in the amount of $1,500 million pesos, that bears monthly variable interest at the 28-day TIIE rate plus 0.4% and matures in July 2020.

3. Base placement of the CFE 17U series in the amount of 944,092,800 UDIS, that bears interest at a fixed rate of 4.5%, and matures in September 2032.

In November 2017, CFE drew down $2,500 million pesos against its revolving line of credit with Banco Santander (México), S.A., that bears monthly interest at the 28-day TIIE rate plus 0.1%. This amount was repaid in December 2017.

Foreign debt

In July 2018, CFE drew down $20.87 million US dollars against its line of credit with Banamex, 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 + 0.90%.

In July, CFE drew down $300 million US dollars against the syndicated loan (BBVA Bancomer, S.A. is the Administrative Agent), at the USD LIBOR rate plus 1.15%, This amount was repaid in August 2017.

In August 2018, CFE drew down $900 million US dollars against the syndicated revolving loan signed in July 2018 for a total of $1,260 million US dollars with Mizuho Bank, LTD., as the administrative agent, at the USD LIBOR rate plus 0.95%, for a term of 5 years.

In September, CFE drew down $5.2 million US dollars against the line of credit with BBVA, S.A. Madrid, to finance Spanish goods and services with a guaranty of Compañía Española de Seguros de Crédito a la Exportación (the Spanish Export Credit Agency).

In November 2018, CFE drew down $21.52 million US dollars against its line of credit with Banamex, 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 + 0.90%.

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

In January, 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 + 1.5%.

In February, CFE drew down $200 million dollars against the syndicated loan (BBVA Bancomer, S.A. is the Administrative Agent), at the USD Libor rate plus 1.2%, This amount 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 5.2% 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).

ii) Debt for long-term infrastructure projects (PIDIREGAS)

An analysis of the balances and maturities of the PIDIREGAS (direct investment) debt and capital lease obligations as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

	31 March 2019	31 December 2018	31 December 2017
Short-term	$ 16,149,624	$ 16,780,375	$ 21,145,914
Long-term			
2018			688,164
2019	-	-	1,705,968
2020	211,268	479,952	293,720
2021	171,148	171,891	3,493,333
2022	2,075,776	2,196,057	2,154,690
2023	1,555,108	1,577,996	5,748,122
2024	4,201,923	4,520,686	-
2025	1,912,414	-	-
Subsequent years	101,924,295	105,358,075	91,965,399
Total long-term	$ 112,051,932	$ 114,304,657	$ 106,049,396
Total	128,201,556	131,304,657	127,195,310

-Direct investment (PIDIREGAS):

As at 31 March 2019 and 31 December 2018 and 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	Balances as at 31 March 2019 (amounts in thousands of the corresponding currency)				Balance as at 31 December 2018 (amounts in thousands of the corresponding currency)				Balances as at 31 December 2017 (amounts in thousands of the corresponding currency)			
			Local currency		Foreign currency		Local currency		Foreign currency		Local currency		Foreign currency	
			Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term
Foreign debt														
-	million dollars	2019	-	-	-	-	144,872	-	7,360	-	539,009	145,636	27,241	7,360
27	million dollars	2020	527,464	-	27,302	-	537,369	268,684	27,301	13,651	540,203	810,304	27,301	40,952
36	million dollars	2026	87,429	612,000	4,526	31,677	89,070	623,492	4,525	31,677	89,540	716,320	4,525	36,202
279	million dollars	2029	527,693	4,871,880	27,313	252,166	537,603	5,232,168	27,313	265,823	540,438	5,800,198	27,313	293,136
432	million dollars	2032	1,163,848	7,175,552	60,240	371,403	1,185,703	7,310,297	60,240	371,403	1,191,956	8,540,805	60,240	431,644
824	million dollars	2036	849,145	15,067,549	43,951	779,890	865,091	15,350,493	43,951	779,890	869,653	16,301,098	43,951	823,841
699	million dollars	2047	965,372	12,530,342	49,967	648,565	983,500	12,765,641	49,967	648,565	1,367,974	22,954,350	69,137	1,160,090
1,420	million dollars	2048	1,069,009	26,365,597	55,331	1,364,672	1,072,434	26,855,367	54,487	1,364,401	-	-	-	-
Total foreign debt			5,189,960	66,622,920	268,630	3,448,373	5,415,642	68,406,142	275,144	3,475,410	5,138,773	55,268,711	259,708	2,793,225

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

Domestic debt

-	million pesos	2018	-	-	-	-	1,915,888	-
432	million pesos	2019	432,204	-	554,554	-	1,011,552	542,528
768	million pesos	2020	556,672	211,268	656,653	211,268	1,143,268	895,664
293	million pesos	2021	121,828	171,148	121,828	171,891	181,999	293,720
3,270	million pesos	2022	1,193,985	2,075,776	1,298,802	2,196,057	2,265,874	3,493,333
2,117	million pesos	2023	561,559	1,555,108	576,694	1,577,996	792,720	2,154,690
5,439	million pesos	2024	1,237,153	4,201,923	1,302,860	4,520,686	1,578,043	5,748,122
2,404	million pesos	2025	491,312	1,912,414	491,312	1,985,983	644,745	2,736,176
11,554	million pesos	2026	2,051,277	9,503,066	2,051,277	9,566,386	2,550,125	12,027,493
8,234	million pesos	2027	1,290,776	6,942,920	1,332,149	7,364,884	1,612,159	9,360,896
2,353	million pesos	2028	299,327	2,053,418	261,525	1,714,698	-	-
4,814	million pesos	2033	503,787	4,310,129	444,262	3,871,210	-	-
1,506	million pesos	2036	83,664	1,422,294	83,664	1,422,294	83,664	1,505,959
11,788	million pesos	2042	726,946	11,060,728	726,944	11,286,341	753,692	12,013,283
Total domestic debt			9,550,490	45,420,192	9,902,524	45,889,694	14,533,729	50,771,864
Interest payable			1,409,174		1,462,209		1,473,412	
CEBURES				8,821		8,821		8,821
Total PIDIREGAS debt			16,149,624	112,051,933	16,780,375	114,304,657	21,145,914	106,049,396

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

a. As at 31 March 2019 and 31 December 2018 and 2017, minimum payment commitments on PIDIREGAS are as follows:

	31 March 2019	31 December 2018	31 December 2017
PIDIREGAS	185,356,506	190,029,498	176,974,622
less:			
Unaccrued interest	58,572,945	60,415,497	49,788,133
Present value of obligations	126,783,561	129,614,001	127,186,489
less:			
Current portion of obligations	14,740,449	15,318,165	21,145,914
Long-term portion of PIDIREGAS	112,043,112	114,295,836	106,040,575
CEBURES	8,821	8,821	8,821
Total CEBURES and PIDIREGAS	112,051,933	114,304,657	106,049,396

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

Capital lease obligations (conditioned investment)

As at 31 March 2019, CFE has entered into 26 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.

The lease agreements with private investors 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		
	31/03/2019	31/12/2018	31/12/2017	31/03/2019	31/12/2018	31/12/2017
Current liabilities	$17,979,329	$18,103,949	$15,631,775	$8,740,416	$8,576,870	$8,121,848
From one to five years	81,162,907	83,338,889	86,151,051	43,139,465	42,800,629	38,507,349
More than five years	82,532,778	98,336,124	103,923,053	60,894,877	64,629,251	75,596,469
Total accumulated equity	$181,675,014	$199,778,962	$205,705,879	$112,774,758	$116,006,750	$122,225,666

An analysis of the capital lease obligation as at 31 March 2019 is as follows:

			Foreign currency		Local currency	
Name	Lease beginning date	Original amount of the obligation	Short term	Long term	Short term	Long term
CT MERIDA III	JUN-00	242,685	14,908	122,588	288,018	2,368,421
CC HERMOSILLO	OCT-01	156,144	8,480	95,293	163,827	1,841,062
CC SALTILLO	NOV-01	152,383	8,223	84,490	158,873	1,632,355
TUXPAN II	DEC-01	283,133	14,091	180,237	272,235	3,482,189
EL SAUZ BAJIO	MAR-02	399,773	20,184	265,500	389,951	5,129,478
CC MONTERREY	MAR-02	330,440	16,876	161,082	326,052	3,112,117

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

CC ALTAMIRA II	MAY-02	233,234	11,168	163,901	215,775	3,166,583
CC RIO BRAVO II	MAY-02	232,108	11,857	129,800	229,073	2,507,751
CC CAMPECHE	MAY-03	196,554	9,002	123,467	173,911	2,385,395
CC TUXPAN III AND IV	MAY-03	587,064	26,240	391,883	506,959	7,571,227
CC MEXICALI	JUL-03	569,345	25,667	325,718	495,889	6,292,901
CC CHIHUAHUA III	SEP-03	275,327	12,507	154,370	241,644	2,982,452
CC NACO NOGALES	OCT-03	238,016	10,455	105,539	201,993	2,039,028
CC ALTAMIRA III AND IV	DEC-03	600,897	25,774	370,223	497,948	7,152,752
RIO BRAVO III	APR-04	312,602	12,263	218,685	236,916	4,225,025
CC LA LAGUNA II	MAR-05	367,578	13,562	264,673	262,028	5,113,510
CC RIO BRAVO IV	APR-05	270,697	9,189	205,069	177,536	3,961,948
CC VALLADOLID III	JUN-06	288,160	9,930	208,737	191,856	4,032,816
CC TUXPAN V	SEP-06	284,997	8,017	231,591	154,884	4,474,369
CC ALTAMIRA V	OCT-06	532,113	12,865	454,748	248,561	8,785,771
CC TAMAZUNCHALE	JUN-07	482,562	13,367	389,836	258,251	7,531,674
CCC NORTE	AUG-10	450,097	12,737	357,490	246,086	6,906,741
CCC NORTE II	JAN-14	427,733	9,188	379,852	177,522	7,338,775
Total			316,550	5,384,772	6,115,786	104,034,341

(1) The short-term balance does not include interest in the amount of $2,624,630, $2,501,319 and $2,639,798 as at 30 March 2019 and 31 December 2018 and 2017, respectively.

13. Changes in Lease Liabilities

31 December 2018	$ 460,082,272
Acquisitions	10,808,913
Retirements	
Interest	3,857,270
Charges	(4,939,665)
Exchange differences	(8,252,421)
Total liabilities	**$ 461,556,369**

14. Other Accounts Payable and Accrued Liabilities

An analysis of Other accounts payable and accrued liabilities as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

	31 March 2019	31 December 2018	31 December 2017
Suppliers and contractors	$ 42,658,936	$ 60,196,912	$ 59,849,154
Employees	1,736,157	4,680,424	4,213,117

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

Deposits from users and contractors		29,106,522		25,619,843		22,974,717
Other liabilities		23,592,112		18,736,913		20,761,052
Total	$	97,093,726	$	109,234,092	$	107,798,040

15. Taxes and Duties Payable

An analysis of Taxes and duties payable as at 31 March 2019 and 31 December 2018 and 2017 is as follows:

Payable by CFE	**31 March 2019**	**31 December 2018**	**1 January 2018**
Income tax payable on behalf of third parties	785,085	389,296	411,290
Mexican Social Security Institute (IMSS) contributions	497,272	755,693	698,046
Rights for the use and exploitation of national waters	412,839	813,342	370,375
Payroll tax	75,824	61,492	45,556
Federal Housing Financing Agency (INFONAVIT) contributions	1,881	10,760	12,481
Special tax on production and services (IEPS)	16,154	50,002	-
VAT payable	1,406,822	848,082	-
Subtotal	3,195,877	2,928,667	1,537,748
Withholdings			
Income tax withheld from employees	1,194,357	571,327	738,923
Withheld value added tax	33,043	40,056	68,441
Income tax on interest paid abroad	55,188	35,342	27,993
Income tax on foreign residents	(0)	31	45,677
0.5% to contractors	12,460	29,303	50,404
Income tax on professional fees and rent to individuals	4,693	2,932	7,101
0.2% to contractors	598	517	547
Other	1,600	2,372	422
	1,301,939	681,880	939,508
Total Taxes and Duties	4,497,816	3,610,547	2,477,255

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

The deferred tax liability as at December 2018 amounts to $113,860 thousand pesos.

16. Other Long-Term Liabilities

An analysis of Other long-term liabilities as at 31 March 2018 and 31 December 2018 and 2017 is as follows:

		31 March 2019		31 December 2018		31 December 2017
Third-party contributions	$	6,685,474	$	5,839,143	$	8,039,903
Asset retirement obligation		8,675,506		8,610,763		11,101,187
Other provisions		6,001,288		6,001,288		4,283,577
Total	**$**	**21,362,268**	**$**	**20,451,195**	**$**	**23,424,666**

17. Employee Benefits

CFE has employee benefits plans for terminations of employee relationships and for 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 31 March 2019.

18. Foreign Currency Position

As at 31 March 2019 and 31 December 2018 and 2017, CFE had the following foreign currency denominated assets and liabilities:

2019					
Assets	Liabilities				
Cash and cash equivalents	Suppliers	Domestic debt	Foreign debt	Capital lease obligations and PIDIREGAS	Short foreign currency position

U.S. dollars	216,598	66,120	5,857,912	9,418,326	15,125,760
Euros	0		1,107		1,107
Japanese yens	-		1,662,192		1,662,192
Swiss francs	0		11,803		11,803

	2018					
	Assets	Liabilities				
Name	Cash and cash equivalents	Suppliers	Domestic debt	Foreign debt	Capital lease obligations and PIDIREGAS	Foreign currency position
U.S. dollars	127,920	234,417	-	5,918,083	9,517,257	15,541,837
Euros	-	-	-	1,202	-	1,202
Japanese yens	-	-	-	2,170,700	-	2,170,700
Swiss francs	-	-	-	16,970	-	16,970

	2017					
	Assets	Liabilities				
Name	Cash and cash equivalents	Suppliers	Domestic debt	Foreign debt	Capital lease obligations and PIDIREGAS	Foreign Currency Position
U.S. dollars	1,215,536	21,659	-	5,428,378	9,096,684	13,331,185
Euros	505	-	-	2,360	-	1,855
Japanese yens	1,335,513	-	-	3,874,487	-	2,538,974
Swiss francs	31,644	-	-	45,080	-	13,436

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

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 at 31 December 2018, as shown below:

Currency	March 2019	December 2018	December 2017
U.S. dollars	19.3201	19.6829	19.7867
Japanese yen	0.1748	0.1790	0.1746
Swiss francs	19.4612	19.9440	20.1721
Euro	21.7546	22.4691	23.6062

19. 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 Group's current financial position and its expected financial performance in the following years.

Commitments

a. Natural gas supply contracts

The Group 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. Financed public work contracts

As at 31 March 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	Capacity Kmc	Capacity MVA	Estimated amount of the contract expressed in millions of: Dollars	Pesos	Operation stage
188 SE 1116 Transformación del Noreste F4	97.60	500.00	50.00	966.01	31-MAY-17
209 SE 1212 Sur - Peninsular F9 (DIST)	20.31	20.00	8.17	157.83	12-AUG-17
321 SLT 1920 Subestaciones y Líneas de Distribución F5	1.42	30.00	5.46	105.43	31-AUG-17
274 SE 1620 Distribución Valle de México F2	26.20	420.00	89.80	1,734.94	31-OCT-17
304 LT 1805 Línea de Transmisión Huasteca - Monterrey	441.80		126.83	2,450.37	30-JAN-18
310 SLT 1821 Divisiones de Distribución F1 (DIST)		50.00	4.69	90.61	01-MAR-18
336 SLT 2001 Subestaciones y Líneas Baja California Sur - Noroeste F1	225.00	950.00	44.50	859.65	25-MAY-18
274 SE 1620 Distribución Valle de México F1	16.10	780.00	94.60	1,827.68	31-MAY-18
350 SLT 2121 Reducción de Pérdidas de Energía en Distribución F1 (DIST)	3.10	2.51	1.36	26.26	26-AUG-18
266 SLT 1603 Subestación Lago	80.40	660.00	91.20	1,761.95	22-SEP-18
337 SLT 2002 Subestaciones y Líneas de las Áreas Norte - Occidental F1	208.70	975.00	35.84	692.34	19-OCT-18
349 SLT 2120 Subestaciones y Líneas de Distribución F1 (DIST)	7.90	120.00	5.97	115.38	21-NOV-18
310 SLT 1821 Divisiones de Distribución F6 (DIST)	31.97		4.58	88.49	12-JAN-19
338 SLT 2020 Subestaciones, Líneas y Redes de Distribución F2 (DIST)	4.84	60.00	8.51	164.45	19-FEB-19
288 SLT 1722 Distribución Sur F3	3.96	40.00	6.00	115.86	23-FEB-19
348 SE 2101 Compensación Capacitiva Baja - Occidental	0.00	0.00			
300 LT 1812 Red de Transmisión Asociada al CC Topolobampo III	276.00		24.49	473.21	13-MAR-19
	1,445.30	4,607.51	602.00	11,630.46	

Generation

	MCA capacity	Estimated amount of the contract expressed in millions of: Dollars	Pesos	Operation stage
268 CCI Guerrero Negro IV	7.52	20.63	398.60	01-APR-17
296 CC Empalme I	770.22	476.84	9,212.70	06-NOV-17
298 CC Valle de México II	615.23	425.31	8,217.10	31-JAN-18
38 CC Norte III (Juárez) C2	906.71	562.37	10,865.00	13-APR-18
313 CC Empalme II	791.17	397.00	7,670.10	28-APR-18
327 CG Azufres III F2 (DIST)	25.00	51.29	990.80	15-JUN-18
289 CH Chicoasén II	240.00	386.42	7,465.70	12-SEP-18
42 CC Noroeste (Topolobanpo II) C2	887.39	334.50	6,462.60	02-JAN-19
45 CC Topolobampo III C2	665.88	630.87	12,188.50	01-JAN-20
	4,909.12	3,285.23	63,471.10	

Renovation and/or modernization

Project	Estimated amount of the contract expressed in millions of: Dollars	Pesos	Operation stage
312 RM CH Temascal Unidades 1 a 4 (GEN)	26.5	512.0	18/09/2018

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278 RM CT José López Portillo (GEN)	214.0	4,134.5	27/02/2019
258 RM CT Altamira U1 y 2	380.0	7,341.4	01/07/2019
	620.5	11,987.9	

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

c. Trusts

1 Area of competence

1.1. CFE currently participates as Trustor or Beneficiary in 10 (ten) 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. Construction contract management
d. Indirect participation trust funds

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.

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Trust fund	Role of CFE		
	Trustor	Trustee	Trust Beneficiary
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 31 March 2019 and 31 December 2018 and 2017, the Housing Thermal Isolation Program (FIPATERM) Trust has assets of $1,554,179, $1,532,366 and $1,487,051 and liabilities of $60,852, $56,188 and $70,634, respectively.

b. 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 project
	Trustor	Trust Beneficiary	Trustee	
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 31 March 2018 and 31 December 2018 and 2017 the Administration of Prior Expenses has assets of $3,536,569, $3,533,406 and $3,763,171, and liabilities of $3,125,598, $3,104,881 and $3,356,828, respectively.

The Domain Transfer and Administration Trust 2030 has assets of $447,446.

c. 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.

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:** 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.

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The only project under this modality that is still in force is the one related to the CT Samalayuca 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 beneficiary:** The foreign bank that is the common representative of the creditors; **Second beneficiary:** Compañía Samalayuca II, S.A. de C.V. **Third beneficiary:** CFE	Banco Nacional de México, S.A.

As at 31 March 2019 and 31 December 2018 and 2017, the Group's fixed assets amount to $21,995,855, $21,706,678 and $21,255,499, respectively; and the Group's liabilities amount to $142,851, $144,871 and $684,644, which correspond to the CAT trusts referred to above.

Coal Terminal of the Thermoelectric Power Station Presidente Plutarco Elias Calles

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Coal Terminal of the Thermoelectric Power Station Presidente Plutarco Elías 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 beneficiary:** Carbonser, S.A. de C.V **Second beneficiary:** 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-Mar 2019
Petacalco Coal	$19,918

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

d. Indirect participation trust funds

Additionally, CFE maintains an indirect relationship since it is not a Trustor, but it participates as a beneficiary in two 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. (See Note 11).

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.

Trust fund	Role OF CFE		Trustee
	Trustor	Trust Beneficiary	
Trust No. 232246 created on November 3, 2006	Banco Nacional de Mexico, S.A., a member entity of Grupo Financiero Banamex	**Primary beneficiary:** Each of the preferred holders of each issue. **Second beneficiary:** CFE	HSBC México, S.A., Grupo Financiero HSBC
Trust No. 411 created on August 6, 2009	Banco Nacional de Mexico, S.A., a member entity of Grupo Financiero Banamex	**Primary beneficiary:** Each of the preferred holders of each issue. **Second beneficiary:** CFE	Banamex

Regarding Trust N° 194, created on May 3, 2004 by ING (México), S.A. de C.V. Casa de Bolsa, ING Grupo Financiero and Deutsche Securities S.A. de C.V. Casa de Bolsa, first and second Trustors, respectively, with the participation of CFE as Second Beneficiary, on January 10, 2018, the parties, CFE as Secondary Trustor and Acciones y Valores Banamex, S.A. de C.V., Casa de Bolsa, Member of the Banamex Financial Group, as alternate trustor of Bank of America, S.A., Institución de Banca Múltiple, alternate trustor of The Royal Bank of Scotland México, S.A., Institución de Banca Múltiple, formerly ABN Amro Bank (México), S.A., Institución de Banca Múltiple, alternate trustor of Bank of America México, S.A., Institución de Banca Múltiple, universal successor-in-title of Bankboston, S.A., Institución de Banca Múltiple y Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero as agent under the Management Agreement, (as assignee of ING Bank (México), S.A., Institución de Banca Múltiple, ING Grupo Financiero (currently Corporación General de Servicios Especializados, S.A., in liquidation), entered into a Termination and Extinguishment Agreement of the Trust in view of the fact that the Preferred Stock Certificates issued were issued fully paid in and the purpose for which it was created was met. In the Termination and Extinguishment Agreement referred to above, the Trustee was instructed to transfer the remaining cash of the Trust Property to the Second Trust Beneficiary, as well as the ownership of credit rights, if any, in the Common Fund and, any remaining Trust Property, which occurred on October 4, 2018.

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As at 31 March 2019, 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 six 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

Long-term auctions

In 2017, the Group 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).

20 . Segment Information

Information regarding the operating segments

The information presented to the Board of Administration to seek approval of budgets, investments and measure compliance with respect to the business objectives set out by the Board is consolidated financial information and not by each operating activity of the Group.

Information by type of services

Notes to the consolidated financial statements for the three-month period ended 31 March 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

Information on products and services	31 March 2019	31 March 2018
Domestic service	16,604,237	18,653,384
Commercial service	11,415,741	37,617,291
Public lighting service	3,827,068	2,281,160
Agricultural service	1,341,723	1,789,665
Industrial service	56,285,395	10,735,025
Total sales	89,474,164	71,076,525
Block for resale	300,193	-
Total electricity supply revenue	89,774,357	71,076,525
OTHER PROGRAMS		
Consumption in the process of being billed	838,550	-55,563
Illegal uses	611,562	211,165
Measurement failure	587,987	395,638
Billing error	418,593	150,880
Total income obtained from other programs	2,456,692	702,120
	92,231,049	71,778,645
Other operating income	-	1,066,219
Revenue from the sale of electricity	**92,231,048**	**72,844,864**

21. Subsequent Events

The Ministry of Energy issued the agreement amending the terms for the strict legal separation of Comisión Federal de Electricidad which were published in the Official Gazette on January 11, 2016.

As of the date of publication of this Agreement in the Official Gazette, CFE will have 60 calendar days to submit to the Ministry of Energy its proposal for the reallocation of assets and power generation contracts to the EPS and Affiliated Entities that it considers better contribute to efficiency.

Once the allocation of the assets and power generation contracts are published in the Official Gazette, the CENACE will carry out within 30 calendar days the reallocation of the assets registered in the Market Information System according to the new structure.

During a period of two years as of the date of issuance of the allocation of the assets and power generation contracts, the transfer of the assets, rights and obligations required for the reorganization referred to in the agreement will not need to be formalized in a public document, therefore, the resolutions of the Board of Directors will serve as title deed or deed transferring ownership for all legal purposes, including the registration in the relevant public registries.

22. Issuance of the Consolidated Financial Information

The consolidated financial statements and its notes has been approved by the Chief Financial Officer.