

Comisión Federal de Electricidad
**(A Decentralized Public Entity of the Federal
Government)**

Financial Statements for the Years Ended
December 31, 2005 and 2004, and
Independent Auditors' Report Dated
March 15, 2006

Comisión Federal de Electricidad
(A Decentralized Public Entity of the Federal Government)

Independent Auditors' Report and Financial
Statements 2005 and 2004

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Independent Auditors' Report to the Ministry of Public Administration and the Governing Board of the Comisión Federal de Electricidad:

We have audited the accompanying balance sheets of Comisión Federal de Electricidad (a Decentralized Public Entity of the Federal Government) (the "Entity") as of December 31, 2005 and 2004, and the related statements of operations, changes in equity and changes in financial position for the years then ended (in thousands of Mexican pesos of purchasing power as of December 31, 2005). These financial statements are the responsibility of the Entity's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Mexico, those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they are prepared in accordance with accounting principles generally accepted in Mexico. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

- a. As mentioned in Note 3g, separate financial statements have been prepared and issued for use in the preparation and integration of the Federal Public Treasury Account.
- b. As mentioned in Note 3a to the accompanying financial statements, effective January 1, the Entity adopted the provisions of Bulletin C-10, "Derivative Financial Instruments and Hedging Activities" ("C-10"), thereby recognizing the fair value of financial instruments designated as cash flow hedging. The initial effect for 2005 implied the recording of an asset for derivative financial instruments of \$230,080 and crediting comprehensive loss within equity for the same amount. As of December 31, 2005, the financial instruments fair value increased by \$97,754, thus increasing the effect already recognized as part of comprehensive loss within equity by \$327,834. Likewise, an asset and liability with a fair value of \$8,893 and \$336,732, respectively, were recognized, as well as an asset of \$2,498,084, and liability of \$2,424,187.

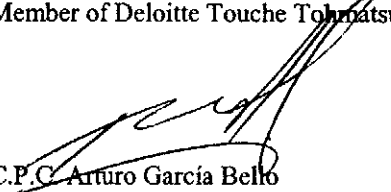
Also, the effect of derivative speculation represented the recognition of a liability of \$406,963 charged to results of the period as a cumulative effect of change in accounting principle, which is presented in the statement of operations. As of December 31, 2005, the Entity has recorded a liability of \$770,745, with a charge to results for the effect of a change in accounting principle at the beginning of the period of \$406,963, and a charge to results for 2005 of \$363,782 in interest expense in the net comprehensive financing result. The Entity has an asset of \$3,312,279 and a liability of \$2,934,662 at yearend.

Deloitte.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Entity as of December 31, 2005 and 2004, and the results of its operations, changes in its equity and changes in its financial position for the years then ended in conformity with accounting principles generally accepted in Mexico.

The accompanying financial statements have been translated into English for the convenience of users.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu



C.P.C. Arturo García Bello

March 15, 2006

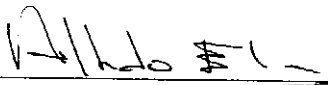
Comisión Federal de Electricidad
(A Decentralized Public Entity of the Federal Government)

Balance Sheets


As of December 31, 2005 and 2004

(In thousands of Mexican pesos of purchasing power of December 31, 2005)

Assets	2005	2004
Current assets:		
Cash and temporary investments (Note 4)	\$ 11,444,415	\$ 9,723,841
Accounts and notes receivable:		
Consumers and other debtors, Net (Note 5)	30,890,517	24,967,631
Luz y Fuerza del Centro (Note 6)	<u>4,398,697</u>	<u>1,581,648</u>
	35,289,214	26,549,279
Materials for operations - Net (Note 7)	<u>17,548,519</u>	<u>17,416,535</u>
Total current assets	64,282,148	53,689,655
Long-term employee loans	2,836,553	2,685,330
Plants, installations and equipment - Net (Note 8)	581,608,066	587,732,894
Financial instruments (Note 3a)	5,819,256	89,450
Other assets	1,349,541	295,467
Intangible assets derived from the actuarial valuation of employee retirement obligations	<u>5,495,340</u>	<u>7,572,850</u>
Total	<u>\$ 661,390,904</u>	<u>\$ 652,065,646</u>



 Ing. Alfredo Elías Ayub
 General Director

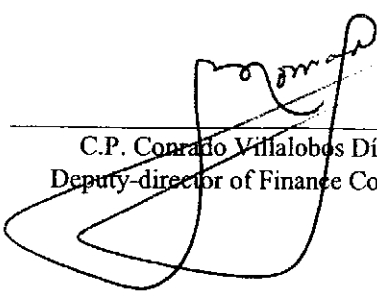


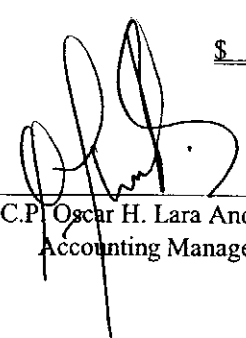
 Lic. Francisco J. Santoyo Vargas
 Finance Director

See accompanying notes to financial statements.

Liabilities and equity

	2005	2004
Current liabilities:		
Current portion of long-term debt (Note 11)	\$ 3,548,366	\$ 3,892,503
Current portion of capital lease obligations and PIDIREGAS (Note 10)	7,133,532	8,101,648
Suppliers and contractors	16,960,198	12,465,945
Taxes and fees payable (Note 9)	2,258,230	2,331,113
Other accounts payable and accrued liabilities	8,273,600	7,067,239
Deposits from consumers	<u>5,207,545</u>	<u>4,826,622</u>
 Total current liabilities	 43,381,471	 38,685,070
 Long-term debt (Note 11)	 22,004,191	 22,996,501
 Financial instruments (Note 3a)	 6,466,326	 -
 Capital lease obligations and PIDIREGAS (Note 10)	 46,427,090	 47,884,062
 Other long-term liabilities	 1,156,858	 1,079,186
 Employee retirement obligations (Note 12)	 <u>181,343,943</u>	 <u>170,313,951</u>
 Total liabilities	 <u>300,779,879</u>	 <u>280,958,770</u>
 Equity (Note 14):		
Accumulated earnings from prior years	354,122,819	380,043,875
Contributions received	4,150,156	3,522,409
Net income (loss) for the year	4,834,588	(8,590,736)
Insufficiency in restated equity	<u>(2,496,538)</u>	<u>(3,868,672)</u>
 Total equity	 <u>360,611,025</u>	 <u>371,106,876</u>
 Total	 <u>\$ 661,390,904</u>	 <u>\$ 652,065,646</u>


 C.P. Conrado Villalobos Díaz
 Deputy-director of Finance Control


 C.P. Oscar H. Lara Andrade
 Accounting Manager

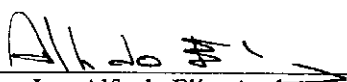
Comisión Federal de Electricidad
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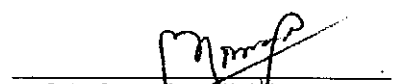
Statements of Operations

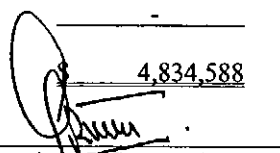
For the years ended December 31, 2005 and 2004


(In thousands of Mexican pesos of purchasing power of December 31, 2005)

	2005	2004
Revenues from energy sales	\$ <u>183,305,240</u>	\$ <u>168,709,399</u>
Costs and expenses:		
Exploitation	148,601,537	131,189,750
Depreciation	21,813,947	21,793,777
Administrative expenses	3,837,064	3,833,117
Actuarial cost of employee retirement obligations for the year	<u>18,789,398</u>	<u>16,690,085</u>
	<u>193,041,946</u>	<u>173,506,729</u>
Operating loss	<u>(9,736,706)</u>	<u>(4,797,330)</u>
Other (expenses) income - Net (Note 16)	<u>(1,428,429)</u>	<u>1,536,553</u>
Net comprehensive financing cost:		
Interest expense, Net	(5,153,879)	(4,807,444)
Foreign exchange gain (loss) - Net	3,484,349	(986,763)
Monetary position gain	<u>2,191,215</u>	<u>3,063,537</u>
	<u>521,685</u>	<u>(2,730,670)</u>
Income tax on distributable remnant (Note 17)	<u>(787,660)</u>	<u>(927,984)</u>
Loss before duties and transfers	<u>(11,431,110)</u>	<u>(6,919,431)</u>
Duties (Notes 3n and 13)	(50,485,224)	(48,953,886)
Transfers from the Federal Government to supplement deficient rates (Notes 3n and 13)	<u>67,157,885</u>	<u>62,265,823</u>
Shortfall of duties over transfers from the Federal Government to supplement deficient rates (Notes 3n and 13)	<u>16,672,661</u>	<u>13,311,937</u>
Income before cumulative effect of change in accounting principle at beginning of year and extraordinary item	5,241,551	6,392,506
Cumulative effect of change in accounting principle at beginning of year - Net	(406,963)	-
Extraordinary item (Note 19)	<u>-</u>	<u>(14,983,242)</u>
Net income (loss)	<u>4,834,588</u>	<u>\$ (8,590,736)</u>


 Ing. Alfredo Elías Ayub
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 C.P. Conrado Vilalobos Díaz
 Deputy-director of Finance Control


 Lic. Francisco J. Santoyo Vargas
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 C.P. Oscar H. Lara Andrade
 Accounting Manager

See accompanying notes to financial statements.

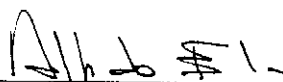
Comisión Federal de Electricidad
(A Decentralized Public Entity of the Federal Government)


Statements of Changes in Equity

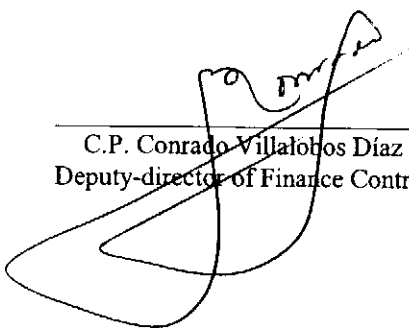
For the years ended December 31, 2005 and 2004

(In thousands of Mexican pesos of purchasing power of December 31, 2005)

	Accumulated earnings from prior years	Contributions received	Net income (loss) for the year
Balances as of January 1, 2004	\$ 404,830,060	\$ 3,674,113	\$ (6,548,028)
Transfer of prior year net activity, approved by the Governing Board	(2,873,915)	(3,674,113)	6,548,028
Contributions received during 2004, from states and municipal governments and others	-	3,522,409	-
Comprehensive loss (Note 15)	<u>(21,912,270)</u>	<u>-</u>	<u>(8,590,736)</u>
Balances as of December 31, 2004	380,043,875	3,522,409	(8,590,736)
Transfer of prior year net activity, approved by the Governing Board	(5,068,327)	(3,522,409)	8,590,736
Contributions received during 2005, from states and municipal governments and others	-	4,150,156	-
Comprehensive loss (Note 15)	<u>(20,852,729)</u>	<u>-</u>	<u>4,834,588</u>
Balances as of December 31, 2005	<u>\$ 354,122,819</u>	<u>\$ 4,150,156</u>	<u>\$ 4,834,588</u>

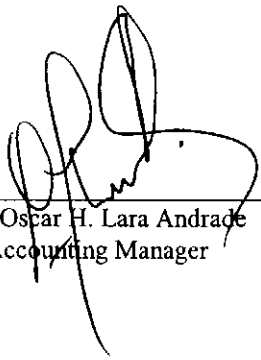

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See accompanying notes to financial statements.

Insufficiency in restated equity	Total equity (Note 14)
(4,043,446)	\$ 397,912,699
-	-
-	3,522,409
<u>174,774</u>	<u>(30,328,232)</u>
(3,868,672)	371,106,876
-	-
-	4,150,156
<u>1,372,134</u>	<u>(14,646,007)</u>
<u>(2,496,538)</u>	<u>\$ 360,611,025</u>



P. Oscar H. Lara Andrade
Accounting Manager

Comisión Federal de Electricidad
(A Decentralized Public Entity of the Federal Government)

Statements of Changes in Financial Position

For the years ended December 31, 2005 and 2004

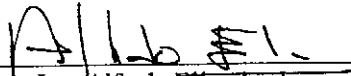
(In thousands of Mexican pesos of purchasing power of December 31, 2005)

	2005	2004
Operating activities:		
Income before cumulative effect of change in accounting principle at beginning of year and extraordinary item	\$ 5,241,551	\$ 6,392,506
Items that did not require (generate) resources:		
Depreciation	21,813,947	21,793,777
Actuarial cost of employee retirement obligations for the year, Net	18,789,398	16,690,085
Other long-term liabilities	(77,672)	40,816
Shortfall of duties over non-cash transfers from the Federal Government to supplement deficient rates (Note 13)	<u>(10,249,376)</u>	<u>(13,311,937)</u>
	<u>35,517,848</u>	<u>31,605,247</u>
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Consumers and other debtors - Net	(3,274,056)	(6,187,991)
Recoverable value - added tax	(2,648,830)	-
Luz y Fuerza del Centro	(2,817,149)	844,555
Materials for operations - Net	(131,984)	369,097
Increase (decrease) in:		
Suppliers and contractors	4,494,253	5,042,453
Value-added tax payable	-	(682,427)
Taxes and fees payable	(72,883)	(5,387)
Other accounts payable and accrued liabilities	1,206,361	2,909,045
Deposits from consumers	380,923	626,469
Employee retirement obligations - Net	(8,334,487)	(4,699,110)
Transfers from the Federal Government to supplement deficient rates (Note 13)	<u>(6,423,285)</u>	<u>-</u>
	<u>(17,621,037)</u>	<u>(1,783,296)</u>
Net resources provided by operating activities before cumulative effect of change in accounting principle at beginning of year and extraordinary item	<u>17,896,811</u>	<u>29,821,951</u>
Cumulative effect of change in accounting principle at beginning of year	(406,963)	-
Extraordinary item (Note 19)	-	(14,983,242)
Net resources provided by operating activities	<u>17,489,848</u>	<u>14,838,709</u>
Financing activities:		
Long-term debt	(1,336,448)	(875,138)
Financial instruments	6,466,326	-
Capital lease obligations and PIDIREGAS - Net	(2,425,088)	(2,461,414)
Contributions received	<u>4,150,156</u>	<u>3,522,409</u>
Net resources provided by financing activities	<u>6,854,946</u>	<u>185,857</u>


(Continued)

	2005	2004
Investing activities:		
Additions to plants, installations and equipment, less net book value of retirements	(15,689,122)	(25,684,902)
Other assets	(1,054,069)	1,142,461
Financial instruments	(5,729,806)	-
Employee loans	<u>(151,223)</u>	<u>(160,804)</u>
Net resources used in investing activities	<u>(22,624,220)</u>	<u>(24,703,245)</u>
Cash and temporary investments:		
Net increase (decrease)	1,720,574	(9,678,679)
Balance at beginning of the year	<u>9,723,841</u>	<u>19,402,520</u>
Balance at end of the year	<u>\$ 11,444,415</u>	<u>\$ 9,723,841</u>

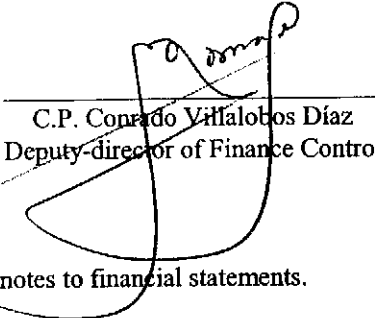
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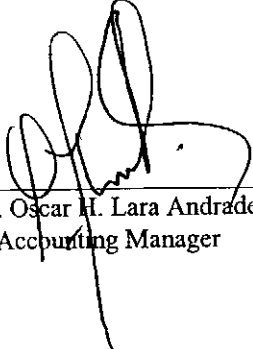
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 C.P. Oscar H. Lara Andrade
 Accounting Manager

See accompanying notes to financial statements.

Comisión Federal de Electricidad
(A Decentralized Public Entity of the Federal Government)

Notes to Financial Statements

For the years ended December 31, 2005 and 2004

(In thousands of Mexican pesos of purchasing power of December 31, 2005)

1. Operations and incorporation

Comisión Federal de Electricidad ("CFE" or the "Entity") is a Decentralized Public Entity of the Federal Government of a technical, industrial and commercial nature, created by a Decree issued by Congress (Legislative Branch) on August 14, 1937, published in the Federal Official Gazette ("DOF") on August 24, 1937 (which repealed the Decree issued by Congress on December 29, 1933, published in the DOF on January 29, 1934), with its own legal identity and equity. The Entity mainly renders public electric energy service throughout Mexico, which consists of: generating, conveying, transforming, distributing, and supplying electric energy, as well as planning and carrying out all the projects, installations, and works required by the national electricity system with respect to planning, execution, operation, and maintenance, with the applicable participation of independent energy producers, as provided for in the terms set forth in the Public Electric Energy Service and its Regulations.

The responsibility for rendering public electric energy service is shared by CFE with another Decentralized Public Entity of the Federal Government, referred to as Luz y Fuerza del Centro ("LFC"), which handles the distribution and sale of all types of power consumed, mainly in the metropolitan area of Mexico City and some neighboring states and, to a lesser degree, certain activities related to energy generation and transportation. Approximately 95% of the energy distributed and marketed by LFC in its area of influence is bought from CFE.

The rates applicable to electric power sales in Mexico are defined and authorized by the Federal Government, through the Department of Revenues of the Treasury Department ("SHCP").

2. Basis of presentation

Explanation for translation into English - The accompanying financial statements have been translated from Spanish into English for use outside of Mexico. These financial statements are presented on the basis of accounting principles generally accepted in Mexico ("MEX GAAP"). Certain accounting practices applied by the company that conform with MEX GAAP may not conform with accounting principles generally accepted in the country of use.

3. Summary of significant accounting policies

The accounting policies followed by the Entity are in accordance with MEXGAAP, which require the Entity's management to make certain estimates and assumptions to determine the valuation of certain items included in the financial statements and to make the appropriate necessary disclosures therein. Although actual results may differ from such estimates, the Entity's management believes that the estimates and assumptions used were adequate under the circumstances. The principal accounting policies followed by the Entity are as follows:

a. **Change in accounting policies -**

Financial instruments:

Interest rate hedging transactions (Note 10e) – Effective January 1, 2005, the Entity adopted provisions of Bulletin C-10, “Derivative Financial Instruments and Hedging Activities” (“C-10”), thereby recognizing the fair value of financial instruments designated as cash flow hedging. The initial effect for 2005 implied the recording of an asset for derivative financial instruments of \$230,080 (see Note 15) and crediting comprehensive loss within equity for the same amount. As of December 31, 2005, the financial instruments fair value increased by \$97,754, thus increasing the effect already recognized as part of comprehensive loss within equity by \$327,834. Likewise, an asset and liability with a fair value of \$8,893 and \$336,732, respectively, were recognized, as well as an asset of \$2,498,084, and liability of \$2,424,187.

With trading purposes (Note 11b) - In addition, the effect of derivatives for trading purposes represented the recognition of a liability of \$406,963 charged to results of the period as a cumulative effect of change in accounting principle, which is presented in the statement of operations. As of December 31, 2005, the Entity has recorded a liability of \$770,745, with a charge to results for the effect of a change in accounting principle at the beginning of the period of \$406,963, and a charge to results for 2005 of \$363,782 in interest expense in the net comprehensive financing result. The Entity has an asset of \$3,312,279 and a liability of \$2,934,662 at yearend.

- b. **Recognition of the effects of inflation** - CFE restates its financial statements in terms of Mexican pesos of purchasing power of the date of the last balance sheet presented, thus recognizing the effects of inflation in financial information. Consequently, the prior year financial statements presented have been restated in terms of the same purchasing power, and their figures differ from those originally presented, which were in Mexican pesos of purchasing power of the close of that year. Recognition of the effects of inflation results mainly in inflationary gains or losses on nonmonetary and monetary items that are presented in the financial statements under certain line items.
- c. **Cash and temporary investments** - This item consists of cash, deposits and short-term investments, which are stated at market value.
- d. **Materials for operations and cost of consumption** - Inventories of materials for operations are recorded originally at average acquisition cost and the related final monthly balances and consumptions are restated using the National Consumer Price Index (“NCPI”).
- e. **Plants, installations and equipment** - These assets are recorded at acquisition and/or construction cost, including the following items as part of cost: corporate administrative expenses directly related to the construction and installation of assets, costs of retirements and seniority premiums for full-time employees on construction sites, and depreciation of the equipment used in the construction and installation of the assets.

Up to December 31, 1996 assets were restated annually to replacement cost by using capital price indexes of the electric utility industry, determined by CFE specialized experts, except for construction in progress, which continued to be restated by this method until the close of 1998. As of January 1, 1997, such assets, as well as those acquired after that date, are restated by the method of adjustments to historical costs for changes in general price levels, using NCPI inflation factors, based on the replacement values determined at the end of 1996 and the acquisition and/or construction cost of those acquired after that date.

Depreciation of plants, installations and equipment in operation is calculated based on restated values under the straight-line method, starting as of the date on which the assets are placed in operation, using depreciation rates based on the estimated useful lives of the assets, determined by CFE specialized technicians, as follows:

	Annual rate %
Geothermal power plants	From 2.00 to 3.70
Steam generating power plants	From 1.33 to 2.86
Hydroelectric power plants	From 1.25 to 2.50
Internal combustion power plants	From 1.33 to 3.03
Gas turbine and combined cycle power plants	From 1.33 to 3.03
Nuclear power plant	From 1.33 to 2.86
Substations	From 1.33 to 2.56
Transmission lines	From 1.33 to 2.86
Distribution networks	From 1.67 to 3.33

The buildings and assets used for offices and general services are depreciated based on the rates authorized in the Income Tax Law.

- f. **Impairment of long-lived assets** - The Entity reviews the book value of its long-lived assets to detect any possible indication of impairment that could prevent the recovery of such book value by considering the higher of the present value of future net cash flows and the net sales price in the event of their disposal. Impairment is recorded to the extent the book value exceeds the higher of the two aforementioned values. The impairment indicators considered for such purposes include operating losses or negative cash flows during the period when combined with a history or projection of loss, which in percentage terms in relation to revenues, are significantly higher than those of prior years, the effects of obsolescence, competition and other economic and legal factors.

- g. **Long-term productive infrastructure projects ("PIDIREGAS")** - In 1996 CFE began investment projects to construct revenue generating assets, under direct budgetary control, using long-term private financing, whose book recognition is deferred over several fiscal years, denominated as PIDIREGAS. The investments in these projects and the liabilities related to the investments are recorded in accordance with Financial Information Standard 009 B, "Rules for the Accounting Treatment of Investments in Long-Term Productive Infrastructure (PIDIREGAS)", issued jointly by the SHCP and the Ministry of Public Administration ("SFP"). This regulation allows for deferral of the recording of part of the related assets and liabilities to subsequent years, with that portion of the installments due and payable in the current year and the following year recognized in CFE as net assets acquired and related liabilities. The remainder of the deferred liabilities is recognized in memoranda accounts.

MEXGAAP requires the accounting recognition of total investments made and all contracted liabilities. Consequently, in order to reflect the investments made and liabilities contracted and present better financial information, effective January 1, 2002 the Entity recognizes the aforementioned deferred assets and liabilities in the accompanying financial statements, whose principal result as of December 31, 2005 and 2004, is the recognition of a liability of \$45,165,029 and \$44,791,214, respectively, and an increase of plants, installations and equipment for a similar amount at those dates.

Separate financial statements were prepared and issued for use in the preparation and integration of the Federal Public Treasury Account, in compliance with NIF 009 B.

- h. **Derivative financial instruments** - The Entity states all derivatives at fair value in the balance sheet, ("mark to market"), regardless of the purpose for holding them. When derivatives are designated as hedging, fair value is recognized depending on whether it is a fair value hedge or a cash flow hedge.

Changes in the fair value of derivative instruments designated as hedging are recognized as follows; (1) for fair value hedges, changes in both the derivative instrument and the hedged item are recognized in current earnings, (2) for cash flow hedges, changes are temporarily recognized as a component of comprehensive income and then reclassified to current earnings when affected by the hedged item. The ineffective portion of the change in fair value is immediately recognized in current earnings, within comprehensive financing cost, regardless of whether the derivative instrument is designated as a fair value hedge or a cash flow hedge.

The Entity uses interest rate and currency swaps and currency forward contracts to manage its exposure to interest rate and foreign currency fluctuations. CFE formally documents all hedging relationships, including their objectives and risk management strategies to carry out derivative transactions. As policy, the Entity does not carry out derivative transactions of a speculative nature.

While certain derivative financial instruments are contracted for hedging from an economic point of view, they have not been designated for accounting, but trading, purposes. Changes in fair value are recognized in comprehensive financing results.

As of January 1, 2005, hedging derivative instruments are recorded as assets or liabilities without offsetting them against the hedged items; until December 31, 2004, the related provision required offsetting.

- i. **Other long-term liabilities** - In accordance with federal regulations, when a nuclear power plant terminates its operations (due to expiration of licenses), it must be dismantled for security and environmental protection reasons.

The CFE's policy is to prepare a technical-economic study, which should be periodically updated (every five years) and covers the respective estimated cost based on electricity production of the Laguna Verde Nucleoelectric Station, which distribution is uniform throughout the useful life and, in accordance with Bulletin C-9, "Liabilities, Provisions, Contingent Assets and Liabilities, and Commitments" must be compared to present value calculations.

In 2005, the Entity updated the technical-economic study, based on studies prepared by international companies on the dismantling of similar plants, for purposes of determining the funds necessary to dismantle the nucleoelectric station. As a result, a new reserve amount was determined, from US \$312 million to US \$500 million. The original estimate changed due to the inclusion of radioactive waste cooling, transportation, and storage costs. Such expenses will be amortized during the remaining useful life of the station. At the 2005 closing, total liabilities at present value are \$5,388,850 thousand, and US \$107 million, equivalent to \$1,156,858 thousand, has been reserved by charging results; liabilities at present value are shown in the balance sheet net of intangible assets of \$4,231,992 thousand.

- j. **Employee retirement obligations** - Liabilities for seniority premiums, pensions, and severance payments are recorded as accrued, and are calculated by independent actuaries based on the projected unit credit method using actual interest rates. Therefore, the Entity is recording the liability that at present value is estimated to cover these obligations at the estimated retirement date of all employees that work for the Entity. The revisions to Bulletin D-3, "Labor Obligations" ("D-3"), effective beginning January 1, 2005, related to recognition of the liability for severance payments at the end of the work relationship for reasons other than restructuring, are recorded using the projected unit credit method based on calculations by independent actuaries. D-3 grants the option to immediately recognize, in current earnings, the resulting transition asset or liability, or to amortize it over the average remaining labor life of employees. Accordingly, since 1993, the CFE includes in its actuarial calculations the severance payments related to contractual commitments and therefore, the adoption of this Bulletin did not produce additional recognition effects in the balance sheet and the statement of operations, and it only adopted the disclosures required by such Bulletin.
- k. **Revenue recognition** - Revenues from energy sales are recognized in the period in which energy is consumed by customers.
- l. **Unbilled energy sold** - Energy that has been delivered and is in the process of being billed is treated as revenue for the year, and its amount is estimated based on the actual billing of the immediately preceding bimester.
- m. **Foreign currency transactions** - Transactions in foreign currency are recorded at the exchange rate in effect at the transaction date, and monetary assets and liabilities in foreign currency are adjusted in Mexican pesos at the exchange rate in effect at the close of the year, affecting results as part of net comprehensive financing cost.

- n. **Transactions with federal, state and municipal governments** - The principal transactions performed with federal, state and municipal governments and the respective accounting treatment, are as follows:

Federal Government-

Duties - In accordance with Article 46 of the Electric Utility Public Service Law, effective December 23, 1992, CFE is required to pay a fee to the Federal Government for the assets it uses to render the electric utility public service.

Duties are determined annually based on the profitability rate established for state owned entities in each year; for 2005 and 2004 the rate was 9%, which was authorized by SHCP. Such rate is applied to the value of the net operating assets of the immediately preceding year and the resulting amount is charged to results of the year.

The annual duty expense is compared with the transfers to supplement deficient rates (subsidy). Up to 1999 a net liability had been generated in favor of the Federal Government, which was not payable, but was capitalized in equity at the close of each year; however, since fiscal 2000 the amount of the duties has been below that of the subsidy, with the insufficiency directly affecting the Entity's equity.

Transfers to supplement deficient rates - This item refers to resources that the Federal Government grants to users of the electric power service through CFE by applying subsidized rates for energy sales. A significant part of these transfers is treated as non-cash transactions, because under the current Electric Power Public Service Law such transactions are credited against the duties payable by the Entity. During 2005, virtual transfers of \$60,734,600 and transfers received in cash of \$6,423,285 were recorded.

These transfers are credited to results of the year in which they are presented and are shown in the statements of operations.

State and Municipal Governments-

Contributions - The contributions received from federal, state and municipal governments for the electrification of rural settlements and low-income districts, as well as from private parties to expand the distribution network, are recorded as an increase in equity.

- o. **Restatement of equity** - Given that the equity of CFE consists of contributions received and results obtained that are capitalized each year and decreased for withdrawals from equity, the restatement of these different components was determined by indexing the original amounts, based on the dates of contribution, withdrawal or generation of results, in order to present figures in pesos of purchasing power of December 31, 2005 using NCPI inflation factors.
- p. **(Insufficiency) excess in restated equity** - This item represents the difference between the restatement of materials for operation and fixed assets based on specific costs and the restatement of the different components of equity by applying NCPI factors. The effects recorded in this account during 2005 and 2004 represent the net decrease in fixed assets acquired under the PIDIREGAS programs, which are restated based on the movement of the exchange rate, equivalent to specific cost, compared to the restatement obtained by restating the assets in accordance with NCPI factors.

Starting in 2002 CFE has conducted a review of the restated values of its plants, installations and equipment. Similarly, in 2004, CFE started a national-level fixed assets inventory program for its distribution area. Based on a series of reviews and the above inventory program, the Entity has made adjustments that have increased and been subsequently recorded in its net worth, forming part of the insufficiency in restated equity. As the effect of these adjustments is not significant, the Entity did not record them as an effect for the year.

- q. **Net comprehensive financing cost** - Net comprehensive financing cost includes all financial revenue or expense items, such as interest, exchange results and monetary position result, as they are accrued.
- r. **Comprehensive loss** - Comprehensive loss presented in the accompanying statement of changes in equity is comprised of the net income (loss) of the year, plus other comprehensive income (loss) items of the same period which, in accordance with MEXGAAP, are presented directly in equity without affecting the statements of operations (Note 15).

- s. **Monetary position gain** - Monetary position gain, which represents the effects of inflation on the purchasing power of monetary items, is determined by applying the NCPI inflation factor to the net monetary liability at the start of each month. Gains result from maintaining a net liability monetary position.
- t. **Statement of changes in financial position** - The statements of changes in financial position present the changes in constant currency, based on the financial position at the close of the prior year, restated to Mexican pesos of the close of the latest year.
- u. **Reclassifications** - The financial statements for the year ended December 31, 2004, have been reclassified in certain amounts in order to conform to the presentation for the year ended December 31, 2005.

4. **Cash and temporary investments**

At December 31, 2005 and 2004, cash and temporary investments are as follows:

	2005	2004
Cash and banks	\$ 7,156,733	\$ 5,008,808
Temporary investments	<u>4,287,682</u>	<u>4,715,033</u>
	<u>\$ 11,444,415</u>	<u>\$ 9,723,841</u>

5. **Consumers and other debtors**

At December 31, 2005 and 2004, these accounts and notes receivable are summarized below:

	2005	2004
Public consumers	\$ 14,616,826	\$ 12,836,352
Government consumers	2,526,527	3,614,235
Energy sold in the process of being billed	<u>7,812,933</u>	<u>7,157,695</u>
	24,956,286	23,608,282
Allowance for doubtful accounts	<u>(890,667)</u>	<u>(784,233)</u>
	24,065,619	22,824,049
Other debtors	3,803,435	1,770,949
Value -- added tax	<u>3,021,463</u>	<u>372,633</u>
	<u>\$ 30,890,517</u>	<u>\$ 24,967,631</u>

6. **Luz y Fuerza del Centro ("LFC")**

The balances of the receivable from LFC at December 31, 2005 and 2004 amounting to \$4,398,697 and \$1,581,648, respectively, are derived from transactions carried out between that entity and CFE, in accordance with the energy buy and sell agreement entered into by both parties. During the years ended December 31, 2005 and 2004, transactions between these entities that affected the results of CFE were as follows, revenues are recorded under the "revenues from energy sales" heading and costs under the "exploitation cost" heading:

	2005	2004
Sales of energy to LFC	<u>\$ 38,398,144</u>	<u>\$ 34,578,256</u>
Exploitation cost and expenses- purchases of energy from LFC	<u>\$ 859,273</u>	<u>\$ 986,502</u>

7. **Materials for operations**

As of December 31, 2005 and 2004, materials for operations, including their restatement, are as follows:

	2005	2004
Spare parts and equipment	\$ 12,106,534	\$ 12,393,427
Fuel and lubricants	4,542,051	4,068,185
Nuclear fuel	<u>1,141,744</u>	<u>1,316,599</u>
	17,790,329	17,778,211
Allowance for obsolescence	<u>(241,810)</u>	<u>(361,676)</u>
	<u>\$ 17,548,519</u>	<u>\$ 17,416,535</u>

8. **Plants, installations and equipment**

Balances of plants, installations and equipment at December 31, 2005 and 2004 are as follows:

	2005	2004
Plants, installations and equipment in operation, Net	\$ 562,024,363	\$ 568,516,318
Construction-in-progress	15,154,797	15,541,060
Materials for construction	<u>2,994,845</u>	<u>3,675,516</u>
	580,174,005	587,732,894
Fixed assets for sale	<u>1,434,061</u>	<u>-</u>
	<u>\$ 581,608,066</u>	<u>\$ 587,732,894</u>

Plants, installations and equipment in operation - The balances of plants, installations and equipment in operation at December 31, 2005 and 2004 are summarized as follows:

	2005	2004
Plants:		
Steam	\$ 242,696,158	\$ 238,994,318
Hydroelectric	147,509,697	142,824,435
Nuclear	67,183,161	56,632,027
Gas turbine and combined cycle	31,782,539	53,819,209
Geothermal	15,327,039	16,732,265
Internal combustion	4,459,214	4,155,105
Unconventional installations	84,862	121,250
Transmission lines and transformation substation	271,015,910	265,375,588
Distribution networks	106,701,031	120,228,223
Land in the process of regulation	344,929	421,319
Administrative buildings and other	<u>70,920,273</u>	<u>67,229,308</u>
	958,024,813	966,533,047
Accumulated depreciation	<u>(396,000,450)</u>	<u>(398,016,729)</u>
	<u>\$ 562,024,363</u>	<u>\$ 568,516,318</u>

During 2005, the CFE recorded the retirement of 10 thermoelectric stations of the generating station retirement program, with a capacity of 1,153.45 Mega Watts ("MW"), which are gradually being retired from the cold reserve due to their aging and operating inefficiency. The net value of these stations is \$2,536,039 thousand Mexican pesos and the respective period costs were affected.

Negotiations are in progress to sell to the National Water Commission ("CNA"), land, containers, and dam channels of the Miguel Alemán Hydroelectric System, which the CFE temporarily delivered in 1983 and are currently managed by the CNA. The net value of such assets is shown as fixed assets for sale.

In recent years, due to the reduction in annual budgets, CFE has not fully complied with required maintenance, which might affect the estimated useful life of certain plants, installations and equipment. During 2005 and 2004, expenses incurred in this regard were considered sufficient by management.

Construction in-progress - The balances of construction-in-progress at December 31, 2005 and 2004 are as follows:

	2005	2004
Plants:		
Steam	\$ 2,329,370	\$ 2,498,345
Hydroelectric	98,544	105,693
Geothermal	686,459	736,256
Internal combustion	170,746	-
Unconventional	60,603	-
Nuclear	529,001	-
Gas turbine and combined cycle	4,036	4,329
Transmission lines	3,651,549	3,916,436
Transformer substations	1,865,896	2,001,250
Distribution networks	4,426,305	4,747,395
Offices and general installations	530,326	568,796
Construction advances	<u>801,962</u>	<u>962,560</u>
Total	<u>\$ 15,154,797</u>	<u>\$ 15,541,060</u>

During the years ended December 31, 2005 and 2004, the items capitalized in construction-in-progress in accordance with the policy described in Note 3e were \$2,661,011 and \$2,299,242, respectively (\$885,790 and \$749,338 of administrative expenses, \$86,309 and \$90,553 of depreciation, and \$1,688,912 and \$1,459,351 of increase to the provision for retirement and seniority premiums in 2005 and 2004, respectively).

Materials for construction - The balances of materials for construction at December 31, 2005 and 2004 are summarized below:

	2005	2004
Spare parts and equipment	\$ 2,984,772	\$ 3,661,539
Materials in the possession of third parties	9,924	13,822
Equipment in transit	<u>149</u>	<u>155</u>
	<u>\$ 2,994,845</u>	<u>\$ 3,675,516</u>

9. Taxes and fees payable

Taxes and fees payable at December 31, 2005 and 2004 are as follows:

	2005	2004
Payable by CFE:		
Income tax distributable remnant	\$ 772,542	\$ 904,257
Income tax payable on account of third parties	345,153	340,205
Contributions to the Mexican Social Security Institute (includes retirement insurance)	312,584	315,980
Fees for the use of national waters	271,344	279,537
2% on salaries	19,708	22,234
Contributions to the National Workers' Housing Fund	7,586	8,157
Subtotal	<u>1,728,917</u>	<u>1,870,370</u>

	2005	2004
Withheld by CFE:		
Tax on employee salaries	232,599	233,633
Public lighting charges	198,444	141,045
Withheld value-added tax	65,963	62,953
Income tax on foreign interest	16,034	8,677
Income tax on payments to foreign residents	1,742	-
0.005% ad valorem tax on contractors	8,254	8,537
Income tax on fees and leases	5,185	5,326
0.002% ad valorem tax on contractors	1,085	572
Others	7	-
Subtotal	<u>529,313</u>	<u>460,743</u>
Total	<u>\$ 2,258,230</u>	<u>\$ 2,331,113</u>

10. Capital lease obligations and PIDIREGAS

The obligations originated by the acquisition of plants, installations and equipment through capital leases were recorded in accordance with Bulletin D-5, "Leases", issued by the IMCP, and debt due to PIDIREGAS (Note 3g) as of December 31, 2005 and 2004 is summarized as follows:

Asset Type	Equipment Value	Interest Rates Utilized	Amount of Agreed Payments Equal to Yields	
			Interest commissions and fiduciary fees	Principal
EXTERNAL DEBT CAPITAL LEASE				
ASSETS IN COMMERCIAL OPERATIONS				
2 Integral Thermo-electric units with 350 MW capacity each for C.T. TUXPAN Units 3 and 4	104.3 million euros	2.0%	20.0 million euros	104.3 million euros
		<u>Fiduciary fees</u> \$202.7 millions		
2 Integral thermoelectric units with 160 MW capacity each one each for C.T. TOPDLOBAMPO II Units 1 and 2	368.7 million U.S dollars	2.75%	226.1 million U.S dollars	368.7 million U.S dollars
		<u>Fiduciary fees</u> \$374.9 millions		
2 Integral hydroelectric units with 211 MW capacity each for P.H. HUITES	473.0 million U.S dollars	9.0%	287.8 million U.S dollars	473.0 million U.S dollars
2 Integral thermoelectric units with 350 MW capacity each for C.T. TUXPAN Units 5 and 6	880.2 million U.S dollars	Variable y 8.41%	372.5 million U.S dollars	880.2 million U.S dollars
		<u>Fiduciary fees</u> \$311.3 millions		
2 Integral hydroelectric units with 100 MW capacity each for P.H. TEMASCAL II Units 5 and 6	292.2 million U.S dollars	2.50%	112.6 million U.S dollars	292.2 million U.S dollars
		<u>Fiduciary fees</u> \$152.6 millions		
Transmission Line MAZATLAN - DURANGO	106.5 million U.S dollars	12.50%	95.4 million U.S dollars	106.5 million U.S dollars
		<u>Fiduciary fees</u> \$26.6 millions		
Transmission Line TUXPAN - TEXCOCO	66.3 million U.S dollars	8.09%	23.6 million U.S dollars	66.3 million U.S dollars

TOTAL EXTERNAL DEBT

Payments at Dec 31, 2005	Contract Term	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
<u>Principal</u> \$934.0 millions (73.5 million euros)	Until 2021	\$ 25,259.0	\$ 366,257.0	1,987.6	28,821.0	\$ 31,465.8	\$ 487,721.0	1,987.7	30,808.8
<u>Interest commissions</u> \$160.1 millions (12.6 million euros)									
<u>Fiduciary fees</u> \$87.4 millions									
<u>Principal</u> \$3,766.8 millions (349.5 million U.S dollars)	Until 2013	11,537.0	196,123.0	1,070.5	18,197.1	212,498.5	224,278.5	18,255.5	19,267.8
<u>Interest and commissions</u> \$2,400.2 millions (222.7 million U.S dollars)									
<u>Fiduciary fees</u> \$20.6 millions									
<u>Principal</u> \$4,362.8 millions (404.8 million U.S dollars)	Until 2008	468,582.0	266,651.0	43,477.0	24,741.0	848,511.8	794,072.5	72,723.0	68,218.0
<u>Interest and commissions</u> \$3,028.5 millions (281.0 million U.S dollars)									
<u>Principal</u> \$9,101.8 millions (844.5 million U.S dollars)	Until 2006	384,849.0	-	35,707.9	-	551,007.2	415,648.6	47,338.5	35,707.9
<u>Interest and commissions</u> \$3,992.1 millions (370.4 million U.S dollars)									
<u>Fiduciary fees</u> \$267.2 millions									
<u>Principal</u> \$2,783.9 millions (258.3 million U.S dollars)	Until 2028	47,046.0	317,441.0	4,365.1	29,453.5	57,974.8	393,656.3	4,980.8	33,818.8
<u>Interest and commissions</u> \$1,130.6 millions (104.9 million U.S dollars)									
<u>Fiduciary fees</u> \$74.5 millions									
<u>Principal</u> \$1,147.8 millions (106.5 million U.S dollars)	Until 2005	-	-	-	-	789,828.6	-	66,135.2	-
<u>Interest and commissions</u> \$1,028.2 millions (95.4 million U.S dollars)									
<u>Fiduciary fees</u> \$26.6 millions									
<u>Principal</u> \$615.4 millones (57.1 million U.S dollars)	Until 2008	33,211.0	66,424.0	3,081.5	6,163.1	35,869.9	107,609.6	3,081.5	9,244.6
<u>Interest and commissions</u> \$240.3 millones (22.3 million U.S dollars)									
		\$ 970,484.0	\$ 1,212,896.0			\$ 2,505,156.6	\$ 2,422,986.5		

<u>Asset Type</u>	<u>Equipment Value</u>	<u>Interest Rates Utilized</u>	<u>Amount of Agreed Payments Equal to Yields</u>	
			<u>Interest commissions and fiduciary fees</u>	<u>Principal</u>
INTERNAL DEBT CAPITAL LEASE 2 Integral thermoelectric units each with capacity of 350 MW for the TUXPAN C.T. Units 5 and 6	\$1,137.6 MX million	8.60%	Intereses \$209.7 million	\$1,137.6 million
2 Integral thermoelectric units with capacity of 100 MW each for the TEMASCAL II C. H.	\$561.3 MX million	8.60%	Intereses \$95.5 million	\$561.3 million
Transmission line TUXPAN - TEXCOCO	\$163.9 MX million	9.05%	Intereses \$39.7 million	\$163.9 million
TOTAL INTERNAL DEBT				
TOTAL EXTERNAL AND INTERNAL DEBT FROM FINANCIAL LEASES				

Payments at Dec 31, 2005	Contract Term	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
<u>Principal</u> \$758.4 million	Until 2006	\$ 379,206.0	\$ -			\$ 391,843.8	\$ 391,843.8		
<u>Interest and commissions</u> \$185.4 million									
<u>Principal</u> \$374.2 million	Until 2006	187,110.0	-			193,344.8	193,345.8		
<u>Interest and commissions</u> \$83.4 million									
<u>Principal</u> \$81.9 million	Until 2008	32,777.0	49,165.0			33,868.4	84,671.8		
<u>Interest and commissions</u> \$28.3 million									
		<u>\$ 599,093.0</u>	<u>\$ 49,165.0</u>			<u>\$ 619,057.0</u>	<u>\$ 669,861.4</u>		
		<u>\$ 1,569,577.0</u>	<u>\$ 1,262,061.0</u>			<u>\$ 3,124,213.6</u>	<u>\$ 3,092,847.9</u>		

Asset Type	Installation Value	Amount of Agreed		Payments at Dec 31, 2005
		Payments Equal to Yields		
		Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
EXTERNAL DEBT				
PIDIREGAS				
3 Combined cycle modules with a nominal generation capacity of 168.6 MW each for C.C.C. Samalayuca II, M-1, 2 and 3.	701.2 million U.S. dollars	578.5 million U.S. dollars of interest	701.2 million U.S. dollars	<u>Principal</u> \$3,784.9 million (351.2 million U.S. dollars) <u>Interest</u> \$3,768.1 million (348.7 million U.S. dollars)
4 Integral geothermoelectric units with a 100 MW total capacity for C.G. Cerro Prieto IV	103.3 million U.S. dollars	71.3 million U.S. dollars of interest	103.3 million U.S. dollars	<u>Principal</u> \$479.0 million (44.4 million U.S. dollars) <u>Interest</u> \$494.1 million (45.8 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$37.1 million (3.4 million U.S. dollars)
2 Combined cycle modules with total capacity of 436.9 MW for C.C.C. Monterrey II	331.1 million U.S. dollars	322.1 million U.S. dollars of interest	331.1 million U.S. dollars	<u>Principal</u> (One payment) <u>Interest</u> \$1,620.7 million (150.4 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$89.5 million (8.3 million U.S. dollars)
1 Combined cycle module with capacity of 445 MW, for C.C.C. Chihuaahua	277.4 million U.S. dollars	157.7 million U.S. dollars of interest	277.4 million U.S. dollars	<u>Principal</u> \$1,050.3 million (97.5 million U.S. dollars) <u>Interest</u> \$941.6 million (87.4 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$31.8 million (3.0 million U.S. dollars)
1 combined cycle module with a capacity of 497.6 MW for C.C.C. Rosarito III, Units 8 and 9	307.9 million U.S. dollars	339.5 million U.S. dollars of interest	307.9 million U.S. dollars	<u>Principal</u> \$518.6 million (48.1 million U.S. dollars) <u>Interest</u> \$1,372.4 million (127.3 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$153.0 million (14.2 million U.S. dollars)
2 Integral geothermoelectric units with a total capacity of 10 MW for C.G. Tres Virgenes	18.2 million U.S. dollars	9.1 million U.S. dollars of interest	18.2 million U.S. dollars	<u>Principal</u> \$38.1 million (3.5 million U.S. dollars) <u>Interest</u> \$58.9 million (5.5 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$2.3 million (0.2 million U.S. dollars)

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2019	\$ 7,557,538.0	\$ 585,093.0	\$ 3,187,511.00	54,287.4	295,750.6	\$ 623,580.8	\$ 4,074,520.0	53,571.2	350,038.0
Until 2015	1,113,724.0	87,084.0	547,680.0	8,080.0	50,816.0	94,053.4	685,562.9	8,080.0	58,896.0
Until 2015	3,568,355.0	-	3,568,355.0	-	331,086.9	-	3,853,925.3	-	331,086.9
Until 2018	2,989,368.0	233,401.0	1,705,665.0	21,655.9	158,258.7	252,079.1	2,094,243.8	21,855.9	179,914.6
Until 2016	3,317,952.0	141,969.0	2,657,424.0	13,172.3	246,566.9	141,878.9	3,023,423.9	12,188.7	259,739.4
Until 2011	196,139.0	25,397.0	132,648.0	2,356.4	12,307.6	27,428.6	170,692.2	2,356.4	14,664.0

Asset Type	Installation Value	Amount of Agreed Payments Equal to Yields		Payments at Dec 31, 2005
		Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
1 unit thermoelectric 39.4 MW at C.D. Puerto San Carlos II	61.3 million U.S. dollars	29.1 million U.S. dollars of interest	61.3 million U.S. dollars	<u>Principal</u> \$185.3 million (17.2 million U.S. dollars) <u>Interest</u> \$174.1 million (16.1 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$5.0 million (0.5 million U.S. dollars)
LT 211 SUBMARINE CABLE	100.0 million U.S. dollars	50.3 million U.S. dollars of interest	100.0 million U.S. dollars	<u>Principal</u> \$681.5 million (63.2 million U.S. dollars) <u>Interest</u> \$470.9 million (43.7 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$26.8 million (2.5 million U.S. dollars)
SE 212 y 213 SF6 POWER DISTRIBUTION	175.2 million U.S. dollars	162.9 million U.S. dollars of interest	175.2 million U.S. dollars	<u>Principal</u> \$505.4 million (46.9 million U.S. dollars) <u>Interest</u> \$905.9 million (84.1 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$38.0 million (3.5 million U.S. dollars)
LT 214 and 215 SOUTHEAST PENINSULAR	133.2 million U.S. dollars	123.5 million U.S. dollars of interest	133.2 million U.S. dollars	<u>Principal</u> \$231.6 million (21.5 million U.S. dollars) <u>Interest</u> \$702.9 million (65.2 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$76.8 million (7.1 million U.S. dollars)
LT 216 and 217 NORTHWEST	110.2 million U.S. dollars	82.2 million U.S. dollars of interest	110.2 million U.S. dollars	<u>Principal</u> \$264.1 million (24.5 million U.S. dollars) <u>Interest</u> \$589.1 million (54.7 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$24.9 million (2.3 million U.S. dollars)
SE 218 NORTHWEST	50.7 million U.S. dollars	34.1 million U.S. dollars of interest	50.7 million U.S. dollars	<u>Principal</u> \$199.4 million (18.5 million U.S. dollars) <u>Interest</u> \$230.6 million (21.4 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$8.7 million (0.8 million U.S. dollars)

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2011	660,368.0	63,527.0	411,582.0	5,894.3	38,188.3	63,162.1	513,131.6	5,426.2	44,082.6
Until 2013	1,077,974.0	143,101.0	253,322.0	13,277.5	23,504.3	154,553.7	428,133.2	13,277.8	36,781.8
Until 2013	1,889,016.0	84,923.0	1,297,654.0	7,879.5	120,401.8	91,719.1	1,493,225.7	7,879.5	128,281.3
Until 2015	1,435,389.0	59,428.0	1,144,358.0	5,514.0	106,178.3	58,418.1	1,298,948.9	5,018.6	111,692.3
Until 2009	1,187,527.0	50,963.0	872,445.0	4,728.6	80,949.1	52,632.5	997,306.3	4,521.6	85,677.7
Until 2015	545,965.0	43,922.0	302,521.0	4,075.3	28,069.2	44,027.0	374,100.5	3,782.3	32,144.5

Asset Type	Installation Value	Amount of Agreed Payments Equal to Yields		Payments at Dec 31, 2005
		Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
SE 219 SOUTHEAST - PENINSULAR	33.8 million U.S. dollars	16.8 million U.S. dollars of interest	33.8 million U.S. dollars	<u>Principal</u> \$218.2 million (20 million U.S. dollars) <u>Interest</u> \$153.7 million (14.3 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$4.1 million (0.4 million U.S. dollars)
SE 220 EASTERN - CENTRAL	62.8 million U.S. dollars	42.5 million U.S. dollars of interest	62.8 million U.S. dollars	<u>Principal</u> \$210.7 million (19.6 million U.S. dollars) <u>Interest</u> \$309.2 million (28.7 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$10.8 million (1.0 million U.S. dollars)
SE 221 WESTERN	72.5 million U.S. dollars	52.3 million U.S. dollars of interest	72.5 million U.S. dollars	<u>Principal</u> \$195.5 million (18.1 million U.S. dollars) <u>Interest</u> \$327.8 million (30.4 million U.S. dollars) <u>Taxes and fiduciary fees</u> \$5.0 million (0.5 million U.S. dollars)
L.T. 301 CENTRAL	44.5 million U.S. dollars	16.8 million U.S. dollars of interest	44.5 million U.S. dollars	<u>Principal</u> \$178.7 million (16.4 million U.S. dollars) <u>Interest</u> \$110.4 million (10.2 million U.S. dollars)
L.T. 302 SOUTHEAST	41.2 million U.S. dollars	19.0 million U.S. dollars of interest	41.2 million U.S. dollars	<u>Principal</u> \$166.1 million (15.4 million U.S. dollars) <u>Interest</u> \$127.5 million (11.9 million U.S. dollars)
L.T. 303 XTAPA - PIE DE LA CUESTA	27.7 million U.S. dollars	11.7 million U.S. dollars of interest	27.7 million U.S. dollars	<u>Principal</u> \$119.3 million (11.1 million U.S. dollars) <u>Interest</u> \$80.2 million (7.4 million U.S. dollars)
L.T. 304 NORTHWEST	28.2 million U.S. dollars	14.2 million U.S. dollars of interest	28.2 million U.S. dollars	<u>Principal</u> \$121.7 million (11.3 million U.S. dollars) <u>Interest</u> \$98.2 million (9.1 million U.S. dollars)

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2009	364,231.0	38,442.0	109,549.0	3,566.8	10,164.4	39,963.9	159,798.9	3,433.3	13,731.2
Until 2009	677,362.0	47,602.0	419,028.0	4,416.7	38,879.2	47,519.6	503,975.3	4,082.4	43,295.9
Until 2014	781,502.0	54,986.0	531,023.0	5,101.8	49,270.5	59,741.8	632,903.5	5,132.4	54,372.3
Until 2011	480,081.0	50,567.0	252,831.0	4,691.8	23,458.7	54,613.4	327,678.3	4,691.8	28,150.5
Until 2011	443,575.0	32,542.0	244,909.0	3,019.4	22,723.7	49,942.8	299,653.5	4,290.5	25,743.1
Until 2011	298,321.0	29,833.0	149,159.0	2,768.0	13,839.6	32,219.1	193,317.9	2,767.9	16,807.6
Until 2011	304,151.0	30,415.0	152,077.0	2,822.0	14,110.3	32,849.5	197,094.7	2,822.1	16,932.3

Asset Type	Installation Value	Amount of Agreed Payments Equal to Yields		Payments at Dec 31, 2005
		Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
L.T. 305 CENTRAL - EASTERN	36.5 million U.S. dollars	17.7 million U.S. dollars of interest	36.5 million U.S. dollars	<u>Principal</u> \$157.3 million (14.6 million U.S. dollars)
				<u>Interest</u> \$121.5 million (11.3 million U.S. dollars)
L.T. 306 SOUTHEAST	45.0 million U.S. dollars	18.9 million U.S. dollars of interest	45.0 million U.S. dollars	<u>Principal</u> \$184.0 million (18.0 million U.S. dollars)
				<u>Interest</u> \$131.0 million (12.2 million U.S. dollars)
L.T. 307 NORTHWEST	24.3 million U.S. dollars	12.7 million U.S. dollars of interest	24.3 million U.S. dollars	<u>Principal</u> \$104.9 million (9.7 million U.S. dollars)
				<u>Interest</u> \$88.4 million (8.2 million U.S. dollars)
L.T. 308 NORTHWEST	44.1 million U.S. dollars	21.7 million U.S. dollars of interest	44.1 million U.S. dollars	<u>Principal</u> \$190.3 million (17.7 million U.S. dollars)
				<u>Interest</u> \$145.2 million (13.5 million U.S. dollars)
SE 401 WESTERN - CENTRAL	64.29 million U.S. dollars	22.2 million U.S. dollars of interest	64.29 million U.S. dollars	<u>Principal</u> \$197.3 million (18.3 million U.S. dollars)
				<u>Interest</u> \$114.8 million (10.7 million U.S. dollars)
SE 402 EASTERN PENINSULAR	73.1 million U.S. dollars	18.4 million U.S. dollars of interest	73.1 million U.S. dollars	<u>Principal</u> \$197.0 million (18.3 million U.S. dollars)
				<u>Interest</u> \$85.3 million (7.9 million U.S. dollars)
L.T. 403 NORTHEAST	72.5 million U.S. dollars	26.7 million U.S. dollars of interest	72.5 million U.S. dollars	<u>Principal</u> \$278.3 million (25.6 million U.S. dollars)
				<u>Interest</u> \$166.3 million (15.4 million U.S. dollars)
L.T. 404 NORTHWEST - NORTHERN	40.5 million U.S. dollars	15.2 million U.S. dollars of interest	40.5 million U.S. dollars	<u>Principal</u> \$152.9 million (14.2 million U.S. dollars)
				<u>Interest</u> \$95.6 million (8.9 million U.S. dollars)
SE 405 HIGH TENSION COMPENSATION	8.6 million U.S. dollars	2.1 million U.S. dollars of interest	8.6 million U.S. dollars	<u>Principal</u> \$22.9 million (2.1 million U.S. dollars)
				<u>Interest</u> \$10.0 million (0.9 million U.S. dollars)

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2011	393,155.0	39,316.0	196,578.0	3,647.9	18,239.3	42,461.5	254,771.9	3,647.8	21,887.2
Until 2011	484,878.0	48,488.0	242,438.0	4,498.9	22,494.4	52,388.0	314,208.9	4,498.9	26,993.3
Until 2011	262,322.0	26,232.0	131,160.0	2,433.9	12,169.5	28,331.8	188,988.5	2,434.0	14,603.5
Until 2011	475,626.0	43,454.0	241,923.0	4,031.8	22,446.6	51,368.8	308,213.5	4,413.0	26,478.4
Until 2012	693,005.0	72,273.0	423,383.0	6,705.8	39,283.2	78,057.5	535,322.3	6,705.8	45,989.0
Until 2013	788,137.0	78,814.0	512,289.0	7,312.7	47,532.3	85,121.3	638,407.0	7,312.7	54,845.0
Until 2013	781,328.0	80,873.0	422,392.0	7,485.2	39,191.3	87,129.1	543,325.4	7,485.2	48,678.5
Until 2011	436,470.0	47,261.0	236,308.0	4,385.1	21,925.6	51,043.3	306,260.6	4,385.1	25,310.7
Until 2013	92,582.0	9,256.0	60,406.0	858.8	5,604.7	9,997.4	75,238.5	858.9	6,463.5

Asset Type	Installation Value	Amount of Agreed Payments Equal to Yields		Payments at Dec 31, 2005
		Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
L.T. 406 NETWORK ASSOCIATED WITH TUXPAN I, II and IV	121.9 million U.S. dollars	44.8 million U.S. dollars of interest	121.9 million U.S. dollars	<u>Principal</u> \$372.1 million (34.5 million U.S. dollars) <u>Interest</u> \$250.2 million (23.2 million U.S. dollars)
L.T. 407 NETWORK ASSOCIATED WITH ALTAMIRA I, II and IV	297.4 million U.S. dollars	118.1 million U.S. dollars of interest	297.6 million U.S. dollars	<u>Principal</u> \$1,013.8 million (94.1 million U.S. dollars) <u>Interest</u> \$694.0 million (64.4 million U.S. dollars)
L.T. 408 NACOZARI - NOGALES AREAS NORTHWEST	44.6 million U.S. dollars	15.3 million U.S. dollars of interest	44.6 million U.S. dollars	<u>Principal</u> \$143.5 million (13.3 million U.S. dollars) <u>Interest</u> \$83.1 million (7.7 million U.S. dollars)
L.T. 409 MANUEL MORENO TORRES	101.86 million U.S. dollars	26.5 million U.S. dollars of interest	101.86 million U.S. dollars	<u>Principal</u> \$164.7 million (15.3 million U.S. dollars) <u>Interest</u> \$78.9 million (7.3 million U.S. dollars)
L.T. 410 NATIONAL SYSTEM	173.2 million U.S. dollars	63.8 million U.S. dollars of interest	173.2 million U.S. dollars	<u>Principal</u> \$499.8 million (46.4 million U.S. dollars) <u>Interest</u> \$321.5 million (29.8 million U.S. dollars)
L.T. 411 NATIONAL SYSTEM	85.7 million U.S. dollars	28.1 million U.S. dollars of interest	85.7 million U.S. dollars	<u>Principal</u> \$241.4 million (22.4 million U.S. dollars) <u>Interest</u> \$140.2 million (13.0 million U.S. dollars)
SE 412 NORTH COMPENSATION	22.0 million U.S. dollars	5.3 million U.S. dollars of interest	22.0 million U.S. dollars	<u>Principal</u> \$59.3 million (5.5 million U.S. dollars) <u>Interest</u> \$25.1 million (2.3 million U.S. dollars)
SE 413 NORTHEAST - WESTERN	23.1 million U.S. dollars	6.1 million U.S. dollars of interest	23.1 million U.S. dollars	<u>Principal</u> \$37.3 million (3.5 million U.S. dollars) <u>Interest</u> \$18.3 million (1.7 million U.S. dollars)

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2014	1,314,197.0	133,365.0	808,763.0	12,374.2	75,046.4	144,038.6	1,017,525.4	12,374.2	87,414.6
Until 2014	3,207,479.0	284,379.0	1,909,271.0	28,385.9	177,150.1	365,429.4	2,369,203.9	30,534.6	203,536.0
Until 2013	400,968.0	49,345.0	268,156.0	4,578.4	26,736.5	53,293.8	364,512.3	4,578.4	31,214.9
Until 2014	1,097,846.0	109,785.0	823,385.0	10,186.3	76,397.1	118,570.1	1,007,849.3	10,186.2	86,563.4
Until 2012	1,866,426.0	188,804.0	1,178,060.0	17,518.0	109,305.3	203,912.6	1,476,249.2	17,517.9	126,823.3
Until 2014	923,418.0	98,477.0	585,497.0	8,951.5	54,324.9	104,197.6	736,552.4	8,951.5	63,276.4
Until 2013	237,078.0	23,708.0	154,100.0	2,199.7	14,298.0	25,604.8	192,037.6	2,199.7	16,497.7
Until 2014	248,914.0	24,891.0	186,685.0	2,309.5	17,321.4	26,883.0	226,508.9	2,309.5	19,630.9

Asset Type	Installation Value	Amount of Agreed		Payments at Dec 31, 2005
		Payments Equal to Yields		
		Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
L.T. 414 NORTH WESTERN	65.7 million U.S. dollars	19.5 million U.S. dollars of interest	65.7 million U.S. dollars	<u>Principal</u> \$119.6 million (11.1 million U.S. dollars)
				<u>Interest</u> \$72.6 million (6.7 million U.S. dollars)
L.T. 502 NORTH EASTERN	3.8 million U.S. dollars	1.2 million U.S. dollars of interest	3.8 million U.S. dollars	<u>Principal</u> \$2.6 million (0.2 million U.S. dollars)
				<u>Interest</u> \$1.7 million (0.2 million U.S. dollars)
SE 503 EASTERN	21.4 million U.S. dollars	5.3 million U.S. dollars of interest	21.4 million U.S. dollars	<u>Principal</u> \$57.7 million (5.4 million U.S. dollars)
				<u>Interest</u> \$25.1 million (2.3 million U.S. dollars)
SE 504 NORTH WESTERN	31.7 million U.S. dollars	8.2 million U.S. dollars of interest	31.7 million U.S. dollars	<u>Principal</u> \$69.2 million (6.4 million U.S. dollars)
				<u>Interest</u> \$34.5 million (3.2 million U.S. dollars)
LT 506 SALTILLO - CAÑADA	57.6 million U.S. dollars	15.2 million U.S. dollars of interest	57.8 million U.S. dollars	<u>Principal</u> \$93.4 million (8.7 million U.S. dollars)
				<u>Interest</u> \$46.7 million (4.3 million U.S. dollars)
SE 607 EASTERN BAJIO SYSTEM	4.9 million U.S. dollars	1.2 million U.S. dollars of interest	4.9 million U.S. dollars	<u>Principal</u> \$7.9 million (0.7 million U.S. dollars)
				<u>Interest</u> \$3.7 million (0.3 million U.S. dollars)
L. T. 610 NOREAST-NORTH TRANSMISSION	24.6 million U.S. dollars	7.5 million U.S. dollars of interest	24.6 million U.S. dollars	<u>Principal</u> \$13.3 million (1.2 million U.S. dollars)
				<u>Interest</u> \$11.2 million (1.0 million U.S. dollars)
L. T. 612 NORTH-NORTH EAST SUB-TRANSMISSION F 1	5.0 million U.S. dollars	1.5 million U.S. dollars of interest	5.0 million U.S. dollars	<u>Principal</u> \$2.7 million (0.3 million U.S. dollars)
				<u>Interest</u> \$2.3 million (0.2 million U.S. dollars)
L. T. 613 WESTERN SUB-TRANSMISSION	7.4 million U.S. dollars	2.3 million U.S. dollars of interest	7.4 million U.S. dollars	<u>Principal</u> \$4.0 million (0.4 million U.S. dollars)
				<u>Interest</u> \$3.4 million (0.3 million U.S. dollars)

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2014	707,799.0	70,780.0	517,448.0	8,567.3	48,010.2	75,444.5	635,293.6	8,567.3	54,577.5
Until 2015	40,942.0	4,094.0	34,801.0	378.9	3,229.0	-	-	-	-
Until 2013	230,660.0	23,066.0	149,929.0	2,140.2	13,911.0	24,912.5	186,840.0	2,140.2	16,051.2
Until 2014	341,771.0	34,177.0	238,414.0	3,171.1	22,121.0	36,912.5	294,404.2	3,171.1	25,292.1
Until 2014	622,718.0	62,271.0	467,040.0	5,777.8	43,333.9	67,255.1	571,670.6	5,777.8	49,111.7
Until 2014	52,764.0	5,277.0	39,572.0	489.6	3,671.7	5,698.8	48,439.3	489.6	4,161.3
Until 2015	265,476.0	26,548.0	225,655.0	2,463.2	20,937.2	-	-	-	-
Until 2015	54,022.0	5,402.0	45,919.0	501.2	4,260.6	-	-	-	-
Until 2015	79,584.0	7,959.0	67,655.0	738.5	6,277.3	-	-	-	-

Asset Type	Installation Value	Amount of Agreed Payments Equal to Yields		Payments at Dec 31, 2005
		Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
L. T. 614 EASTERN SUB-TRANSMISSION F 1	12.2 million U.S. dollars	3.7 million U.S. dollars of interest	12.2 million U.S. dollars	<u>Principal</u> \$6.6 million (0.6 million U.S. dollars) <u>Interest</u> \$5.1 million (0.5 million U.S. dollars)
LT. 710 RAT TO CC ALTAMRA V	14.4 million U.S. dollars	4.0 million U.S. dollars of interest	14.4 million U.S. dollars	<u>Principal</u> \$7.8 million (0.7 million U.S. dollars) <u>Interest</u> \$3.0 million (0.3 million U.S. dollars)
LT RAT OF BAJA CALIFORNIA CCI SOUTH I	21.1 million U.S. dollars	5.4 million U.S. dollars of interest	21.1 million U.S. dollars	<u>Principal</u> \$34.2 million (3.2 million U.S. dollars) <u>Interest</u> \$16.4 million (1.5 million U.S. dollars)
C. C. EL SAUZ CONVERSION FROM TG to CC	56.8 million U.S. dollars	15.7 million U.S. dollars of interest	56.8 million U.S. dollars	<u>Principal</u> \$102.1 million (9.3 million U.S. dollars) <u>Interest</u> \$50.7 million (4.7 million U.S. dollars)
C. G. LOS AZUFRES II and CAMPO GEOTÉRMICO	53.9 million U.S. dollars	15.68 million U.S. dollars of interest	53.9 million U.S. dollars	<u>Principal</u> \$115.9 million (10.8 million U.S. dollars) <u>Interest</u> \$63.1 million (5.9 million U.S. dollars)
C. H. MANUEL MORENO TORRES	76.5 million U.S. dollars	29.9 million U.S. dollars of interest	76.5 million U.S. dollars	<u>Principal</u> \$72.2 million (6.7 million U.S. dollars) <u>Interest</u> \$46.6 million (4.3 million U.S. dollars)
STEAM SUPPLY TO C.G. CERRO PRIETO IV	13.1 million U.S. dollars	4.0 million U.S. dollars of interest	13.1 million U.S. dollars	<u>Principal</u> \$7.1 million (0.7 million U.S. dollars) <u>Interest</u> \$5.8 million (0.5 million U.S. dollars)
C. C. I BAJA CALIFORNIA SOUTH	56.0 million U.S. dollars	16.2 million U.S. dollars of interest	56.0 million U.S. dollars	<u>Principal</u> \$16.2 million (1.5 million U.S. dollars) <u>Interest</u> \$6.3 million (0.6 million U.S. dollars)
RM CARBON II	7.8 million U.S. dollars	2.3 million U.S. dollars of interest	7.8 million U.S. dollars	<u>Principal</u> \$4.2 million (0.4 million U.S. dollars) <u>Interest</u> \$3.3 million (0.3 million U.S. dollars)

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2015	131,203.0	13,121.0	111,522.0	1,217.4	10,347.5	-	-	-	-
Until 2015	155,172.0	15,517.0	131,896.0	1,439.7	12,237.9	-	-	-	-
Until 2014	228,259.0	22,826.0	171,195.0	2,117.9	15,884.2	24,652.1	209,545.3	2,117.8	18,002.1
Until 2015	612,790.0	51,966.0	459,591.0	4,738.1	42,642.8	55,152.8	551,525.9	4,738.1	47,380.9
Until 2014	580,881.0	58,204.0	406,764.0	5,400.4	37,741.3	62,862.4	502,179.0	5,400.5	43,141.7
Until 2016	824,496.0	75,566.0	676,727.0	7,011.3	62,789.6	37,173.9	390,320.7	3,193.6	33,632.1
Until 2015	141,434.0	14,144.0	120,219.0	1,312.3	11,154.4	-	-	-	-
Until 2017	603,572.0	55,700.0	531,663.0	5,168.1	49,329.9	-	-	-	-
Until 2015	63,883.0	8,388.0	71,300.0	778.3	6,615.5	-	-	-	-

Asset Type	Installation Value	Amount of Agreed		Payments at Dec 31, 2006
		Payments Equal to Yields		
		Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
RM DOS BOCAS	14.4 million U.S. dollars	4.3 million U.S. dollars of interest	14.4 million U.S. dollars	<u>Principal</u> \$7.8 million (0.7 million U.S. dollars)
				<u>Interest</u> \$5.6 million (0.5 million U.S. dollars)
RM BOTELLO	6.3 million U.S. dollars	1.8 million U.S. dollars of interest	6.3 million U.S. dollars	<u>Principal</u> \$3.4 million (0.3 million U.S. dollars)
				<u>Interest</u> \$1.9 million (0.2 million U.S. dollars)
RM GOMEZ PALACIO	9.6 million U.S. dollars	2.7 million U.S. dollars of interest	9.6 million U.S. dollars	<u>Principal</u> \$5.1 million (0.5 million U.S. dollars)
				<u>Interest</u> \$1.8 million (0.2 million U.S. dollars)
RM XTACZOQUITLAN	0.9 million U.S. dollars	0.3 million U.S. dollars of interest	0.9 million U.S. dollars	<u>Principal</u> \$0.5 million (0.046 million U.S. dollars)
				<u>Interest</u> \$0.1 million (0.013 million U.S. dollars)
RM TUXPANGO	1.9 million U.S. dollars	0.6 million U.S. dollars of interest	1.9 million U.S. dollars	<u>Principal</u> \$1.8 million (0.1 million U.S. dollars)
				<u>Interest</u> \$0.2 million (0.015 million U.S. dollars)
RM CT VALLE DE MEXICO	5.8 million U.S. dollars	3.2 million U.S. dollars of interest	5.8 million U.S. dollars	<u>Principal</u> \$3.1 million (0.3 million U.S. dollars)
				<u>Interest</u> \$2.3 million (0.2 million U.S. dollars)
RM CARBON II, Units 2 y 4	4.5 million U.S. dollars	1.3 million U.S. dollars of interest	4.5 million U.S. dollars	<u>Principal</u> \$2.4 million (0.2 million U.S. dollars)
				<u>Interest</u> \$0.5 million (0.042 million U.S. dollars)
TOTAL EXTERNAL DEBT				

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2015	155,238.0	15,524.0	131,951.0	1,448.4	12,243.0	-	-	-	-
Until 2015	68,417.0	6,842.0	58,154.0	634.8	5,385.8	-	-	-	-
Until 2015	102,998.0	10,300.0	87,548.0	955.7	8,123.1	-	-	-	-
Until 2015	9,865.0	986.0	8,385.0	91.5	778.0	-	-	-	-
Until 2015	20,848.0	2,084.0	17,722.0	193.4	1,644.3	-	-	-	-
Until 2015	62,403.0	6,240.0	53,042.0	579.0	4,921.5	-	-	-	-
Until 2015	48,411.0	4,841.0	41,149.0	449.2	3,818.0	-	-	-	-

\$ 48,896,963.0 \$ 3,760,639.0 \$ 31,205,790.0

\$ 3,829,256.6 \$ 35,260,028.6

INTERNAL DEBT	Asset Type	Installation Value	Amount of Agreed Payments Equal to Yields		Payments at Dec 31, 2005
			Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
SE 402 EASTERN PENINSULAR		47.3 MX million	21.0 MX million	47.3 MX million	<u>Principal</u> \$2.4 million
					<u>Interest</u> \$1.8 million
L.T. 407 NETWORK ASSOCIATED WITH ALTAMIRA II, III and IV		405.9 MX million	190.0 MX million	405.9 MX million	<u>Principal</u> \$81.2 million
					<u>Interest</u> \$55.4 million
L. T. 409 MANUEL MORENO TORRES		1,958.7 MX million	998.4 MX million	1,958.7 MX million	<u>Principal</u> \$342.0 million
					<u>Interest</u> \$270.2 million
L.T. 411 NATIONAL SYSTEM		514.8 MX million	248.1 MX million	514.8 MX million	<u>Principal</u> \$102.9 million
					<u>Interest</u> \$77.5 million
SE 413 NORTHEAST - WESTERN		391.4 MX million	208.7 MX million	391.4 MX million	<u>Principal</u> \$48.7 million
					<u>Interest</u> \$33.4 million
L.T. 502 NORTH EASTERN		125.9 MX million	63.0 MX million	125.9 MX million	<u>Principal</u> \$12.6 million
					<u>Interest</u> \$9.7 million
SE 504 NORTH WESTERN		147.2 MX million	71.2 MX million	147.2 MX million	<u>Principal</u> \$29.4 million
					<u>Interest</u> \$22.4 million
L. T. 506 SALTILLO - CAÑADA		2,117.9 MX million	999.8 MX million	2,117.9 MX million	<u>Principal</u> \$423.6 million
					<u>Interest</u> \$297.8 million
L. T. 509 NETWORK ASSOCIATED WITH RIO BRAVO III		497.4 MX million	244.1 MX million	497.4 MX million	<u>Principal</u> \$85.8 million
					<u>Interest</u> \$64.6 million
SE 607 EASTERN BAJIO SYSTEM		807.0 MX million	377.4 MX million	807.0 MX million	<u>Principal</u> \$156.8 million
					<u>Interest</u> \$102.4 million
L.T. 609 NORTHWEST - NORTH TRANSMISSION		1,378.7 MX million	625.7 MX million	1,378.7 MX million	<u>Principal</u> \$68.9 million
					<u>Interest</u> \$65.2 million
L. T. 610 NORTHEAST-NORTH TRANSMISSION		1,158.8 MX million	560.1 MX million	1,158.8 MX million	<u>Principal</u> \$115.9 million
					<u>Interest</u> \$83.7 million
L.T. 611 BAJA CALIFORNIA NORTH SUBTRANSMISSION		76.1 MX million	33.3 MX million	76.1 MX million	<u>Principal</u> \$0.0 million
					<u>Interest</u> \$0.8 million
L. T. 612 NORTH-NORTH EAST SUB-TRANSMISSION F 1		70.6 MX million	36.4 MX million	70.6 MX million	<u>Principal</u> \$7.0 million
					<u>Interest</u> \$6.1 million

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2015	\$ 47,329.0	\$ 4,733.0	\$ 40,230.0		\$ -	\$ -			
Until 2013	405,942.0	40,594.0	284,150.0		41,946.9	335,577.1			
Until 2014	1,958,710.0	195,871.0	1,420,812.0		202,398.8	1,670,562.2			
Until 2013	514,600.0	51,460.0	360,220.0		53,175.0	425,400.1			
Until 2014	391,408.0	39,141.0	311,581.0		40,445.5	362,410.5			
Until 2014	125,880.0	12,588.0	100,704.0		8,153.0	73,378.6			
Until 2013	147,164.0	14,716.0	103,015.0		15,206.4	121,654.6			
Until 2013	2,117,980.0	211,798.0	1,482,586.0		218,856.8	1,750,852.7			
Until 2014	497,449.0	49,745.0	361,897.0		51,402.9	425,360.8			
Until 2014	806,959.0	80,696.0	569,478.0		83,385.4	671,841.3			
Until 2015	1,378,651.0	137,865.0	1,171,853.0		-	-			
Until 2014	1,158,807.0	115,881.0	927,046.0		81,231.8	731,083.0			
Until 2015	76,099.0	8,011.0	68,089.0		-	-			
Until 2015	70,621.0	7,063.0	56,510.0		7,283.9	65,552.2			

Asset Type	Installation Value	Amount of Agreed Payments Equal to Yields		Payments at Dec 31, 2005
		Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
L. T. 613 WESTERN SUB-TRANSMISSION	227.8 MX million	111.69 MX million	227.8 MX million	Principal \$22.2 million Interest \$17.3 million
L. T. 614 EASTERN ORIENTAL SUB-TRANSMISSION F 1	47.9 MX million	22.1 MX million	47.9 MX million	Principal \$2.9 million Interest \$2.2 million
L. T. 615 SUB TRANSMISSION PENINSULAR	247.2 MX million	115.3 MX million	247.2 MX million	Principal \$11.6 million Interest \$12.5 million
SLT 704 BALIA CALIFORNIA - NORTH WEST	73.2 MX million	32.5 MX million	73.2 MX million	Principal \$0.0 million Interest \$1.1 million
SE 705 CAPACITORES F 1	37.1 MX million	16.2 MX million	37.1 MX million	Principal \$1.9 million Interest \$1.1 million
SLT 706 NORTH SYSTEM	839.7 MX million	368.2 MX million	839.7 MX million	Principal \$42.0 million Interest \$26.8 million
L. T. 707 LINK NORTH - SOUTH	378.6 MX million	190.8 MX million	378.6 MX million	Principal \$56.8 million Interest \$48.1 million
SE 708 DINAMYC COMPENSATION WESTERN- NORTH	482.2 MX million	216.5 MX million	482.2 MX million	Principal \$24.1 million Interest \$20.5 million
SLT 709 SOUTH SYSTEM	850.0 MX million	366.4 MX million	850.0 MX million	Principal \$0.0 million Interest \$2.7 million
L.T. 710 RAT to CC ALTAMIRA V	0.4 MX million	0.2 MX million	0.4 MX million	Principal \$0.0 million Interest \$0.2 million
L. T. 711 RAT to CC LA LAGUNA II	233.1 MX million	113.9 MX million	233.1 MX million	Principal \$23.3 million Interest \$18.2 million
L.T. 717 RIVIERA MAYA	422.1 MX million	200.5 MX million	422.1 MX million	Principal \$42.2 million Interest \$28.4 million
SE 722 NORTH	83.4 MX million	37.4 MX million	83.4 MX million	Principal \$0.0 million Interest \$1.7 million
C. C. EL SAUZ CONVERSION FROM TG to CC	637.7 MX million	299.4 MX million	637.7 MX million	Principal \$127.5 million Interest \$88.0 million

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2015	227,822.0	22,814.0	182,827.0			17,604.8	158,440.0		
Until 2015	47,876.0	4,806.0	40,200.0			1,348.5	12,140.6		
Until 2015	247,191.0	25,254.0	210,297.0			9,011.6	81,107.9		
Until 2015	73,235.0	7,709.0	65,526.0			-	-		
Until 2015	37,081.0	3,708.0	31,519.0			-	-		
Until 2015	838,688.0	83,969.0	713,735.0			-	-		
Until 2014	378,591.0	37,859.0	283,944.0			39,120.7	332,527.7		
Until 2015	482,201.0	48,220.0	409,871.0			-	-		
Until 2015	849,982.0	89,472.0	760,510.0			-	-		
Until 2015	362.0	36.0	308.0			-	-		
Until 2014	233,119.0	23,312.0	186,495.0			20,256.3	182,306.8		
Until 2014	422,139.0	42,214.0	337,711.0			-	-		
Until 2015	83,355.0	8,774.0	74,581.0			-	-		
Until 2013	637,689.0	63,769.0	446,382.0			65,894.2	527,152.8		

Asset Type	Installation Value	Amount of Agreed Payments Equal to Yields		Payments at Dec 31, 2005
		Interest, Taxes, Other Expenses and Fiduciary Fees	Principal	
C. C. I GUERRERO NEGRO II	310.4 MX million	155.5 MX million	310.4 MX million	<u>Principal</u> \$46.6 million <u>Interest</u> \$38.5 million
C. G. LOS AZUFRES II and CAMPO GEOTERMICO	870.5 MX million	419.3 MX million	870.5 MX million	<u>Principal</u> \$174.3 million <u>Interest</u> \$130.8 million
C. H. MANUEL MORENO TORRES	438.5 MX million	220.4 MX million	438.5 MX million	<u>Principal</u> \$46.7 million <u>Interest</u> \$40.8 million
STEAM SUPPLY TO C.G. CERRO PRIETO IV	644.3 MX million	301.7 MX million	644.3 MX million	<u>Principal</u> \$34.9 million <u>Interest</u> \$31.4 million
RM EMILIO PORTES GIL	2.8 MX million	1.4 MX million	2.8 MX million	<u>Principal</u> \$0.4 million <u>Interest</u> \$0.4 million
RM CARBON II	42.0 MX million	20.4 MX million	42.0 MX million	<u>Principal</u> \$4.2 million <u>Interest</u> \$3.2 million
RM GRAL MANUEL ALVAREZ MORENO	278.3 MX million	128.5 MX million	278.3 MX million	<u>Principal</u> \$13.9 million <u>Interest</u> \$15.4 million
PRESA REGULADORA AMATA	144.4 MX million	63.2 MX million	144.4 MX million	<u>Principal</u> \$7.2 million <u>Interest</u> \$4.5 million
RM ADOLFO LOPEZ MATEOS	329.2 MX million	145.0 MX million	329.2 MX million	<u>Principal</u> \$8.4 million <u>Interest</u> \$7.8 million
RM CT PUERTO LIBERTAD	142.4 MX million	63.2 MX million	142.4 MX million	<u>Principal</u> \$7.1 million <u>Interest</u> \$5.3 million
RM SALAMANCA	311.6 MX million	137.3 MX million	311.6 MX million	<u>Principal</u> \$8.7 million <u>Interest</u> \$7.8 million
RM TUXPANGO	166.3 MX million	72.8 MX million	166.3 MX million	<u>Principal</u> \$0.0 million <u>Interest</u> \$1.9 million
TOTAL INTERNAL DEBT				
TOTAL EXTERNAL AND INTERNAL DEBT OF PIDREGAS				
TOTAL LIABILITY FROM CAPITAL LEASE OBLIGATIONS AND PIDREGAS				

1./ PAYMENT OF SHORT-TERM CAPITAL OF PIDREGAS IS AUTHORIZED IN THE FEDERAL TREASURERY BUDGET FOR THE YEAR 2006

Contract Term	Total Project Amount (equivalent in thousand of pesos)	Balances at December 31, 2005 (Thousands)				Balances at December 31, 2004 (Thousands)			
		Mexican Pesos		Foreign Currency		Mexican Pesos		Foreign Currency	
		Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term
Until 2014	310,444.0	31,044.0	232,833.0			32,078.5	272,672.3		
Until 2013	870,494.0	87,049.0	609,192.0			89,950.1	719,445.7		
Until 2014	438,530.0	43,853.0	347,952.0			45,314.5	404,862.7		
Until 2015	644,344.0	65,139.0	544,256.0			19,478.2	175,299.8		
Until 2014	2,797.0	280.0	2,098.0			289.3	2,456.1		
Until 2014	42,043.0	4,204.0	33,634.0			4,344.7	39,100.0		
Until 2015	278,296.0	27,830.0	236,551.0			-	-		
Until 2015	144,418.0	14,442.0	122,755.0			-	-		
Until 2015	329,182.0	33,764.0	286,997.0			-	-		
Until 2015	142,408.0	14,241.0	121,046.0			-	-		
Until 2015	311,604.0	31,885.0	271,023.0			-	-		
Until 2015	166,322.0	17,507.0	148,815.0			-	-		
	<u>\$ 17,938,812.0</u>	<u>\$ 1,803,318.0</u>	<u>\$ 13,959,239.0</u>			<u>\$ 1,148,177.8</u>	<u>\$ 9,541,185.5</u>		
	<u>\$ 68,835,775.0</u>	<u>\$ 5,563,955.0</u>	<u>\$ 45,165,029.0</u>			<u>\$ 4,977,434.4</u>	<u>\$ 44,791,214.1</u>		
		<u>\$ 7,133,532.0</u>	<u>\$ 46,427,090.0</u>			<u>\$ 8,101,648.0</u>	<u>\$ 47,884,062.0</u>		

- a. The liability from capital lease obligations and PIDIREGAS agreements matures as follows:

Year ending December 31,	
2006	\$ 7,133,532
2007	5,965,676
2008	5,846,809
2009	6,423,686
2010	8,528,038
Thereafter	<u>19,662,881</u>
	<u>\$ 53,560,622</u>

- b. As of December 31, 2005, minimum payment commitments for capital leases and PIDIREGAS agreements are:

Equipment leases and PIDIREGAS	\$ 82,265,016
Less-	
Unearned interest	<u>(28,704,394)</u>
Present value of obligations	53,560,622
Less-	
Current portion of obligations	<u>(7,133,532)</u>
Long-term portion of equipment leases and PIDIREGAS	<u>\$ 46,427,090</u>

- c. During the years ended December 31, 2005 and 2004, the capital lease transactions that affected CFE results were those shown below:

	2005	2004
Interest	\$ 317,839	\$ 604,374
Foreign exchange	(246,092)	54,128
Commissions and others	<u>104,889</u>	<u>183,859</u>
	<u>\$ 176,636</u>	<u>\$ 842,361</u>

- d. **Shelf program** - CFE obtained authorization from the National Banking and Securities Commission to carry out a Shelf Program, for the purpose of refinancing Financed Public Construction ("Obra Pública Financiada") projects through a structured mechanism that allows for the securitization of the credit rights owed by CFE, by assigning to a Trust the rights and obligations derived from both a Credit Agreement and the promissory notes documenting any borrowings by CFE under the credit granted. Such Trust serves as a vehicle for the securitization of the credit rights through the Mexican Stock Exchange.

For this purpose, on October 3, 2003 CFE signed a credit agreement with ING BANK (MEXICO), S.A. INSTITUCION DE BANCA MÚLTIPLE, ING GRUPO FINANCIERO ("ING BANK"), up to the amount of \$6,665 million, and on December 9, 2003 an amendment was signed to increase the aforementioned amount to \$8,000 million.

During 2003 three tranches were issued for a total amount of \$6,000 million Mexican pesos: The first two tranches were for \$2,600 million Mexican pesos each, and were completed on October 6 and November 7, 2003. The third tranche was issued on December 11, 2003 in the amount of \$800 million Mexican pesos.

Finally, a fourth tranche was issued on March 5, 2004 in the amount of \$665 million Mexican pesos.

The effective term of all these transactions is approximately 10 years, at a gross interest rate equal to the 182-day Federal Treasury Certificates ("CETES") rate + 0.85%.

The payments for the four tranches mentioned above will be made approximately every 182 days, and the calculation of interest will include a protection against inflation (an inflation floor), in other words, for each applicable interest period, the rate will be adjusted as a result of comparing the percentage increase in the value of the investment unit ("UDI") during the interest period in question, with the Annual Gross Interest Rate payable on the Shelf Certificates for such interest period.

To continue refinancing Financed Public Construction projects under the scheme described above, on May 3, 2004, the CFE executed a new credit agreement with ING BANK, of up to \$8,000 million Mexican pesos. However, due to financial market reasons, no more issues were performed during the remainder of 2004. On April 13, 2005, the agreement was amended to extend its disposal term to December 31, 2005.

As of August 2005, three tranches of \$7,700 million Mexican pesos were issued. The first of \$2,200 million Mexican pesos on March 18, 2005, the second of \$3,000 million Mexican pesos on July 1, 2005, and the third of \$2,500 million Mexican pesos on August 19, 2005.

The term of the above three options is approximately ten years, at an interest rate equal to 182-day CETES plus 0.79 %.

- e. ***Interest rate hedge transactions*** – In March 2004, the CFE executed six interest rate swaps with four Institutions to hedge fluctuation risk exposure on the domestic reference interest rate (182-day CETES) established in the simple credit agreement executed with ING BANK on October 3, 2003 (Note 10d).

With such hedging, CFE will pay the Institutions a coupon with an annual weighted fixed 9.03% rate, on the same principal and interest payment dates of the primary position, and will receive from the counterparties an amount equal to the variable rate plus the spread (182-day CETES + 85 base points), which will cover the primary position.

The amount hedged is \$6,331,750 thousand Mexican pesos.

Executed agreement amounts are as follows: \$2,167,416.8 thousand Mexican pesos at a 9.08% rate, \$1,236,224.1 thousand Mexican pesos at a 9.00% rate, \$1,526,334.8 thousand Mexican pesos at a 9.00% rate, \$618,112.0 thousand Mexican pesos at a 9.07% rate, \$618,112.0 thousand Mexican pesos at a 9.00% rate and \$165,550.1 thousand Mexican pesos at an 8.85% rate.

NOTE 11 - DEBT

Debt balances at December 31, 2005 and 2004 are comprised as follows:

EXTERNAL DEBT

External Debt	Credit Type	Weighted Average Interest Rate	Expiration
IN U.S. DOLLARS: at the exchange rate of \$10.7777 for one dollar in 2005 and \$ 11.2648 at Dec 2004	Joint Investment-credit	Fixed 1.260% al 8.6905%	Various until 2012
	Investment - other international agencies	Fixed 1.25% al 2.00%	Various until 2032
	Investment - credit buyer financial institutions	Fixed 1.205% al 8.730%	Various until 2016
TOTAL U.S. DOLLARS			
IN EUROS : at the exchange rate of \$12.7080 per euro at Dec 2005 and \$ 15.3201 at Dec 2004	Investment - credito buyer-	Fixed del 4.582%	Various until 2013
	Joint Investment-credit	Fixed del 2.00%	Various until 2032
	Investment - other international organizations		
TOTAL EUROS			
IN SWISS FRANCS: at the exchange rate of \$ 8.1779 per Swiss Franc at Dec 2005 and \$ 9.9241 at Dec 2004	investment - credito buyer-	Fixed del 1.9218%	Various until 2009
	Joint Investment-credit	Fixed del 0.645% al 5.596%	Various until 2014
TOTAL FRANCS			
IN JAPANESE YEN: at the exchange rate of Japanese Yen at \$ 0.0914 in 2005 and \$ 0.1101 at Dec 2004	Joint Investment-credit	Fixed del 5.50%	Various until 2010
	Bond	3.83%	Various until 2032
Received from Financial Instruments, Net (Note 11b)			
TOTAL JAPANESE YEN			
TOTAL EXTERNAL DEBT			

2005		2004	
Mexican Pesos	Foreign Currency (Thousand)	Mexican Pesos	Foreign Currency (Thousand)
\$ 1,723,570	159,920	\$ 1,544,474	132,684
2,457,197	227,989	2,836,152	243,651
12,073,945	1,120,271	10,207,215	876,892
<u>\$ 16,254,712</u>	<u>1,508,180</u>	<u>\$ 14,587,841</u>	<u>1,253,227</u>
\$ 263,664	20,748	\$ 294,538	18,605
95,025	7,477	122,756	7,754
		4,342	275
<u>\$ 358,689</u>	<u>28,225</u>	<u>\$ 421,636</u>	<u>26,634</u>
\$ 619,182	75,714	\$ 1,040,681	101,482
1,215,039	148,576	1,702,872	166,055
<u>\$ 1,834,221</u>	<u>224,290</u>	<u>\$ 2,743,553</u>	<u>267,537</u>
\$ 681,378	7,454,881	\$ 956,325	8,405,830
<u>\$ 681,378</u>	<u>7,454,881</u>	<u>\$ 956,325</u>	<u>8,405,830</u>
\$ 2,924,800	32,000,000	\$ 3,640,618	32,000,000
(20,490)		(503,880)	
<u>\$ 2,904,310</u>	<u>32,000,000</u>	<u>\$ 3,136,738</u>	<u>32,000,000</u>
<u>\$ 3,585,688</u>	<u>39,454,881</u>	<u>\$ 4,093,063</u>	<u>40,405,830</u>
<u>\$ 22,033,310</u>		<u>\$ 21,846,093</u>	

INTERNAL DEBT

Internal Debt	Credit Type	Weighted Average Interest Rate	Expiration
IN U.S DOLLARS: at the exchange rate of \$10.7777 at Dec 2005 and \$ 11.2648 at Dec 2004	NAFIN - other international agencies	Cost of annual BID 10%	Various until 2013
	NAFIN - BIRF	Fixed del 7.10%	Various until 2007
	Financial - Revolving Credits		
TOTAL U.S. DOLLARS			
MEXICAN CURRENCY	Financial - Emisión de valores		
		TOTAL Internal Debt	
	Summary		
	Total external debt		
	Total Internal debt		
	Total documented debt		
	Total short-term		
	Total long-term		
	Total short and long-term		

2005		2004	
Mexican Pesos	Foreign Currency (thousands)	Mexican Pesos	Foreign Currency (thousands)
\$ 1,755,856	162,916	\$ 2,230,294	191,602
960,341	89,105	1,984,076	170,450
67,862	6,296	61,093	5,249
<u>\$ 2,784,059</u>	<u>258,317</u>	<u>\$ 4,275,463</u>	<u>367,301</u>
735,188		767,448	
<u>\$ 3,519,247</u>		<u>\$ 5,042,911</u>	
\$ 22,033,310		\$ 21,846,093	
3,519,247		5,042,911	
<u>\$ 25,552,557</u>		<u>\$ 26,889,004</u>	
\$ 3,548,366		\$ 3,892,503	
22,004,191		22,996,501	
<u>\$ 25,552,557</u>		<u>\$ 26,889,004</u>	

The loan agreements establish obligations for borrowers, including the following:

- Provide the information requested by CFE for credit follow-up and supervision.
- Provide duly-signed quarterly interim financial statements that include analyses of the main collective accounts.
- Provide annual audited financial statements for the term of the credits, including the respective report and notes.

All these obligations have been met at December 31, 2005 and 2004, likewise, the credit agreements do not establish restrictions on the Entity's financial structure.

a. Short and long-term liabilities from documented liabilities expire as follows:

Year ending on December 31,	
2006	\$ 3,548,366
2007	2,647,024
2008	9,292,704
2009	1,848,877
2010	1,443,887
2011	1,002,922
Thereafter	<u>5,768,777</u>
	<u>\$ 25,552,557</u>

b. On September 17, 2003, CFE placed a bond on the Japanese market for 32 billion Japanese yen, at an annual 3.83% interest rate, with maturity in September 2032. At the same time, it also contracted an exchange rate swap through which it exchanged 32 billion Japanese yen for the amount of US\$269,474,000 at the spot exchange rate of 118.7499 Japanese yen per U.S. dollar. The transaction consists of a series of "Forwards" of currency that permit to set the exchange rate yen/dollar, during the time limit established of the transaction in 54.0157 Japanese yen per U.S. dollar. As a result of this transaction, CFE pays an annual interest rate equal to 8.42% in U.S. The effect of the swap is recorded in net comprehensive financing cost, under which a gain (loss) is applied against a loss (gain) derived from the underlying liability.

CFE's final obligation is to pay Japanese yen to the creditor based on the maturity dates, and it is entitled to receive Japanese yen from the institution with which the hedge was contracted in exchange for certain dollars established in the forward contract. The results of the transactions with which the institution with the financial instrument was contracted is as follows:

		Exchange rate	Mexican pesos
To be received (asset)	32,000,000,000 Japanese yen	0.0914	\$ 2,924,800
To be delivered (liability)	269,474,000 US dollars	10.7777	<u>2,904,310</u>
To be received, net			<u>\$ 20,490</u>

From March 17, 2003 to September 17, 2032, the CFE is obligated to make semiannual payments of US \$11,344,855 (equal to 612,800,000 Japanese yen), for which reason, the total sum which CFE is obligated to pay over the next 30 years is US \$680,691,324, while the total amount it will receive will be 36,768,000,000 Japanese yen.

In addition, at the conclusion of the hedging contract, the parties executed a contract whereby the CFE purchased a "European Call" that grants it the right to buy Japanese yen upon maturity, at market prices, if the yen/dollar exchange rate is below 118.7498608401 yen per dollar, and sold a "European Call" whereby the CFE sells coverage against appreciation of the yen/dollar exchange rate above 27.8000033014 yen per dollar.

If CFE decides to cancel the derivative financial instrument through currency forward, at December 31, 2005 it would suffer an estimated loss of approximately US\$71.95 million (market value). Such amount was estimated by J. Aron & Company based on the fair value of this instrument.

- c. **Hedging Transactions**-- During May 2005, the CFE executed four cross currency swaps to reduce exposure of a US dollar appreciation in relation to the Mexican peso, thereby synthetically transforming the notional dollar value into Mexican pesos and the fixed US dollar rate into a fixed Mexican peso rate of the liabilities with the Instituto de Crédito Oficial de España, which are included within documented debt in US dollars.

With such hedging instrument, CFE will pay the counterparties a coupon with an annual weighted fixed 6.25% rate at a \$10.99 Mexican peso exchange rate, which implies a notional amount of \$2,558,237.91 thousand Mexican pesos, on which interest will be computed at an annual 6.25% rate and the respective amortizations will be carried out on the same principal and interest payment dates of the primary position. Simultaneously, the CFE will receive from the counterparties an amount equal to the fixed 1.25% rate, which will cover the primary position.

The amount hedged is US \$232,615.12 thousand.

Executed agreement amounts are as follows: US \$171,322.53 thousand at a 6.22% rate; US \$12,004.80 thousand at a 6.18% rate; US \$40,976.90 thousand at a 6.41% rate, and US \$ 8,310.89 thousand at a 6.14% rate.

On November 21, 2005, it also executed an interest rate swap to hedge against exposure to fluctuation of the domestic reference interest rate (182-day CETES) established in the simple credit agreement executed with Banco Nacional de México, S. A. ("BANAMEX") on May 21, 2004, and maturing in ten years.

With such hedging, CFE will pay a coupon with an annual weighted fixed 9.19% rate, on the same principal and interest payment dates of the primary position, and will receive from the counterparties an amount equal to the variable rate plus the spread (182-day CETES + 65 base points), which will cover the primary position.

The amount hedged is \$850,000 thousand Mexican pesos and the contract was executed for \$850,000 thousand Mexican pesos at a 9.19% rate.

On December 23, 2005, an interest rate swap was executed to hedge against exposure to fluctuation of the domestic reference interest rate (182-day CETES) established in the simple credit agreement executed with BANAMEX on July 2, 2004, and maturing in ten years.

With such hedging, CFE will pay a coupon with an annual weighted fixed 8.85% rate, on the same principal and interest payment dates of the primary position, and will receive from the counterparties an amount equal to the variable rate plus the spread (182-day CETES + 65 base points), which will cover the primary position.

The amount hedged is \$504,486.06 thousand Mexican pesos at an 8.85% rate.

The rate difference was recorded under comprehensive financing cost, offsetting the variable rate effect of the hedged loan. The asset generated by the swap is subtracted from the respective hedged interest payable.

12. **Employee retirement obligations**

The Entity determines its liabilities and annual cost of seniority premium and retirements based on the actuarial study performed by independent experts in accordance with the bases defined in the plans, using the projected unit credit method.

The main items derived from the actuarial study obtained to quantify the retirement labor liabilities of CFE at December 31, 2005 and 2004, are analyzed below:

	2005			Total
	Retirements	Seniority premiums	Severance payments and compensation	
Projected benefit obligations	\$ 172,828,690	\$ 13,586,720	\$ 16,243,560	\$ 202,658,970
Plan assets	(6,773,007)	-	-	(6,773,007)
Past service costs and changes to the plan	(3,044,440)	-	-	(3,044,440)
Transition liability or asset	(2,450,900)	-	-	(2,450,900)
Variations for assumptions and adjustments based on experience	<u>(63,302,470)</u>	<u>(4,743,250)</u>	<u>(5,817,580)</u>	<u>(73,863,300)</u>
Net projected liability	<u>\$ 97,257,873</u>	<u>\$ 8,843,470</u>	<u>\$ 10,425,980</u>	<u>\$ 116,527,323</u>
Current benefit obligations	\$ 161,078,840	\$ 12,313,870	\$ 14,724,240	\$ 188,116,950
Less- Plan assets	<u>(6,773,007)</u>	<u>-</u>	<u>-</u>	<u>(6,773,007)</u>
Net current liabilities	\$ 154,305,833	\$ 12,313,870	\$ 14,724,240	\$ 181,343,943
Net projected liability	<u>97,257,873</u>	<u>8,843,470</u>	<u>10,425,980</u>	<u>116,527,323</u>
Additional liabilities	\$ 57,047,960	\$ 3,470,400	\$ 4,298,260	\$ 64,816,620
Intangible assets	<u>(5,495,340)</u>	<u>-</u>	<u>-</u>	<u>(5,495,340)</u>
Charge to stockholders' equity	<u>\$ (51,552,620)</u>	<u>\$ (3,470,400)</u>	<u>\$ (4,298,260)</u>	<u>\$ (59,321,280)</u>
	2004			
	Retirements	Seniority premiums	Severance payments and compensation	Total
Projected benefit obligations	\$ 158,626,369	\$ 13,210,207	\$ 14,984,378	\$ 186,820,954
Plan assets	(2,346,179)	-	-	(2,346,179)
Past service costs and changes to the plan	(3,383,732)	-	-	(3,383,732)
Transition liability or asset	(4,189,118)	-	-	(4,189,118)
Variations for assumptions and adjustments based on experience	<u>(58,121,592)</u>	<u>(5,084,858)</u>	<u>(5,767,752)</u>	<u>(68,974,202)</u>
Net projected liability	<u>\$ 90,585,748</u>	<u>\$ 8,125,349</u>	<u>\$ 9,216,626</u>	<u>\$ 107,927,723</u>

	2004			
	Retirements	Seniority premium	Severance payments and compensation	Total
Current benefit obligations	\$ 147,146,894	\$ 11,953,878	\$ 13,559,358	\$ 172,660,130
Less- Plan assets	<u>(2,346,179)</u>	<u>-</u>	<u>-</u>	<u>(2,346,179)</u>
Net current liability	\$ 144,800,715	\$ 11,953,878	\$ 13,559,358	\$ 170,313,951
Net projected liability	<u>90,585,748</u>	<u>8,125,349</u>	<u>9,216,626</u>	<u>107,927,723</u>
Additional liabilities	\$ 54,214,967	\$ 3,828,529	\$ 4,342,732	\$ 62,386,228
Intangible assets	<u>(7,572,850)</u>	<u>-</u>	<u>-</u>	<u>(7,572,850)</u>
Charge to stockholders' equity	<u>\$ (46,642,117)</u>	<u>\$ (3,828,529)</u>	<u>\$ (4,342,732)</u>	<u>\$ (54,813,378)</u>

The amortization period for unamortized items is:

Item	Sonority Premium	Remaining years Severance payments and compensation	Retirements
Prior service costs resulting from plan amendments	-	-	12.64
Transition liability	6.55	6.55	10.41
Variances in assumptions	8.25	8.26	11.72

Net periodic cost is comprised of the following:

Service cost	\$ 7,033,380
Amortization of unrecognized prior service cost	339,280
Amortization of unrecognized transition liability	1,738,220
Amortization of unrecognized variances in assumptions	4,560,140
Amortization of share gains/losses	64,760
Financial cost for the year	6,393,190
Less – Yield on plan assets	(158,600)
Effect of early elimination of obligations	<u>507,940</u>
Net periodic cost	<u>\$ 20,478,310</u>

The annual rates used to calculate projected benefit obligations and actual returns on plan assets, net of inflation, were as follows:

	2005	2004
Discount rate	3.50%	3.50%
Salary increases rate	1.50%	1.50%
Estimated long-term yield on plan assets	4.00%	4.00%
Annual inflation rate	3.33%	5.19%

The actuarial calculations performed by an independent expert, who was used to quantify the employee retirement liabilities for 2004, reports the following significant information:

Increases to this reserve that were capitalized to construction in progress for the permanent employees working on the construction sites were \$1,688,912 and \$1,459,351 in 2005 and 2004, respectively (Note 8).

As of December 31, 2005 and 2004 plan assets consist of an investment in fixed income securities, which are allocated to provisionally finance the employee retirement liability, while a definitive strategy is defined to obtain additional resources for this purpose and begin to reduce the plan's underfunded status.

The liability derived from retirement obligations at December 31, 2005, increased with regard to December 31, 2004, primarily due to wage increases, benefits, the modification of the wage scale, an increased wage integration factor and the recognition of a certain degree of seniority for temporary workers. The effects have been recognized in the actuarial calculation.

13. Federal government transactions

Federal Government transactions during the years ended December 31, 2005 and 2004, were the following:

	2005	2004
Duties payable by CFE determined by applying a 9% rate on net fixed assets in operation of the prior year	\$ (50,485,224)	\$ (48,953,886)
Subsidies from the Federal Government to supplement deficient rate:		
Virtual	60,734,600	62,265,823
Received in cash	<u>6,423,285</u>	<u>-</u>
Total subsidies from the Federal Government to supplement deficient rates	<u>67,157,885</u>	<u>62,265,823</u>
Shortfall of duties over non-cash transfers to supplement deficient rates	<u>\$ 16,672,661</u>	<u>\$ 13,311,937</u>

14. Distribution of restated equity

As mentioned in Note 3o, the restatement of equity is distributed among each of its different components as shown below:

	Nominal value	Restatement	Total
Accumulated earnings from prior years	\$ 131,688,429	\$ 281,755,670	\$ 413,444,099
Equity effect of labor obligations	(54,928,103)	(4,393,177)	(59,321,280)
Contributions received	4,070,500	79,656	4,150,156
Net loss for the year	4,741,796	92,792	4,834,588
Insufficiency in restated equity	<u>-</u>	<u>(2,496,538)</u>	<u>(2,496,538)</u>
	<u>\$ 85,572,622</u>	<u>\$ 275,038,403</u>	<u>\$ 360,611,025</u>

15. Comprehensive loss

The comprehensive loss for the years ended December 31, 2005 and 2004 is as follows:

	2005	2004
Income (loss) according to statements of operations	\$ 4,834,588	\$ (8,590,736)
Excess (insufficiency) in restated equity	1,372,134	(3,252,441)
Correction to restatement of fixed assets (Note 3p)	-	3,427,215
Additional liability of pension plans	(4,507,902)	(8,600,333)
Shortfall of duties over transfers from the Federal Government	(16,672,661)	(13,311,937)
Cumulative effect at beginning year for financial instruments	230,080	-
Effect of year for financial instruments	<u>97,754</u>	<u>-</u>
	<u>\$ (14,646,007)</u>	<u>\$ (30,328,232)</u>

16. Other (expenses) income, net

Other (expenses) income, net in 2005 and 2004 consist of the following:

	2005	2004
Other income	\$ 4,195,965	\$ 2,791,417
Other expenses	(5,705,499)	(1,714,018)
Independent energy producers - net	<u>81,105</u>	<u>459,154</u>
	<u>\$ (1,428,429)</u>	<u>\$ 1,536,553</u>

17. Income tax on distributable remnant

During 2005 and 2004, income tax due on the distributable remnant was \$787,660 and \$927,984, respectively, which was determined as provided for in Articles 95 and 102 of the Income tax Law. This tax is presented in the statements of operations and will be settled in March 2006.

18. Foreign currency position

At December 31, 2005 CFE had foreign currency denominated assets and liabilities (all amounts stated in thousands) as shown below:

	<u>Assets</u>		<u>Liabilities</u>	
	<u>Cash and temporary investments</u>	<u>Suppliers</u>	<u>Internal debt</u>	<u>External debt</u>
US dollars	<u>83</u>	<u>17,710</u>	<u>258,317</u>	<u>1,508,1</u>
Euros	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,2</u>
Japanese yen	<u>1,409,851</u>	<u>-</u>	<u>-</u>	<u>39,454,8</u>
Swiss francs	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,2</u>

These foreign currency denominated assets and liabilities were translated into Mexican pesos at the exchange rate established by the General Office of Government Accounting, an agency of the SHCP, in accordance with the administrative directive denominated "Foreign currency exchange rates for accounting closes at December 31, 2005", as shown below

<u>Currency</u>	<u>2005</u>	<u>2004</u>
US dollar	\$ 10.7777	\$ 11.2648
Euro	12.7080	15.3201
Japanese yen	0.0914	0.1101
Swiss franc	8.1779	9.9241

As of March 15, 2006 exchange rate trends continue to favorably affect the Entity.

19. Extraordinary item

In December 2004, through the Assistant Revenues Department, SHCP requested that the Entity pay a one-time extraordinary government charge of \$14,983 million in conformity with the Organic Public Federal Administration Law of the current Federal Incomes Law and the Internal Regulations of the Treasury Department. CFE made the requested payment to the Federal Treasury on December 17, 2004, recording the amount paid as an extraordinary item in the statement of operations.

20. Contingencies

On August 16, 2002, the Executive Branch of the Federal Government sent the draft for constitutional and legal amendments for the electric utility industry to the Mexican Senate of the Federal legislative branch. At the date of issue of these financial statements, the amendments are still under discussion, and the possible impact of such discussions on the figures presented is unknown.

21. Commitments

Contracts signed with independent energy producers - As of December 31, 2005, 22 contracts have been signed with private investors, denominated independent energy producers, establishing the obligation for CFE to pay different considerations in exchange for which the latter guarantee to supply the energy service based on a previously established generation capacity through power plants financed and constructed on their own account.

Such contracts contain a contingency clause, whereby CFE undertakes to early pay the investor the value of its assets at the date of noncompliance with any of the assumptions contained in this clause, in accordance with the calculation methodology established in the contract in question.

Furthermore, CFE is exposed to certain inherent risks including the following:

Inherent risks of CFE:

- Electricity market risks
- Legal amendments

Inherent risks of independent energy producers:

- Obtaining financing and project cost variations
- Compliance with critical events
- Penalties imposed for noncompliance with the guaranteed net capacity
- Noncompliance with operating guarantees
- Generating plant operating risks

As mentioned previously, the basic information on the power plants contracted under these conditions, which will generate variable future payments for the purchase of electric power and generation capacity, is as follows:

Plant	Contract term (in years)	Generating capacity (in MW)	Scheduled dates for entry into commercial operation
CC Mérida III	25.5	484.0	June 9, 2000 Phase I and October 14, 2000 Phase II
CC Río Bravo II (Anáhuac)	25.0	495.0	January 18, 2002
CC Hermosillo	25.0	250.0	October 1, 2001
CC Saltillo	25.0	247.5	November 19, 2001
CC Bajío (El Sauz)	25.0	495.0	March 9, 2002
CC Bajío (complementary generation)	5.0	70.0	March 9, 2002
CC Tuxpan II	25.0	495.0	December 15, 2001
CC Monterrey III	25.0	449.8	March 27, 2002
CC Altamira II	25.0	495.0	May 1, 2002
CC Campeche	25.0	252.4	May 28, 2003
CC Naco – Nogales	25.0	258.0	October 4, 2003
CC Mexicali	25.0	489.0	July 20, 2003
CC Chihuahua III	25.0	259.0	September 9, 2003
CC Tuxpan III y IV	25.0	983.0	May 23, 2003
CC Altamira III y IV	25.0	1,036.0	December 24, 2003
CC Río Bravo III	25.0	495.0	April 1, 2004
CC Río Bravo IV	25.0	500.0	April 1, 2005
CC La Laguna II	25.0	498.0	April 22, 2005
CC Altamira V	25.0	1,121.0	November 1, 2006
CC Tuxpan V	25.0	495.0	September 1, 2006
CC Valladolid III	25.0	525.0	June 1, 2006
CC Tamazunchale	25.0	1,135.0	June 1, 2007

As of December 31, 2005, the above dates represent actual dates of entry into commercial operation.

The CFE obligation for future payments includes: a) rules to quantify the acquisition price of the power plants in the event of a contingency classified as force majeure in the terms of each contract, applicable from the construction stage of each project to the conclusion of the contracts and b) fixed charges for energy generating capacity, and variable charges for operation and maintenance of the power plants, which are determined based on variable terms established in the contracts, applicable from the start-up testing stage to conclusion of the contracts.

Furthermore, there are obligations derived from contracts executed with third parties owning the gas pipelines, denominated Ciudad PEMEX – Valladolid and Samalayuca, and the Terminal de Carbón de la C.T. Páete. Plutarco Elías Calles, for which CFE also agrees to pay various considerations, while the latter guarantee the transport of gas through the gas pipelines and the reception, transportation and handling of coal, in the case of the Terminal de Carbón.

Pursuant to the foregoing, as of December 31, 2005, CFE has a commitment of \$146,168 million, equivalent to US \$13,562 million, which includes the fixed capacity charge in operation, related to the servicing and settlement of the debt acquired by the producer, and reflects the payments which CFE will have to make to the independent producer for having available electric power generating capacity for the Entity. CFE has additional commitments, in the event of an act of God or force majeure, and other noncompliance events, on the understanding that the calculation of the amounts takes into account certain contractual considerations that depend on the contract termination causes, with an amount of \$67,911 million, equivalent to US \$6,301 million, recorded in memoranda accounts at the aforementioned date.

Natural gas supply contract - On October 1, 2003, CFE contracted the supply of liquid gas ("LP gas") with Gas del Litoral, S. de R.L. de C.V. based on the LP gas storage and regassing plant located at the delivery points of the National Gas Pipeline System ("SNG") and at Altamira V, in the zone of Altamira, Tamaulipas.

Delivery conditions are as follows: from October 1, 2006 to December 31, 2006, 300 million cubic feet by ("MMPCD") volume, and on January 1, 2007, the contract termination date, 500 MMPCD by volume.

Regarding prices, the respective contract describes the formula to calculate payment of LP gas, including the variables involved in the calculation thereof; the reference index used is Henry Hub. Contracted liabilities are settled in US dollars.

The main restrictions and clauses are, for each day of delay affecting the gas supply a penalty equal to 30% of the daily natural gas supply will be applied. Accordingly, the 30% daily rate will be applied to the contractual natural gas value for each day of delay during the first 120 days following the supply deadline. A penalty equal to 30% of the daily natural gas supply is also applicable to any supply deficit, as detailed in exhibit 4 of the respective contract.

On January 21, 2005, another contract was executed to supply LP gas from a storage plant of GNL and / or Gas Natural Continental, with the supplier Sempra Energy LNG Marketing México, S. de R. L. de C. V. at the delivery points.

Contract beginning and termination dates are July 1, 2008, and June 30, 2023, respectively, and volume is 100 MMPCD firm and 130 MMPCD variable.

Trusts and lease agreements - Since 1996 CFE has executed a variety of trust agreements with different Mexican finance institutions, which act as trustees, and with private sector companies. In these trust agreements, such private companies participate as constructors of investment projects in energy generating plants, electricity sub stations and energy transmission lines, under the concept of Construction, Leasing and Transfer ("CAT"), through financing obtained domestically and abroad, in order to lease these assets subsequently to the Entity through lease agreements, whose assets will belong to CFE upon expiration of such agreements.

Since 2001 the projects received by CFE refer to the Financed Public Construction (Obra Pública Financiada, "OPF") program, whose electric power generation infrastructure is such that once the project begins commercial operations, CFE receives title and takes over its operation and maintenance, paying the constructor in a lump sum settlement as established in the contract when the construction work is provisionally accepted. CFE has been contracting direct loans to pay for these projects.

All construction of the plants, installations and equipment, and the loans obtained during the construction period, are the sole responsibility of the winning bidder, for which reason CFE is held harmless from any related liability and/or risk.

Given the above, as of December 31, 2005, CFE has signed different lease agreements whose payment commitments will begin on the dates that the private investors complete construction of each of the investment projects and deliver the assets to the Entity for operation. The estimated amounts of these lease agreements and the estimated termination dates of the construction and commencement of operation are those shown in the following table:

Transmission and Substations

Project	Capacity	Estimated amount of the contract expressed in thousands of		Start-up or construction conclusion
		US dollars	Mexican pesos	
L. T. 807 Durango I	217.4 Km - c	31,940	\$ 344,240	January 2006
L. T. 706 North System F 1	395.6 Km - c			
	1,233.3 MVA	78,250	843,355	February 2006
L. T. 723 Líneas Centro (DIST)	16.9 Km - c			
	40.0 MVA	6,300	67,900	March 2006
SLT 702 Proyectos Sureste Peninsular (DIST) F 1	26.0 Km - c			
	50.0 MVA	8,820	95,059	March 2006
SE 811 North West (DIST)	8.4 Km-c			
	120.0 MVA	11,280	121,572	April 2006
SE 812 Golfo Norte (DIST)	3.7 Km - c			
	60.0 MVA	5,160	55,613	June 2006
SLT 806 Bajío F2	329.9 Km - c			
	300.0 MVA	39,820	429,168	July 2006
SE 813 División Bajío (DIST) F1	1.6 Km - c			
	80.0 MVA	8,400	90,533	July 2006
L. T. 715 Network associated with CC Tamazunchale	397.1 Km - c			
	375.0 MVA	101,230	1,091,027	July 2006
SLT 703 North west - North	10.3 Km - c			
	60.0 MVA	19,230	207,255	August 2006
L. T. 710 Network associated CC Altamira V	508.6 Km - c			
SLT 801 Altiplano F1	138.9 Km - c			
	1,000.0 MVA	40,700	438,652	August 2006
L. T. 615 Subtransmission Peninsular F 3 2C	3.0 Km - c			
	30.0 MVA	3,560	38,369	September 2006
SLT 701 West - Centre F 1	29.4 Km - c			
	100.0 MVA	16,180	174,383	September 2006
L. T. 612 North - Northwest Subtransmission F2	95.8 Km - c			
	50.0 MVA	17,800	191,843	September 2006
SLT 903 Cabo North	170.7 Km - c			
	396.7 MVA	55,820	601,611	September 2006
SLT 803 Noine F 1	79.7 Km - c			
	900.0 MVA	67,750	730,189	October 2006
L. T. 714 Network associated CH El Cajón	266.6 Km - c			
		45,270	487,906	August 2007

Generating facilities

Project	Capacity	Estimated amount of the contract expressed in thousands of		Start-up or construction conclusion
		US dollars	Mexican pesos	
C. C. Conversión El Encino from TG to CC	65.3 MW	74,500	802,939	August 2006
C.H El Cajon	750.0 MW	798,900	8,610,305	August 2006
C. E. La Venta II	85.0 MW	111,500	1,201,714	November 2006
C. C. I. Baja California Sur II	42.7 MW	60,500	652,051	January 2007
C. C. E. Pacifico	648.0 MW	950,900	10,248,515	February 2010

These contracts are executed under the PIDIREGAS program (Note 3g) and CFE will apply the accounting policy for the purposes of these financial statements in accordance with MEXGAAP; the total amount of each of the contracts must be recorded in books when the risks and benefits of the assets are transferred to CFE.

Fiber optics - CFE has a fiber optic network ("OPGW" - Optical Ground Wire) of approximately 14,000 Km., which by late 2006 will reach 21,000 Km., known as National Fiber Optic Network, for purposes of internally utilizing these facilities in other applications, such as: technical-administrative voice, data, video, and other communications currently provided by third parties.

Therefore, the CFE requested a concession title from the Ministry of Communications and Transportation to install and operate a public telecommunications network, which will enable it to operate as a "Carrier of Carriers". The CFE is waiting for the respective ruling. As of the issue date of these financial statements, the CFE has not undertaken any commitments with third parties regarding such ruling.

22. New accounting principles

As of May 31, 2004, the Mexican Institute of Public Accountants ("IMCP") formally transferred the function of establishing and issuing financial reporting standards to the Mexican Board for Research and Development of Financial Reporting Standards ("CINIF"), consistent with the international trend of requiring this function be performed by an independent entity.

Accordingly, the task of establishing bulletins of GAAP and circulars issued by the IMCP was transferred to CINIF, who subsequently renamed standards of GAAP as "Normas de Información Financiera" (Financial Reporting Standards, or "NIFs"), and determined that NIFs encompass (i) new bulletins established under the new function; (ii) any interpretations issued thereon; (iii) any GAAP bulletins that have not been amended, replaced or revoked by the new NIFs; and (iv) International Financial Reporting Standards ("IFRS") that are supplementary guidance to be used when GAAP does not provide primary guidance.

One of the main objectives of CINIF is to achieve greater concurrence with IFRS. To this end, it started by reviewing the theoretical concepts contained in MEX GAAP and establishing a Conceptual Framework ("CF") to support the development of financial reporting standards and to serve as a reference in solving issues arising in the accounting practice. The CF is formed by eight financial reporting standards, which comprise the NIF-A series. The NIF-A series, together with NIF B-1, were issued on October 31, 2005. Their provisions are effective for years beginning January 1, 2006, superseding all existing GAAP series A bulletins.

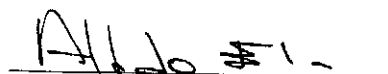
The new NIFs are as follows:


- NIF A-1 Structure of Financial Reporting Standards
- NIF A-2 Fundamental Principles
- NIF A-3 Users' Needs and Financial Statement Objectives
- NIF A-4 Qualitative Characteristics of Financial Statements
- NIF A-5 Basic Elements of Financial Statements
- NIF A-6 Recognition and Valuation
- NIF A-7 Presentation and Disclosure
- NIF A-8 Supplementary Standards to MEX GAAP
- NIF B-1 Accounting Changes

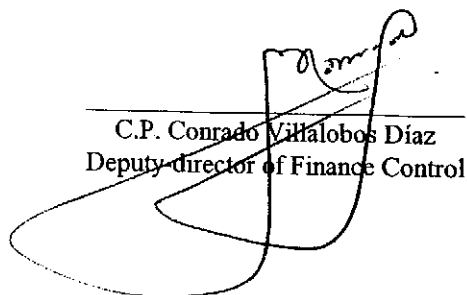
The most significant changes established by these standards are as follows:

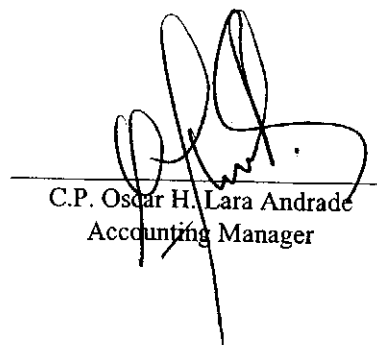
- In addition to the statement of changes in financial position, NIF A-3 includes the statement of cash flows, which should be issued when required by a particular standard.
- NIF A-5 includes a new classification for revenues and expenses: ordinary and extraordinary. Ordinary revenues and expenses are derived from transactions or events that are within the normal course of business or that are inherent in the entity's activities, whether frequent or not; extraordinary revenues and expenses refer to unusual transactions and events, whether frequent or not.
- NIF A-7 requires the presentation of comparative financial statements for at least the preceding period. Through December 31, 2004, the presentation of prior years' financial statements was optional. The financial statements must disclose the authorized date for their issuance, and the name(s) of the officer(s) or administrative body(ies) authorizing the related issuance.
- NIF B-1 establishes that changes in particular standards, reclassifications and correction of errors must be recognized retroactively. Consequently, basic financial statements presented on a comparative basis with the current year that might be affected by the change, must be adjusted as of the beginning of the earliest period presented.

At the date of issuance of these financial statements, the Entity has not fully assessed the effects of adopting these new standards on its financial information.


Ing. Alfredo Elías Ayub
General Director


Lic. Francisco J. Santoyo Vargas
Finance Director


C.P. Conrado Villalobos Díaz
Deputy Director of Finance Control


C.P. Oscar H. Lara Andrade
Accounting Manager
