



Comisión Federal de Electricidad

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

Condensed Consolidated Financial
Statements as of March 31, 2022 and
December 31, 2021

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

Condensed consolidated statements of financial position

As of March 31, 2022 and December 31, 2021

(Thousands of pesos)

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

Assets	2022	2021	Liabilities and equity	2022	2021
Current assets:			Current liabilities:		
Cash and cash equivalents (note 5)	\$ 127,832,307	\$ 77,200,194	Short-term maturities of:		
Accounts receivables, net (note 6)	116,119,454	110,442,750	Short-term debt (note 12)	\$ 47,629,831	\$ 37,305,250
Inventory of materials for operation, net (note 7)	14,992,734	14,019,538	Lease liabilities (note 13)	25,216,864	25,930,052
Total current assets	258,944,495	201,662,482	Other payables and accrued liabilities (note 14)	105,088,388	99,481,510
Loans to employees	17,955,760	17,403,036	Income tax	2,293,580	14,089,276
Plants, facilities and equipment, net (note 8)	1,375,007,964	1,383,392,158	Total current liabilities	180,228,663	176,806,088
Right of use assets, net (note 9)	503,358,275	511,367,723	Non-current liabilities		
Derivative financial instruments (note 10)	16,328,081	14,826,581	Long-term debt (note 12)	404,779,333	356,615,652
Intangible and other assets (note 11)	50,593,331	47,973,403	Lease liabilities (note 13)	611,753,930	635,478,570
Deferred tax assets	89,729,331	89,723,121	Other long-term liabilities (note 15)	26,851,650	26,836,535
			Employees benefits (note 16)	371,535,678	369,920,165
			Total no-current liabilities	1,414,920,591	1,388,850,922
			Total liabilities	1,595,149,254	1,565,657,010
			Equity:		
			Contributions received from Federal Government	5,251	5,251
			Contributions in kind received from Federal Government	95,111,382	95,111,382
			Retained earnings	(27,561,060)	(36,163,396)
			Other comprehensive income	629,956,688	622,030,269
			Total equity holders of the parent	697,512,261	680,983,506
			Non-controlling interests	19,255,722	19,707,988
			Contingencies and commitments (note 17)		
	\$ 2,311,917,237	\$ 2,266,348,504		\$ 2,311,917,237	\$ 2,266,348,504

See accompanying notes to condensed consolidated financial statements.

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

Condensed consolidated statements of comprehensive income

For the three-month period ended on March 31, 2022 and 2021

(Thousand of pesos)

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foreign/ English-speaking readers.*

	2022	2021
Revenues:		
Electricity supply service revenue (note 18)	\$ 95,716,663	\$ 86,986,434
Subsidy income	21,900,000	21,279,000
Third party fuel service	6,918,927	28,550,708
Freight revenue	3,774,372	4,614,370
Other income, net	10,585,840	15,118,583
Total revenue	138,895,802	156,549,095
Costs:		
Energy and other fuel supplies	62,576,056	81,994,331
Energy and other fuel supplies - Third party	9,130,371	30,286,895
Salaries and related costs	17,264,607	16,871,221
Maintenance, materials and general services	4,524,707	2,915,783
Taxes and duties	917,443	952,741
Wholesale Electricity Market costs (MEM)	675,771	728,399
Employee benefits costs	9,951,831	9,293,881
Depreciation	24,941,488	17,301,020
Other expenses	1,089,093	3,970,002
Total costs	131,071,367	164,314,273
Operating results	7,824,435	(7,765,178)
Comprehensive financing results, net		
Interest expense	16,632,554	11,334,679
Finance expenses, net	2,557,639	1,768,950
Foreign exchange (gain) loss	(18,806,703)	13,864,882
Total comprehensive financing results, net	383,490	26,968,511
Profit (loss) before income tax	7,440,945	(34,733,689)
Income tax	(1,218,540)	2,803,571
Net income	8,659,485	(37,537,260)
Net income attributable to:		
Controlling interest	8,602,336	(39,201,277)
Non-controlling interest	57,149	1,664,017
	8,659,485	(37,537,260)
Other comprehensive income:	7,926,419	1,030,665
Comprehensive income	\$ 16,585,904	\$ (36,506,595)

See accompanying notes to condensed consolidated financial statements.

Comisión Federal de Electricidad
Productive state Enterprise and Subsidiaries

Condensed consolidated statements of changes in equity

For the three-month period ended on March 31, 2022 and 2021

(Thousands of pesos)

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	Contributions received from the Federal Government	Contributions in kind from the Federal Government	Accumulated results	Other comprehensive income (loss)	Total equity controlling interest	Total equity non- controlling interest	Total
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	-	-	(39,201,277)	1,030,665	(38,170,612)	1,664,017	(36,506,595)
Issue of shares (Fibra E)	-	-	-	-	-	(425,641)	(425,641)
Dividend decree (Fibra E)	-	-	-	-	-	(62,845)	(62,845)
Balances at March 31, 2021	<u>\$ 5,251</u>	<u>\$ 95,004,417</u>	<u>\$ 35,103,775</u>	<u>\$ 390,852,826</u>	<u>\$ 520,966,269</u>	<u>\$ 19,352,030</u>	<u>\$ 540,318,299</u>
Balances at December 31, 2021	\$ 5,251	\$ 95,111,382	\$ (36,163,396)	\$ 622,030,269	\$ 680,983,506	\$ 19,707,988	\$ 700,691,494
Comprehensive income of the period	-	-	8,602,336	7,926,419	16,528,755	57,149	16,585,904
Issue of shares (Fibra E)	-	-	-	-	-	(468,342)	(468,342)
Dividends decree (Fibra E)	-	-	-	-	-	(41,073)	(41,073)
Balances at March 31, 2022	<u>\$ 5,251</u>	<u>\$ 95,111,382</u>	<u>\$ (27,561,060)</u>	<u>\$ 629,956,688</u>	<u>\$ 697,512,261</u>	<u>\$ 19,255,722</u>	<u>\$ 716,767,983</u>

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 three-month period ended on March 31, 2022 and 2021

(Thousands of pesos)

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

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net profit (loss)	\$ 8,659,485	\$ (37,537,260)
Operating activities:		
Employee benefits costs	9,951,831	9,293,881
(Decrease) increase in provision of deferred and current income tax	(1,218,540)	2,803,571
Investing activities:		
Depreciation of plants, facilities and equipment; and right-of-use assets	24,941,488	17,301,020
Disposal of plants, facilities and equipment	709,708	397,431
Foreign exchange (gain) loss, interest expense, and changes in fair value of financial and non-financial instruments	(1,618,906)	37,405,481
Changes in operating assets and liabilities:		
Accounts receivables and loans to employees	(6,229,428)	(23,438,162)
Inventory of materials of operation	(973,196)	353,282
Other assets	(2,619,928)	(2,241,752)
Other payables and accrued liabilities	(2,212,843)	(7,362,289)
Payments to employees benefits	(11,084,848)	(11,298,088)
Net cash flows from operating activities	<u>18,304,823</u>	<u>(14,322,885)</u>
Cash flows from investing activities:		
Acquisition of plants, facilities and equipment	<u>(4,033,820)</u>	<u>(3,750,538)</u>
Excess cash flow to use in financing activities (Cash to obtain from financing activities)	<u>14,271,003</u>	<u>(18,073,423)</u>
Cash flows from financing activities:		
Proceeds from debt	76,038,892	67,530,637
Equity reimbursement Fibra E	(468,342)	(425,641)
Contribution to future equity increases	(41,073)	(62,845)
Payment of debt	(9,805,168)	(3,200,560)
Interest paid	(16,632,554)	(11,334,706)
Payment lease obligations	(11,997,312)	(10,534,155)
Payments of financial instruments	(5,841,145)	(6,700,326)
Collection from financial instruments	<u>5,107,812</u>	<u>5,714,223</u>
Net cash flow from financing activities	<u>36,361,110</u>	<u>40,986,627</u>
Net increase in cash and cash equivalents	50,632,113	22,913,204
Cash and cash equivalents:		
At the beginning of period	<u>77,200,194</u>	<u>111,914,270</u>
At the end of period	<u>\$ 127,832,307</u>	<u>\$ 134,827,474</u>

See accompanying notes to condensed consolidated financial statements.

**Comisión Federal de Electricidad,
Productive State Enterprise and Subsidiaries
Notes to the condensed consolidated financial statements
for the three-month period ended as of March 31, 2022 and December 31, 2021
(Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)**

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 Enterprise) 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**

- i. Plants, facilities and equipment revaluation***

The Enterprise reviews every 5 years, the fair values of plants, facilities and operation equipment, to ensure the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

During 2021, the fair value of plants, facilities and equipment was reviewed, recognizing a net increase the assets value for \$201,851,953, the counterpart was recognized in other comprehensive income.

- ii. Outsourcing Labor Reform***

On April 23 2021, was published in "Diario Oficial de la Federación (DOF)"; the decree amending, adding and repealing some provisions of "Ley Federal del Trabajo", "Ley del Seguro Social", "Ley del Instituto del Fondo Nacional de la Vivienda para los Trabajadores", "Código Fiscal de la Federación", "Ley del Impuesto Sobre la Renta", "Ley del Impuesto al Valor Agregado", "Ley Federal de los Trabajadores al Servicio del Estado", 123 article of "Constitution Política de los Estados Unidos Mexicanos" Section B); and the Regulatory Law of Section XIII bis. B section of 123 Article from "Constitución Política de los Estados Unidos Mexicanos, regarding labor outsourcing.

During 2021, the Corporate Direction of Administration (DCA spanish acronym) of “Comisión Federal de Electricidad” (CFE) requested guidance from “Secretaría del Trabajo y Prevision Social” to define whether the relations of CFE with its Subsidiary Productive Companies (EPS spanish acronym) has some type of outsourcing, and consequently the provisions of the decree published in the DOF on April 23, 2021 regarding labor outsourcing would apply.

On November 10, 2021, “Secretaria del Trabajo y Prevision Social” resolves the following:

The Subsidiary Productive Companies operate in accordance with the terms of strict legal separation established by “Secretaría de Energía”, it is considered that the assignment and functions of the employees of this companies are not based on a relationship of outsourcing.

Accordance with second article in “Ley de la Industria Eléctrica”, electric industry activities are public interest; in addition, planning and control of the national electricity system, as well as the public service of transmission and distribution of electricity, are strategic areas; Therefore, the State will maintain its ownership, without harm the contracts with individuals; in the same way, basic supply is considered a priority activity for national development. Also, in accordance with 42th article of this Law, the public service of transmission and distribution of electrical energy is considered to be of social interest and public order, and for all legal purposes, this service is of public utility.

In terms of the “Comisión Federal de Electricidad Law”, first article, section I and 5, this Productive State Company, has the purpose of providing the public service of transmission and distribution of electric energy, by account and order of the Mexican State; In addition, it is subject to a special regime, among other matters, in the subsidiary productive companies and affiliated companies.

Article 3 of the mentioned Law determines that the provisions contained in other laws, will apply as long as they do not oppose the special regime provided for in this Law; in case of doubt, the interpretation always favors the purpose and object of “Comisión Federal de Electricidad”, in accordance with its legal nature as a Productive State Enterprise with a special regime, as well as the corporate governance regime it holds so it can compete efficiently in the energy industry.

Article 76, second paragraph of the mentioned Law provides that the creation of positions, modifications to organizational structure and staffing, transfer of positions and hiring or appointment of the employees of Comisión Federal de Electricidad and its Subsidiary Productive Companies shall only be performed in order to achieve the best operational efficiency.

Therefore, the activities of the provision of public service of transmission and distribution of electrical energy for the public or private sector, or those that are carried out amongst its Subsidiary Productive Companies or towards “Comisión Federal de Electricidad”, would not be found in the normative hypothesis from registering as contractors for the subcontracting of specialized services, or the execution of specialized works contained in “Ley Federal del Trabajo”, because they are activities aimed at achieving a public service in a strategic area, considered of public order and social interest, and which is subject to a special regime.

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 Enterprise'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 Enterprise'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 Enterprise 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 Condensed 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. Additionally, the condensed 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 Enterprise's economic and financial performance.

3. The significant accounting policies followed by The Enterprise are below:

a) Consolidation basis

The consolidated financial statements include the subsidiaries, affiliates and trusts over which the Enterprise exercises control. The Enterprise controls an entity when it has the power to decide on relevant activities of the entity; 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 Enterprise'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 the risk of changes in their value is insignificant.

c) Financial instruments

i) Initial recognition and measurement

Receivable accounts are recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Enterprise becomes a party to the contractual provisions.

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 Enterprise 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.

Financial assets are classified, in their initial recognition, as measured subsequently to amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The Enterprise 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 Enterprise 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 Enterprise 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.

Additionally, in recent years' fuels price has seen volatility. In order to reduce price risk, The Enterprise has contracted derivative financial instruments on natural gas to reduce volatility. The strategy in the case of natural gas derivatives is saved to reduce the impact of potential price increases.

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 Enterprise discontinues 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 Enterprise 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.

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

d) Plants, facilities and equipment

i) Recognition and measurement

Plants, facilities and equipment are initially measured at cost.

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 Enterprise'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.

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.

The Enterprise 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.

The fair value of the long-term assets of the Generation, Transmission and Distribution Plants is determined through the Income Approach using the Discounted Cash Flow method, this technique reflects current market expectations about future income and expenses.

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 Enterprise'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 Enterprise 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.

e) Employee benefits

The Enterprise 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 Enterprise 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 Enterprise's temporary, contingent and permanent staff.

Pension benefits and other benefits

The Enterprise provides retirement pensions to its employees.

The Enterprise has a defined benefit pension plan in place for employees who began working for The Enterprise on or before August 18, 2008 and a defined contribution pension plan for employees who began working for The Enterprise 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 Enterprise is required to make contributions on behalf of its employees. The Enterprise'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 Enterprise is required to pay a seniority premium and to make certain payments to personnel who leave The Enterprise under certain circumstances.

The Enterprise 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 Enterprise'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.

Defined benefit plans

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 Enterprise, 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 other comprehensive income. The Enterprise 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 Enterprise recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Termination benefits

Termination benefits are expensed at the earlier of when The Enterprise can no longer withdraw the offer of those benefits and when The Enterprise 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.

f) Revenue recognition

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

g) Leases

The Enterprise 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 Enterprise 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 Enterprise 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 Enterprise 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 Enterprise has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Enterprise 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 Enterprise by the end of the lease term or the cost of the right-of-use asset reflects that The Enterprise 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 Enterprise's incremental borrowing rate. Generally, The Enterprise uses its incremental borrowing rate as the discount rate.

The Enterprise 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 Enterprise is reasonably certain to exercise, lease payments in an optional renewal period if the Enterprise is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless The Enterprise 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 Enterprise's estimate of the amount expected to be payable under a residual value guarantee, if the Enterprise 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 Enterprise 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 Enterprise 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 Enterprise recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

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

h) 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 Enterprise'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 IFRS, 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

The carrying amounts and fair values of financial instruments recognized for the three-month period ended as of March 31, 2022 and as of December 31, 2021 as follow:

	2022	2021
<u>Financial assets</u>		
Cash and cash equivalents (2)	\$ 127,832,307	\$ 77,200,194
Accounts receivable (2)	116,119,454	110,442,750
Loans to employees (2)	17,955,760	17,403,036
Derivative financial instruments (1)	16,328,081	14,826,581
<u>Financial liabilities</u>		
Short-term debt (2)	\$ 47,629,831	\$ 37,305,250
Long-term debt (2)	404,779,333	356,615,652
Short-term lease liability (1)	25,216,864	25,930,052
Long-term lease liability (1)	611,753,930	635,478,570
Suppliers and contractors (2)	52,032,033	46,863,539
Deposits from customers and contractors (2)	32,403,948	32,037,016

(1) Fair value

(2) Amortized cost

Objectives of financial risk management

The Enterprise'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 Enterprise's operations through internal and market risk reports that analyze the degree and magnitude of The Enterprise'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 Enterprise 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 hold that investments must be made in low-risk short-term instruments. Monthly status reports are issued to the Treasury Investment Committee.

Credit risk

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

The Enterprise 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 Enterprise conducts transactions only with counterparties that are financially solvent and that have a good reputation and high credit quality. The Enterprise also obtains sufficient guarantees, when appropriate, to mitigate the risk of financial loss due to non-performance.

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

For credit risk management purposes, The Enterprise considers that the credit risk on loans and accounts receivable from consumers is limited. The Enterprise 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 Enterprise is mainly through contracted debt, the leasing of plants, facilities, equipment and PIDIREGAS. To manage liquidity risk, the Enterprise periodically performs cash flow analyses and maintains open lines of credit with financial institutions and suppliers.

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

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

As of March 31, 2022	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	\$ 26,559,581	\$ 60,089,205	\$ 45,607,303	\$ 191,743,899	\$ 323,999,988
Interest payable on documented debt	15,823,432	28,301,272	23,752,939	99,974,846	167,852,489
PIDIREGAS debt	11,596,532	22,241,532	23,107,459	61,989,935	118,935,458
Interest payable on PIDIREGAS debt	6,149,407	10,439,005	7,678,082	25,575,802	49,842,296
Bank loan	9,473,718	-	-	-	9,473,718
Lease liabilities	25,216,864	26,221,091	29,733,379	555,799,460	636,970,794
Interest payable on lease liabilities	21,317,899	34,501,625	29,885,936	202,471,408	288,176,868
Suppliers and contractors	52,032,033	-	-	-	52,032,033
Other liabilities	12,345,480	-	-	-	12,345,480
Total	\$ 180,514,946	\$ 181,793,730	\$ 159,765,098	\$ 1,137,555,350	\$ 1,659,629,124

As of December 31, 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	\$ 13,132,667	\$ 41,420,427	\$ 23,350,559	\$ 180,435,861	\$ 258,339,514
Interest payable on documented debt	13,192,060	24,015,483	19,793,289	76,237,959	133,238,791
PIDIREGAS debt	12,104,453	22,550,067	23,858,239	65,000,500	123,513,259
Interest payable on PIDIREGAS debt	6,172,714	10,731,185	8,043,663	27,442,816	52,390,378
Bank loan	12,068,130	-	-	-	12,068,130
Lease liabilities	25,930,052	31,530,371	37,308,167	566,640,032	661,408,622
Interest payable on lease liabilities	21,851,880	41,810,450	38,843,572	196,379,084	298,884,986
Suppliers and contractors	46,863,539	-	-	-	46,863,539
Other liabilities	7,097,921	-	-	-	7,097,921
Total	\$ 158,413,416	\$ 172,057,983	\$ 151,197,489	\$ 1,112,136,252	\$ 1,593,805,140

Market risk

Due to its activities, The Enterprise has exposure to foreign currency, interest rate risks and fuel prices.

Foreign currency exchange risk management

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

	Total debt as of March 31, 2022 (amounts in millions of pesos)	Total debt as of December 31, 2021 (amounts in millions of pesos)
Local currency	\$159,742	\$136,646
Foreign currency	\$291,131	\$255,194
Interest payable	\$1,536	\$2,081

The Enterprise mostly uses interest rate and foreign currency swaps and foreign currency forward contracts to mitigate its exposure to interest rate and foreign currency risks and options to manage fuel price risk, according to its internal policies.

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

When one is available, The Enterprise 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 Enterprise 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 Enterprise 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 is the fair value of the consideration given or received. If The Enterprise 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 Enterprise 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.

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>				
Cash and cash equivalents	\$ 127,832,307	\$ 127,832,307	\$ 77,200,195	\$ 77,200,195
Accounts receivable	116,119,454	116,119,454	110,442,750	110,442,750
Loans to employees	17,955,760	17,955,760	17,403,036	17,403,036
<u>Financial liabilities</u>				
Suppliers and contractors	\$ 52,032,033	52,032,033	46,863,542	46,863,542
Lease liabilities	636,970,794	636,970,794	661,408,622	661,408,622
Documented debt	323,999,988	248,621,741	258,339,514	254,344,325
PIDIREGAS debt	118,935,458	190,399,851	123,513,259	200,537,025
Trust investment financing	9,473,718	9,473,718	12,068,130	12,068,130

Valuation techniques and assumptions applied for determining fair value

The fair value of the Enterprise'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) 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	
	March 2022	Dec 2021
Available-for-sale financial assets		
Temporary investments	\$ 13,966,764	\$ -

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 Enterprise'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 Enterprise'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 March 31, 2022 and December 31, 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Cash on hand and cash in banks	\$ 113,856,722	\$ 77,191,373
Short-term investments	13,966,764	-
Stock certificates	8,821	8,821
Total	\$ 127,832,307	\$ 77,200,194

6. Accounts receivable, net

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

	<u>2022</u>	<u>2021</u>
Public consumers (*)	\$ 60,619,913	\$ 55,840,758
Government agency consumers (*)	24,986,163	25,865,469
	85,606,076	81,706,227
Impairment of receivables	(55,910,912)	(55,631,593)
	29,695,164	26,074,634
Other accounts receivable (**)	48,248,429	52,161,180
Value added tax	38,175,861	32,206,936
Total	\$ 116,119,454	\$ 110,442,750

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

(**) Includes Assets for trusts and other debtors.

An analysis of balances and changes in the impairment of receivables as of March 31, 2022 and December 31, 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Opening balance	\$ (55,631,593)	\$ (31,924,441)
Increase	(279,319)	(23,754,315))
Charges	-	47,163
Ending balance	\$ (55,910,912)	\$ (55,631,593)

7. Inventory of materials for operation

An analysis of the inventory of operating materials as of March 31, 2022 and December 31, 2021 is as follows:

	2022	2021
Spare parts and equipment	\$ 2,190,050	\$ 2,755,832
Fuel and lubricants	15,491,744	13,327,939
Nuclear fuel	2,645,242	2,880,029
	20,327,036	18,963,800
Allowance for obsolescence	(5,334,302)	(4,944,262)
Total	\$ 14,992,734	\$ 14,019,538

8. Plants, facilities and equipment, net

An analysis of plants, facilities and equipment, net as of March 31, 2022 and December 31, 2021 is as follows:

Plants, facilities and equipment, net								
	December 2021	Additions	Retirements	Depreciation	Capitalization	Marzo 2022		
Plants, facilities and equipment in operation	\$ 2,074,911,958	\$ 3,559,558	\$ (709,708)	\$ -	\$ 507,506	\$ 2,078,269,314		
Capitalized spare parts	8,775,899	-	-	-	(228,570)	8,547,329		
Construction in progress	21,622,317	8,046,104	-	-	-	29,668,421		
Materials for construction	20,090,113	-	-	-	(278,936)	19,811,177		
Subtotal	2,125,400,287	11,605,662	(709,708)	-	-	2,136,296,241		
Accumulated depreciation	(682,744,022)	-	-	(19,280,148)	-	(702,024,170)		
Impairment	(59,264,107)	-	-	-	-	(59,264,107)		
Total	\$ 1,383,392,158	\$ 11,605,662	\$ (709,708)	\$ (19,280,148)	\$ -	\$ 1,375,007,964		

Plants, facilities and equipment, net								
	December 2020	Additions	Retirements	Revaluación	Depreciation	Impairment	Capitalization	December 2021
Plants, facilities and equipment in operation	\$ 1,833,546,389	\$ 28,271,864	\$ (3,946,197)	\$ 201,851,953	\$ -	\$ 2,520,340	\$ 12,667,609	\$ 2,074,911,958
Capitalized spare parts	7,945,553	830,346	-	-	-	-	-	8,775,899
Construction in progress	27,111,684	7,178,242	-	-	-	-	(12,667,609)	21,622,317
Materials for construction	16,298,246	3,791,867	-	-	-	-	-	20,090,113
Subtotal	1,884,901,872	40,072,319	(3,946,197)	201,851,953	-	2,520,340	-	2,125,400,287
Accumulated depreciation	(640,938,909)	-	-	-	(41,805,113)	-	-	(682,744,022)
Impairment	(40,148,837)	-	-	-	-	(19,115,270)	-	(59,264,107)
Total	\$ 1,203,814,126	\$ 40,072,319	\$ (3,946,197)	\$ 201,851,953	\$ (41,805,113)	\$ (16,594,930)	\$ -	\$ 1,383,392,158

During fiscal year 2021, an analysis was carried out to update the fair value of the generation plants, the transmission and distribution lines, in accordance with The Enterprise's policies and IFRS, considering as a basis the "Study to determine the fair value of the long-lived assets of the generation plants of the Federal Electricity Commission" with figures as of December 31, 2021. The aforementioned analysis concludes that there is a revaluation, impairment and reversal of impairment in the plants, lines of transmission and distribution for a net amount of \$185,257,023.

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 March 31, 2022, 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
Carboelectric	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 March 31, 2022 and December 31, 2021 are as follows:

Plant:	2022	2021
Steam	\$ 643,563	\$ 654,043
Hydroelectric	1,106,995	1,106,083
Nuclear power	205,157	205,157
Turbo gas and combined cycle	1,385,724	1,194,739
Geothermal	164,906	171,846
Internal combustion	-	27,670
Transmission lines, networks and substations	25,617,208	17,938,324
Offices and general facilities	544,868	324,455
Total	\$ 29,668,421	\$ 21,622,317

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. The independent appraisers provided the fair value of the plants, facilities and equipment as of December 31, 2021.

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

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 Enterprise 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

The net balances of right-of-use assets as of March 31, 2022 and December 31, 2021 are as follows:

	December 2021	Additions	Retirements	Effect from translation	Depreciation for the year	March 2022
Property	\$ 788,956	2,489	\$ -	\$ (689)	\$ -	\$ 790,756
Infrastructure	158,891,975	-	-	-	-	158,891,975
Vehicles	4,173,989	-	(5,726)	-	-	4,168,263
Gas pipelines	503,228,838	-	-	(2,994,512)	-	500,234,326
Subtotal	\$ 667,083,758	2,489	(5,726)	(2,995,201)	-	664,085,320
Property	(630,310)	-	-	479	(17,573)	(647,404)
Infrastructure	(64,850,216)	-	-	-	(604,660)	(65,454,876)
Vehicles	(1,852,979)	-	-	-	(251,399)	(2,104,378)
Gas pipelines	(88,382,530)	-	-	648,040	(4,785,897)	(92,520,387)
Total depreciation	(155,716,035)	-	-	648,519	(5,659,529)	(160,727,045)
	\$ 511,367,723	2,489	(5,726)	(2,346,682)	(5,659,529)	\$ 503,358,275

	Diciembre 2020	Additions	Remeasurement	Effect from translation	Depreciation for the year	Diciembre 2021
Property	\$ 754,325	\$ 33,889	-	\$ 742	\$ -	\$ 788,956
Infrastructure	154,346,338	-	4,545,637	-	-	158,891,975
Vehicles	4,173,989	-	-	-	-	4,173,989
Gas pipelines	446,162,786	53,841,311	-	3,224,741	-	503,228,838
Subtotal	605,437,438	53,875,200	4,545,637	3,225,483	-	667,083,758
Property	(526,889)	-	-	(382)	(103,039)	(630,310)
Infrastructure	(57,125,614)	-	-	-	(7,724,602)	(64,850,216)
Vehicles	(810,196)	-	-	-	(1,042,783)	(1,852,979)
Gas pipelines	(69,262,841)	-	-	(558,197)	(18,561,492)	(88,382,530)
Total depreciation	(127,725,540)	-	-	(558,579)	(27,431,916)	(155,716,035)
	\$ 477,711,898	\$ 53,875,200	4,545,637	\$ 2,666,904	\$ (27,431,916)	\$ 511,367,723

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 Enterprise mainly uses foreign exchange "Cross Currency Swaps" and "Forwards" to mitigate its foreign currency risk. To reduce its interest rate risk exposure, The Enterprise uses interest rate swaps.

In addition, for the three-month period ended March 31, 2022 and December 31, 2021, the derivative financial instruments have been designated as 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 in the "Effects on the fair value of derivatives" line item, and the ineffective portion is charged to profit or loss of the period.

The fair value of The Enterprise's financial instrument position as of March 31, 2022 and December 31, 2021 amounted to \$16,328,081 and \$14,826,581, respectively.

Derivative Financial Instruments Held for Trading

As of March 31, 2022 and December 31, 2021, CFE had derivatives designated as held for trading whose fair value represented a liability of \$924,007 and \$4,010,547 respectively.

On November 24, 2021, an Interest Rate Prepaid Swap was contracted with the counterparty Barclays Bank Mexico for \$100 million dollars with a maturity date of December 31, 2021, in order to monetize the MTM during the term of the operation. and to cover liquidity needs. On December 17, 2021, the operation was restructured to remain in a total amount of \$150 million dollars for a term of 103 days with amortizations and payments during the months of January to March 2022. On January 11, 2022, it was settled, the operation in advance and the MTM object of the operation was restored and classified as a financial instrument for negotiation.

The objective of the transaction is to monetize the favorable mark to market of the hedging operations of the derivatives portfolio that are maintained with the counterpart Barclays Bank México. Upon recognition of the transaction, the market value is classified as trading until the time of payment or settlement of the transaction.

On January 11, 2022, the operation was terminated and the MTM was restored to the hedge portfolio position. The present value of the flows generated a total amount of the operation was 150.5 million dollars.

On December 10, 2021, the provisions made of the revolving line of credit contracted with Banco Mizuho were settled, which is intended for working capital needs. For this reason, the hedges associated with said primary position change from designation to negotiation.

On September 17, 2002, CFE placed in the Japanese market a bond for 32 billion Japanese yen at an annual interest rate of 3.83% and maturing in September 2032. Simultaneously, CFE carried out a hedging operation for which received an amount of 269,474,000 US dollars, equivalent to 32 billion yen at the spot exchange rate on the date of the transaction of 118.7499 yen per US dollar. The operation consists of a series of currency "Forwards" that allow the yen/dollar exchange rate to be set at 54.0157 yen per US dollar during the established term of the operation. As a result of the operation, CFE pays an interest rate equivalent to 8.42% per year in dollars.

These instruments have not been designated as hedges under the requirements of the accounting standard, therefore, their valuation effect is recorded in the financial cost; a gain (loss) on that security offsets a loss (gain) on the underlying liability. In addition to the forwards series, the derivative instrument considers two options, a long call with which CFE has the right to buy Japanese yen at maturity, in the spot market, in the event that the yen/dollar exchange rate is quoted by below 118.75 yen per dollar. Also, a short call with a strike price of 27.80, if the prevailing exchange rate on the settlement date is above this level.

On September 20, 2019, the Enterprise refinanced a number of lines of credit with BBVA Bancomer for up to \$8.811 billion pesos, including line of credit No. 1200001251, which was refinanced with a 7-year term maturing on September 18, 2026. For this reason, the hedge that CFE acquired through an interest rate swap contracted with the banks Credit Agricole, CitiBanamex, Santander and HSBC were reclassified as held for trading and the effects of the revaluation to market value of the hedges were recognized in profit or loss.

The Enterprise 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 Enterprise 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, it would give rise to an estimated extraordinary loss as of March 31, 2022 and December 31, 2021 as follows:

Instrument	Underlying	Maturity	2022	2021
FWD JPY/Usd	Exchange rate and interest rate	2036	(924,007)	(1,043,092)
IRS	Prepaid SWAP	2022	-	(3,101,322)
CCS	Mizuho line	2023	-	116,847
IRS	Mizuho line	2023	-	17,020
Total			(924,007)	(4,010,547)

Hedging instruments

As of March 31, 2022 and December 31, 2021, CFE maintains its hedging derivative position on exchange rates and interest rates, is as follows:

Instrument	Underlying	Type of hedge	Maturity .	Primary position (lines/bonds)	Hedge Ratio	Fair value 2022	Fair Value 2021
CCS	Exchange rate and interest rate	Cash flow	2022	110000077 a 79	100%	-	10,934
CCS	Exchange rate and interest rate	Cash flow	2023	110000080	100%	995,334	1,280,140
CCS	Exchange rate and interest rate	Cash flow	2024	1100002956	100%	1,682,633	2,602,158
CCS	Exchange rate and interest rate	Cash flow	2027	1100003606	100%	2,699,538	4,280,554
CCS	Exchange rate and interest rate	Cash flow	2032	1200002801	100%	155,344	158,424
				1200000551			
CCS	Exchange rate and interest rate	Cash flow	2036	Pidirega line	100%	2,544,170	2,948,151
CCS	Exchange rate and interest rate	Cash flow	2042	Bond 2042	55.3%	430,693	503,680
CCS	Exchange rate and interest rate	Cash flow	2047	Formosa 1 Bond	100%	774,329	1,394,390
CCS	Exchange rate and interest rate	Cash flow	2048	Formosa 2 Bond	100%	1,138,374	1,960,617
Participating							
Swap	Exchange rate and interest rate	Cash flow	2027	Bond 2027	100%	238,035	337,136
CCS	Exchange rate and interest rate	CCS	2045	Bond 2045	67%	1,487,568	2,123,372
CCS	Exchange rate and interest rate	CCS	2030	Formosa 4 Bond	33%	242,866	397,779
CCS	Exchange rate and interest rate	CCS	2029	Formosa 3 Bond	30%	1,439,757	1,638,221
Forwards	Exchange rate	Cash flow	Less than one year	Sale of energy	100%	(50,794)	(797)
IRS	Interest rate	Cash flow	2023	Línea Mizuho	100%	81,705	-
CCS	Commodities (third party)	Cash flow	2022-2025	Sale of energy	N/A	8,847	(67,811)
Options	Commodities (own self)	Cash flow	2022	Sale of energy	19.36%	3,383,689	(729,820)
Subtotal						17,252,088	18,837,128
CCS	Exchange rate JPY / USD rate	Trading	2032	Credit line in yens	N/A	(924,007)	(1,043,092)
IRS	PrePaid Swap	Trading	2022	MTM Monetization		-	(3,101,322)
CCS	Exchange rate and interest rate	Trading	2023	Mizuho line		-	116,847
IRS	Interest rate	Trading	2023	Mizuho line		-	17,020
Total in thousands of Mexican pesos						16,328,081	14,826,581

The table above includes the Mark to Market of the hedging derivatives. As of March 31, 2022 and December 31, 2021 the total Mark to Market value of the hedging and trading derivatives amounts to \$16,328,081 y \$14,826,581 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).

Natural Gas Hedges Proprietary Position

At the 44th ordinary session of the Board of Directors held on July 13, 2021, the 2021 Foreign Exchange, Interest Rate and Fuel Price Hedging Strategy of the Federal Electricity Commission was authorized.

As of October 15, 2021, the execution of the Fuel Coverage Program began, focused on covering the 2022 calendar through an option structure (collars and calls) considering premium levels covering 63 contracts of 10,000 MMBTU equivalent to approximately 20% of consumption annual CFE

As of March 31, 2022, there is coverage of 22.75% and 19.35% of the NYMEX reference bases contract strip including the Houston Ship Channel Reference Index combos (NYMEX options + Index HSC + Basis) covering Cal 22 and up the period of March 2023.

Leve strike options	Nov21 Dec22	Dec21 Dec22	Ene 22- Dec22	Ene 22- Feb23	Feb 22- Feb23	Total
3.00 put /4.50 call	4	21	-	-	-	25
3.00 put /4.75 call	-	4	-	-	-	4
4.5 Call	-	10	7	6	-	23
4.0 Call	-	-	-	5	6	11
Total contracts	4	35	7	11	6	63

As the calendars expire monthly, the term will be increased through new layers with mobile periods covering the periods of greatest price increases.

The classification of the natural gas hedge position is hedge and it remains in CFE Corporate until the allocation criteria for the generation companies are developed.

The market value as of March 31, 2022 of the own position was \$3,383,688 recorded as a liability corresponding to the price of the NYMEX option including the base risk and the Index to cover the primary position of consumption of the Houston Ship Channel daily.

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. The Enterprise 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 March 31, 2022 and december 31, 2021, before considering credit risk, amounts to \$17,416,745 y \$16,874,330, respectively which is included in the balance sheet and represents the amount in favor of The Enterprise 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 spanish acronym), as the methodology for adjusting derivative financial instruments to fair value.

As of March 31, 2022, 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 March 31, 2022
CitiBanamex	2,635,246	2,474,266	160,980
Goldman Sachs	2,621,994	2,355,036	266,958
Deutsche Bank	2,168,848	2,015,151	153,697
Barclays Bank	1,891,767	1,766,616	125,151
Morgan Stanley	1,877,087	1,689,030	188,057
JP Morgan	1,804,715	1,790,450	14,265
SANTANDER	1,662,444	1,588,455	73,989
Bank of America	1,325,889	1,304,351	21,538
BBVA BANCOMER	698,967	658,940	40,027
BNP PARIBAS	587,014	557,563	29,451
Credit Suisse	144,080	129,529	14,551
Bank of Tokio (MUFG)	(1,306)	(1,306)	-
	17,416,745	16,328,081	1,088,664

As of December 31, 2021, 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, 2021
CitiBanamex	\$3,949,872	\$3,681,642	\$268,230
Goldman Sachs	2,948,727	2,797,943	150,784
Morgan Stanley	2,743,981	2,606,901	137,080
Deutsche Bank	2,339,687	2,248,881	90,806
Barclays Bank	1,999,477	1,235,575	763,902
Santander	1,987,699	1,926,646	61,053
BBVA Bancomer	799,691	736,063	63,628
BNP PARIBAS	218,398	49,340	169,058
Bank of America	187,903	178,998	8,906
Credit Suisse	231	216	15
Bank of Tokio	(116,932)	(126,910)	9,978
JP Morgan	(184,405)	(508,714)	324,309
	\$16,874,330	\$14,826,581	\$2,047,749

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 monthly.

Therefore, the hierarchy level of The Enterprise's Mark-to-Market for derivative financial instruments as of March 31, 2021 is level 2 due to the following:

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

c. Financial risk management

The Enterprise 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 Enterprise if a counterparty to a financial instrument fails to meet its contractual obligations. To mitigate its credit risk, The Enterprise'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 Enterprise monitors the credit rating and the probability of default of the counterparty, which is applied to the market value of the derivative. These operations are carried out with solvent and reputable parties that have a AAA+ credit rating on a local scale, and BBB+ on a global scale according to S&P, Moody's and Fitch.

The carrying amount of the derivative financial assets represents the maximum exposure to credit risk. As of March 31, 2022 and December 31, 2021, this amounted to \$17,416,745 and \$16,874,330, 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 Enterprise 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 March 31, 2022 and December 31, 2021, \$1,656,403 and \$5,401,208, respectively.

Market risk

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

The Enterprise uses I 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

64.0% of CFE's debt is denominated in foreign currency, mainly in US dollars, whereas most of CFE's assets and revenues are denominated in pesos. As a result, CFE is exposed to devaluation risks of the peso against the dollar. In conformity with its risk management policy, CFE has contracted currency swaps to reduce the impact of currency fluctuations. The effect of this instrument is to replace the obligation to pay fixed interest rates in dollars for an obligation to pay a fixed rate in pesos. As of March 31, 2022 and December 31, 2021, CFE maintained foreign exchange swaps to hedge its foreign currency debt of \$134,531 and \$137,517 million pesos, respectively.

To cover the exchange risks of the \$32 billion debt in yens, CFE uses a series of exchange rate forwards under which it purchases Japanese yens. The market value of this transaction as of March 31, 2022 and December 31, 2021 was \$(924,007) and \$(1,043,092), 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 March 31, 2022 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.

Instrumento	+100 pips	-100 pips
Cross Currency	67,285	(67,285)
JPY/USD	2,694	(2,694)
FWD	0.2	(0.2)
Total	69,979.2	(69,979.2)

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

b) Interest rate risk

26.0% of CFE's debt bears interest at variable rates, which are determined by reference to the TIIE rate for debt denominated in pesos. As of March 31, 2022, 3.348% fixed rate bonds were hedged and as of December 31, 2021, CFE hedged \$962 of our debt in pesos with variable interest rates.

11. Intangibles assets and other assets

An analysis of intangibles and other assets as of March 31, 2022 and December 31, 2021 is as follows:

	2022	2021
Rights of way (1)	\$ 32,285,043	\$ 32,080,318
Deposits and advances	18,308,288	15,893,085
Total	\$ 50,593,331	\$ 47,973,403

- (1) The Enterprise asset for right of way, that represents rights aerial or subsurface passage for inspection of the transmission lines that guarantee the continuity of energy transport.

12. Short-term and long-term debt

An analysis of The Enterprise's debt as of March 31, 2022 and December 31, 2021 is as follows:

	2022	2021
Documented debt	\$ 26,559,581	\$ 13,132,667
PIDIREGAS debt	11,596,532	12,104,453
Trust Investment Financing	9,473,718	12,068,130
Total short-term debt	47,629,831	37,305,250
Documented debt	297,440,407	245,206,846
PIDIREGAS debt	107,338,926	111,408,806
Total long-term debt	404,779,333	356,615,652
Total debt	\$ 452,409,164	\$ 393,920,902

An analysis of the debt by item is as follows:

Type of debt	December 2021	Drawdowns	Payments	Foreign currency exchange and interest rate differences	March 2022
Documented debt	\$ 258,339,513	76,011,618	(5,172,708)	(5,178,435)	323,999,988
Pidiregas debt	123,513,259	27,274	(1,903,510)	(2,701,565)	118,935,458
Trust Investment Financing	12,068,130	-	(2,594,412)	-	9,473,718
Total	\$ 393,920,902	\$ 76,038,892	\$ (9,670,630)	\$ (7,880,000)	\$ 452,409,164

Type of debt	December 2020	Drawdowns	Payments	Foreign currency exchange and interest rate differences	December 2021
Documented debt	\$ 231,511,339	137,910,926	(118,048,461)	6,965,709	258,339,513
Pidiregas debt	132,037,263	6,421,139	(17,106,797)	2,161,654	123,513,259
Trust Investment Financing	-	12,066,438	-	1,692	12,068,130
Total	\$ 363,548,602	\$ 156,398,503	\$ (135,155,258)	\$ 9,129,055	\$ 393,920,902

Documented debt

An analysis of drawdowns against loans as of March 31, 2022 and December 31, 2021 is as follows:

Foreign debt

During February 2022, 300 MUSD of a syndicated revolving loan signed on July 31, 2018 for an amount of 1,260 MUSD were made available with Mizuho Bank, LTD., as administrative agent, at a rate of LIBOR USD plus 0.95% and maturity in July 2023.

On February 15, 2022, USD 1,750 million were disposed of, derived from the external public issuance of fixed-rate bonds under Rule 144 A and Regulation S with Deutsche Bank Trust Company Americas as the main paying agent, in two tranches:

1. The first identified as "4.668% Notes due 2029" for 1,250 MUSD, fixed rate of 4.668% and maturity in May 2029, intended for the financing of investment projects and activities contemplated in the Sustainable Financing Framework and of various activities authorized by the CFE Law.

2. The second identified as "6.264% Notes due 2052" for 500 MUSD, fixed rate of 6.264% and term of 30 years, intended for the financing of investment projects and activities contemplated in the Sustainable Financing Framework and of various activities authorized by the CFE Law.

On January 11, 2022, 300 MUSD were made available from a revolving syndicated loan signed on July 31, 2018 for an amount of 1,260 MUSD with Mizuho Bank, LTD., as administrative agent, at a rate of LIBOR USD plus 0.95% and maturity in July 2023.

On December 8, 2021, The Enterprise drew down MUSD 300 from a short-term promissory note with Banorte, which bears interest equal to the LIBOR USD + 0.95%, maturing on December 31, 2021.

On November 10, 2021, The Enterprise drew down MUSD 300 from revolving syndicated loan, signed on July 31, 2018, for an amount of 1,260 MUSD with Mizuho Bank, LTD., as administrative agent, which bears interest equal to the LIBOR USD plus 0.95%, maturity in July 2023.

On October 12, 2021, The Enterprise drew down MUSD 17.1 from credit line signed with Banamex, S.A. intended to finance enriched uranium for the Laguna Verde Nuclear Power Plant, with a term of three years, amortizations and semi-annual interest payments, and a rate of LIBOR 6m USD + 0.70%.

During August 2021, 2.6 MUSD were drawn from credit line contracted with BBVA, S.A. Madrid, for the financing of goods and services with the guarantee of the Spanish Export Credit Insurance Company (CESCE), at fixed rate CIRR and 5-year term.

In July 26, 2021, The Enterprise drew down MUSD 850 against the external public issuance of fixed rate bonds under Rule 144 A and Regulation S with Deutsche 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 Enterprise 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 maturity on July 2023.

In March 9, 2021, The Enterprise drew down MUSD 2,000, against the external public issuance of fixed rate bonds under Rule 144 A and Regulation S with Deutsche 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.

Comisión Federal De Electricidad
Productive State Enterprise and Subsidiaries

				2022		2021	
Foreign debt	Type of credit	Weighted interest rate	Maturities	National currency	Foreign currency (thousands)	National currency	Foreign currency (thousands)
In US dollars at the Exchange rate							
US dollar of \$19.9942 as of March 2022	BILATERAL	Fixed and variable- 1.1%	Mature in 2030	8,046,182	402,426	8,317,283	404,075
and \$20.5835 as of December 2021	BONDS	Fixed and variable- 4.59%	Mature in 2051	184,705,028	9,237,930	154,751,832	7,518,247
	REVOLVING	Fixed and variable- 3.46%	Mature in 2025	161,135	8,059	210,280	10,216
	SYNDICATED	Fixed and variable-1.47%	2023	11,996,519	600,000	-	-
TOTAL US DOLLARS				204,908,864	10,248,415	163,279,395	7,932,538
In EUROS at the Exchange rate	BILATERAL	Fixed and variable - 2%	Mature in 2024	2,401	108	2,814	121
TOTAL EUROS				2,401	108	2,814	121
Bond		Fixed-3.83%	2032	5,248,000	32,000,000	5,686,400	32,000,000
Assets received for financial instruments, net				139,917	-	(139,682)	-
TOTAL JAPANESE YENS				5,387,917	32,000,000	5,546,718	32,000,000
TOTAL FOREIGN DEBT				\$ 210,299,182		\$ 168,828,927	

Reference Interest Rates changes (RFR)

In July 2017, the regulatory institution Financial Conduct Authority announced that the RFR will 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, 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 March 1, 2022, 10,000 MMXP derived from a simple long-term loan subscribed with Nacional Financiera, SNC in two tranches were made available:

1. The first for 5,000 MMXP, maturing in February 2025 and a rate of TIIE 182 + 1.20%.
2. The second for 5,000 MMXP, maturing in March 2027 and a rate of TIIE 182 + 1.44%.

On February 23, 2022, 4,000 MMXP derived from a short Unsecured Promissory Note signed with Scotiabank Inverlat, S.A., at a rate of TIIE 28d plus 0.85% and maturing on December 30, 2022, were drawn down.

On January 18, 2022, 2,000 MMXP of a short-term unsecured promissory note contracted with BBVA Bancomer, S.A., were drawn down at a rate of TIIE 28d plus 0.80% and with a term of 3 months.

On January 17, 2022, 3,000 MMXP of a short-term unsecured promissory note contracted with BBVA Bancomer, S.A., were drawn down at a rate of TIIE 28d plus 0.80% and with a term of 3 months.

On January 6, 2022, 9,000 MMXP were made available from a short-term revolving loan contracted with Banco Santander (México), S.A. dated December 21, 2020, at a rate of TIIE 28d plus 0.85% and with a term of 12 months, renewable every 90 days.

On December 15, 2021, four Stock Certificates were issues in the national markets for a total amount of 10,500 MMXP.

1. CFE 21-3 for an amount of 2,567 MMXP, which will pay monthly interest at a variable rate of TIIE 28 days plus 0.40%, maturing in December 2024.
2. CFE 21-4 for an amount of 733 MMXP, which will pay monthly interest at a variable rate of TIIE 28 days plus 0.57%, maturing in December 2026.
3. CFE 21-5 for an amount of 3,000 MMXP, which will pay semi-annual interest at a fixed rate of 9.16%, maturing in December 2029.
4. CFE 21-2U for a total of 593,111,500 UDIS, equivalent to 4,200 MMXP, which will pay semi-annual interest at a fixed rate of 5.11% and maturity in December 2031.

On December 13, 2021, The Enterprise drew down \$4,000 million Mexican pesos (MMXP) against a short-term unsecured loan obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28d plus 0.80% and maturing on December 31, 2021.

On December 3, 2021, The Enterprise drew down \$4,000 MMXP against a short-term unsecured loan obtained with BBVA México S.A., at a rate of TIIE 28d plus 0.70% and maturing on December 31, 2021.

On October 20, 2021, The Enterprise drew down \$3,000 MMXP against a short-term unsecured loan obtained with Banco Santander (México), S.A., at a rate of TIIE 28d plus 0.80% and maturing on December 30, 2021.

On October 8, 2021, The Enterprise drew down \$3,000 MMXP against a short-term unsecured loan obtained with Banorte, at a rate of TIIE 28d plus 0.75% and maturing on December 30, 2021.

On October 4, 2021, The Enterprise drew down \$3,000 MMXP against a short-term unsecured loan obtained with BBVA México S. A., at a rate of TIIE 28d plus 0.75% and maturing on December 30, 2021.

On October 1, 2021, The Enterprise drew down \$2,500 MMXP against a short-term unsecured loan obtained with Banco Nacional de México (Banamex), at a rate of TIIE 28d plus 0.80% and maturing on December 30, 2021.

On June 22, 2021, The Enterprise drew down \$5,000 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.

1. 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.

2. CFE 21-2 for an amount of MMXP \$2,589, which bears monthly interest at a variable rate of 0.75% maturing in March 2025.
3. 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 Enterprise 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 Enterprise 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 Enterprise 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 Enterprise 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 Enterprise 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.

				2022		2021	
				National currency	Foreign currency (thousands)	National currency	Foreign currency (thousands)
Domestic debt	Type of credit	Weighted interest rate	Maturities				
	NACIONAL CURRENCY	BANK CONTRACTS	Fixed and variable - 7.41%	26,000,000		2,500,000	
		STOCK MARKET	Fixed and variable - 7.57	52,554,878		52,554,878	
TOTAL MEXICAN PESOS				78,554,878		55,054,878	
In UDIS at the exchange rate UDI of \$7.2426 as of March 2022 and \$7.1082 as of December 2021							
	STOCK MARKET	Fixed - 4.69%	Mature 2032	34,436,804	4,754,757	33,797,764	4,754,757
TOTAL UDIS				34,436,804	4,754,757	33,797,764	4,754,757
TOTAL INTERNAL DEBT				112,991,682		88,852,642	
Summary							
Total foreign debt				210,299,182		168,828,927	
Total domestic debt				112,991,682		88,852,642	
Interest payable				3,133,785		3,082,605	
Unamortized debt expenses				(2,424,661)		(2,424,661)	
Total documented debt				323,999,988		258,339,513	
Short-term debt				23,425,796		10,050,062	
Interest payable				3,133,785		3,082,605	
Total Short-term				26,559,581		13,132,667	
Long-term debt				299,865,068		247,631,507	
Unamortized debt expenses				(2,424,661)		(2,424,661)	
Total long-term				297,440,407		245,206,846	
Total short-term and long-term debt				323,999,988		258,339,513	

As of March 31, 2022, the maturities of the documented debt are integrated as follows:

	Amount
2022	26,559,581
2023	23,115,355
2024	32,746,576
2025	20,426,306
2026	8,198,922
2027	42,251,696
2028	5,806,248
Años posteriores	164,895,304
Total	323,999,988

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 March 31, 2022 and December 31, 2021 is as follows:

Foreign debt	Contract maturity	Balances as of March 31, 2022				Balances as of 31 de diciembre de 2021			
		(Thousands of units)				(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
23 millions of dollars	2026	\$ 90,479	361,916	4,537	18,146	93,146	372,583	4,525	18,101
198 millions of dollars	2029	546,105	3,403,550	27,382	170,654	562,201	3,784,965	27,313	183,883
252 millions of dollars	2032	1,204,456	3,812,547	60,391	191,161	1,239,956	3,924,916	60,240	190,683
694 millions of dollars	2036	878,773	12,956,955	44,062	649,660	904,673	13,338,842	43,951	648,036
524 millions of dollars	2047	974,499	9,467,406	48,861	474,695	1,003,221	9,746,444	48,739	473,508
976 millions of dollars	2048	838,730	18,627,259	42,054	933,969	867,548	19,672,057	42,148	955,720
758 millions of dollars	2049	603,272	14,521,469	30,248	728,105	621,053	14,998,970	30,172	728,689
202 millions of dollars	2050	139,499	3,963,548	6,994	198,732	137,679	4,029,209	6,689	195,749
Total Foreign debt		\$ 5,275,813	67,114,650	264,529	3,365,121	5,429,477	69,867,986	263,777	3,394,369
Domestic debt									
39 millions of pesos	2022	-	-			39,273	-		
602 millions of pesos	2024	240,819	361,228			288,180	576,359		
17,727 millions of pesos	2026	2,688,747	15,038,027			2,399,113	15,297,774		
3,662 millions of pesos	2028	517,540	3,144,160			498,864	3,334,437		
12,646 millions of pesos	2033	1,429,155	11,216,583			1,413,323	11,637,276		
1,255 millions of pesos	2036	83,664	1,171,301			83,664	1,171,301		
9,826 millions of pesos	2042	541,620	9,284,155			539,670	9,514,852		
Total Domestic debt		\$ 5,501,546	40,215,454			5,262,087	41,531,999		
Interest payable		819,173				1,412,889			
CEBURES			8,821				8,821		
Total PIDIREGAS debt		\$ 11,596,532	107,338,925			12,104,453	111,408,806		

As of March 31, 2022 and December 31, 2021, minimum payment commitments on PIDIREGAS are as follows:

	<u>2022</u>	<u>2021</u>
PIDIREGAS	\$ 167,949,759	\$ 174,481,926
less:		
Unaccrued interest	<u>49,023,122</u>	<u>52,390,376</u>
Present value of obligations	118,926,637	122,091,550
less:		
Current portion of obligations	<u>11,596,532</u>	<u>10,691,565</u>
Long-term portion of PIDIREGAS	107,330,105	111,399,985
CEBURES	<u>8,821</u>	<u>8,821</u>
Total CEBURES and PIDIREGAS	<u>\$ 107,338,926</u>	<u>\$ 111,408,806</u>

Investment of funds-in-trust

During December 2021, five financings were contracted with commercial banks for a total amount of 525 million dollars and \$1,000 MMXP, whose destination is the financing generation project works.

1.- On December 31, 2021, The Enterprise drew down \$1,000 MMXP against a loan obtained from HSBC Mexico, at a rate of TIIE 91d and maturing in 90 days.

2.- On December 31, 2021 was hired \$100 MMUSD with Bank of América with a base rate SORF by day and maturing in 180 days

3.- On December 31, 2021 was hired \$25 MMUSD with Monex Bank term of 180 days with a Libor rate for 30 days.

4.- On December 29, 2021, The Enterprise drew down \$100 MMUSD against a loan obtained from JPMorgan Chase Bank, at a SORF rate 30, 90 and 180 days and maturing in 360 days.

5.- On December 29, 2021, The Enterprise drew down \$300 MUSD against a loan obtained from Santander Mexico Bank, at a rate of Libor 30 days and maturing in 180 days.

On november 10, 2021, Suministro Calificado, S. A. de C. V Subsidiary Company drew down a credit line by \$300,000 with Santander Bank, at a rate of TIIE 29d plus 1.31% maturing in 29 days.

As of December 31, 2021, payable include accrued interest for \$1,692 and interest expense for year was \$3,269.

13. Lease liabilities

An analysis of lease liabilities as of March 31, 2022 and December 31, 2021 is as follows:

	2022	2021
January 1st	\$ 661,408,622	\$ 608,755,141
Additions	2,489	53,877,675
Interest	6,220,744	28,220,748
Remeasurements	(5,726)	4,545,367
Payments	(11,997,312)	(49,345,930)
Foreign currency translation reserve	(18,658,023)	15,355,621
Total liabilities	636,970,794	661,408,622
Less portion of short-term liabilities	25,216,864	25,930,052
Total long-term liabilities	\$ 611,753,930	\$ 635,478,570

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

	2022	2021
Less than one year	25,216,864	25,930,052
More than 1 year and less than 3 years	26,221,091	31,530,371
More than 3 years and less than 5 years	29,733,379	37,308,167
More than 5 years	555,799,460	566,640,032
Total lease liabilities (undiscounted)	636,970,794	661,408,622

14. Other accounts payable and accrued liabilities

Other accounts payable and accrued liabilities as of March 31, 2022 and December 31, 2021 is as follows:

	2022	2021
Suppliers and contractors	\$ 52,032,033	\$ 46,863,539
Deposits from users and contractors	32,403,948	32,037,016
Employees	2,248,948	4,742,133
Other taxes and duties	2,386,343	3,113,584
Value added tax	3,671,636	5,627,317
Other liabilities	12,345,480	7,097,921
Total	\$ 105,088,388	\$ 99,481,510

15. Other long-term liabilities

An analysis of other long-term liabilities as of March 31, 2022 and December 31, 2021 is as follows:

	2022	2021
Third-party contributions	\$ 7,651,113	7,706,829
Decommissioning provision (a)	12,367,934	12,297,103
Other provisions (b)	6,832,603	6,832,603
Total	\$ 26,851,650	26,836,535

(a) Liabilities for environmental remediation in relation to the Laguna Verde nuclear plant.

(b) The Enterprise is involved in several significant lawsuits and claims, derived from the normal course of its operations, whose resolutions are considered probable and will imply incurring a cash outflow. Due to the foregoing, some provisions have been recognized in the financial statements, representing the best estimate of payments.

16. Employee benefits

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

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

Due to the revision of the collective bargaining agreement for the 2020-2022 biennium, some modifications made in 2016 were reversed, among the main modifications, the years to access their right to retirement are restored to workers.

17. Contingencies and Commitments

a. International arbitration

On April 26, 2021, has initiated an international arbitration with J Aron & Company LLC as a result of a commercial dispute with the affiliate CFE Internacional LCC ("CFE international").

The disputes are relating payment and delivery obligations under long-term natural gas purchase agreements by winter storm Uri in Texas on February 2021, that resulted in unprecedented price increase. The procedure is on the initial stage and at the date of issuance of the financial statements, it is not possible to determine a reasonably result that would have a material adverse effect on the results of operations, liquidity or financial situation.

Additionally, there are twenty international arbitration procedures in charge of the general lawyer, as result from disputes with many suppliers that are in different stages. At the date of the financial statements, we cannot reasonably determine an adverse result in these procedures would have a negative effect that increase the provision for litigation.

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 Enterprise'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.

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 on September 2, 2020, the modification before indicated to the CCT and through official letter DCF/0274/2020, referred the document which includes the financial impact regarding the modification of retirement requirements for employees.

Once the estimates of the impact on labor liabilities of the modifications to the CCT 2020-2022 between the SHCP and the CFE have been reconciled, the SHCP could adjust the value of the Securities up to an amount equivalent to the increase in the retirement and pension liability. At the date of issuance of the financial statements, CFE cannot determine if the final result will have a material adverse effect on its results of operations, liquidity or financial situation.

Commitments

a. Natural gas supply contracts

The Enterprise 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 March 31, 2022, 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 the financed public work contracts and the estimated dates of construction completion and start up of operations are shown in the table below:

Transmission lines and substations:

Capacity		Estimated amount of the contract expressed in millions of:	
Kmc	MVA	Dollars	Mexican pesos
206.21	1,300.00	147.36	3,033.1

Generation:

Capacity MVA	Estimated amount of the contract expressed in millions of:	
	Dollars	Mexican pesos
1,528.63	1,463.23	29,712.4

Renovation and/or modernization

Estimated amount of the contract expressed in millions of:	
Dollars	Mexican pesos
380.0	7,597.6

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 comprised 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.

Subsequently, through the Issuance of Fibra E in the market, it purchased up to 6.78% of the titles in exchange for \$15,454,653 in cash, net of issuance costs that amounted to \$756,060 and \$5,403,571 in titles in favor of CFE Trasmision, equivalent to 25% of the issuance of shares in 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 property, including the Fibra E and the Promoted energy and infrastructure investment trusts created in conformity with current tax legislation, including but not limited to, all the activities and acts deemed necessary or suitable for such purpose, and to provide all types of administration, operation, development and regulatory compliance services.

Master Investment Trust CIB/3602 FMI

The Master Investment Trust was constituted on April 9, 2021, the Trust is constituted between Comisión Federal de Electricidad as trustor and trustee, CF Energía, S.A. de C.V. as trustor and trustee, CIBANCO, S.A. de C.V. as trustee and with the appearance of CFE Capital, S. de R.L. of C.V.

The main purpose is to make investments in infrastructure projects, directly or through Sub-Trusts.

Clean Energy Trust 10670

On August 6, 2021, the CFE formalized with the Foreign Trade Bank the Trust number 10670 called Clean Energy Trust (FIEL), the primary objective is to promote investment projects for clean energies using:

- Repowering and hydrological refurbishment,
- Business acquisitions clean energy.
- Geothermal projects and other clean energy technologies

Trust for Conventional Generation Projects 10673

Trust number 10673, called Conventional Generation Projects Trust (FPGC) constituted on September 24, 2021. The purpose of this trust is to host Investment Projects related to the energy transition.

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.	<p>a. Electric energy consumers who are beneficiaries of the services rendered by the Trust fund.</p> <p>b. CFE, only for the materials that will form part of the public energy services infrastructure.</p>
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 March 31, 2022 and December 31, 2021, the Housing Thermal Isolation Program (FIPATERM) Trust has assets of \$1,796,004 y \$1,771,678 and liabilities of \$140,021 y \$126,353, 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 expense 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 March 31, 2022 and December 31, 2021, the Administration of Prior Expenses Trust has assets of \$3,627,369 and \$3,626,311, and liabilities of \$3,320,600 and \$3,145,618, respectively.

As of March 31, 2022 and December 31, 2021, the Administration and Transfer of Ownership Trust 2030 has assets of \$525,444 and \$518,590, 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 EPS Generacion III.

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 EPS Generacion IV.

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 March 31, 2022 and December 31, 2021, CFE has fixed assets amounting to \$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 TechintCompagnia Tecnica Internazionale S.P.A.	Primary beneficiary: Carbonser, S.A. de C.V. Second beneficiary: CFE	Banco Nacional de México, S. A. (Banamex)

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

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

Facility	Fixed charge for capacity for Jan-Mar 2022
Petacalco Coal	\$32,041

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 March 31, 2022 and December 31, 2021, 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 Enterprise.

Information by type of service

REVENUE	March 31, 2022	March 31, 2021
Domestic services	\$ 20,257,070	\$ 18,939,130
Commercial services	11,832,299	10,304,260
Services	3,547,722	3,200,351
Agricultural services	2,315,584	1,916,781
Industrial services	54,050,757	49,658,519
Total sales	92,003,432	84,019,041
Block for resale	228,712	293,728
Total electricity supply revenue	92,232,144	84,312,769
OTHER PROGRAMS		
Illegal uses	568,617	492,359
Measurement failure	850,912	672,430
Billing error	65,137	116,916
Total income obtained from other programs	1,484,666	1,281,705
Total revenue from the sale of electricity	93,716,810	85,594,474
Other income	1,999,853	1,391,960
Total revenue from the sale of electricity	\$ 95,716,663	\$ 86,986,434

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 Gazette 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 Enterprise is still waiting for the opinion of SHCP.

20. 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 Enterprise.

21. Issuance of the condensed consolidated financial information

The condensed consolidated interim financial statements and notes will be approved by the Board of Directors. The Board of Directors has the power to amend the accompanying consolidated financial information. Subsequent events were considered to April 27, 2022.