Comisión Federal de Electricidad

Productive State Enterprise

Consolidated financial statemets

for 9-month period ended September 30, 2021 and 2020

COMISIÓN FEDERAL DE ELECTRICIDAD
Productive State Enterprise and subsidiaries
Condensed consolidated statements of financial position
Balances as of September 30, 2021 and December 31, 2020
(Thousands of pesos)

	2021	2020
Assets		
Current assets:	**267,027,269**	**233,567,954**
Cash and cash equivalents (note 5)	119,009,133	111,914,270
Accounts receivable, net (note 6)	135,441,057	109,765,404
Inventory of materials for operation, net (note 7)	12,577,079	11,888,280
Loans to employees	**16,880,198**	**15,275,040**
Plants, facilities and equipment, net (note 8)	**1,186,608,701**	**1,203,814,126**
Derivative financial instruments (note 10)	**18,452,803**	**14,623,283**
Intangibles and other assets (note 11)	**57,421,427**	**50,876,166**
Right-of-use assets, net (note 9)	**465,204,726**	**477,711,898**
Deferred tax assets	**174,630,097**	**164,451,532**
TOTAL ASSETS	**2,186,225,221**	**2,160,319,999**
LIABILITIES		
Current liabilities:	**179,696,435**	**172,594,848**
Short-term debt (note 12)	27,065,517	54,156,163
Other payables and accrued liabilities (note 14)	121,740,304	91,376,246
Income tax	5,482,722	6,393,400
Lease liabilities (note 13)	25,407,892	20,669,039
Non-current liabilities:	**1,454,914,069**	**1,410,411,771**
Long-term debt (note 12)	358,666,215	309,392,439
Long-term employees benefits (note 16)	487,573,064	487,324,896
Other long-term liabilities (note 15)	25,206,550	25,608,334
Lease liabilities (note 13)	583,468,240	588,086,102
TOTAL LIABILITIES	**1,634,610,504**	**1,583,006,619**
Equity:	**551,614,717**	**577,313,380**
Contributions received from the Federal Government	5,251	5,251
Contributions in kind received from the Federal Government	95,004,417	95,004,417
Retained earnings	43,714,211	74,305,052
Other comprehensive income items	394,931,440	389,822,161
Non-controlling interest	17,959,398	18,176,499
LIABILITIES AND EQUITY	**2,186,225,221**	**2,160,319,999**

COMISIÓN FEDERAL DE ELECTRICIDAD

Productive State Enterprise and subsidiaries
Condensed consolidated statements of comprehensive income
For the 9-month period ended September 30, 2021 and 2020
(Thousands of pesos)

	For the 9-month period ended September		For the 3-month period ended September	
	2021	**2020**	**2021**	**2020**
Revenues:	**$434,814,399**	**$386,518,652**	**$148,851,397**	**$138,895,318**
Electricity supply service revenue (note 18)	$292,320,345	$280,066,204	$106,977,655	$99,606,564
Third party fuel revenue	$46,885,307	$11,879,456	$10,815,971	$6,174,446
Freight revenue	$13,930,247	$15,880,113	$4,587,687	$6,817,899
Subsidy income	$63,279,000	$63,000,000	$21,000,000	$21,000,000
Other income, net	$18,399,500	$15,692,879	$5,470,084	$5,296,409
Costs:	**$422,455,915**	**$368,508,995**	**$143,284,928**	**$183,005,819**
Energy and other fuel supplies	$204,698,241	$117,647,915	$72,214,872	$40,463,099
Energy and other fuel supplies - Third party	$49,190,344	$18,096,828	$11,615,670	$7,043,182
Salaries and related costs	$51,250,599	$50,760,639	$18,191,764	$18,227,593
Maintenance, materials and general services	$14,327,493	$15,335,436	$9,683,679	$5,741,496
Taxes and duties	$1,840,342	$1,643,858	$267,724	$397,903
Wholesale Electricity Market costs (MEM)	$2,483,155	$2,381,881	$895,769	$853,044
Employee benefits costs	$33,428,953	$102,751,238	$10,941,228	$84,540,432
Depreciation	$50,841,133	$51,788,379	$16,792,269	$17,108,443
Other expenses	$14,395,655	$8,102,821	$2,681,953	$8,630,627
Operating results	**$12,358,484**	**$18,009,657**	**$5,566,469**	**($44,110,501)**
Comprehensive financing result, net:	**$43,652,714**	**$155,289,511**	**$27,586,638**	**($2,474,453)**
Finance expenses (income), net	$3,094,571	$5,782,871	$748,024	($1,963,386)
Interest expenses	$33,941,415	$39,094,712	$11,037,725	$15,213,844
Foreign exchange loss (gain), net	$6,616,728	$110,411,928	$15,800,889	($15,724,911)
Loss before income tax other comprehensive income	**($31,294,230)**	**($137,279,854)**	**($22,020,169)**	**($41,636,048)**
Income tax	($2,440,290)	$5,628,882	($7,239,499)	$4,491,450
Net loss	**($28,853,940)**	**($142,908,736)**	**($14,780,670)**	**($46,127,498)**

Comisión Federal de Electricidad
Productive State Enterprise and subsidiaries

Condensed consolidated statements of financial position

For the 9-month period ended September 30, 2021 and 2020
(Thousands of pesos)

	Contributions received from the Federal Government	Contributions in kind from the Federal Government	Acumulated results	Other comprehensive income (loss) items	Total equity controlling interests	Total equity non-controlling interest	Total equity
Balances at December 31, 2019	**$ 5,251**	**$ 95,004,417**	**$ 129,091,018**	**$ 400,029,909**	**624,130,595**	**19,147,211**	**643,277,806**
Comprehensive income of the period	-	-	(143,530,087)	19,365,638	(124,164,449)	621,351	(123,543,098)
Issue of shares	-	-	-	-	-	(548,123)	(548,123)
Dividend decree	-	-	-	-	-	(587,771)	(587,771)
Balances at September 30, 2020	**5,251**	**95,004,417**	**(14,439,069)**	**419,395,547**	**499,966,146**	**18,632,668**	**518,598,814**
Balances at December 31, 2020	**5,251**	**$ 95,004,417**	**$ 74,305,052**	**$ 389,822,161**	**559,136,881**	**18,176,499**	**577,313,380**
Comprehensive income of the period	-	-	(30,590,841)	5,109,279	(25,481,562)		(25,481,562)
Issue of shares	-	-	-	-	-	(1,954,002)	(1,954,002)
Dividend decree	-	-	-	-	-	1,736,901	1,736,901
Balances at September 30, 2021	$ **5,251**	**95,004,417**	**43,714,211**	**394,931,440**	**533,655,319**	**17,959,398**	**551,614,717**

See accompanying notes to condensed consolidated financial statements

Comisión Federal de Electricidad
Productive State Enterprise and subsidiaries
Condensed consolidated statements of cash flows

For the 9-month period ended September 30, 2021 and 2020
(Thousands of pesos)

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

	2021	2020
Cash flows from operating activities:		
Net loss	$ (28,853,940)	$ (142,908,736)
Operating activities:		
Employee benefits costs	33,428,953	102,751,238
Increase in provisions of deferred and current income tax	(2,440,290)	5,628,882
Investing activities:		
Depreciation and right-of-use assets	50,841,133	51,788,379
Disposal of plants, facilities and equipment	3,731,236	3,685,666
Foreign exchange loss, interest expense and changes in finantial derivative instruments fair value of financial instruments	65,866,069	165,996,541
Changes in other operating assets and liabilities:		
Accounts receivable and loans to employees	(27,280,811)	(16,942,822)
Inventory of materials of operation	(688,799)	5,281,530
Other assets	(6,545,262)	(6,775,871)
Other payables and accrued liabilities	21,745,040	(1,752,675)
Payments to employees benefits	(32,956,224)	(28,027,931)
Net cash flows from operating activities	76,847,105	138,724,201
Cash flows from investing activities:		
Acquisition of plants, facilities and equipment	(17,906,523)	(18,641,868)
Cash flows from financing activities:		
Proceeds from debt	94,849,752	38,572,285
Non-controlling interest contribution Fibra E	(1,954,003)	(1,135,894)
Payment of debt	(76,786,000)	(31,569,451)
Interest paid	(33,941,415)	(39,094,712)
Payment of lease obligations	(31,276,273)	(31,904,659)
Payments of financial instruments	(2,737,780)	5,727,856
Net cash from financing activities	(51,845,719)	(59,404,575)
Cash excess of financing activities	7,094,863	60,677,758
Cash and cash equivalents:		
At beginning of the period	111,914,270	89,339,037
At end of period	$ 119,009,133	$ 150,016,795

See accompanying notes to condensed consolidated financial statements

1. Incorporation, Business Purpose and Relevant Events

- **Incorporation and business purpose**

Comisión Federal de Electricidad, Productive State Enterprise, its subsidiaries, affiliates and trusts (CFE or the Company) is a Mexican entity that was incorporated by Decree as a Decentralized Public Entity of the Federal Government on August 14, 1937 and published in the Official Gazette on August 24, 1937. The condensed consolidated financial statements accompanying these notes include Comisión Federal de Electricidad, Productive State Enterprise (as the ultimate controlling entity of the economic group to which it belongs) and its subsidiaries, affiliates and trusts over which it exercises control.

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 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**

COVID-19

Due to the COVID-19 pandemic declared by the World Health Organization, the risks identified for CFE were on several areas, but are classified as follows:

a) economic-financial risks;
b) operational risks, and
c) labor risks.

In all three cases, the impacts were variable and with different intensity, but it is important to point out that the energy sector is "defensive" compared with other economy sectors. CFE has implemented several specific actions to mitigate the financial, operational and labor effects.

An explanation of each of the three risks areas with an impact in the Company is provided below:

a) Economic-financial risks

The economic-financial risks of the pandemic may be classified into two types based on their impact in the Company.

The risks representing a negative impact are:
1) lower electricity consumption and reductions in sales of electricity, and
2) variations in exchange rates

The risks representing a positive potential impact include:
3) lower interest rates, and
4) lower fuel prices

b) Operating risks

Since power generation and supply is considered an essential activity for Mexico, throughout the health crisis CFE has maintained its operations in all its processes, from power generation to power distribution to power supply to end users. In essence, CFE has continued to produce electricity for the entire country 24 hours per day, 7 days a week.

This has been achieved by implementing different actions in the "Health Safety Protocol for the Reincorporation to Activities in the Work Centers of Comisión Federal de Electricidad".

c) Labor risk

The Company has introduced a number of actions and measures oriented to reduce the spread of the SARS virus in its different facilities, to promote distance work, in face to face and mixed modality, with workers reporting to their work centers on a sporadic basis and with older or physically vulnerable employees reporting to their offices or work centers only when strictly necessary in order to reduce the number of infections of SARS-COV-2.

For this purpose, CFE's senior management issued the "Health Safety Protocol for the Reincorporation to Activities in the Work Centers of the Federal Electricity Commission", with the purpose of all the Company's areas take actions to maintain and strengthen the preventive and protection measures to all collaborators.

Energy emergency

As a consequence of the cold front No. 35 with Arctic winds causing low temperatures in the north and northeast of the country, as well as the freezing of pipelines and the closure of natural gas production plants in the state of Texas, USA, There was a risk of a generation capacity deficit in the power plants in Mexico. As a consequence of the freezing of natural gas and electricity generation infrastructure in Texas, it generated that the price of natural gas, such as Waha and Houston Ship Channel (HSC), suffered an initial increase from 4.5 USD / GJ to 11 USD / GJ on February 11 and 12, 2021 and two days later there was an increase to 150 USD / GJ.

This emergency represented a significant economic cost for the CFE derived mainly from the acquisition of gas for the generation of electricity from Independent Power Producers' plants and the mitigation of offers in the Wholesale Electricity Market for the participation of CFE plants.

Faced with this emergecy, and in accordance with market rules, CFE's Generation EPS have submitted requests to review bids for the recovery of production costs during this contingency. The foregoing, in accordance with the provisions of the Electricity Industry Law, will allow the recognition of the real costs of gas for the generation of electric power during this period in the calculation of the fares to the final users of CFE.

Asset Reorganization

On May 24, 2019, through Official Communication DG/131/2019, the proposal for the reallocation of assets and power generation contracts corresponding to productive subsidiary companies (EPS, Spanish acronym) I, II, III, IV and VI, as well as the proposal related to the Laguna Verde Power Plant and Mobile Emergency Units, were submitted for consideration.

The objectives of the reorganization of assets and power generation contracts included:

- To enhance the operational and administrative efficiency of each regional company based on the organization that was in place prior to the entry into force of the Terms for the Strict Legal Separation of CFE.
- The operational regionalization of the assets of the hydroelectric plants shall be grouped in a way that gives priority to the common river basins so as to ensure the security and optimal management of the water supply and reservoirs.

The redistribution shall affect only the plants operated by the EPSs of CFE and shall not involve any of the external legacy plants that are part of EPS Generación V.

In light of the high degree of reliability and security of the National Electric System (SEN, Spanish acronym), it was decided to have the Mobile Emergency Units be part of the Unregulated Business Office in order to facilitate faster decision-making and the rapid mobilization of assets in response to the needs of the National Electric System in the various regions of the country.

As part of the asset reorganization, the Company conducted a study to determine the fair value of the plants that were involved in the reorganization. This analysis resulted in an impairment charge of $57,014,443 and an unrealized gain on revaluation of power plants of $84,480,718. These amounts were recognized in other comprehensive income. The asset reorganization took effect as of January 1, 2020, this reorganization originated a recycling in the Other Comprehensive Results in 2020 for $32,717,341.

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) for the 2016-2018 biennium; it was entered into with the Sole Union of Electricity Workers of the Mexican Republic (SUTERM, Spanish acronym), where various clauses were modified that mainly affected the retirement category, presenting themselves as a reduction of the Company's labor liability and on November 14, 2016, the Ministry of Finance and Public Credit (SHCP, Spanish acronym) published the "Agreement through which the general provisions related to the assumption by the Federal Government of CFE's employee benefits liability was issued" in the Official Gazette, whereby the Federal Government through the SHCP, assumes a portion of the pension and retirement payment obligation actuarially recognized and accounted for in CFE's financial statements, that correspond to the workers that were hired on or prior to August 18, 2008.

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

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

On August 19, 2020, the CFE and SUTERM reached a new agreement on the Collective Labor Agreement that will be current during the 2020-2022 biennium, which considers, among other aspects, the modification of clause 69 relative to the retirement conditions of CFE workers, applicable only to unionized personnel.

Regarding the confinement staff, clause 40 of CCT 2020-2022 states that their retirement conditions will be communicated by the CFE Administration, through specific guidelines that will be published no later than six months after the new CCT is signed.

As a result of this review, various clauses were reversed, which had an incremental effect on the Company's labor liability (see note 16).

In compliance with the Ninth Provision, second paragraph of the "*Agreement by which the provisions of a general character are issued relative to the assumption by the Federal Government of obligations to pay pensions and retirements in charge of the CFE*" ("Agreement"), published in the DOF on November 14, 2016, the CFE communicated to the Public Credit Unit of the SHCP, through official letter DCF / 0202/2020 dated September 2, 2020, the modification before indicated to the CCT. The impact on labor liabilities for the Company will be evaluated by an independent expert.

In accordance with the Ninth Provision, third paragraph, of the "Agreement", on November 30, 2020, the CFE sent the SHCP, through official letter DCF / 0274/2020, the document that contains the financial impact of the modification to the requirements of retirement for workers.

In addition, it indicates that the expiration of the obligation reviewed by the independent expert will serve as the basis for establishing the applicable payment profiles for the issuance of Titles. The result of the review must be delivered by the independent expert within three months from the date of their hiring. To date, we are awaiting the observations or opinion of the SHCP and / or its expert, for the financial impact on the CFE labor liability.

According the modifications to the CCT for 2020-2022 biennium, and once the estimates of the impact on labor liabilities have been reconciled between SHCP and CFE, the SHCP will adjust the value of the Titles, according to the new payment profile, that means a credit to the bank account that CFE provides at least 15 business days in advance of the expiration date of each Title.

2. Basis of preparation of the condensed consolidated financial statements

a) Basis of accounting

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

b) Basis of preparation

The consolidated financial statements have been prepared on the historical-cost basis except for the Company's derivative financial instruments, right-of-use assets, plants, facilities and equipment, as well as its debt and lease liabilities, which are recognized at fair value, and the defined benefit plans which are recognized at the present value of the defined benefit obligation less the fair value of the plan's assets.

c) Functional currency and presentation of the condensed consolidated financial statements

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

For purposes of disclosure in the notes to the condensed 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.

d) Condensed consolidated statements of comprehensive income

The Company has elected to present comprehensive income using a 'one-statement' approach that includes all of its profit or loss and other comprehensive income (OCI) items, called Statement of Comprehensive Income.

The accompanying condensed consolidated statements of comprehensive income present ordinary costs and expenses based on their nature, since CFE believes that this structure results in clearer information for the reader. The consolidated statements of comprehensive income include a line item for operating profit (loss), which represents the result of CFE's revenue minus costs, since it believes that including this item facilitates the reader's understanding of the Company's economic and financial performance.

3. The significant accounting policies followed by the Company in the preparation of the financial statements are summarized below:

a) Basis of consolidation

The consolidated financial statements include the subsidiaries, affiliates and trusts over which the Company exercises control. The Company controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interest

Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The non-controlling interests in the consolidation do not represent 1% of the assets.

b) Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits, foreign currencies, and short-term temporary 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 include short-term highly liquid investments and are valued at fair value, and are subject to a low risk of changes in their value.

c) Financial instruments

i) Initial recognition and measurement

Accounts receivable and debt instruments issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is an account receivable without a significant financing component) or financial liability is initially measured at fair value plus, in case of an item not measured at fair value through profit or loss with changes in results, transaction costs that are directly attributable to its acquisition or issue. An account receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement - Financial assets

On initial recognition, a financial asset is classified as measured: at amortized cost; at fair value through other comprehensive income - debt investment; at fair value with changes posted to other comprehensive income - equity investment; or at fair value with changes posted to profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company measures financial assets at amortized cost if it meets both of the following conditions:

1. The financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows;

2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding amount.

All the financial assets not classified as measured at amortized cost or at fair value with changes through other comprehensive income as described above are measured at fair value with changes through profit or loss. This includes all derivative financial instruments. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value with changes through other comprehensive income as at fair value with changes through profit or loss if doing so eliminates or significantly reduces a measurement or recognition mismatch that would otherwise arise.

iii) 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, the Company 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 formal documentation of all the transactions between the hedging instrument and the hedged item, the risk management objectives, and strategies for undertaking the hedge.

The effectiveness of derivative financial instruments designated as hedges is assessed prior to their designation, as well as over the hedging period, which depends on the hedging characteristics. When it is determined that a derivative is not highly effective as a hedge, hedge accounting stops being applied in respect to identified derivative financial instruments in a prospective manner.

The Company suspends cash flow hedge accounting when the derivative expires, is not effective enough to offset the changes in the fair value or cash flows of the hedged item, or when the Company 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 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 any 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.

d) Plants, facilities and equipment

i) Recognition and measurement

Plants, facilities and equipment are initially measured at cost.

Plants, facilities and equipment in operation, used for the generation, transmission and/or distribution of electricity are recognized in the statement of financial position at their revalued amount, and fair value is determined as of the revaluation date, less any accumulated depreciation and impairment losses. CFE periodically reviews the fair values of its plants, facilities and equipment in operation, and every 5 years it evaluates the need to revalue its assets to ensure that the carrying amount does not differ materially from that, which would be determined using fair value at the end of the reporting period.

Any increase in the revaluation of plants, facilities and equipment is recognized as a revaluation surplus in other comprehensive income, except when such increase reverses a revaluation deficit of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss to the extent that it reduces the expense of the previous loss. Any decrease in the carrying amount resulting from the revaluation of such plants, facilities and operating equipment is recognized in profit or loss to the extent that it exceeds the revaluation surplus, if any.

Borrowing costs incurred in direct and general financing of constructions in progress for a period greater than 6 months are capitalized as part of the cost of such asset.

In addition to the purchase price and costs directly attributable to preparing an asset in terms of its physical location and condition for use as intended by the Company's technicians, the cost also includes the estimated costs for the decommissioning and removal of the asset and for restoration of the site where it is located, if such obligation exists.

ii) Depreciation

Depreciation of plants, facilities and equipment in operation is calculated at the fair value or acquisition cost of the asset, as the case may be, using the straight-line method over the estimated useful lives of the assets, beginning the month after the assets are available for use. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

Depreciation of plants, facilities and equipment in operation is recognized in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings.

The depreciation rates based on the useful lives of the assets, determined by the Company's technicians are as follows:

	Useful life (years)
Geothermal power plants	27 to 50
Steam power plants	34 to 75
Hydroelectric power plants	40 to 80
Internal combustion power plants	34 to 75
Turbo gas and combined cycle power plants	34 to 75
Nuclear power plants	40
Substations	39 to 75
Transmission lines	34 to 75
Distribution Networks	30 to 59

The Company periodically evaluates the useful lives, depreciation methods, and residual values of its plants, facilities and equipment. In the event of changes in the estimates used, the related effects are recognized prospectively.

When the plants, facilities and equipment items are comprised of various components, and their useful lives are different, the significant individual components are depreciated over their estimated useful lives. Maintenance and minor repair costs and expenses are recognized in profit or loss when they are incurred.

iii. Property and assets for offices and general services.

Property and assets for offices and general services are depreciated at the following rates:

	Useful life (in years)
Buildings	20
Office furniture and equipment	10
Computer equipment	4
Transportation equipment	4
Other assets	10

Land is not depreciated.

An item of plant, facilities and equipment is derecognized upon disposal or when no future economic benefits are expected from its continuing use. The gain or loss on the sale or retirement of an item of property, plant and equipment is calculated as the difference between its net selling price and its net carrying amount and is recognized in the income statement.

iv) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

i) Employee benefits

The Company provides various employee benefits to its employees that for purposes of the financial statements, are classified as direct employee benefits and pension benefits, seniority premiums and termination benefits.

Short-term direct employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Direct employee benefits

Direct employee benefits are determined based on services provided and considering the current salaries of employees. The related liability is recorded as the benefits accrue. Direct employee benefits are mainly comprised of productivity incentives, vacation days, vacation premiums, seniority bonuses and awards granted to the Company's temporary, contingent and permanent staff.

Pension benefits and other benefits

The Company provides retirement pensions to its employees.

The Company has a defined benefit pension plan in place for employees who began working for the Company on or before August 18, 2008 and a defined contribution pension plan for employees who began working for the Company on or after August 19, 2008.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Additionally, there are defined contribution pension plans mandated by the Federal government to which the Company is required to make contributions on behalf of its employees. The Company's contributions to these defined contribution plans are calculated by applying the percentages indicated in the related regulations to the amounts of eligible wages and salaries. The contributions are remitted to the retirement fund administrators (AFORE) selected by each employee and to the Mexican Social Security Institute (IMSS, Spanish acronym).

In accordance with the Federal Labor Law, the Company is required to pay a seniority premium and to make certain payments to personnel who leave the Company under certain circumstances.

The Company recognizes annually the cost of pensions, seniority premiums and termination benefits based on independent actuarial computations applying the projected unit credit method using assumptions net of inflation.

The cost of defined contribution pension plans is recognized in profit or loss as they are incurred.

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

<u>Defined benefit plans</u>

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

<u>Termination benefits</u>

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

j) Revenue recognition

The Company's revenue recognition policies are as follows:

Sale of electricity - revenue is recognized when the electricity is delivered to the customers, which is considered to be the point in time at which the customer accepted the electricity and the related risks and rewards of ownership transferred. Other criteria applied for revenue recognition include that both the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing involvement with the goods.

Sale of fuel - revenue is recognized at a point in time because this is when the fuels are delivered to the 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 at a point in time after the Company has completed the customer’s connection to the network. Customers have the option to choose either the Company or another company to supply them electricity. Revenues are presented as part of the Other income caption.

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

In view of the above, the deferred income liability was recognized as Third party contributions in the Other long-term liabilities item.

Revenue from subsidies: revenue from subsidies received from the Ministry of Finance and Public Credit is recognized at a point in time when the subsidies are received by the Company.

e) Leases

The Company has right-of-use assets in terms of IFRS 16 derived from its contracts with creditors for rentals of office space, furniture, reserved capacity gas pipelines for a fixed price, as well as contracts with independent power generation plants that provide power generation services to CFE.

At contract inception, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease included in IFRS 16.

As a lessee

At inception or reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option.

In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate the lease early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in ‘property, plant and equipment’ and lease liabilities in ‘loans and borrowings’ in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

The Company recognizes lease payments received from operating leases as income on a linear basis during the lease term as part of 'other income'.

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16, except for the classification of the sublease entered into in the current reporting period, which resulted in a classification of a finance lease.

f) Fair value measurement

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.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

CFE has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of Standards, including the level in the fair value hierarchy in which the valuations should be classified.

4. Financial Instruments – Fair value and risk management

Fair values

Set out below are the carrying amounts and fair values of financial instruments recognized for the three-month period ended as of September 30, 2021 and as of December 31, 2020:

	2021	2020
Financial assets		
Cash and cash equivalents (2)	$ 119,009,133	$ 111,914,270
Accounts receivable (2)	135,441,057	109,765,404
Loans to employees (2)	16,880,198	15,275,040
Derivative financial instruments (1)	18,452,803	14,623,283
Financial liabilities		
Short-term debt (2)	$ 27,065,517	$ 54,156,163
Long-term debt (2)	358,666,215	309,392,439
Short-term lease liability (1)	25,407,892	20,669,039
Long-term lease liability (1)	583,468,240	588,086,102
Suppliers and contractors (2)	58,617,619	36,324,045
Deposits from customers and contractors (2)	31,746,242	30,698,012

(1) Fair value
(2) Amortized cost

Objectives of financial risk management

The Company's Financial Officer's functions include, among others, implementing strategies, coordinating access to domestic and international financial markets, and monitoring and managing financial risks related to the Company's operations through internal and market risk reports that analyze the degree and magnitude of the Company'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 effect of its debt related risks, the Company uses derivative financial instruments to hedge such risk.

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

Credit risk

Credit risk is the risk of financial loss of the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company is subject to credit risk mostly in respect of its financial instruments comprising cash and short-term investments, loans and accounts receivable, and derivative financial instruments. In order to mitigate the credit risk in its cash, short-term investments and derivative financial instruments, the Company conducts transactions only with counterparties that are financially solvent and that have a good reputation and high credit quality. The Company also obtains sufficient guarantees, when appropriate, to mitigate the risk of financial loss due to non-performance.

The carrying amounts of the Company's financial assets represent the maximum credit exposure.

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

Liquidity risk

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

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

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

The following table provides information about the contractual maturities of the Company's financial liabilities based on the payment terms and projected interest payments:

As of September 30, 2021	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	$ 13,453,467	$ 12,261,539	$ 38,259,629	$ 197,724,791	$ 261,699,426
Interest payable on documented debt	13,039,572	12,531,661	21,841,696	85,051,168	132,437,097
PIDIREGAS debt	13,612,050	11,932,486	21,862,481	76,625,289	124,032,306
Interest payable on PIDIREGAS debt	6,114,655	5,455,944	9,216,394	30,813,125	51,600,118
Lease liabilities	25,407,892	27,137,793	31,469,045	524,861,402	608,876,132
Interest payable on lease liabilities	19,634,155	37,583,113	35,285,671	181,046,304	273,549,243
Suppliers and contractors	58,617,619	-	-	-	58,617,619
Other liabilities	13,582,561	-	-	-	13,582,561
Total	**$ 163,461,971**	**$ 106,902,536**	**$ 157,907,916**	**$ 1,096,122,079**	**$ 1,524,394,502**

As of December 31, 2020	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	$ 39,830,932	$ 28,188,384	$ 49,613,505	$ 113,878,518	$ 231,511,339
Interest payable on documented debt	10,955,582	20,040,689	16,355,216	51,579,525	98,931,012
PIDIREGAS debt	14,325,231	23,268,563	22,202,880	72,240,589	132,037,263
Interest payable on PIDIREGAS debt	6,758,165	11,457,212	9,007,299	29,822,921	57,045,597
Lease liabilities	20,669,039	25,670,320	28,050,449	534,365,333	608,755,141
Interest payable on lease liabilities	19,918,991	38,236,478	36,007,430	193,384,975	287,547,874
Suppliers and contractors	36,324,045	-	-	-	36,324,045
Other liabilities	8,090,670	-	-	-	8,090,670
Total	**$ 156,872,655**	**$ 146,861,646**	**$ 161,236,779**	**$ 995,271,861**	**$ 1,460,242,941**

Market risk

Due to its activities, the Company has exposure to foreign currency and interest rate risks.

Foreign currency exchange risk management

To fund its working capital requirements and public works financing, the Company contracts debt and carries out foreign currency-denominated transactions, consequently, it is exposed to exchange rate risk.

	Total debt as of September 30, 2021 (amounts in millions of pesos)	Total debt as of December 31, 2020 (amounts in millions of pesos)
Local currency	$141,995	$143,688
Foreign currency	242,496	218,469

In accordance with its policies, the Company mostly contracts interest rate and foreign currency swaps and foreign currency forward contracts to mitigate its exposure to interest rate and foreign currency risks.

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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

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

If there is no quoted price in an active market, then the Company 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 consider in setting a transaction price.

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price this is, the fair value of the consideration given or received. If the Company 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

The Company considers that the carrying amount of the financial assets and liabilities recognized at amortized cost in the financial statements approximates fair value, including those mentioned below.

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 119,009,113	$ 119,009,113	$ 111,914,270	$ 111,914,270
Accounts receivable	135,441,057	135,441,057	109,765,404	109,765,404
Loans to employees	16,880,198	16,880,198	15,275,040	15,275,040
Suppliers and contractors	58,617,619	58,617,619	36,324,045	36,324,045
Lease liabilities	608,876,132	608,876,132	608,743,667	608,743,667
Documented debt	261,699,426	303,098,241	231,511,339	269,899,051
PIDIREGAS debt	124,032,306	152,951,391	132,037,263	160,525,038

Valuation techniques and assumptions used in determining fair value

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

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

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

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

Valuations at fair value recognized in the statement of financial position

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, except for the financial instruments whose carrying amount is reasonably equivalent to their fair value, grouped into Levels 1 to 3, based on the degree to which the fair value is observable:

	Level 1	
	2021	2020
Available-for-sale financial assets		
Temporary investments	$ 23,813,850	$ 40,886,893

An analysis of the fair value of the derivative financial assets grouped into level 1, based on the degree to which the inputs to estimate their fair value are observable, is included in note 10.

The levels referred to above are considered as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. For the fair values of the Documented Debt, the observed changes are obtained from the Company's price provider, which furnishes the dirty price valuations reflected in the stock exchange certificates listed on the Mexican Stock Exchange.
- Level 2 fair value measurements are those derived from inputs other than quoted 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 fair value measurements are those derived from unobservable inputs for the asset or liability, for the fair values of the Documented Debt and Pidiregas Debt, the reasonably possible changes at the Balance Sheet date are determined by measuring the present value of the maturities in the source currency of the lines of credit discounted using CFE's yield curve. For this purpose, the Company's price provider furnishes the curves and risk factors related to the interest rates, exchange rates and inflation to which the debt is exposed.

5. Cash and cash equivalents

An analysis of cash and cash equivalents as of September 30, 2021 and December 31, 2020 is as follows:

		2021		**2020**
Cash on hand and cash in banks	$	95,186,462	$	71,018,556
Short-term investments		23,813,850		40,886,893
Stock certificates		8,821		8,821
Total	**$**	**119,009,133**	**$**	**111,914,270**

6. Accounts receivable, net

An analysis of accounts receivable as of September 30, 2021 and December 31, 2020 is as follows:

		2021		**2020**
Public consumers (*)	$	62,866,255	$	56,284,907
Government agency consumers (*)		24,447,883		24,060,564
		89,314,138		**80,345,471**
Impairment of receivables		(34,892,449)		(31,924,441)
		54,421,689		**48,421,030**
Other accounts receivable		42,654,599		38,292,327
Value added tax		38,364,769		23,052,047
Total	**$**	**135,441,057**	**$**	**109,765,404**

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

An analysis of balances and changes in the impairment of receivables as of September 30, 2021 and December 31, 2020 is as follows:

	2021	2020
Opening balance	$ (31,924,441)	$ (27,328,830)
Increase	(4,399,251)	(5,140,651)
Charges	1,431,243	545,039
Ending balance	**$ (34,892,449)**	**$ (31,924,441)**

7. Inventory of operating materials for operation

An analysis of the inventory of operating materials as of September 30, 2021 and December 31, 2020 is as follows.

	2021	2020
Spare parts and equipment	$ 2,483,167	$ 1,801,157
Fuel and lubricants	11,844,085	10,179,023
Nuclear fuel	2,782,841	3,556,077
	17,110,093	**15,536,257**
Allowance for obsolescence	(4,553,014)	(3,647,977)
Total	**$ 12,577,079**	**$ 11,888,280**

8. Plants, facilities and equipment, net

An analysis of plants, facilities and equipment, net as of September 30, 2021 and December 31, 2020 is as follows:

Plants, facilities and equipment, net						
	December 31, 2020	**Additions**	**Retirements**	**Depreciation for the period**	**Capitalization**	**September 30, 2021**
Plants, facilities and equipment	$ 1,833,546,389	$ 18,247,450	$ (4,072,164)	$ -	$ 11,472,757	1,859,194,432
Capitalized spare parts	7,945,553	-	-	-	(338,900)	7,606,653
Construction in progress	27,111,684	-	-	-	(10,660,089)	16,451,595
Advances and materials for construction	16,298,246	-	-	-	(473,768)	15,824,478
Subtotal	1,884,901,872	18,247,450	(4,072,164)	-		1,899,077,158
Accumulated depreciation	(640,938,909)	-	-	(31,380,711)	-	(672,319,620)
Impairment	(40,148,837)	-	-	-	-	(40,148,837)
Total	**$ 1,203,814,126**	**$ 18,247,450**	**$ (4,072,164)**	**$ (31,380,711)**	**$ -**	**1,186,608,701**

	Plants, facilities and equipment, net						
	December 2019	**Additions**	**Retirements**	**Depreciation for the period**	**Power plants transfer**	**Capitalization**	**December 2020**
Plants, facilities and equipment in operation	$ 2,146,097,218	$ 31,676,062	$ (7,183,158)	$ -	$ (337,043,733)	$ -	$ 1,833,546,389
Capitalized spare parts	7,451,766	-	-	-	-	493,787	7,945,553
Construction in progress	26,130,582	981,102	-	-	-	-	27,111,684
Advances and materials for construction	11,310,744	5,481,289	-	-	-	(493,787)	16,298,246
Subtotal	2,190,990,310	38,138,453	(7,183,158)	-	(337,043,733)	-	1,884,901,872
Accumulated depreciation	(896,064,974)	-	1,982,812	(40,427,624)	293,570,877	-	(640,938,909)
Impairment	(83,621,693)	-	-	-	43,472,856	-	(40,148,837)
Total	$ **1,211,303,643**	$ **38,138,453**	$ **(5,200,346)**	$ **(40,427,624)**	$ -	$ -	$ **1,203,814,126**

During the 2020 financial year, an analysis of the 159 generation plants was carried out, considering impairment indicators resulting from the new economic scenario determined by the COVID 19 pandemic, taking into account the "Assessment to determine the fair value of long-lived assets of the generation plants of Comisión Federal de Electricidad" as of December 31, 2019. The mentioned analysis concluded that there is no impairment.

Based on IFRS 13, the fair value measurement of the assets is classified as a Level 3 input within the fair value hierarchy.

As of September 30, 2021, the useful lives of the plants with modern technology are as follows:

Power stations	Estimated useful life
Combined cycle (with natural gas), thermoelectric plants, turbo gas and internal combustion	30 years
Coal-Fired	40 years
Geothermal	30 years
Nuclear power	60 years
Hydroelectric	80 years
Wind and solar	25 years

Construction in progress - the construction in progress balances as of September 30, 2021 and December 31, 2020 are as follows:

Plant:		**2021**		**2020**
Steam	$	137,984	$	109,140
Hydroelectric		1,173,928		1,125,574
Nuclear power		199,606		199,588
Turbo gas and combined cycle		2,122,320		12,696,856
Geothermal		171,019		171,019
Transmission lines, networks and substations		11,871,696		11,484,393
Offices and general facilities		775,042		1,325,114
Total	**$**	**16,451,595**	**$**	**27,111,684**

Fair value measurement

i. Fair value hierarchy

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.

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 considers the present value of the net cash flows expected to be generated by the plants, facilities and equipment, considering the expected income growth rate. Net expected cash flows are discounted using risk-adjusted discount rates.	**Generation** Useful life of the assets (30-60 years) Discount rate 7.67%-8.68% **Transmission** Useful life of the assets (30 years) Discount rate 7.67% **Distribution** Useful life of the assets (30 years) Discount rate 7.67%	The estimated fair value would increase (decrease) if: - Income growth was higher (lower) - The useful life was higher (lower) - The risk-adjusted discount rate was lower (higher)

CFE conducts impairment tests on the value of its long-term assets if circumstances indicate that the assets might be impaired.

The impairment analysis for long-lived assets requires the Company to estimate the recoverable amount of its assets, which is the greater of its fair value (minus any disposal costs) and its value in use.

9. Right-of-use asset, net

Lease

The net balances of right-of-use assets as of September 30, 2021 and December 31, 2020 are as follows:

	December, 2020	Additions	Effect from translation	Depreciation for the year	September 2021
Property	$ 754,325	$ 18,364	$ 418	$ -	$ 773,107
Infrastructure	154,346,338	4,545,367	-	-	158,891,705
Vehicles	4,173,989	-	-	-	4,173,989
Gas pipelines	446,162,786	859,965	1,815,212	-	448,837,963
Subtotal	605,437,438	5,453,696	1,815,630	-	612,676,763
Property	(526,889)	-	(215)	(76,773)	(603,877)
Infrastructure	(57,125,614)	-	-	(5,831,329)	(62,956,943)
Vehicles	(810,196)	-	-	(779,945)	(1,590,141)
Gas pipelines	(69,262,841)	-	(314,184)	(12,744,052)	(82,321,077)
Total depreciation	(127,725,540)	-	(314,399)	(19,432,099)	(147,472,038)
	$ **477,711,898**	$ **5,453,696**	$ **(1,501,231)**	$ **(19,432,099)**	$ **465,204,726**

	December, 2019	Additions	Effect from translation	Depreciation for the year	December 2020
Property	$ 609,409	$ 143,626	$ 1,290	$ -	$ 754,325
Infrastructure	135,167,183	19,179,155	-	-	154,346,338
Vehicles	-	4,173,989	-	-	4,173,989
Gas pipelines	440,556,611	-	5,606,175	-	446,162,786
Subtotal	576,333,203	23,496,770	5,607,465	-	605,437,438
Property	(431,575)	-	(717)	(94,597)	(526,889)
Infrastructure	(49,862,201)	-	-	(7,263,413)	(57,125,614)
Vehicles		-	-	(810,196)	(810,196)
Gas pipelines	(51,663,006)	-	(708,505)	(16,891,330)	(69,262,841)
Total depreciation	(101,956,782)	-	(709,222)	(25,059,536)	(127,725,540)
	$ 474,376,421	**$ 23,496,770**	**$ 4,898,243**	**$ (25,059,536)**	**$ 477,711,898**

10. Derivative financial instruments

a. Accounting classifications and fair values

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

In addition, for the three-month period ended September 30, 2021 and December 31, 2020, the derivative financial instruments have been designated and qualify mainly as cash flow hedges since they are referenced to the 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 Company's financial instrument position as of September 30, 2021 and December 31, 2020 amounted to $18,452,803 and $14,623,283, respectively.

Derivative Financial Instruments Held for Trading

As of September 30, 2021 and December 31, 2020, CFE had derivatives designated as held for trading whose fair value represented a liability of $820,666 and $628,155, respectively.

This transaction consists of a series of currency forwards that allow the Company to lock in a JPY/USD exchange rate of 54.0157 JPY per USD over the established term of the transaction.

As part of this transaction, CFE pays annual interest in U.S. dollars at a rate of 8.42%. These instruments have not been designated as hedges as required by the financial reporting standard, consequently, the valuation effect of these instruments is recognized in financial cost; a gain (loss) in said value offsets a loss (gain) in the underlying liability. In addition to the series of forwards, the derivative instrument includes two options: a long European call option through which CFE has the right to purchase Japanese yens upon maturity in the spot market in case the yen/dollar exchange rate is quoted below 118.75 yens per dollar, and a short European call option through which CFE is required to sell dollars at the yen/dollar exchange rate of 27.80, if the prevailing exchange rate at the settlement date exceeds this level.

The Company suspends cash flow hedge accounting when the derivative expires, is not effective enough to offset the changes in the fair value or cash flows of the hedged item, or when the Company 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.

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 as of September 30, 2021 and December 31, 2020 as follows:

Instrument	Underlying	Maturity	September 2021	December 2020
FWD JPY/USD	Exchange rate and interest rate	2036	$ (820,666)	$ (628,155)
		Total	**$ (820,666)**	**$ (628,155)**

Hedging instruments

As of September 30, 2021 and December 31, 2020, CFE maintains its hedging derivative position on exchange rates and interest rates, as follows:

Instrument	Underlying	Type of hedge	Maturity	Primary position (lines/bonds)	Hedge ratio	Fair value September 30, 2021	Fair value December 31, 2020
CCS	Exchange rate and interest rate	Cash flow	2021	1100000074 to 76	100%	$ -	$ 252,232
CCS	Exchange rate and interest rate	Cash flow	2022	1100000077 to 79	100%	10,713	30,475
CCS	Exchange rate and interest rate	Cash flow	2023	1100000080	100%	1,511,892	687,163
CCS	Exchange rate and interest rate	Cash flow	2024	1100002956	100%	2,150,981	2,516,291
CCS	Exchange rate and interest rate	Cash flow	2027	1100003606	100%	3,862,091	2,849,573
CCS	Exchange rate and interest rate	Cash flow	2032	1200002801	100%	938,516	(51,017)
CCS	Exchange rate and interest rate	Cash flow	2036	1200000551 Pidiregas line	100%	2,423,714	1,766,260
CCS	Exchange rate and interest rate	Cash flow	2042	Bond 2042	55.3%	553,675	1,265,139
CCS	Exchange rate and interest rate	Cash flow	2047	Formosa 1 Bond	100%	1,541,715	491,167
CCS	Exchange rate and interest rate	Cash flow	2048	Formosa 2 Bond	100%	1,987,801	889,111
Participating Swap	Exchange rate and interest rate	Cash flow	2027	Bond 2027	100%	1,315,311	(26,630)
CCS	Exchange rate and interest rate	CCS	2045	Bond 2045	67%	2,221,890	4,726,404
CCS	Exchange rate and interest rate	CCS	2030	Formosa 4 Bond	33%	556,608	(199,638)
CCS	Exchange rate and interest rate	CCS	2029	Formosa 3 Bond	30%	380,404	175,717
Forwards	Exchange rate	Cash flow	Less than one year	Sale of energy	100%	464	1,612
IRS	Interest rate	Cash flow	2023	Mizuho line	100%	(209,749)	(126,201)
CCS	Exchange Rate/commodities	Cash flow	2022	Sale of energy	100%	27,443	3,780
			Subtotal			**19,273,469**	**15,251,438**
CCS	Exchange rate JPY/USD	Trading		Line of credit in yens	N/A	(820,666)	(628,155)
			Total in thousands of Mexican pesos			**$ 18,452,803**	**$ 14,623,283**

The table above includes the Mark to Market of the hedging derivatives. As of September 30, 2021 and December 31, 2020 the total Mark to Market value of the hedging and trading derivatives amounts to $18,452,803 and $14,623,283, respectively, based on their carrying amount.

The results of the effectiveness tests for these hedging instruments showed that the relationships are highly effective, and the amount of ineffectiveness is minimal.

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

b. Fair value measurement

The valuation techniques for estimating the fair value of derivative instruments are described in the accounting policy mentioned above, depending on the derivative instrument for which the fair value is estimated. CFE uses the corresponding 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 recovery rate with the counterparties of the derivative positions.

The net fair value of derivative financial instruments (Mark-To-Market) effective as of September 30, 2021, before considering credit risk, amounts to $21,239,845, which is included in the balance sheet and represents the amount in favor of the Company with the counterparties.

The net fair value of derivative financial instruments (Mark-To-Market) effective as of December 31, 2020, before considering credit risk, amounts to $15,405,924, which is included in the balance sheet and represents the amount in favor of the Company 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.

Method for adjusting Fair Value

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

As of September 30, 2021, fair values adjustments based on the CVA (Credit Valuation Adjustment) are shown below:

Counterparty	Fair value MTM subject to CVA	Adjusted fair value MTM	Adjustment as of September 30, 2021
Goldman Sanchs	$ 4,687,387	$ 3,736,010	$ 951,377
CitiBanamex	3,484,446	3,215,139	269,307
Barclays Bank	2,964,273	2,134,230	830,043
Morgan Stanley	2,942,193	2,788,101	154,092
Deutsche Bank	2,218,298	1,933,938	284,360
Santander	1,910,295	1,848,554	61,741
JP Morgan	1,154,598	1,005,527	149,071
BNP Paribas	815,684	788,860	26,824
BBVA Bancomer	610,495	589,412	21,083
Bank of America	248,203	219,759	28,444
Credit Suisse	203,477	192,809	10,667
Bank of Tokio	496	464	33
	$ 21,239,845	**$ 18,452,803**	**$ 2,787,042**

As of December 31, 2020, the adjustments to fair values based on the CVA (Credit Valuation Adjustment) are shown below:

Counterparty	Fair value MTM subject to CVA	Adjusted fair value MTM	Adjustment as of December 31, 2020
CitiBanamex	$ 3,698,632	$ 3,517,345	$ 181,287
Goldman Sachs	3,621,385	3,765,007	(143,622)
Morgan Stanley	2,744,620	2,615,564	129,055
Deutsche Bank	1,862,208	1,776,367	85,841
Barclays Bank	1,188,547	1,087,073	101,474
Santander	785,382	757,233	28,149
BBVA Bancomer	660,108	470,653	189,455
BNP PARIBAS	472,088	459,048	13,040
Bank of America	334,803	135,810	198,993
Credit Suisse	97,326	93,364	3,961
Bank of Tokio	1,709	1,612	96
JP Morgan	(60,883)	(55,794)	(5,089)
	$ 15,405,925	**$ 14,623,282**	**$ 782,640**

Fair Value hierarchy or Mark-to-Market

To increase consistency and comparability in fair value measurements and related disclosures, IFRS sets out a fair value hierarchy that categorizes into three levels the inputs used in valuation techniques. This hierarchy gives the highest priority to (unadjusted) quoted prices 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, based on the terms of the ISDA contracts, the counterparties or banking institutions are the valuation agents, and they calculate and send the Mark-to-Market information monthly.

Therefore, the hierarchy level of the Company's Mark-to-Market for derivative financial instruments as of September 30, 2021 is level 2 due to the following:

1) Inputs are other than quoted prices and include inputs within Level 1 that are observable, either directly or indirectly.
2) Quoted prices for similar assets or liabilities in active markets.
3) Inputs other than quoted prices that are observable for the assets or liabilities.

c. Financial risk management

CFE has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. To mitigate its credit risk, the Company's policy is to maintain a significant portion of its positions with investment grade counterparties and substantially limit its positions with below investment grade counterparties.

To manage credit risk, the Company 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 of September 30, 2021 and December 31, 2020, this amounted to $19,839,747 and $15,405,924, respectively.

Liquidity risk

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

To manage credit risk, the Company 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 of September 30, 2021 and December 31, 2020, $1,386,944 and $2,371,029, respectively.

Market risk

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

CFE uses derivative financial 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

63.1% 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 of September 30, 2021 and December 31, 2020, CFE maintains foreign exchange swaps to hedge its foreign currency debt of $133,674 and $137,271 million pesos, respectively.

To hedge 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 of September 30, 2021 and December 31, 2020 was $820,666 and $628,155, respectively. These derivative instruments were not designated as hedges.

Sensitivity analysis of the effect on exchange rates

A possible and reasonable strengthening (weakening) of the MXN/USD and JPY/USD exchange rate as of September 30, 2021 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.

September 30, 2021	**Instrument**		**+100 pips**		**-100 pips**
	Cross Currency	$	65,830	$	65,830
	JPY/USD		2,694		2,694
	FWD		1		1
	Total	$	68,525	$	(68,525)

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

b) Interest rate risk

22.9% of CFE's debt bears interest at variable interest rates, which are determined by reference to the TIIE rate for debt denominated in pesos. As of September 30, 2021, the amounts of our debt denominated in pesos with variable interest rates were not hedged.

11. Intangibles assets and other assets

An analysis of intangibles and other assets as of September 30, 2021 and December 31, 2020 is as follows:

		2021		2020
Rights of way (1)	$	32,028,447	$	32,004,933
Deposits and advances		25,392,980		18,871,233
Total	**$**	**57,421,427**	**$**	**50,876,166**

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

The Company has right-of-way assets, which represents a legal right-of-way for the Company to access and inspect transmission lines by air or underground in order to verify the continued transmission of electricity over the power lines.

12. Short-term and long-term debt

An analysis of the Company's debt as of September 30, 2021 and December 31, 2020 is as follows:

		2021		2020
Documented debt	$	13,453,467	$	39,830,932
PIDIREGAS debt		13,612,050		14,325,231
Total short-term debt		**27,065,517**		**54,156,163**
Documented debt		248,245,959		191,680,407
PIDIREGAS debt		110,420,256		117,712,032
Total long-term debt		**358,666,215**		**309,392,439**
Total debt	$	**385,731,732**	$	**363,548,602**

An analysis of the debt by item is as follows:

Type of debt		Balance as of December 31,2020		Drawdowns		Payments		Foreign currency exchange and interest rate differences		Balance as of September 30, 2021
Documented debt	$	231,511,339	$	93,921,003	$	(67,377,787)	$	3,644,871	$	261,699,426
Pidiregas debt		132,037,263		928,749		(9,408,293)		474,587		124,032,306
Total	**$**	**363,548,602**	**$**	**94,849,752**	**$**	**(76,786,080)**	**$**	**4,119,458**	**$**	**385,731,732**

Type of debt		Balance as of December 31, 2019		Drawdowns		Payments		Foreign currency exchange and interest rate differences		Balance as of December 31,2020
Bank loan	$	565,356	$	-	$	(565,356)	$	-	$	-
Documented debt		216,797,009		49,988,166		(37,825,347)		2,551,511		231,511,339
Pidiregas debt		136,066,385		8,131,513		(13,408,211)		1,247,576		132,037,263
Total	**$**	**353,428,750**	**$**	**58,119,679**	**$**	**(51,798,914)**	**$**	**3,799,087**	**$**	**363,548,602**

Documented debt

An analysis of drawdowns against loans as of September 30, 2021 and December 31, 2020 is as follows:

Foreign debt

In July 26, 2021, the Company drew down MUSD 850 against the external public issuance of fixed rate bonds under Rule 144 A and Regulation S with Deustche Bank Trust Company Americas as the main paying agent identified as “3.875% Notes due 2033” a fixed rate of 3.875% and payable in 12 years, destined to finance a revolving syndicated loan and refinancing of short-term bank loans.

On March 9, 2021, the Company drew down MUSD 599.7 against a revolving syndicated loan of USD 1.26 billion dated on July 31, 2018, with Mizuho Bank, LTD. as the loan's administrative agent, which bears interest equal to the USD LIBOR plus 0.95% and is repaid in 5 years.

In March 9, 2021, the Company drew down MUSD 2,000, against the external public issuance of fixed rate bonds under Rule 144 A and Regulation S with Deustche Bank Trust Company Americas as the main paying agent, in two tranches:

1. The first one identified as “3,348% Notes due 2031” for MUSD 1,200, a fixed rate of 3,348% and payable in February 2031, intended to finance activities established by the Comisión Federal de Electricidad Law, as well as for the refinancing of the issuance of bonds maturity date of May 19, 2011 for 1,000 MUSD maturing on May 26, 2021.

2. The second identified as “4,677% Notes due 2051” for MUSD 800, a fixed rate of 4,677% and a term of 30 years, destined to finance activities established by the Comisión Federal de Electricidad Law.

In October 2020, the Company drew down MUSD 2.14 against the credit line obtained from BBVA, S.A. Madrid, to finance the purchase of goods and services from Spain, guaranteed by Compañía Española de Seguros de Crédito a la Exportación (the Spanish Export Credit Agency), at a CIRR fixed rate and is repayable in 5 years.

In August 2020, the Company drew down MUSD 4.6 against the credit line obtained from BBVA, S.A. Madrid, to finance the purchase of goods and services from Spain and guaranteed by Compañía Española de Seguros de Crédito a la Exportación (the Spanish Export Credit Agency), at a CIRR fixed rate and is repayable in 5 years.

On May 21, 2020, the Company drew down MUSD 192.1 against its syndicated loan obtained from Banco Santander, S.A. (Spain) as agent bank and guaranteed by the Italian Export Credit Agency SACE Spa, maturity date of December 20, 2019 for an amount of MUSD 400, at a rate of LIBOR 6m USD plus 0.95% and is repayable in 10 years.

On April 30, 2020, the Company drew down MUSD 200.0 against its syndicated loan obtained from Banco Santander, SA (Spain) as agent bank and guaranteed by the Italian Export Credit Agency SACE Spa, dated December 20, 2019 for an amount of MUSD 400, at a LIBOR rate of 6m USD plus 0.95% and is repayable 10 years.

On March 18, 2020, the Company drew down MUSD 1.3 against the credit line obtained from BBVA, S.A. (Madrid), to finance the purchase of goods and services from Spain and guaranteed by Compañía Española de Seguros de Crédito a la Exportación (the Spanish Export Credit Agency), at a CIRR fixed rate and is repayable in 5 years.

On February 19, 2020, the Company drew down MUSD 19 against the credit line obtained from BBVA, S.A. (Madrid), to finance the purchases of goods and services from Spain and guaranteed by Compañía Española de Seguros de Crédito a la Exportación (the Spanish Export Credit Agency), at a CIRR fixed rate and is repayable in 5 years.

On January 21, 2020, the Company drew down MUSD 7.9 against its syndicated loan obtained from Banco Santander, SA (Spain) as agent bank and guaranteed by the Italian Export Credit Agency SACE Spa, dated December 20, 2019, for an amount of MUSD 400, at a rate of LIBOR 6m USD plus 0.95% and a 10-year term.

Additionally, to finance various payments for Financed Public Works (OPF) projects, MUSD 900 were placed through the issuance of an international bond, at a fixed rate of 4.05%, which will have its last amortization in 2050.

FOREIGN DEBIT -

Foreign debt			Maturates	2021 National currency	2021 Foreign currency	2020 National currency	2020 Foreign currency
IN US DOLLAR: at the exchange rate of	Bilateral	Fixed and variable - 1.28%	Various through 2030	8,493,989	418,299	$ 8,835,616	442,917
US dollar of $20.3060 as of September 2021	Bonds	Fixed and variable - 4.6%	Various through 2051	153,253,584	7,547,207	115,137,512	5,771,680
and $19.9487 at Dec 2020	Revolving	Fixed and variable – 4.06%	Various through 2025	207,445	10,216	240,640	12,063
	Syndicated	Fixed and variable - 1.13%	2023	-	-	11,969,220	600,000
TOTAL US DOLLARS:				**161,955,018**	**7,975,722**	**136,182,988**	**6,826,660**
IN EUROS: at the exchange rate of Euros of $23.8286 as of September 2021 and $24.3563 at Dec 2020	Bilateral	Fixed and variable - 2%	Various through 2024	3,954	166	7,516	309
TOTAL EUROS				**3,954**	**166**	**7,516**	**309**
Bono		Fixed - 3.83%	2032	5,894,400	32,000,000	6,171,520	32,000,000
Assets received for financial instruments (Note 11 b)				(422,461)		(795,863)	
TOTAL JAPANESE YENS:				**5,471,939**	**32,000,000**	**5,375,657**	**32,000,000**
		TOTAL FOREIGN DEBT		**$167,430,911**		**$141,566,161**	

Reference Interest Rates changes (RFR)

In July 2017, the regulatory institution Financial Conduct Authority announced that the RFR would not be required for banks to operate the London Interbank Offered Rate after 2021.

Interbank offer rates are reference interest rates that can be accessed publicly and periodically. They are a useful reference for all types of financial contracts such as loans, mortgages, account overdrafts, and more complex financial products. Interbank offer rates are calculated by an independent institution to reflect the cost of financing for different markets.

Differences between IBORs and RFRs:

1. RFRs are available overnight. On the contrary, IBORs are published for different time frames;

2. RFRs are retrospective, as they report the fees paid the day before in the relevant transactions. Rather, IBORs report the rate at which funds are available today for the corresponding term.

3. RFRs are designed to be almost risk-free rates. Consequently, they do not incorporate a credit or liquidity premium. Rather, most IBORs are designed to provide an indication of the average rates at which participating banks could obtain unsecured wholesale financing during set periods and incorporate both a credit premium.

The LIBOR rate and the alternative SOFR rate are not equivalent, the LIBOR rate is unsecure and incorporates terms and credit premium, and however, with adherence to the LIBOR Fallback protocol, CFE would be covered to such changes for both credits and derivative financial instruments.

Domestic debt

On June 22, 2021, the Company drew down $5,000 million Mexican pesos (MMXP) against a revolving loan obtained from Banco Santander (México), S.A., maturity in June 22, 2021, at a rate of TIIE 28d plus 0.90% and repaid at 90 days.

On May 27, 2021, three issues of Stock Certificates were placed in the national markets for a total of (MMXP) $10,000.

a. CFE 21 for an amount of MMXP $4,873.38, which bears monthly interest at a variable rate of TIIE 28 days plus 0.57%, maturing in December 2022.

b. CFE 21-2 for an amount of MMXP $2,589, which bears monthly interest at a variable rate of .75% maturing in March 2025.

c. CFE 21U for a total of 372,572,600 UDIS, equivalent to MMXP $ 2,537.61, which bears semi-annual interest at a fixed rate of 5.45% and maturity in May 2031.

On March 22, 2021, the Company drew down MMXP $2,500 against a short-term unsecured loan obtained from BBVA Bancomer, S.A. maturity in March 22, 2021, at a rate of TIIE 28d plus 1% and repaid in 6 months.

On March 22, 2021, the Company drew down MMXP $5,000 against a short-term unsecured loan obtained from BBVA Bancomer, S.A. maturity in March 22, 2021, at a rate of TIIE 28d plus 0.95% and repaid in 3 months.

On March 22, 2021, the Company drew down MMXP $3,000 against a short-term unsecured loan obtained from BBVA Bancomer, S.A. maturity in March 22, 2021, at a rate of TIIE 28d plus 0.95% and repaid in 3 months.

On March 12, 2021, the Company drew down MMXP $5,000 against a revolving loan obtained from Banco Santander (México), S.A., maturity in December 21, 2020, at a rate of TIIE 28d plus .90% and repaid until 12 months, and renewable every 90 days.

On March 2, 2021, the Company drew down MMXP $4,000 against a revolving loan obtained from Banco Santander (México), S.A., maturity in December 21, 2020, at a rate of TIIE 28d plus 0.90% and repaid until 12 months, and renewable every 90 days.

On November 20, 2020, the Company drew down MMXP $1,500 against a short-term unsecured loan obtained from Banco Nacional de México, S.A. on November 20, 2020, at a rate of TIIE 28d plus 1% and repaid in 6 months.

On November 13, 2020, the Company drew down MMXP $ 5,000 against a short-term unsecured loan obtained from BBVA Bancomer, S.A. matures in November 13, 2020, at a rate of TIIE 28d plus 0.95% and repaid in 3 months.

On October 23, 2020, three issues of Stock Certificates were placed in the national markets for a total of MMXP $10,000.

1. CFE 20 for an amount of MMXP $2,999.89, which bears monthly interest at a variable rate of TIIE 28 days plus 0.80%, maturing in October 2022.

2. CFE 20-2 for an amount of MMXP $3,275.0, which bears semiannual interest at a fixed rate of 8.18% maturing in October 2026.

3. CFE 20U for a total of 568,297,900 UDIS, equivalent to MMXP $3,725.1, which bears semi-annual interest at a fixed rate of 4.86% and maturity in October 2028.

On September 15, 2020, the Company drew down MMXP $1,500 against a credit line obtained from Banco Santander (México), S.A., the line of credit is available for MMXP $ 5,000, maturity in March 21, 2018, at a rate of TIIE 28d plus 1.00% and repaid until March 21, 2021.

On May 28, 2020, the Company drew down MMXP $3,000 against a short-term unsecured loan obtained from BBVA Bancomer, S.A. maturity in May 28, 2020, at a rate of TIIE 28d plus 0.85% and repayable in July 17, 2020.

On March 19, 2020, the Company drew down MMXP $1,500 against a short-term unsecured loan obtained from HSBC México, S.A. maturity in March 19, 2020, at a rate of TIIE 28d plus 0.20% and repaid in 3 months.

DOMESTIC DEBT	Type of credit	Weighted interest rate	Maturities		**2021** National currency		**2020** National currency
NATIONAL CURRENCY	Bank Contracts	Fixed and variable – 5.19%	Mature in 2023	$	11,000,000	$	14,000,000
	Stock Market	Fixed and variable - 7.18%	Mature in 2027		54,037,271		51,262,219
TOTAL PESOS:					65,037,271		65,262,219
IN UDIS AT THE EXCHANGE RATE							
UDI of $6.9223 as of September 2021 and $6.6055 as of December 2020	Stock Market	Fixed - 4.63%	2032		28,808,159		25,028,722
TOTAL UDIS					28,808,159		25,028,722
TOTAL INTERNAL DEBT				**$**	**93,845,430**	**$**	**90,290,941**
Summary							
Total foreign debt				$	167,430,911	$	141,566,161
Total domestic debt					93,845,430		90,290,941
Interest payable					2,847,746		2,078,898
Unamortized debt expenses					(2,424,661)		(2,424,661)
Total documented debt				**$**	**261,699,426**	**$**	**231,511,338**
Short-term debt				$	10,605,720	$	37,752,034
Interest payable					2,847,746		2,078,898
Total Short-term					13,453,466		39,830,932
Long-term debt					250,670,620		194,105,068
Unamortized debt expenses					(2,424,660)		(2,424,661)
Total long-term					248,245,960		191,680,407
Total debt				**$**	**261,699,426**	**$**	**231,511,338**

As of September 30, 2021 the short and long term liability for documented debt matures as follows:

Year	Amount
2021	$ 13,453,467
2022	8,522,650
2023	11,053,044
2024	27,170,267
2025	25,339,295
2026	5,012,657
2027	41,061,284
Subsequent years	130,086,762
Total	**$** 261,699,426

i) Debt on long-term productive infrastructure projects (PIDIREGAS, Spanish acronym)

An analysis of the balances and maturities of the PIDIREGAS (direct investment) debt and capital lease liabilities as of September 30, 2021 and December 31, 2020 is as follows:

credit value		Contract term	Balances as of September 30, 2021 (Thousands of units)				Balances as of December 31, 2020 (Thousands of units)			
			National currency		Foreign currency		National currency		Foreign currency	
			Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
Foreign debt										
25	millions of dollars	2026	$ 91,890	413,505	4,525	20,364	$ 90,273	451,366	4,525	22,626
225	millions of dollars	2029	554,621	3,733,938	27,313	183,883	544,862	4,213,099	27,313	211,197
281	millions of dollars	2032	1,223,239	4,483,621	60,240	220,803	1,201,715	5,005,586	60,240	250,923
726	millions of dollars	2036	892,477	13,365,761	43,951	658,217	876,773	13,804,242	43,951	691,987
51	millions of dollars	2039	-	1,041,393	-	51,285	-	1,023,069	-	51,285
571	millions of dollars	2047	1,007,169	10,299,396	49,600	507,209	992,572	10,835,038	49,756	543,145
1,098	millions of dollars	2048	905,713	20,763,406	44,603	1,022,526	913,290	21,858,792	45,783	1,095,750
799	millions of dollars	2049	619,238	14,973,819	30,495	737,409	579,097	14,513,291	29,030	727,531
16	millions of dollars	2050	28,480	667,569	1,403	32,875			-	-
Total foreign debt			$ **5,322,827**	**69,742,408**	**262,130**	**3,434,571**	$ **5,198,582**	**71,704,483**	**260,596**	3,594,444
Domestic debt										
-	millions of pesos	2021	$ -	-			$ 743	-		
439	millions of pesos	2022	438,871	-			480,779	239,072		
28	millions of pesos	2023	27,223	293			27,223	13,905		
1,688	millions of pesos	2024	562,782	1,125,564			549,939	1,649,816		
320	millions of pesos	2025	193,308	126,432			193,308	242,664		
17,074	millions of pesos	2026	3,498,834	13,575,490			3,437,984	15,772,852		
3,910	millions of pesos	2028	530,757	3,379,472			517,349	3,832,040		
13,335	millions of pesos	2033	1,454,440	11,880,994			1,421,770	13,049,999		
1,297	millions of pesos	2036	83,664	1,213,132			83,664	1,254,966		
10,287	millions of pesos	2042	690,510	9,367,650			686,054	9,943,414		
			7,480,389	40,669,027			7,398,813	45,998,728		
Interest payable			808,834				1,727,836			
CEBURES				8,821				8,821		
Total PIDIREGAS debt			$ **13,612,050**	**110,420,256**			$ **14,325,231**	**117,712,032**		

As of September 30, 2021 and December 31, 2020, minimum payment commitments on PIDIREGAS are as follows:

	2021	2020
PIDIREGAS	$ 175,623,603	$ 187,346,203
less:		
Unaccrued interest	51,600,118	57,045,596
	124,023,485	130,300,607
Present value of obligations		
less:		
Current portion of obligations	13,612,050	12,597,396
Long-term portion of PIDIREGAS	110,411,435	117,703,211
CEBURES	8,821	8,821
Total CEBURES and PIDIREGAS	**$ 110,420,256**	**117,712,032**

13. Lease liabilities

An analysis of lease liabilities as of September 30, 2021 and December 31, 2020 is as follows:

	2021	2020
January 1st	$ 608,755,141	$ 567,913,231
Additions	5,422,873	23,494,256
Interest	19,953,487	29,805,178
Payments	(31,276,273)	(46,105,694)
Translation reserve	1,650,911	5,242,751
Foreign currency	4,369,993	28,405,419
Total liabilities	608,876,132	608,755,141
Less portion of short-term liabilities	25,407,892	20,669,039
Total long-term liabilities	**$ 583,468,240**	$ **588,086,102**

Lease payments as of September 30, 2021 and December 31, 2020 are, as follows:

	2021	2020
Less than one year	$ 25,407,892	$ 20,669,039
More than 1 year and less than 3 years	27,137,793	25,670,320
More than 3 years and less than 5 years	31,469,045	28,050,449
More than 5 years	524,861,402	534,365,333
Total lease liabilities	**$ 608,876,132**	**$ 608,755,141**

14. Other accounts payable and accrued liabilities

Other accounts payable and accrued liabilities as of September 30, 2021 and December 31, 2020 is as follows:

		2021	2020
Suppliers and contractors	$	58,617,619	36,324,045
Employees		6,106,719	5,163,190
Deposits from users and contractors		31,746,242	30,698,012
Subsidy advance		7,000,000	-
Other taxes and duties		1,830,667	3,317,693
Other liabilities		13,582,559	8,090,670
Value added tax		2,856,498	7,782,636
Total	**$**	**121,740,304**	**91,376,246**

15. Other long-term liabilities

An analysis of other long-term liabilities as of September 30, 2021 and December 31, 2020 is as follows:

		2021	2020
Third-party contributions	$	8,524,946	9,305,198
Decommissioning provision (a)		14,672,467	14,464,691
Other provisions (b)		2,009,137	1,838,445
Total	**$**	**25,206,550**	**25,608,334**

16. Employee benefits

CFE has employee benefits plans for employee terminations and retirements due to causes 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 employment relationship, as well as other defined benefits.

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

With review of the terms of the Collective Labor Agreement for the 2020-2022 biennium, some modifications made in 2016 were reversed, the main modifications were that workers are restored the years to access their retirement right. From the signing of this revision for the collective bargaining agreement and within a period not exceeding 180 days, the CFE will issue a document regulation for trusted personnel; this meant a recognition in the cost of the obligation for the exercise for $80,021,095.

17. Contingencies and Commitments

Contingencies

a. Legal Procedures

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

b. Amendments to the Collective Labor Agreement 2020-2022

On May 19, 2016, CFE carried out a review of the terms of the Collective Labor Agreement (CCT Spanish acronym) for the 2016-2018 biennium; it was entered into with the Sole Union of Electricity Workers of the Mexican Republic (SUTERM, Spanish acronym), where various clauses were modified that mainly affected the retirement category, presenting themselves as a reduction of the Company's labor liability and on November 14, 2016, the Ministry of Finance and Public Credit (SHCP, Spanish acronym) published the "Agreement through which the general provisions related to the assumption by the Federal Government of CFE's employee benefits liability was issued" in the Official Gazette, whereby the Federal Government through the SHCP, assumes a portion of the pension and retirement payment obligation actuarially recognized and accounted for in CFE's financial statements, that correspond to the workers that were hired on or prior to August 18, 2008.

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

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

On August 19, 2020, the CFE and SUTERM reached a new agreement on the Collective Labor Agreement that will be current during the 2020-2022 biennium, which considers, among other aspects, the modification of clause 69 relative to the retirement conditions of CFE workers, applicable only to unionized personnel.

As a result of this review, diverse clauses were reversed, which had an increasing effect on the labor liabilities of the Company in the amount of $80,821,095.

In compliance with the Ninth Provision, second paragraph of the "*Agreement by which the provisions of a general character are issued relative to the assumption by the Federal Government of obligations to pay pensions and retirements in charge of the CFE*" ("Agreement"), published in the DOF on November 14, 2016, the CFE communicated to the Public Credit Unit of the SHCP, through official letter DCF / 0202/2020 dated September 2, 2020, the modification before indicated to the CCT. The impact on labor liabilities for the Company will be evaluated by an independent expert.

As of this date, CFE is still waiting for the observations or opinion of SHCP regarding the Report on the Financial Impact of Labor Liabilities of CFE.

According the modifications to the CCT for 2020-2022 biennium, and once the estimates of the impact on labor liabilities have been reconciled between SHCP and CFE, the SHCP will adjust the value of the Titles, according to the new payment profile, at the date of issuance of the financial statements, CFE cannot determine if the final result of these proceedings would have a material adverse effect on the results of operation, liquidity or financial position.

Commitments

a. Natural gas supply contracts

The Company 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 of September 30, 2021, CFE has entered into several financed public work contracts and the payment commitments will begin on the dates on which the private investors complete the construction of each of the investment projects and deliver the related assets to CFE for their operation. The estimated amounts of such financed public work contracts and the estimated dates of construction completion and startup of operations are as follows:

Transmission lines and substations:

Capacity		Estimated amount of the contract expressed in millions of:	
Kmc	MVA	Dollars	Pesos
209.31	1,302.51	148.72	3,019.8

Generation:

	Estimated amount of the contract expressed in millions of:	
MVA capacity	Dollars	Pesos
1,528.63	1,463.23	29,712.4

Renovation and/or modernization:

Estimated amount of the contract expressed in millions of:	
Dollars	Pesos
380.0	7,716.1

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

c. Trusts

Infrastructure investment trust

On February 7, 2018, CFE placed an issue for the first Energy and Infrastructure Investment Trust or Fibra E, (Fiduciary Stock Certificates [CBFEs] for investment in energy and infrastructure) through the Mexican Stock Exchange. The total placement was for a total amount of $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, United States, Canada, Australia and Europe.

The Fibra E structure is comprised of 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 of these Trusts and CFE Capital Trusts is as follows:

Promoted Trust

The irrevocable Trust of Administration and Source of Payment No. 80757 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, Spanish acronym) on March 28, 2016

As part of the structure of the Promoted Trust, CFE Transmisión irrevocably ceded and transferred to the Promoted Trust the collection rights pursuant to the Contract entered into with CENACE for a period of 30 years; in exchange for these rights, the Promoted Trust issued full ownership of the trustee rights to CFE Transmisión.

Subsequently, through funding provided by the issuance of Fibra E in the market, Fibra E purchased up to 6.78% of the instruments in exchange for $15,454,653 in cash, net of issuance costs totaling $756,060, and securities totaling $5,403,571 ceded to CFE Transmisión, equal to 25% of the total number of shares issued by Fibra E.

The main activities of the Promoted Trust include:

1. Receiving, managing, and maintaining the contributed collection rights;
2. Opening, managing, and maintaining fiduciary bank accounts;
3. Making the transfers and payments established in the trust agreement;

4. Evaluating any reimbursements of unbudgeted expenditures requested by CFE Transmisión;
5. Receiving payments made against the collection rights and any other rights derived from the agreement with CENACE;
6. Exercising any other rights arising from the agreement with CENACE;
7. Complying with the instructions provided 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 by 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 FIBRA E tax regulations, as well as in Rule 3.21.3.9. of the Miscellaneous Tax Resolutions or any other tax law that replaces such.

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 patrimony 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 administration, operation, development and regulatory compliance services.

Other trusts

1 Scope of action

1.1. CFE currently participates as Trustor or Beneficiary in 10 (ten) Trust Funds, of which two (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. Prior expenses
   c. Construction Works contract management
   d. Indirect participation trust funds

a. Energy saving

Trust funds to promote energy saving programs.

Trust fund	Role of CFE		
	Trustor	Trustee	Trust Beneficiary
Trust Fund for Energy Savings (FIDE), created on August 14, 1990	Creation of 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 (SUTERM)	Nacional Financiera, S.N.C.	**a.** Electric energy consumers who are beneficiaries of the services rendered by the Trust fund. **b.** CFE, only for the materials that will form part of the public energy services infrastructure.
Mexicali Housing Thermal Isolation Trust (FIPATERM), created on October 19, 1990	CFE	Banco Nacional de Obras y Servicios Públicos, S.N.C.	CFE

As of September 30, 2021 and December 31, 2020, the Housing Thermal Isolation Program (FIPATERM) Trust has assets in the amount of $1,762,267 and $1,698,691 and liabilities $122,984 and $87,886, respectively.

b. Prior expenses

Those created for financing and covering expenses prior to the execution of projects, which are subsequently recovered and charged to the entity that incurred in 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 March 30, 2000	CFE	**Primary beneficiary:** Contract winners **Second beneficiary**: CFE	Banobras, S.N.C.	Conditioned investment

As of September 30, 2021 and December 31, 2020, the Administration of Prior Expenses Trust has assets in the amount of $3,476,846 and $3,475,099, and liabilities of $3,160,572 and $3,145,618, respectively.

As of September 30, 2021 and December 31, 2020, the Administration and Transfer of Ownership Trust 2030 has assets in the amount of $ 512,697 and $498,360, respectively.

c. Construction Works contract management

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

- Turnkey Projects (1990)

- Building, Leasing and Transferring 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.

Building, Leasing and Transferring 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 mode that has settled its financial obligations and is in the process of termination is the CC Samalayuca II project; 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 of September 30, 2021 and December 31, 2020, CFE has fixed assets amounting to $21,995,856 and $21,995,856, respectively, 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 Elias Calles (Petacalco) was created on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and Techint Compagnia Tecnica Internazionale S.P.A.	**Primary beneficiary:** Carbonser, S.A. de C.V **Second beneficiary:** CFE	Banco Nacional de México, S. A. (Banamex)

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

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

Facility	Fixed charge for capacity for Jan-Sept 2021
Petacalco Coal	$94,908

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.

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 of September 30, 2021 and December 31, 2020, 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.

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

18. Segment information

Information regarding the operating segments

The information presented to the Board of Directors to obtain budget and investment approval and measure compliance with the business objectives set out by the Board is condensed consolidated financial information and not for each operating activity of the Company.

Information by type of service

REVENUE		**September 30, 2021**		**September 30, 2020**
Domestic services	$	64,639,476	$	62,567,566
Commercial services		35,520,554		34,685,360
Services		10,007,281		10,238,904
Agricultural services		6,793,402		6,341,736
Industrial services		170,488,464		162,063,480
Total sales		**287,449,177**		**275,897,046**
Block for resale		707,895		590,137
Total electricity supply revenue		**288,157,072**		**276,487,183**
OTHER PROGRAMS				
Illegal uses		1,651,087		1,834,974
Measurement failure		2,173,883		1,094,099
Billing error		338,303		649,948
Total income obtained from other programs		4,163,273		3,579,021
Total revenue from the sale of electricity	**$**	**292,320,345**	**$**	**280,066,204**

19. Uncertain tax criteria

Management of CFE is negotiating with the Ministry of Finance and Public Credit (SHCP) an official statement regarding taxation which would prevent taxation on the reorganization of the portfolio of the six generation EPS´s published on the Official Gazzette of the Federation on November 29, 2019, as it occurred in the first portfolio assignment,since, among other issues, such reorganization seeks in first instance, correcting those organizational decisions that due to the Energy Reform functionally affected the productivity of the energy generation process. As of this date, the company is still waiting for the opinion of SHCP.

19. Standards issued but not yet effective

Following are listed the recent changes to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), which are not yet effective and are described as follows:

– Classification of liabilities as current or non-current (Amendment IAS 1)

The amendment specifies the requirements to classify liabilities as current or non-current. IAS 1 indicates that a current liability is the liability where there is no right to defer the settlement during the following twelve months. The amendments become effective on January 1, 2023 and they must be applied retroactively.

– Proceeds before the intended use of property, plant and equipment (Amendments to IAS 16)

The amendment to the standard prohibits deducting from the cost of an item of property, plant or equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to operate. The amendments become effective on January 1, 2022.

– Onerous contracts – Cost of fulfilling a contract (Amendments to IAS 37)

The amendment indicates that when assessing if a contract is onerous or if it generates losses, there shall be included the costs directly related with the contract, as well as the incremental costs for fulfilling the contract and the allocation of other related costs. The amendments become effective on January 1, 2022.

– Test for derecognition of financial liabilities (IFRS 9 Financial Instruments)

The improvement clarifies that when it is assessed that the terms of a new or amended financial liability are substantially different to the original, when applying the ten per cent test, there shall only be included the fees paid or received between the entity and the creditor, including those paid or received on behalf of the other. The improvement is effective beginning on January 1, 2022.

– Insurance Contracts (IFRS 17)

IFRS 17 Insurance Contracts establishes a new comprehensive accounting model that provides the users of financial information a completely new perspective regarding the financial statements of insurance companies. This standard becomes effective on January 1, 2023.

It is expected that following amended standards and interpretations will not have a significant impact on the financial statements of the Company.

20. Subsequent events

Issuance of international bonds

During the July 2021, CFE returned to international markets under format 144A/RegS with the issuance of a bond in the amount of 850 million US Dollars with a term of 12 years, with maturity in July 2033 and a rate of 3.875%.

Reform of the Electricity Industry Law

On October 1, 2021, the Federal Executive presented, an initiative of Constitutional Reform to articles 25, 27 and 28 of the Mexican Political Constitution, which proposes to CFE have 54% of the market and that 46% corresponds to individuals.

21. Issuance of the condensed consolidated financial information

The condensed consolidated interim financial statements and notes will be approved by the Board of Directors on October 21, 2021. The Board of Directors has the power to amend the accompanying consolidated financial information.