**Comisión Federal de Electricidad,**
**Productive State Enterprise and Subsidiaries**

Unaudited Condensed Consolidated Statements of Financial Position

As at 30 September 2019 and 31 December 2018 and 2017
(Amounts in thousands of Mexican pesos)

| Item | | As at 30 September 2019 | | As at 31 December 2018 (restated) | | As at 31 December 2017 (restated) |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Current assets:** | | | | | | |
| Cash and cash equivalents (Note 5) | $ | 57,243,522 | $ | 78,483,263 | $ | 67,237,901 |
| Accounts receivable, net (Note 6) | | 118,011,949 | | 99,175,895 | | 95,067,520 |
| Inventory of operating materials (Note 7) | | 17,923,928 | | 15,537,465 | | 14,642,993 |
| **Total current assets** | | **193,179,399** | | **193,196,623** | | **176,948,414** |
| Loans to workers | | 13,487,672 | | 12,367,880 | | 12,339,195 |
| Plants, facilities and equipment, net (Note 8) | | 1,183,396,029 | | 1,186,590,258 | | 1,190,848,303 |
| Derivative financial instruments (Note 11) | | 14,101,700 | | 17,783,141 | | 16,084,937 |
| Intangible assets (Note 10) | | 44,138,893 | | 34,281,810 | | 32,836,986 |
| Deferred income tax (Note 17) | | 180,376,990 | | 177,652,753 | | 94,499,055 |
| Right-of-use assets (Note 9) | | 498,927,104 | | 370,507,466 | | 301,587,555 |
| **TOTAL ASSETS** | **$** | **2,127,607,787** | | **1,992,379,931** | **$** | **1,825,144,445** |
| **Liabilities and equity** | | | | | | |
| **Current liabilities:** | | | | | | |
| Short-term debt and current portion of long-term debt (Note 12) | $ | 36,750,622 | | 39,829,270 | $ | 48,497,881 |
| Other accounts payable and accrued liabilities (Note 14) | | 110,257,264 | | 109,234,093 | | 107,798,040 |
| Taxes and duties payable (Note 15) | | 3,933,359 | | 3,610,548 | | 2,477,256 |
| Income tax | | 2,625,612 | | 3,823,719 | | 2,828,070 |
| Short-term lease liability (Note 13) | | 35,518,943 | | 31,365,995 | | 8,121,848 |
| **Total current liabilities** | | **189,085,800** | | **187,863,625** | | **169,723,095** |
| **Long-term:** | | | | | | |
| Long-term debt (Note 12) | | 324,480,602 | | 314,795,714 | | 287,052,809 |
| Other long-term liabilities (Note 16) | | 21,459,800 | | 20,451,195 | | 23,424,667 |
| Employee benefits (Note 17) | | 329,554,694 | | 327,452,589 | | 361,780,339 |
| Long-term lease liability (Note 13) | | 588,176,379 | | 465,183,101 | | 412,372,501 |
| **Total long-term liabilities** | | **1,263,671,475** | | **1,127,882,599** | | **1,084,630,316** |
| **TOTAL LIABILITIES** | | **1,452,757,275** | | **1,315,746,224** | | **1,254,353,411** |
| **Equity:** | | | | | | |
| Contributions received from the Federal Government | | 5,251 | | 5,251 | | 5,251 |
| Contributions in kind received from the Federal Government | | 95,004,417 | | 95,004,417 | | 95,004,417 |
| Retained earnings | | 100,139,975 | | 97,921,346 | | 59,000,915 |
| Accumulated other comprehensive income items | | 463,564,211 | | 466,206,051 | | 416,780,451 |
| Total equity holders of the parent | | 658,713,854 | | 659,137,065 | | 570,791,034 |
| Non-controlling interest | | 16,136,658 | | 17,496,642 | | - |
| **Total equity** | | **674,850,512** | | **676,633,707** | | **570,791,034** |
| **LIABILITIES + EQUITY** | **$** | **2,127,607,787** | | **1,992,379,931** | **$** | **1,825,144,445** |

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

**Comisión Federal de Electricidad,**
**Productive State Enterprise and Subsidiaries**

Condensed consolidated statements of comprehensive income

As at 30 September 2019 and 2018

(Amounts in thousands of Mexican pesos)

| Item | | As at 30 September 2019 | | As at 30 September 2018 (restated) |
|---|---|---|---|---|
| Revenue : | | | | |
| Revenue from electricity supply services (Note 20) | $ | 312,887,936 | $ | 265,973,205 |
| Revenue from subsidies | | 41,668,640 | | 37,256,618 |
| Revenue from the sale of fuel | | 33,136,194 | | 40,439,262 |
| Revenue from the transmission of electricity services | | 6,799,517 | | 5,269,558 |
| Other income, net | | 14,358,231 | | 11,947,557 |
| Total revenue | | 408,850,518 | | 360,886,200 |
| Costs: | | | | |
| Energy and fuel supplies | | 199,927,765 | | 225,772,795 |
| Energy and fuel supplies to third parties | | 32,027,945 | | 33,814,075 |
| Employee compensation and benefits | | 49,756,377 | | 47,929,598 |
| Maintenance, materials and general services | | 6,200,391 | | 756,772 |
| Taxes and duties | | 1,752,969 | | 2,148,533 |
| Wholesale Electricity Market (MEM) costs | | 2,408,361 | | 2,099,131 |
| Employee benefit costs | | 26,050,400 | | 11,826,063 |
| Depreciation | | 53,028,886 | | 54,156,764 |
| Other expenses | | 2,228,835 | | 8,983,587 |
| Total operating costs | $ | 373,381,929 | $ | 387,487,318 |
| Net operating income | | 35,468,589 | | (26,601,118) |
| Net financing cost: | | | | |
| Interest expense (income) | | 17,461,033 | | (721,165) |
| Financing income (expense), net | | 19,833,607 | | 27,575,292 |
| Foreign exchange (gain) loss | | (9,149,846) | | (26,645,914) |
| Comprehensive financing income, net | | 28,144,794 | | 208,213 |
| Income (loss) before income tax and other comprehensive income | | 7,323,795 | | (26,809,331) |
| Income tax | | 5,105,166 | | 3,271,806 |
| Net income (loss) | $ | 2,218,629 | $ | (30,081,137) |
| Other comprehensive income | | (2,641,840) | | (9,275,273) |
| Comprehensive income | $ | (423,211) | $ | (39,356,410) |

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

**Comisión Federal de Electricidad,**
**Productive State Enterprise and Subsidiaries**

Unaudited Condensed Consolidated Statements of Cash Flows

As at 30 September 2019 and 2018

(Amounts in thousands of Mexican pesos)

| | As at 30 September 2019 | As at 31 December 2018 |
|---|---|---|
| Operating activities: | | |
| Income before other items of comprehensive loss | $ 2,218,630 | $ 38,920,431 |
| Items related to operating activities: | | |
| Net period cost of employee benefits | 26,050,400 | 20,539,778 |
| Increase (decrease) in the current and deferred income tax provision | 5,105,166 | (54,990,576) |
| Items related to investing activities: | | |
| Depreciation | 53,028,886 | 57,535,932 |
| Retirements of plants, facilities and equipment | (8,895,091) | 1,008,377 |
| Right-of-use asset | (128,419,638) | (64,461,084) |
| Unrealized loss on foreign exchange, interest expense and changes in the fair value of financial instruments and remeasurement of labor obligations | 27,061,070 | 33,581,200 |
| Changes in other operating assets and liabilities: | | |
| Accounts receivable | (18,676,226) | (4,592,582) |
| Inventory of operating materials | (2,386,465) | (894,472) |
| Taxes and duties payable | (8,704,595) | (5,735,959) |
| Other assets | (10,976,875) | (1,473,563) |
| Provisions, other accounts payable and accrued liabilities | 2,031,777 | (1,537,420) |
| Payment of employee benefits | (23,948,295) | (39,534,335) |
| Net cash flow (used in) provided by operating activities | (86,511,256) | (21,634,273) |
| Investing activities | | |
| Acquisition of plants, facilities and equipment | (40,939,566) | (51,268,665) |
| Financing activities: | | |
| Debt contracting | 27,497,798 | 91,373,548 |
| Non-controlling interest contribution | (1,359,984) | 18,744,119 |
| Payment of dividends | | (1,247,450) |
| Payment of debt | (21,462,640) | (73,914,357) |
| Interest paid | (17,004,255) | (22,053,366) |
| Lease liabilities | 127,146,225 | 72,287,709 |
| Payment of financial instruments | (8,606,063) | (1,041,903) |
| Net cash flows from financing activities | 106,211,081 | 84,148,300 |
| Net (decrease) increase in cash and cash equivalents | (21,239,741) | 11,245,362 |
| Cash and cash equivalents: | | |
| At beginning of period | 78,483,263 | 67,237,901 |
| At end of period | $ 57,243,522 | $ 78,483,263 |

**Comisión Federal de Electricidad**
**Productive State Enterprise and Subsidiaries**
**Unaudited Condensed Consolidated Statements of Changes in Equity**
**(Amounts in thousands of Mexican pesos)**

| | Contributions received from the Federal Government | Contributions in kind received from the Federal Government | Retained earnings (accumulated deficit) | Accumulated other comprehensive income items | Total equity of equity holders of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|
| Balances 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 | | | (41,139,918) | | (41,139,918) | | (41,139,918) |
| Balances as at 1 January 2018 | $ 5,251 | $ 95,004,417 | $ 59,000,915 | $ 416,780,451 | $ 570,791,034 | $ - | $ 570,791,034 |
| Comprehensive income (loss) for the period | | | (30,081,137) | (9,275,273) | (39,356,410) | 14,754,940 | (24,601,470) |
| **Balance as at 30 September 2018** | **$ 5,251** | **$ 95,004,417** | **$ 28,919,778** | **$ 407,505,178** | **$ 531,434,624** | **$ 14,754,940** | **$ 546,189,564** |
| | | | | | | | |
| Balance as at 31 December 2018 | $ 5,251 | $ 95,004,417 | $ 103,667,846 | $ 466,206,051 | $ 664,883,565 | $ 17,496,642 | $ 682,380,207 |
| Adoption of IFRS 16 | | | (5,746,500) | | (5,746,500) | | (5,746,500) |
| Balances as at 1 January 2019 | $ 5,251 | $ 95,004,417 | $ 97,921,346 | $ 466,206,051 | $ 659,137,065 | $ 17,496,642 | $ 676,633,707 |
| Comprehensive income (loss) for the period | | | 2,218,629 | (2,641,840) | (423,211) | (1,359,984) | (1,783,195) |
| **Balance as at 30 September 2019** | **$ 5,251** | **$ 95,004,417** | **$ 100,139,975** | **$ 463,564,211** | **$ 658,713,854** | **$ 16,136,658** | **$ 674,850,512** |

## 1. Incorporation, Business Purpose and Relevant Events

- **Incorporation and business purpose**

CFE, Productive State Enterprise, and Subsidiaries (the Group), is a Mexican entity located in Mexico that was initially incorporated by Decree as a Decentralized Public Entity of the Federal Government on August 14, 1937 and published in the Official Gazette on August 24, 1937. CFE'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 CFE, Productive State Enterprise, and its subsidiaries (hereinafter referred to as the Group or CFE).

As of the date of its incorporation, CFE'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.

CFE'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 the Irrevocable Trust of Administration and Source of Payment No. 80757 (hereinafter the Promoted Trust), the Irrevocable Trust of Issuance of Stock Certificates CIB/2919 (hereinafter Fibra E) and CFE Capital.

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

The Productive Subsidiary Entities are subject to the provisions of Articles 3, 7 and 8 of the CFE Law, and their business purpose are the activities defined by CFE's Board of Directors, and they are bound by the provisions of the Electric Industry Law, and 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 has to observe in carrying out the Generation, Transmission, Distribution, Commercialization and Supply of Primary Inputs activities, so that its participation in the market is 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 CFE and other applicable legal provisions.

- CFE Transmisión, EPS; the business purpose of this entity is to carry out the activities needed 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 CFE and other applicable legal provisions.

- CFE Suministrador de Servicios Básicos, EPS; the business purpose of this entity is to provide the basic supply of electricity services 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, corporate governance and 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, CFE, EPE (Holding Entity) no longer carries out the independent activities related to the transmission, distribution, basic supply and commercialization (other than the basic supply and supply of primary inputs) of electricity. These activities are carried out by the Productive Subsidiary Entities as of such date.

As of February 1, 2017, CFE, EPE (Holding Entity) 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.

c) Incorporation of the Affiliated Entities

According to the CFE Law, Affiliated Entities are those in which CFE holds, directly or indirectly, more than fifty percent of their equity interest, regardless of whether they are incorporated under Mexican or foreign laws.

The Affiliated Entities are not state-owned entities and have legal status, and they are 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 business purpose of this entity is to manage, on behalf of CFE, the legacy interconnection contracts, agreements for the purchase and sale of surplus electricity and all the other related agreements entered into by CFE, and to represent the Power Plants and Load Centers included in the legacy interconnection contracts in the Wholesale Electricity Market as an Intermediary Generator, without carrying 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 business purpose of this entity is to carry out the 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.

a) 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.

b) Long-Term Auctions and Clean Energy Certificates

The procedures for the Medium- and Long-Term Auctions were established in the Wholesale Electricity Market, which are defined in the 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 the generation of electricity, 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 the generation of electricity, 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 had a different volume based on the Bid Commercial Operation Date). The hedging agreements resulting from this Auction became 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 become 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.

On December 3, 2018, the CENACE issued the suspension agreement of Long-Term Auction SLP-1/2018 due to the change in management of CFE Suministrador de Servicios Básicos, the Ministry of Energy (SENER) and CENACE.

On January 31, 2019, the SENER issued official document number SENER.100/2019/075 addressed to the CENACE whereby it informs of the cancellation of Long-Term Auction SLP-1/2018.
On March 29, 2019, the SENER issued official document SENER.100/2019/231 addressed to the CENACE whereby it informs of the temporary suspension of Mid-Term Auction SMP-1/2018

c) Assets contributed by the Federal Government

On October 7, 2015, the Ministry of Public Administration (SFP, Spanish acronym) through its decentralized body, 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.

CFE also obtained full 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 were included in the Plants, facilities and equipment and Other intangible assets captions, and an additional amount of $63,000 was recognized related to these types of assets. As at 30 September 2019, this activity is still ongoing.

d) Amendments to the Collective Labor Agreement

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

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

e) Assumption of CFE's pension and retirement payment obligations by the Federal Government

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 pension and retirement payment obligations are issued" in the Official Gazette, whereby the Federal Government through the SHCP, assumed a portion of the pension and retirement payment obligations actuarially recognized and accounted for in CFE's financial statements, corresponding to the workers that were hired on or prior to August 18, 2008.

The Federal government 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 CCT 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, derived from the amendments to the CCT.

On December 19, 2016, through official document No. 35.-187/2016, the Public Credit Unit of the SHCP, informed 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.

## 2. Basis of preparation of the consolidated financial statements

a) Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Changes in accounting policies and disclosures

The accounting policies applied in the preparation of the condensed consolidated financial statements as at 30 September 2019 are consistent with those used in the preparation of CFE's annual consolidated financial statements for the years ended 31 December 2018 and 2017.

CFE applied IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" that became effective on 1 January 2018, on a retrospective basis.

The effect of the initial adoption of these standards is mainly attributable to the cancellation of the revenue that does not meet the requirements set forth in IFRS 15 - Step 1, identify the contract, since CFE performed an assessment and determined that certain contracts correspond to revenue that will not be recovered despite the fact that the electricity was delivered, since these contracts are from areas that have problems related to the regularization of rates and social resistance and the uncollected amounts of the electricity delivered are more than one year past due.

The nature and effect of changes resulting from the adoption of these new accounting standards is described below:

b) IFRS 16, Leases

The accounting policies applied in the preparation of the condensed consolidated financial statements for the period ended 30 September 2019 are consistent with those used in the preparation of CFE's annual consolidated financial statements for the years ended 31 December 2018 and 2017.

The Company applied IFRS 16 Leases, which became effective on January 1, 2019, on a retrospective basis. The cumulative effect of initially applying IFRS 16 recognized in the statement of financial position as at 31 December 2017 is $41,139,918.

IFRS 16 introduces significant changes to lessee accounting by removing the distinction between operating and finance leases, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Impact of the new definition of a lease

The change in the definition of a lease relates mainly to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which differs from the risks and rewards approach under IAS 17 and IFRIC 4.

CFE applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019.

Impact on lessee accounting

(i) Former operating leases

IFRS 16 changes how CFE accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), CFE will:

Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments.

Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as computers, small pieces of office furniture and telephones), CFE has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

(ii) Former financial leases

The main differences between IFRS 16 and IAS 17 with respect to leases formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that CFE recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on CFE's consolidated financial statements.

Impact on lessor accounting

IFRS 16 does not contain substantial changes to lessor accounting. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and accounts for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Financial impact of adoption of IFRS 16

The table below set out the adjustments to the assets and liabilities in the consolidated financial statements affected by the initial application of IFRS 16 for the current and prior period.

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| Impact on the consolidated condensed statement of income | September 2019 | September 2018 |
|---|---|---|
| Depreciation of right-of-use assets | 11,833,665 | 9,889,088 |
| Finance expense | 10,004,944 | 8,155,447 |
| Exchange differences | (8,475,253) | (16,367,983) |
| Rental expense | (13,998,199) | (13,438,208) |
| Deferred tax | 194,636 | 3,530,594 |
| Increase (decrease) in profit or loss | (440,207) | (8,231,062) |

| Impact on assets, liabilities and retained earnings (accumulated deficit) as at 31 December 2018 | Previously reported | Reclassification / Adjustment due to IFRS 16 | Restated |
|---|---|---|---|
| Property, plant and equipment, net | 1,243,525,992 | (56,935,734) | 1,186,590,258 |
| Right-of-use asset | - | 370,507,466 | 370,507,466 |
| Security deposits | 3,843,963 | ( 6,987) | 3,836,976 |
| Deferred taxes | 157,561,570 | 20,091,183 | 177,652,753 |
| Net impact on total assets | 1,404,931,525 | 333,655,928 | 1,738,587,453 |
| Short-term debt | 48,406,140 | (8,576,870) | 39,829,270 |
| Long-term debt | 422,225,594 | (107,429,880) | 314,795,714 |
| Capital lease obligations | | 496,549,096 | 496,549,096 |
| Net impact on total liabilities | 470,631,734 | 380,542,346 | 851,174,080 |
| Retained earnings (accumulated deficit) | 144,807,764 | (46,886,418) | 97,921,346 |

| Impact on assets, liabilities and retained earnings (accumulated deficit) as at 31 December 2017 | Previously reported | Reclassification / Adjustment due to IFRS 16 | Restated |
|---|---|---|---|
| Property, plant and equipment, net | 1,252,938,487 | (62,090,184) | 1,190,848,303 |
| Right-of-use asset | | 301,587,555 | 301,587,555 |
| Deferred taxes | 76,867,662 | 17,631,393 | 94,499,055 |
| Net impact on total assets | 1,329,806,149 | 257,128,764 | 1,586,934,913 |
| Short-term debt | 56,619,730 | (8,121,848) | 48,497,882 |
| Long-term debt | 401,156,627 | (114,103,819) | 287,052,808 |
| Capital lease obligations | | 420,494,349 | 420,494,349 |
| Net impact on total liabilities | 457,776,357 | 298,268,682 | 756,045,039 |
| Retained earnings (accumulated deficit) | 100,140,833 | (41,139,918) | 59,000,915 |

c) IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". The new revenue recognition standard seeks to standardize the multiple regulations previously included in various standards, and may require the use of more judgments and estimates than with the revenue recognition processes under the existing revenue recognition standards.

IFRS 15 replaces IAS 11 "Construction Contracts" ("IAS 11"), IAS 18 "Revenue" ("IAS 18") and related Interpretations, and is applied, with limited exceptions, to all the revenue from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 also requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard also requires extensive disclosures.

The two transition methods allowed under the new standard are the full retrospective approach and the modified retrospective approach. CFE elected to use the full retrospective approach; the initial effects of the adoption of IFRS 15 were recognized in retained earnings as at 1 January 2016.

It is important to mention that the effects of IFRS 15 gave rise to a decrease in accounts receivable since revenue from the conflict areas is not recognized and thus, a decrease in the allowance.

Electricity supply services

Through 31 December 2017, revenue from electricity supply services was recognized when the electricity was delivered to the customers, which was considered to be the point in time at which the customer accepts the electricity and the risks and benefits related to the transfer of ownership. Other criteria that was applied for revenue recognition included that both revenue and costs could be measured reliably by CFE, it was probable that the economic benefits associated with the transaction would flow to CFE and CFE did not retain continuing involvement over the goods sold.

Under IFRS 15, revenue is recognized when a customer obtains control of a good or service, and the first step is the identification of a contract. Among other requirements, IFRS 15 requires that the collectability of a contract be reasonably assured to be able to recognize it as revenue. CFE identified that certain divisions have problems related to regularization of rates and social resistance and the customers no longer have the capacity to pay or are not willing to pay the amount owed. In view of the above, CFE performed a new assessment of these contracts, and has preliminarily determined that they do not meet the revenue recognition requirements since the customers do not have the ability nor the intention to pay the amounts owed. In view of the above, CFE performed a new assessment of these contracts, and has preliminarily determined that they do not meet the revenue recognition requirements and therefore, it does not recognize revenue on the electricity delivered to these customers since it does not expect to collect them.

Specifically, CFE considered that in the following cases a contract was not identified under IFRS 15. This determination gives rise to the main effects of the adoption of this standard:

a) Customers have been identified in different parts of the country called "conflict areas" for which a flow of resources to the entity is considered to be unlikely. As a result, CFE does not recognize such revenue.

The customers considered in the unrecognized revenue have two characteristics in common:

(a) Their account receivable is more than 360 days overdue.

(b) They are identified by each one of the divisions as conflict areas.

There are users in different geographical areas in Mexico that receive their supply of electricity illegally. The illegal use of electricity is primarily through illegal connections to the CFE network. Since there is no signed agreement between CFE and the customer, even though it has been identified that the customer is consuming electricity through illegal means and has been informed of this fact, revenue is recognized until such agreement is formalized or the related collection is carried out.

i) IFRS 9, Financial Instruments

IFRS 9, Financial Instruments was issued in July 2014 and supersedes IAS 39, Financial Instruments, and is related to the recognition and measurement of financial instruments, impairment value and hedge accounting.

As a result of the adoption of IFRS 9, CFE has adopted consequential amendments to IAS 1 Presentation of Financial Statements which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Previously, CFE's approach was to include the impairment of trade receivables in other expenses. Consequently, CFE reclassified impairment losses recognized under IAS 39 from 'other expenses' to 'impairment losses on trade receivables and contract assets' in the statement of comprehensive income for the years ended 31 December 2017 and 2016.

The change in the methodology used from IAS 39 to IFRS 9 resulted in a decrease in the estimated allowance for accounts receivable. The most important changes are as follows: I) the early recognition of the allowance for accounts receivable in the stage of delinquency prior to 360 days in the accounts receivable portfolio II) reserving the full balance of the bad debt balances, notes receivable for regularizations, consumers of the state and federal government and notes receivable regardless of their stage of delinquency and III) the allowance for accounts receivable of the different portfolios of the different entities that make up CFE.

IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to the financial assets measured at amortized cost, the contract assets and the debt investments to be measured at fair value with value changes recognized in OI, but not to the investments in equity instruments.

The methodology used prior to IAS 39 was an incurred loss model, whereby CFE reserved the full amount of the outstanding balance more than 330 days overdue for cash count, and for bad debt balances, regularization notes receivable and federal and state government consumers, more than 730 days overdue. Also, only 10% of the full balance of regular notes receivable was reserved.

For the expected credit loss model under IFRS 9, CFE uses the Roll Rate (RR) model or matrices for the Basic Supply portfolio, which analyzes the historical portfolio information and calculates the percentage of customers or amounts that have rolled from one delinquency stage to the next at any given time, and the Loss Rate Approach (LRA) model for the portfolios of the other subsidiaries, which uses an approach where the probability of default is assessed as a measure based on past losses, it specifically analyzes the historical information of the portfolio and calculates the percentage of impaired customer balances.

In the case of the allowance for bad debts, general agreements and government agreements, there is no historical information that would allow to use an impairment model similar to the one described above. To ensure that the current policy complies with the regulatory requirements of IFRS 9, the general agreements, government agreements and allowance for bad debt regular accounts will be provided for in full.

With respect to the Loss Given Default (LGD) parameter, an analysis is performed whereby the recovery of the EOD (Exposure of Default) amounts is estimated using information from the allocation of recovery by external agents in the case of the Roll Rate (RR) model; in the case of the LRA model, the estimation of probability of default (PD) and severity of loss is carried out jointly, i.e. the individual calculation of the LGD is not carried out.

IFRS 9 includes a rebuttable presumption that a financial asset that is more than 90 days past due should be considered as overdue or in default. Notwithstanding the above, to extend the period referred to above, CFE Suministro Básico carried out an analysis as at 1 January 2016 whereby the collection and recovery were identified using the general cash count portfolio. Based on the analysis, it was concluded that the EOD gap is beyond the 360-day period given that the historical probability of recovery after this period is estimated at 2%, a percentage that is considered significant due to the size of the portfolio. In the case of the other subsidiaries, since their terms are shorter, they use the EOD recommended by the standard of 90 days. When the portfolio balances are more than 30 days past due, CFE considers them as a significant increase in risk.

Under the IFRS 9 general model, CFE has adopted a criterion based on a forward-looking analysis of the macroeconomic conditions and historical PDs. This model allows to adjust the PDs observed on a historical basis with the forward-looking factors that at the time result relevant. The forward-looking factors are observable public economic variables that, through statistical methods, allow to predict or discard an increase in the credit risk of the portfolio. This model allows to adjust the PDs observed on a historical basis with the forward-looking factors that at the time result relevant. The forward-looking factors are observable public economic variables that, through statistical methods, allow to predict or discard an increase in the credit risk of the portfolio.

CFE has considered the following economic variables for its analysis: Global indicator of economic activity, MXP/USD exchange rate, daily wage, reference rate of Banco de México, interbank reference rates, unemployment rate.

Based on the statistical results, it was determined that the PDs of the selected key nodes do not correlate significantly with respect to each of the forward-looking factors analyzed, therefore, CFE considers that there are no factors in the economy in general that could prospectively affect the probabilities of default.

CFE uses the estimated factors described above to calculate the estimated credit loss allowance.

**a) Basis of Preparation**

The condensed consolidated financial statements have been prepared on a historical-cost basis, except for CFE's derivative financial instruments and plants, facilities and equipment (as at 31 December 2016), which are recognized at fair value, and the defined benefit plans which are recognized at the present value of the defined benefit obligation minus the fair value of the plan's assets.

**b) Functional currency and presentation of the financial statements**

The condensed consolidated financial statements and notes thereto are presented in Mexican pesos, CFE's reporting currency, which is the same as its functional currency.

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

**c) Condensed consolidated statements of comprehensive income**

CFE has elected to present comprehensive income in a single Statement of Comprehensive Income that includes net profit or loss and other comprehensive income (OCI).

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

**3. The accounting policies followed by CFE in the preparation of the financial statements are described below:**

**a) Cash and cash equivalents**

Cash and cash equivalents are represented by cash, bank deposits, and temporary and short-term investments. Cash and bank deposits are presented at nominal value and the returns on these investments are recognized in the income statement as they accrue.

Cash equivalents correspond to readily marketable investments with short-term maturities, and are valued at fair value and the risk of changes in their value is low.

### b) 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

### c) 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.

### d) 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).

### Derivative financial instruments and hedge accounting

Derivative financial instruments are recognized at fair value in the statement of financial position. The fair value of derivative financial instruments is determined based on generally accepted valuation techniques. Consistent with the risk strategy, CFE enters into derivative financial instruments contracts to mitigate foreign exchange and interest rate risks, through interest-rate swaps, Cross Currency Swaps and foreign exchange Forwards.

The policies include the formal documentation of all hedging relationships between the hedging instrument and the hedged position, the objectives for risk management and the strategies for conducting hedging transactions.

The effectiveness of the hedge derivatives is assessed prior to their designation as hedges, as well as during the hedging period, which is performed at least quarterly. When it is determined that a derivative is not highly effective as a hedge, CFE discontinues hedge accounting prospectively.

CFE suspends cash flow hedge accounting when the derivative expires, has been canceled or executed, is not effective enough to offset the changes in the fair value or cash flows of the hedged item, or when CFE decides to cancel the hedging 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.

The effective portion of the changes in the fair value of the derivative financial instruments designated as cash-flow hedges is recognized in Equity in the Other comprehensive income caption, while the ineffective portion is recognized in profit or loss. The effective portion recognized in Equity is recycled in the income statement in the periods when the hedged item affects profit or loss and is presented in the same caption of such statement where the corresponding primary position is presented.

The hedging policies establish that derivative financial instruments that do not qualify as hedges are classified as held-for-trading; therefore, the changes in the fair value are recognized immediately in profit or loss.

**CFE recognizes revenue primarily from the following sources:**

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

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

Prior to the entry into force of IFRS 15, revenue from the sale of electricity was fully recognized, including the revenue from conflict areas.

**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 CFE has completed the customer's connection to the network. Customers have the option to choose their electricity provider between either CFE or another company. The revenues are presented as part of the Other revenue caption.

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

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

## 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 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | As at 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Financial assets: | | | |
| Cash and cash equivalents (1) | $ 57,243,522 | $ 78,483,263 | $ 67,237,901 |
| Accounts receivable (2) | 118,011,949 | 99,175,895 | 95,067,522 |
| Loans to workers (2) | 13,487,671 | 12,367,879 | 12,339,195 |
| Derivative financial instruments (1) | 14,101,700 | 17,783,141 | 16,084,937 |
| Financial liabilities: | | | |
| Short- and long-term debt (2) | $ 361,231,224 | $ 354,624,984 | $ 334,117,238 |
| Suppliers and contractors (1) | 43,306,447 | 60,377,913 | 59,849,154 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| | | | |
|---|---|---|---|
| Deposits from users and contractors (1) | 28,505,897 | 25,619,843 | 22,974,717 |

(1) Fair value
(2) Amortized cost

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

To mitigate the effects of its debt related risks, CFE 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.

| | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Less than 90 days | $ 3,031,228 | $ 3,778,989 | $ 2,431,134 |
| From 90 to 180 days | 2,931,934 | 3,498,198 | 2,350,281 |
| More than 180 days | 12,639,110 | 13,812,362 | 10,795,106 |
| | **$ 18,602,272** | **$ 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 CFE is mainly through contracted debt, the leasing of plants, facilities, and equipment and PIDIREGAS. To manage liquidity risk, CFE periodically performs cash flow analyses and maintains open lines of credit with financial institutions and suppliers.

In addition, CFE's budget is controlled by the Federal Government, consequently, the net debt ceiling authorized on an annual basis by the Federal Congress based on CFE's budgeted revenues, cannot be exceeded.

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

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| 30 September 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 | $ | 19,006,090 | $ | 41,933,470 | $ | 45,917,364 | $ | 106,939,820 | $ | 213,796,744 |
| Interest payable on documented debt | | 12,241,312 | | 19,993,090 | | 16,537,522 | | 51,358,165 | | 100,130,089 |
| PIDIREGAS debt and capital lease obligations | | 15,780,902 | | 25,708,484 | | 22,326,457 | | 81,655,008 | | 145,470,851 |
| Interest payable on PIDIREGAS debt | | 12,439,833 | | 21,194,304 | | 16,504,771 | | 38,739,477 | | 88,878,385 |
| Suppliers and contractors | | 43,306,447 | | - | | - | | - | | 43,306,447 |
| Other liabilities | | 32,913,446 | | - | | - | | - | | 32,913,446 |
| Total | $ | 135,688,030 | $ | 108,829,348 | $ | 101,286,114 | $ | 278,692,470 | $ | 624,495,962 |

| 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 | | 60,377,913 | | - | | - | | - | | 60,377,913 |
| Other liabilities | | 18,007,260 | | - | | - | | - | | 18,007,26 |
| Total | $ | 131,451,334 | $ | 107,474,216 | $ | 68,748,363 | $ | 287,764,099 | $ | 595,438,012, |

| 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 | $ | 25,918,516 | $ | 29,320,404 | $ | 20,473,272 | $ | 131,209,737 | $ | 206,921,929 |
| 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 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

## Market risk

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

## Foreign currency exchange risk management

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

| | Total debt as at 30 September 2019 million pesos | Total debt as at 31 December 2018 million pesos | Total debt as at 31 December 2017 million pesos |
|---|---|---|---|
| Local currency | 160,686 | 154,334 | 169,449 |
| Foreign currency | 196,425 | 191,061 | 163,047 |

CFE 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 CFE's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are discussed in nota 18.

## 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, CFE 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 CFE 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 CFE measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

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

Valuation techniques and assumptions used in determining fair value

| | 30 September 2019 | | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| Cash and cash equivalents | $ 57,243,522 | $ 57,243,522 | $ 78,483,263 | $ 78,483,263 | $ 67,237,901 | $ 67,237,901 |
| Accounts receivable | 118,011,949 | 118,011,949 | 99,175,895 | 99,175,895 | 95,067,520 | 95,067,520 |
| Loans to workers | 13,487,671 | 13,487,671 | 12,367,879 | 12,367,879 | 12,339,195 | 12,339,195 |
| Suppliers and contractors | 43,306,447 | 43,306,447 | 60,377,913 | 60,377,913 | 59,849,154 | 59,849,154 |
| Documented debt | 213,796,743 | 229,425,080 | 216,045,238 | 270,631,391 | 206,921,928 | 233,791,475 |
| PIDIREGAS debt | 145,470,851 | 162,570,271 | 131,085,031 | 142,421,039 | 127,195,310 | 200,505,520 |

The fair value of CFE'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.

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

- 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** | | | | |
|---|---|---|---|---|---|---|
| | | **30 September 2019** | | **31 December 2018** | | **31 December 2017** |
| **Available-for-sale financial assets:** | | | | | | |
| Temporary investments | $ | 11,855,853 | $ | 14,666,617 | $ | 25,232,468 |
| Total | $ | 11,855,853 | $ | 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 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | | **30 September 2019** | | **31 December 2018** | | **31 December 2017** |
|---|---|---|---|---|---|---|
| Cash on hand and cash in banks | $ | 45,378,848 | $ | 63,807,825 | $ | 41,996,612 |
| Temporary investments | | 11,855,853 | | 14,666,617 | | 25,232,468 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| | | | |
|---|---|---|---|
| Stock certificates | 8,821 | 8,821 | 8,821 |
| Total | $ 57,243,522 | $ 78,483,263 | $ 67,237,901 |

## 6. Accounts receivable, net

An analysis of CFE's accounts receivable as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Public consumers (*) | $ 60,219,921 | $ 57,453,309 | $ 60,335,248 |
| Government agency consumers (*) | 25,364,893 | 22,060,633 | 20,887,093 |
| | 85,584,814 | 79,513,942 | 81,222,341 |
| Impairment of receivables | (27,226,143) | (28,446,893) | (25,049,197) |
| | 58,358,671 | 51,067,049 | 56,173,144 |
| Other accounts receivable | 28,518,825 | 37,205,453 | 33,512,182 |
| Value added tax | 31,134,453 | 10,903,393 | 5,382,194 |
| **Total** | **$ 118,011,949** | **$ 99,175,895** | **$ 95,067,520** |

(*) 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 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Beginning balance | $ 28,446,893 | $ 25,049,197 | $ 26,493,149 |
| Increase | 59,786 | 4,706,151 | 239,337 |
| Charges | (1,280,536) | (1,308,455) | (1,683,289) |
| **Ending balance** | **$ 27,226,143** | **$ 28,446,893** | **$ 25,049,197** |

## 7. Inventory of operating materials

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

An analysis of inventory of operating materials as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | As at 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Spare parts and equipment | $ 2,249,600 | $ 1,974,821 | $ 2,570,001 |
| Fuel and lubricants | 16,368,582 | 13,607,510 | 11,481,771 |
| Nuclear fuel | 3,590,892 | 4,160,798 | 3,994,473 |
| | 22,209,074 | 19,743,129 | 18,046,245 |
| Allowance for obsolescence | (4,285,145) | (4,205,664) | (3,403,252) |
| Total | $ 17,923,928 | $ 15,537,465 | $ 14,642,993 |

## 8. Plants, Facilities and Equipment, net

An analysis of Plants, facilities and equipment, net, as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | Plants, facilities and equipment, net | | | | |
|---|---|---|---|---|---|
| | 31 December 2018 | Acquisitions | Retirements | Depreciation for the period | 30 September 2019 |
| Plants, facilities and equipment in operation | $1,986,326,296 | $40,080,137 | ($6,135,148) | | $2,020,271,285 |
| Capitalized spare parts | 7,306,914 | 592,621 | | | 7,899,535 |
| Construction in progress | 32,189,380 | | (5,885,101) | | 26,304,279 |
| Advances and materials for construction | 14,044,721 | 266,810 | | | 14,311,531 |
| Subtotal | 2,039,867,311 | 40,939,568 | (12,020,249) | 0 | 2,068,786,630 |
| Accumulated depreciation | (853,277,054) | | 20,915,340 | (53,028,886) | (885,390,600) |
| Total | $1,186,590,257 | $40,939,568 | $8,895,091 | ($53,028,886) | $1,183,396,029 |

| | 31 December 2017 | Acquisitions | Retirements | Depreciation for the period | Reversal of impairment of assets | 31 December 2018 |
|---|---|---|---|---|---|---|
| Plants, facilities and equipment in operation | 1,990,250,148 | 5,672,205 | 9,596,057 | - | - | 1,986,326,296 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| | | | | | | |
|---|---|---|---|---|---|---|
| Capitalized spare parts | 7,233,445 | 73,469 | - | - | - | 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 | 20,450,564 | 9,596,057 | - | - | 2,039,867,311 |
| Accumulated depreciation | (809,483,251) | - | (8,587,789) | (52,381,592) | - | (853,277,054) |
| Impairment | (28,681,250) | - | (25,663,655) | - | (3,017,595) | - |
| Total | 1,190,848,303 | 20,450,564 | (24,655,387) | (52,381,592) | (3,017,595) | 1,186,590,257 |

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

| | 31 December 2016 | Acquisitions | Retirements | Depreciation for the period | Reversal of impairment of assets | 31 December 2017 |
|---|---|---|---|---|---|---|
| Plants, facilities and equipment in operation | $ 1,943,244,845 | $ 6,682,159 | $ 19,676,856 | $ - | - | $ 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 |

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.

As at 31 December 2017 CFE 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.

**Construction in progress -** an analysis of the construction in progress balances as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| **Plant:** | **30 September 2019** | **31 December 2018** | **31 December 2017** |
|---|---|---|---|
| Steam | $ 33,193 | $ 24,587 | $ 326 |
| Hydroelectric | 1,111,228 | 1,180,110 | 1,248,917 |
| Nuclear power | 248,696 | 589,870 | 1,316,029 |
| Turbo gas and combined cycle | 11,309,705 | 11,171,320 | 416,051 |
| Geothermal | 176,909 | 870,738 | 1,220,462 |
| Internal combustion | 595,589 | 682 | 682 |
| Transmission lines, networks and substations | 11,244,969 | 16,698,221 | 14,594,645 |
| Offices and general facilities | 1,583,990 | 1,653,852 | 1,110,823 |
| Total | $ 26,304,279 | $ 32,189,380 | $ 19,907,935 |

Fair value measurement

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.

| Valuation technique | Significant unobservable inputs | Interrelationship between the key unobservable inputs and the measurement of fair value |
|---|---|---|

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

## 9. Right-of-use Asset

Leases

CFE has elected to adopt IFRS 16 Leases as at 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.

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

An analysis of the net balances of the Right-of-use assets as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

**As at 30 September 2019**

| | Right-of-use asset, net | | | | | | |
|---|---|---|---|---|---|---|---|
| | **as at 31 December 2018** | **Acquisitions** | **Retirements** | **Security Deposit** | **Restatement** | **Depreciation for the year** | **31 September 2019** |
| Property | 406,556 | 21,516 | 13,274 | 112 | 164 | - | 415,074 |
| Automotive equipment | 2,525 | - | - | - | - | - | 2,525 |
| Furniture and equipment | 54,681 | - | - | 113 | - | - | 54,794 |
| Technological equipment | 1,569 | - | - | - | - | - | 1,569 |
| Infrastructure | 111,690,938 | 10,712,889 | - | - | - | - | 122,430,374 |
| Gas pipelines | 322,680,087 | 133,371,299 | - | - | - | - | 456,051,386 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Subtotal | 434,836,355 | 144,105,929 | 13,274 | 225 | 164 | - | 578,955,722 |
| Accumulated depreciation | (64,328,889) | - | - | | - | (15,699,729) | (80,028,618) |
| Total | **370,507,466** | **144,132,251** | **13,274** | **225** | **164** | **(15,699,729)** | **498,927,104** |

## As at 31 December 2018

| | Right-of-use asset, net | | | | | |
|---|---|---|---|---|---|---|
| | **31 December 2017** | **Acquisitions** | **Retirements** | **Security deposits** | **Depreciation for the year** | **31 December 2018** |
| Property | 240,818 | 165,597 | - | 141 | - | 406,556 |
| Automotive equipment | 2,384 | - | - | 141 | - | 2,525 |
| Furniture and equipment | 753 | 53,928 | - | - | - | 54,681 |
| Technological equipment | 1,569 | - | - | - | - | 1,569 |
| Infrastructure | 111,690,938 | - | - | - | - | 111,690,938 |
| Gas pipelines | 235,236,054 | 87,444,032 | - | - | - | 322,680,086 |
| Subtotal | 347,172,516 | 87,663,557 | - | 282 | - | 434,836,355 |
| Accumulated depreciation | (45,584,961) | - | - | - | (18,743,928) | (64,328,889) |
| Total | **301,587,555** | **87,663,557** | **-** | **282** | **(18,743,928)** | **370,507,466** |

## As at 31 December 2017

| | Right-of-use asset, net | | | | | |
|---|---|---|---|---|---|---|
| | **1 January 2017** | **Acquisitions** | **Retirements** | **Restatement** | **Depreciation for the year** | **31 December 2017** |
| Property | 211,099 | 29,719 | - | - | - | 240,818 |
| Automotive equipment | 2,384 | - | - | - | - | 2,384 |
| Furniture and equipment | - | 753 | - | - | - | 753 |
| Technological equipment | 1,569 | - | - | - | - | 1,569 |
| Infrastructure | 111,682,432 | 8,506 | - | - | - | 111,690,938 |
| Gas pipelines | 138,659,389 | 96,576,665 | - | - | - | 235,236,054 |
| Subtotal | 250,556,873 | 96,615,643 | - | - | - | 347,172,516 |
| Accumulated depreciation | | | - | - | (45,584,961) | (45,584,961) |
| Total | **250,556,873** | **96,615,643** | **-** | **-** | **(45,584,961)** | **301,587,555** |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

## 10. Intangibles and Other Assets

An analysis of Intangibles and other assets as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Rights of way (1) | $ 35,656,795 | $ 30,444,834 | $ 29,979,671 |
| Deposits and advances | 8,482,098 | 3,836,976 | 2,857,315 |
| Total | $ 44,138,893 | $ 34,281,810 | $ 32,836,986 |

(1) Includes rights of way in the amount of $24,064,610 that are part of the assets contributed by the Federal Government to CFE 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. CFE mainly uses foreign exchange "cross currency swaps" and "forwards" to mitigate its foreign currency risk. To reduce its interest rate risk exposure, CFE uses interest rate swaps.

Also, for the periods ended 30 September 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 30 September 2019 amounts to $14,101,700 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 30 September 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 $413,239 in September 2019 and an asset of $24,963 as at 31 December 2018 and a liability of $438,115 as at 31 December 2017.

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

This transaction consists of a series of currency forwards that allow CFE 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.

CFE 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 CFE 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 30 September 2019 and 31 December 2018 and 2017 as follows:

| | | | Thousands of pesos | | |
|---|---|---|---|---|---|
| **Instrument** | **Underlying** | **Maturity** | **30/09/2019** | **31/12/2018** | **31/12/2017** |
| FWD JPY/USD | Exchange rate and interest rate | 2036 | (413,239) | 24,963 | (438,115) |
| | | Total | **(413,239)** | **24,963** | **(438,115)** |

**Financial instruments for hedging purposes –** As at 30 September 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 condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| Instrument | Underlying | Type of hedge | Maturity date | Primary Position (Lines/Bonds) | Hedge Ratio | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|---|---|---|---|---|
| CCS | Exchange rate and interest rate | Cash flow | 2021 | 1100000074 to 76 | 100% | 896,875 | 237,481 | 339,264 |
| CCS | Exchange rate and interest rate | Cash flow | 2022 | 1100000077 to 79 | 100% | 50,606 | 71,531 | 93,469 |
| CCS | Exchange rate and interest rate | Cash flow | 2023 | 1100000080 | 100% | 922,027 | 1,815,259 | 3,971,843 |
| CCS | Exchange rate and interest rate | Cash flow | 2024 | 1100002956 | 100% | 2,755,458 | 3,835,201 | 5,081,946 |
| CCS | Exchange rate and interest rate | Cash flow | 2027 | 1100003606 | 100% | 1,716,134 | 2,585,145 | 2,589,860 |
| CCS | Exchange rate and interest rate | Cash flow | 2032 | 1200002801 | 100% | 223,268 | 387,053 | (427,998) |
| CCS | Exchange rate and interest rate | Cash flow | 2036 | 1200000551 | 100% | 2,992,476 | 4,718,366 | 4,763,554 |
| CCS | Exchange rate and interest rate | Cash flow | 2042 | Pidiregas Line BOND 2042 | 100% | 501,375 | 1,015,880 | - |
| CCS | Exchange rate and interest rate | Cash flow | 2047 | Formosa 1 | 100% | 573,897 | 1,210,485 | - |
| CCS | Exchange rate and interest rate | Cash flow | 2045 | BOND 2045 | 60% | 2,917,940 | | |
| CCS | Exchange rate and interest rate | Cash flow | 2048 | Formosa 2 | 100% | 940,300 | 1,714,359 | - |
| Participating Swap | Exchange rate and interest rate | Cash flow | 2027 | Bond 2027 | 100% | 118,002 | 83,185 | (108,664) |
| Forwards | Exchange rate | Cash flow | Less than one year | CFE Qualified | 100% | 6 | 115 | 105,058 |
| IRS | Interest rate | Cash flow | 2023 | NAFIN Line | 100% | (110,062) | | |
| IRS | Interest rate | Cash flow | 2020 | 1100003807, 1200001251 and 1200001451 | 100% | 9,779 | 84,118 | 114,720 |
| Options | Exchange rate | Cash flow | 2019 | Current expense | 100% | 8,720 | | |
| CCS | Exchange rate/Commodities | Cash flow | 2020 | Sale of Energy | 100% | (1,862) | | |
| | | | **Subtotal** | | | **14,514,939** | **17,758,178** | **16,523,052** |
| CCS | Exchange rate JPY/USD | Trading | | Line of credit in yens | N/A | **(413,239)** | **24,963** | **(438,115)** |
| | **Total thousands of Mexican pesos** | | | | | **14,101,700** | **17,783,141** | **16,084,937** |

The table above includes the mark to market of the hedging derivatives. As at 30 September 2019, the total mark to market corresponding to the hedging and trading derivatives was $14,101,700 based on their carrying amount.

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

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

**b. Measurement of fair value**

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**

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 the derivative financial instruments (Mark to Market) effective as at 30 September 2019, before considering credit risk, amounts to $14,526,274 which is included in the balance sheet and represents the amount in favor of CFE 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.

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

As at 30 September 2019, the adjustments to fair value based on the CVA (Credit Valuation Adjustment) are shown below:

| Counterparty | Fair value MTM subject to CVA | Adjusted fair value MTM | Adjustment as at 30 September 2019 |
|---|---|---|---|
| BBVA BANCOMER | 785,427 | 771,682 | 13,745 |
| BNP PARIBAS | 560,140 | 551,794 | 8,346 |
| CITIBANAMEX | 2,504,111 | 2,411,731 | 92,380 |
| CREDIT AGRICOLE | 1,877 | 1,844 | 33 |
| CREDIT SUISSE | 167,276 | 163,897 | 3,379 |
| DEUTSCHE BANK | 2,285,848 | 2,197,614 | 88,234 |
| GOLDMAN SACHS | 4,210,180 | 4,100,716 | 109,464 |
| HSBC | (108,158) | (108,188) | 30 |
| JP MORGAN | 228,252 | 224,006 | 4,246 |
| MORGAN STANLEY | 1,336,554 | 1,297,744 | 38,810 |
| SANTANDER | 1,197,031 | 1,176,769 | 20,262 |
| BARCLAYS BANK | 1,429,334 | 1,390,589 | 38,745 |
| BANK OF AMERICA | 341,635 | 334,735 | 6,900 |
| MONEX | 6 | 6 | 0 |
| GOLDMAN SACHS (Trading) | (413,239) | (413,239) | 0 |
| | **14,526,274** | **14,101,700** | **424,574** |

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 |
|---|---|---|---|
| CREDIT SUISSE | 227,559 | 225,761 | 1,798 |
| DEUTSCHE BANK | 3,051,653 | 2,977,803 | 73,850 |
| MORGAN STANLEY | 2,232,949 | 2,146,936 | 86,013 |
| SANTANDER | 1,687,633 | 1,679,195 | 8,438 |
| BNP PARIBAS | 771,993 | 767,593 | 4,400 |
| BBVA BANCOMER | 1,081,491 | 1,074,569 | 6,922 |
| GOLDMAN SACHS | 5,035,369 | 4,976,669 | 58,700 |
| CITIBANAMEX | 1,088,699 | 1,082,711 | 5,988 |
| CREDIT AGRICOLE | 7,694 | 7,650 | 44 |
| HSBC | 7,793 | 7,763 | 30 |
| JP MORGAN | 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 condensed consolidated financial statements for the nine-month period ended 30 September 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 | 0 |
| DEUTSCHE BANK | 3,102,561 | 3,102,561 | 0 |
| MORGAN STANLEY | 2,811,977 | 2,663,721 | 148,256 |
| SANTANDER | 3,133,420 | 3,133,420 | 0 |
| BNP PARIBAS | 1,409,163 | 1,408,675 | 488 |
| BBVA BANCOMER | 2,270,034 | 2,270,034 | 0 |
| GOLDMAN SACHS | 2,234,522 | 2,234,522 | 0 |
| CITIBANAMEX | 128,596 | 128,426 | 170 |
| CREDIT AGRICOLE | 14,663 | 14,663 | 0 |
| 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) | 0 | (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 establishes 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 CFE's Mark-to-Market for derivatives financial instruments as at 30 September 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, CFE follows a policy of maintaining a significant portion of its positions with investment grade counterparties and substantially limits its positions with counterparties below investment grade.

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

The carrying amount of the derivative financial assets represents the maximum exposure to credit risk. As at 30 September 2019 and 31 December 2018 and 2017, this amounted to $14,526,274, $18,027,897 and $17,112,665, 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, CFE monitors the market value of the derivative and the use by the operating lines (threshold).

Exposure to liquidity risk for holding derivative financial instruments arises from the carrying amount of the financial liabilities corresponding to these instruments. As at 30 September 2019 and 31 December 2018 and 2017, this amounted to $839,204, $72,615 and $589,533 thousand, 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*

55.0% of CFE's debt is denominated in foreign currency, mainly in US dollars, whereas most of CFE's assets and revenues are denominated in pesos. As a result, CFE is exposed to devaluation risks of the peso against the dollar. In conformity with its risk management policy, CFE has contracted currency swaps to reduce the impact of currency fluctuations. The effect of this instrument is to replace the obligation to pay fixed interest rates in dollars for an obligation to pay a fixed rate in pesos. As at 30 September 2019 and 31 December 2018 and 2017, CFE maintains foreign exchange swaps as a hedge of its debt in foreign currency of $116,668, $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 30 September 2019 and 31 December 2018 and 2017 was $(413,239), $24,973 and $(438,115), respectively. These derivative instruments were not designated as hedges.
.
*Sensitivity analysis for exchange rate effects*

A possible and reasonable strengthening (weakening) of the MXN/USD and JPY/USD exchange rate as at 30 September 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:

| 30/09/2019 | Instrument | +100 pips | -100 pips |
|---|---|---|---|
| | Cross Currency | 61,914 | (61,914) |
| | JPY/USD | 2,694 | (2,694) |
| | FWD | 18 | (18) |
| | Total | 64,626 | (64,626) |

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

*b) Interest rate risk*

30.1% of CFE's debt accrues interest at variable rates, which is calculated at the TIIE rate in the case of debt denominated in pesos. As at 30 September 2019 and 31 December 2018 and 2017, CFE hedged $20,353, $3,912 and $4,833, respectively, of its peso-denominated debt bearing variable interest rates.

Interest rate sensitivity analysis

A potential and reasonable strengthening (weakening) of interest rates as at 30 September 2019 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 condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| 30/09/18 | + 100 basis points | - 100 basis points |
|---|---|---|
| Interest rate swaps | 58,812 | (58,812) |

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

## 12. Short- and Long-term Debt

An analysis of CFE's debt as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Bank loans | $ 1,963,630 | $ 7,494,715 | $ 1,433,452 |
| Documented debt | 19,006,090 | 15,554,180 | 25,918,516 |
| PIDIREGAS debt | 15,780,902 | 16,780,375 | 29,267,762 |
| **Total short-term debt** | **36,750,622** | **39,829,270** | **56,619,730** |
| Documented debt | 194,790,653 | 200,491,058 | 181,003,413 |
| PIDIREGAS debt | 129,689,949 | 114,304,657 | 106,049,396 |
| **Total long-term debt** | **324,480,602** | **314,795,715** | **287,052,809** |
| Total debt | $ **361,231,224** | $ **354,624,985** | $ **343,672,539** |

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

As at 30 September 2019 and 31 December 2018 and 2017, the following affiliated entities have bank loans with third parties:

| | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| CFE Internacional LLC | $ 1,963,630 | $ 394,273 | $ - |
| CFEnergía | - | 7,100,442 | 1,433,452 |
| **Total Bank loans** | **$ 1,963,630** | **$ 7,494,715** | **$ 1,433,452** |

### a) CFE Internacional LLC

In September 2019, CFE International LLC acquired a short-term loan from Credit Agricole-CIB NY Branch. The loan was requested in two portions; 30 MUSD repayable in a term of 90 days, with repayment due by December 12, 2019, and which bears interest at a rate equal to the LIBOR plus a margin of 2.12413%, and 70 million repayable in a term of 91 days, with repayment due by

December 23, 2018, and which bears interest at a rate equal to the LIBOR plus a margin of 2.15888%.

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. 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 (MXN) 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.

ii. 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).

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. CFE 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. CFE repaid the principal plus accrued interest on this loan on January 28, 2019.

- On December 27, 2018, CFE 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. CFE 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 and which were repaid in due time and form in January 2018.

v. CFEnergía repaid in due time and form the drawdowns obtained from Banorte and Monex in 2019, in January 2019.

vi. The loan agreement stipulates affirmative and positive loan covenants that CFE must adhere to. These loan covenants require CFE 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;

   CFE 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 condensed consolidated financial statements for the nine-month period ended 30 September 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 30 September 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 $19.6363 per U.S. dollar at September 2019 and | BILATERAL | Fixed and Variable – 3.33% | Various through 2023 | 1,284,556 | 65,417 | 1,892,101 | 96,129 | 1,720,686 | 86,962 |
| $19.6829 at December 2018 | BONDS | Fixed and Variable – 5.29% | Various through 2045 | 95,211,510 | 4,848,750 | 96,020,078 | 4,878,350 | 97,696,627 | 5,206,964 |
| | REVOLVING | Fixed and Variable – 2.51% | Various through 2020 | 550,468 | 28,033 | 1,459,081 | 74,129 | 2,660,379 | 134,453 |
| | SYNDICATED | Fixed and Variable – 3.39% | 2023 | 11,781,780 | 600,000 | 11,809,740 | 600,000 | - | - |
| TOTAL IN U.S. DOLLARS | | | | 108,828,314 | 5,542,200 | 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 | 17,571 | 817 | 24,710 | 1,100 | 41,741 | 1,768 |
| $21.5155 per Euro at September 2019 and | REVOLVING | Fixed and Variable – 2.3% | Various through 2020 | 46 | 2 | 2,307 | 103 | 4,946 | 210 |
| $22.4691 at December 2018 | | | | | | | | | |
| TOTAL EUROS | | | | 17,617 | 819 | 27,017 | 1,202 | 46,687 | 1,978 |
| IN SWISS FRANCS: at an exchange rate of | | | | | | | | | |
| $19.7877 per Swiss franc at September 2019 and | | | | | | | | | |
| $19.944 at December 2018 | REVOLVING | Fixed and Variable – 0.88% | Various through 2021 | 68,932 | 3,484 | 338,458 | 16,970 | 909,359 | 45,080 |
| TOTAL SWISS FRANCS: | | | | 68,932 | 3,484 | 338,458 | 16,970 | 909,359 | 45,080 |
| IN JAPANESE YENS: at an exchange rate of | | | | | | | | | |
| $0.1826 per Japanese yen at September 2019 and | BILATERAL | Fixed and Variable – 1.09% | Various through 2021 | 174,692 | 956,695 | 388,555 | 2,170,700 | 676,485 | 3,874,487 |
| $0.179 at December 2018 | | | | | | | | | |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 174,692 | 956,695 | 388,555 | 2,170,700 | 676,485 | 3,874,487 |
| Bond | Fixed - 3.83% | 2032 | 5,843,200 | 32,000,000 | 5,728,000 | 32,000,000 | 5,587,200 | 32,000,000 |
| Assets received for financial instruments, net (Note 10b) | | | (551,728 ) | | (423,970) | | (255,199 ) | |
| | | | 5,291,472 | 32,000,000 | 5,304,030 | 32,000,000 | 5,332,001 | 32,000,000 |
| TOTAL JAPANESE YENS | | | 5,466,164 | 32,956,695 | 5,692,585 | 34,170,700 | 6,008,486 | 35,874,487 |
| | TOTAL FOREIGN DEBT | | 114,381,027 | | 117,239,060 | | 109,042,224 | |

DOMESTIC DEBT -

| | | | | 2019 | | 2018 | | 2017 | |
|---|---|---|---|---|---|---|---|---|---|
| Domestic debt | Type of credit | Weighted interest rate | Maturities | Local currency | Foreign currency (thousands) | Local currency | Foreign currency (thousands) | Local currency | Foreign currency (thousands) |
| LOCAL CURRENCY | BANKING | Fixed and Variable – 8.72% | Various through 2023 | 7,500,000 | | 7,500,000 | | 7,600,000 | |
| | STOCK MARKET | Fixed and Variable – 7.81% | 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 $6.2914 per UDI at September 2019 and | STOCK MARKET | Fixed - 4.49% | 2032 | 20,263,184 | 3,220,775 | 20,054,478 | 3,220,775 | 11,141,672 | 1,878,454 |
| TOTAL UDIS | | | | 20,263,184 | 3,220,775 | 20,054,478 | 3,220,775 | 11,141,672 | 1,878,454 |
| TOTAL DOMESTIC DEBT | | | | 98,750,514 | | 98,541,808 | | 97,741,672 | |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

Summary

| | | | |
|---|---|---|---|
| Total foreign debt | 114,381,027 | 117,239,060 | 109,042,224 |
| Total domestic debt | 98,750,514 | 98,541,808 | 97,741,672 |
| Short-term interest payable | 3,025,331 | 2,602,680 | 2,476,342 |
| Debt amortization expenses | (2,360,129) | (2,338,310) | (2,338,310) |
| Total documented debt | 213,796,743 | 216,045,238 | 206,921,929 |
| | | | |
| Total short-term | 15,980,759 | 12,951,500 | 23,442,173 |
| Short-term interest payable | 3,025,331 | 2,602,680 | 2,476,342 |
| Total short-term | 19,006,090 | 15,554,180 | 25,918,515 |
| | | | |
| Long-term debt | 197,150,782 | 202,829,368 | 183,341,724 |
| Debt amortization expenses | (2,360,129) | (2,338,310) | (2,338,310) |
| Total long-term | 194,790,653 | 200,491,058 | 181,003,414 |
| | | | |
| Total short- and long-term | 213,796,743 | 216,045,238 | 206,921,929 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

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

| 30 SEPTEMBER 2019 | Amount |
|---|---|
| 2019 | 19,006,090 |
| 2020 | 21,921,229 |
| 2021 | 25,003,066 |
| 2022 | 229,162 |
| 2023 | 21,204,713 |
| 2024 | 24,712,651 |
| 2025 | 21,166,909 |
| SUBSEQUENT YEARS | 80,552,923 |
| TOTAL | 213,796,743 |

### Documented debt

An analysis of drawdowns from January 1 to September 30, 2019 is as follows:

### Domestic debt

On August 28, 2019, CFE drew down $2,500 million pesos against its credit with BBVA Bancomer, dated August 2, 2019, that bears interest at the 28-day TIIE rate plus 0.80% and matures in 4 years and 2 months.

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, 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 April 2019, CFE drew down $300 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 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 2018, 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).

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

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%.

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 US 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 million dollars) against its line of credit with Japan Bank for International Cooperation (JBIC), $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 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Short-term | $ 15,780,902 | $ 16,780,375 | $ 21,145,914 |
| Long-term | | | |
| 2018 | - | - | 688,164 |
| 2019 | - | - | 1,705,968 |
| 2020 | 3,740,917 | 479,952 | 293,720 |
| 2021 | 12,815,609 | 171,891 | 3,493,333 |
| 2022 | 11,683,585 | 2,196,057 | 2,154,690 |
| 2023 | 11,342,606 | 1,577,996 | 5,748,122 |
| 2024 | 10,903,553 | 4,520,686 | - |
| Subsequent years | 79,203,679 | 105,358,075 | 91,965,399 |
| Total long-term | $ 129,689,949 | $ 114,304,657 | $ 106,049,396 |
| Total | 145,470,851 | 131,085,032 | 127,195,310 |

## -Direct investment (PIDIREGAS):

As at 30 September 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:

| | | | Balance as at 30 September 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 | |
| Credit amount | | Term of the agreement | Short-term | Long-term | Short-term | Long-term | Short-term | Long-term | Short-term | Long-term | Short-term | Long-term | Short-term | Long-term |
| **Foreign debt** | | | | | | | | | | | | | | |
| - | million dollars | 2019 | - | - | - | - | 144,872 | - | 7,360 | - | 539,009 | 145,636 | 27,241 | 7,360 |
| 14 | million dollars | 2020 | 268,048 | - | 13,651 | - | 537,369 | 268,684 | 27,301 | 13,651 | 540,203 | 810,304 | 27,301 | 40,952 |
| 34 | million dollars | 2026 | 88,859 | 577,586 | 4,525 | 29,414 | 89,070 | 623,492 | 4,525 | 31,677 | 89,540 | 716,320 | 4,525 | 36,202 |
| 266 | million dollars | 2029 | 536,330 | 4,683,451 | 27,313 | 238,510 | 537,603 | 5,232,168 | 27,313 | 265,823 | 540,438 | 5,800,198 | 27,313 | 293,136 |
| 402 | million dollars | 2032 | 1,182,896 | 6,701,542 | 60,240 | 341,283 | 1,185,703 | 7,310,297 | 60,240 | 371,403 | 1,191,956 | 8,540,805 | 60,240 | 431,644 |
| 790 | million dollars | 2036 | 863,042 | 14,651,038 | 43,951 | 746,120 | 865,091 | 15,350,493 | 43,951 | 779,890 | 869,653 | 16,301,098 | 43,951 | 823,841 |
| 666 | million dollars | 2047 | 981,172 | 12,102,543 | 49,967 | 616,335 | 983,500 | 12,765,641 | 49,967 | 648,565 | 1,367,974 | 22,954,350 | 69,137 | 1,160,090 |
| 1,343 | million dollars | 2048 | 1,053,349 | 25,322,571 | 53,644 | 1,289,580 | 1,072,434 | 26,855,367 | 54,487 | 1,364,401 | - | - | - | - |
| 664 | million dollars | 2049 | 435,700 | 12,595,880 | 22,188 | 641,459 | - | - | - | - | - | - | - | - |
| **Total Foreign Debt** | | | 5,409,396 | 76,634,611 | 275,479 | 3,902,701 | 5,415,642 | 68,406,142 | 275,144 | 3,475,410 | 5,138,773 | 55,268,711 | 259,708 | 2,793,225 |
| **Domestic Debt** | | | | | | | | | | | | | | |
| - | million pesos | 2018 | - | - | | | - | - | | | 1,915,888 | - | | |
| 63 | million pesos | 2019 | 63,417 | - | | | 554,554 | - | | | 1,011,552 | 542,528 | | |
| 489 | million pesos | 2020 | 464,994 | 23,560 | | | 656,653 | 211,268 | | | 1,143,268 | 895,664 | | |
| 2 | million pesos | 2021 | 1,486 | 743 | | | 121,828 | 171,891 | | | 181,999 | 293,720 | | |
| 1,980 | million pesos | 2022 | 810,290 | 1,169,382 | | | 1,298,802 | 2,196,057 | | | 2,265,874 | 3,493,333 | | |
| 1,240 | million pesos | 2023 | 341,163 | 899,003 | | | 576,694 | 1,577,996 | | | 792,720 | 2,154,690 | | |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 3,113 | million pesos | 2024 | 773,355 | 2,339,704 | 1,302,860 | 4,520,686 | 1,578,043 | 5,748,122 |
| 706 | million pesos | 2025 | 193,308 | 513,047 | 491,312 | 1,985,983 | 644,745 | 2,736,176 |
| 14,238 | million pesos | 2026 | 2,249,841 | 11,988,328 | 2,051,277 | 9,566,386 | 2,550,125 | 12,027,493 |
| 7,583 | million pesos | 2027 | 1,187,922 | 6,395,054 | 1,332,149 | 7,364,884 | 1,612,159 | 9,360,896 |
| 3,982 | million pesos | 2028 | 489,281 | 3,493,090 | 261,525 | 1,714,698 | - | - |
| 15,650 | million pesos | 2033 | 1,503,483 | 14,146,890 | 444,262 | 3,871,210 | - | - |
| 1,464 | million pesos | 2036 | 83,664 | 1,380,462 | 83,664 | 1,422,294 | 83,664 | 1,505,959 |
| 11,424 | million pesos | 2042 | 726,865 | 10,697,254 | 726,943 | 11,286,341 | 753,692 | 12,013,283 |
| **Total Domestic Debt** | | | 8,889,069 | 53,046,517 | 9,902,524 | 45,889,694 | 14,533,729 | 50,771,864 |
| Interest payable | | | 1,482,437 | | 1,462,209 | | 1,473,412 | |
| **CEBURES** | | | | 8,821 | | 8,821 | | 8,821 |
| **Total PIDIREGAS debt** | | | 15,780,902 | 129,689,949 | 16,780,375 | 114,304,657 | 21,145,914 | 106,049,396 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

a. As at 30 September 2019 and 31 December 2018 and 2017, minimum payment commitments on PIDIREGAS are as follows:

| | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| PIDIREGAS | 232,858,059 | 190,029,498 | 176,974,622 |
| less: | | | |
| Unaccrued interest | 88,878,385 | 60,415,497 | 49,788,133 |
| Present value of obligations | 143,979,674 | 129,614,001 | 127,186,489 |
| less: | | | |
| Current portion of obligations | 14,298,546 | 15,318,165 | 21,145,914 |
| Long-term portion of PIDIREGAS | 129,681,128 | 114,295,836 | 106,040,575 |
| CEBURES | 8,821 | 8,821 | 8,821 |
| Total CEBURES and PIDIREGAS | 129,689,949 | 114,304,657 | 106,049,396 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 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 30 September 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.

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

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 | | |
|---|---|---|---|---|---|---|
| | 30/09/2019 | 31/12/2018 | 31/12/2017 | 30/09/2019 | 31/12/2018 | 31/12/2017 |
| Current liabilities | $17,979,329 | $18,103,949 | $15,631,775 | $9,151,210 | $8,576,870 | $8,121,848 |
| From one to five years | 81,162,907 | 83,338,889 | 86,151,051 | 45,499,882 | 42,800,629 | 38,507,349 |
| More than five years | 82,532,778 | 98,336,124 | 103,923,053 | 56,865,198 | 64,629,251 | 75,596,469 |
| Total accumulated equity | $181,675,014 | $199,778,962 | $205,705,879 | $111,516,290 | $116,006,750 | $122,225,666 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

An analysis of the capital lease obligation as at 30 September 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 | 15,818 | 114,445 | 310,602 | 2,247,283 |
| CC HERMOSILLO | OCT-01 | 156,144 | 9,083 | 90,595 | 178,349 | 1,778,957 |
| CC SALTILLO | NOV-01 | 152,383 | 8,695 | 80,021 | 170,733 | 1,571,325 |
| TUXPAN II | DEC-01 | 283,133 | 15,057 | 172,458 | 295,670 | 3,386,442 |
| EL SAUZ BAJIO | MAR-02 | 399,773 | 21,770 | 254,203 | 427,492 | 4,991,599 |
| CC MONTERREY | MAR-02 | 330,440 | 17,550 | 152,135 | 344,617 | 2,987,370 |
| CC ALTAMIRA II | MAY-02 | 233,234 | 12,136 | 157,581 | 238,311 | 3,094,305 |
| CC RIO BRAVO II | MAY-02 | 232,108 | 12,479 | 123,401 | 245,046 | 2,423,137 |
| CC CAMPECHE | MAY-03 | 196,554 | 9,508 | 118,583 | 186,696 | 2,328,535 |
| CC TUXPAN III & IV | MAY-03 | 587,064 | 27,945 | 377,471 | 548,732 | 7,412,142 |
| CC MEXICALI | JUL-03 | 569,345 | 26,719 | 312,090 | 524,666 | 6,128,291 |
| CC CHIHUAHUA III | SEP-03 | 275,327 | 13,002 | 147,743 | 255,315 | 2,901,131 |
| CC NACO NOGALES | OCT-03 | 238,016 | 10,642 | 100,171 | 208,967 | 1,966,991 |
| CC ALTAMIRA III & IV | DEC-03 | 600,897 | 26,937 | 356,457 | 528,951 | 6,999,501 |
| RIO BRAVO III | APR-04 | 312,602 | 12,995 | 212,000 | 255,167 | 4,162,893 |
| CC LA LAGUNA II | MAR-05 | 367,578 | 14,361 | 257,287 | 281,994 | 5,052,171 |
| CC RIO BRAVO IV | APR-05 | 270,697 | 9,787 | 200,021 | 192,185 | 3,927,670 |
| CC VALLADOLID III | JUN-06 | 288,160 | 10,420 | 203,402 | 204,606 | 3,994,056 |
| CC TUXPAN V | SEP-06 | 284,997 | 8,573 | 227,161 | 168,344 | 4,460,603 |
| CC ALTAMIRA V | OCT-06 | 532,113 | 13,925 | 447,510 | 273,438 | 8,787,436 |
| CC TAMAZUNCHALE | JUN-07 | 482,562 | 14,191 | 382,528 | 278,665 | 7,511,440 |
| CCC NORTE | AUG-10 | 450,097 | 13,181 | 350,787 | 258,825 | 6,888,151 |
| CCC NORTE II | JAN-14 | 427,733 | 9,527 | 375,002 | 187,080 | 7,363,651 |
| Total | | | 334,301 | 5,213,052 | 6,564,451 | 102,365,080 |

(1) The short-term balance does not include interest in the amount of $2,586,761, $2,501,319 and $2,639,798 as at 30 September 2019 and 31 December 2018 and 2017, respectively.

## 13. Lease liability movements.

**An analysis of Lease liability movements as at 30 September 2019 is as follows:**

| | 30 September 2019 |
|---|---|
| | 496,549,096 |
| Acquisitions | 144,118,468 |
| Retirements | -13,273 |
| Interest | 10,004,944 |
| Charges | -18,488,660 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| | |
|---|---|
| Exchange Differences | -8,475,252 |
| Total liabilities | 623,695,323 |

## 14. Other Accounts Payable and Accrued Liabilities

An analysis of Other accounts payable and accrued liabilities as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | | 30 September 2019 | | 31 December 2018 | | 31 December 2017 |
|---|---|---|---|---|---|---|
| Suppliers and contractors | $ | 43,306,447 | $ | 60,377,913 | $ | 59,849,154 |
| Employees | | 5,531,474 | | 5,229,076 | | 4,213,117 |
| Deposits from users and contractors | | 28,505,897 | | 25,619,843 | | 22,974,717 |
| Other liabilities | | 32,913,446 | | 18,007,261 | | 20,761,052 |
| **Total** | $ | 110,257,264 | $ | 109,234,093 | $ | 107,798,040 |

## 15. Taxes and Duties Payable

An analysis of Taxes and duties payable as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

| **Payable by CFE** | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Income tax payable on behalf of third parties | 333,579 | 389,296 | 411,290 |
| Mexican Social Security Institute (IMSS) contributions | 570,500 | 755,693 | 698,046 |
| Rights for the use and exploitation of national waters | 606,211 | 813,342 | 370,375 |
| Payroll Tax | 44,126 | 61,492 | 45,556 |
| Federal Housing Financing Agency (INFONAVIT) contributions | 1,133 | 10,760 | 12,481 |
| Special tax on production and services (IEPS) | - | 50,002 | - |
| VAT payable | 1,754,371 | 848,082 | - |
| Subtotal | 3,309,920 | 2,928,667 | 1,537,748 |
| Withholdings | | | |
| Income tax withheld from employees | 439,955 | 571,327 | 738,923 |
| Withheld value added tax | 52,936 | 40,056 | 68,441 |

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| | | | |
|---|---|---|---|
| Income tax on interest paid abroad | 59,087 | 35,342 | 27,993 |
| Income tax on foreign residents | 5,185 | 31 | 45,677 |
| 0.5% to contractors | 61,205 | 29,303 | 50,404 |
| Income tax on professional fees and rent to individuals | 3,723 | 2,932 | 7,101 |
| 0.2% to contractors | 616 | 517 | 547 |
| Other | 732 | 2,372 | 422 |
| | 623,439 | 681,880 | 939,508 |
| **Taxes and Duties** | 3,933,359 | 3,610,548 | 2,477,256 |

## 16. Other Long-term Liabilities

An analysis of Other long-term liabilities as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

| | 30 September 2019 | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Third-party contributions | $ 6,652,057 | $ 5,839,143 | $ 8,039,903 |
| Asset retirement obligation | 8,806,454 | 8,610,763 | 11,101,187 |
| Other provisions | 6,001,288 | 6,001,288 | 4,283,577 |
| **Total** | **$ 21,459,800** | **$ 20,451,195** | **$ 23,424,667** |

## 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 nine-month period ended as at 30 September 2019.

## 18. Foreign Currency Position

An analysis of CFE's foreign currency denominated assets and liabilities as at 30 September 2019 and 31 December 2018 and 2017 is as follows:

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| | 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | | | | |
| | Cash and cash equivalents | Suppliers | Domestic debt | Foreign debt | Capital lease obligations and PIDIREGAS | Short foreign currency position |
| U.S. dollars | 75,160 | 336,442 | - | 5,811,675 | 9,725,536 | 15,798,493 |
| Euros | - | - | - | 819 | - | 819 |
| Japanese yens | - | - | - | 956,695 | - | 956,695 |
| Swiss francs | - | - | - | 3,484 | - | 3,484 |

| | 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 30 September 2019, as shown below:

| Currency | September 2019 | December 2018 | December 2017 |
|---|---|---|---|
| U.S. dollars | 19.6363 | 19.6829 | 19.7867 |
| Japanese yen | 0.1826 | 0.1790 | 0.1746 |
| Swiss Francs | 19.7877 | 19.9440 | 20.1721 |
| Euro | 21.5155 | 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 CFE's current financial position and its expected financial performance in the following years.

### Commitments

### a. Natural gas supply contracts

CFE 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 30 September 2019, 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 below:

**Transmission lines and substations**:

| Project | Capacity Kmc | MVA | Estimated amount of the contract expressed in millions of: Dollars | Pesos | Operational stage |
|---|---|---|---|---|---|
| 188 SE 1116 Transformación del Noreste F4 | 97.60 | 500.00 | 50.00 | 981.82 | 31-MAY-17 |
| 209 SE 1212 Sur - Peninsular F9 (DIST) | 20.31 | 20.00 | 8.17 | 160.41 | 12-AUG-17 |
| 321 SLT 1920 Subestaciones y Líneas de Distribución F5 | 1.42 | 30.00 | 5.46 | 107.16 | 31-AUG-17 |
| 274 SE 1620 Distribución Valle de México F2 | 26.20 | 420.00 | 89.80 | 1,763.34 | 31-OCT-17 |

| | | | | | |
|---|---|---|---|---|---|
| 304 LT 1805 Línea de Transmisión Huasteca - Monterrey | 441.80 | | 126.83 | 2,490.47 | 30-JAN-18 |
| 310 SLT 1821 Divisiones de Distribución F1 (DIST) | | 50.00 | 4.69 | 92.09 | 01-MAR-18 |
| 336 SLT 2001 Subestaciones y Líneas Baja California Sur - Noroeste F1 | 225.00 | 950.00 | 44.50 | 873.72 | 25-MAY-18 |
| 274 SE 1620 Distribución Valle de México F1 | 16.10 | 780.00 | 94.60 | 1,857.59 | 31-MAY-18 |
| 350 SLT 2121 Reducción de Pérdidas de Energía en Distribución F1 (DIST) | 3.10 | 2.51 | 1.36 | 26.69 | 26-AUG-18 |
| 266 SLT 1603 Subestación Lago | 80.40 | 660.00 | 91.20 | 1,790.79 | 22-SEP-18 |
| 337 SLT 2002 Subestaciones y Líneas de las Áreas Norte - Occidental F1 | 208.70 | 975.00 | 35.84 | 703.67 | 19-OCT-18 |
| 349 SLT 2120 Subestaciones y Líneas de Distribución F1 (DIST) | 7.90 | 120.00 | 17.01 | 334.01 | 21-NOV-18 |
| 310 SLT 1821 Divisiones de Distribución F11 (DIST) | 31.97 | | 5.58 | 109.57 | 27-APR-20 |
| 310 SLT 1821 Divisiones de Distribución F10 (DIST) | 5.24 | 30.00 | 6.23 | 122.33 | 29-MAY-18 |
| 338 SLT 2020 Subestaciones, Líneas y Redes de Distribución F2 (DIST) | 0.07 | 30.00 | 4.59 | 90.13 | 05-JUL-20 |
| 338 SLT 2020 Subestaciones, Líneas y Redes de Distribución F7 (DIST) | 2.40 | 20.00 | 6.00 | 117.82 | 12-AUG-20 |
| 348 SE 2101 Compensación Capacitiva Baja - Occidental | - | - | 5.71 | 112.12 | 12-JUN-18 |
| 280 SLT 1721 Distribución Norte F5 (DIST) | 4.68 | 30.00 | 5.22 | 102.54 | 17-JUN-20 |
| 273 SE 1621 Distribución Norte-Sur F5 (DIST) | 12.11 | 20.00 | 4.72 | 92.62 | 12-JUN-18 |
| 273 SE 1621 Distribución Norte-Sur F7 (DIST) | 5.96 | 30.00 | 5.24 | 103.31 | 23-APR-20 |
| | 1,190.96 | 4,667.51 | 612.75 | 12,032.20 | |

**Generation**

| Project | MVA capacity | Estimated amount of the contract expressed in millions of: Dollars | Pesos | Operating Stage |
|---|---|---|---|---|
| | 7.52 | 20.63 | 405.10 | 01-APR-17 |
| 298 CC Valle de México II | 615.23 | 425.31 | 8,351.60 | 31-JAN-18 |
| 38 CC Norte III (Juárez) C2 | 906.71 | 562.37 | 11,042.90 | 13-APR-18 |
| 327 CG Azufres III F2 (DIST) | 25.00 | 51.29 | 1,007.00 | 15-JUN-18 |
| 289 CH Chicoasén II | 240.00 | 386.42 | 7,587.90 | 12-SEP-18 |
| 42 CC Noroeste (Topolobanpo II) C2 | 887.39 | 334.50 | 6,568.30 | 02-JAN-19 |
| 45 CC Topolobampo III C2 | 665.88 | 630.87 | 12,388.00 | 01-JAN-20 |
| | 3,347.73 | 2,411.39 | 47,350.80 | |

**Renovation and/or modernization**

| Project | Estimated amount of the contract expressed in millions of: Dollars | Pesos | Operational stage |
|---|---|---|---|
| 278 RM CT José López Portillo (GEN) | 214.00 | 4,202.20 | 27/02/2019 |
| 258 RM CT Altamira U1 y 2 | 380.00 | 7,461.60 | 01/07/2019 |
| | 594.00 | 11,663.80 | |

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 2 (two) are 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.

Notes to the condensed consolidated financial statements for the nine-month period ended 30 September 2019 and 31 December 2018 and 2017. (Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

| 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.<br><br>**b.** CFE, only for the materials that will form part of the public energy services infrastructure. |
| Mexicali Housing Thermal Isolation Trust (FIPATERM), created on October 19, 1990 | CFE | Banco Nacional de Obras y Servicios Públicos, S.N.C. | CFE |

As at 30 September 2019, the Trust fund for Housing Thermal Isolation (FIPATERM) has assets amounting to $1,602,453 and liabilities amounting to $68,581.

**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 30 September 2019, the Prepaid Expenses Management Trust fund has assets amounting to $3,412,183 and liabilities amounting to $3,126,708.

The Domain Transfer and Administration Trust 2030 has assets of $465,373.

**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.

The only project under this modality that has completed its financial obligations and is in the process of being terminated is CC Samalayuca II; therefore, it is in the process of being terminated by the Office of the General Counsel.

| 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 30 September 2019, CFE has fixed assets amounting to $21,995,856 related 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 agreement with CFE.

Upon the entry into force of the coal management service agreement 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

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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 from Jan-Sep 2019 |
|---|---|
| Petacalco Coal | $90,659 |

### 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 |

As at 30 September 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 an "Entity", pursuant to the following:

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

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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 |

## 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 CFE.

Information by type of services

Information on products and services

| **INCOME** | **30 September 2019** | **30 September 2018** |
|---|---|---|
| Domestic service | 56,808,297 | 51,970,730 |
| Commercial service | 38,391,104 | 34,676,712 |
| Services | 11,274,977 | 10,158,610 |
| Agricultural service | 5,694,961 | 5,509,638 |
| Industrial services | 192,176,517 | 160,828,198 |
| **Total Sales** | **304,345,856** | **263,143,887** |
| Block for resale | 1,130,732 | 601,592 |
| Total electricity supply revenue | **305,476,588** | **263,745,479** |
| OTHER PROGRAMS | | |
| Consumption in the process of being billed | 2,689,932 | (953,028) |
| Illegal Uses | 1,943,281 | 960,532 |
| Measurement failure | 1,778,703 | 1,668,089 |
| Billing error | 999,432 | 552,132 |
| Total income obtained from other programs | 7,411,348 | 2,227,726 |

| | | |
|---|---|---|
| **Total revenue from the sale of electricity** | **312,887,936** | **265,973,205** |

## 21. Subsequent Events

The Ministry of Energy issued the agreement the amends the terms for the strict legal separation of CFE 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 present to the Ministry of Energy its proposal for the reallocation of assets and power generation contracts in 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 the following 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 condensed interim financial statements and their notes shall be approved by Management. Such financial information shall be approved by the Board of Directors at a later date. The Board of Directors has the power to modify the accompanying consolidated financial information. Subsequent events were considered to date.