

## FINANCIAL STATEMENTS OF THE CFE

From the June 30, 2004 financial statements issued under Mexican generally accepted accounting principles, the following facts outstand:

- CFE financial position guarantees the fulfillment of its obligations.
- The investments in plants, installation and equipment account represent the highest value with 88.7% of the total assets.
- The equity of the Entity represents 58.9% of the total assets while the total liabilities account for the other 41.1%.
- Although CFE had an operating loss of 4,134 million, due to the high cost of fuels that were not transferred in full to the tariffs, the net cash provided by operating activities amounted to 11,825 millions that were used to partially finance the investment program.
- The peso exchange rate fluctuation against the US dollar was unfavorable during this period and together with the debt interest generated a net financial cost of 3,949 million pesos.
- The annual duty (Benefit) that is applied to supplement deficient rates (subsidy) was insufficient in 5,579 million pesos directly affecting the Entity's equity.
- Mainly due to the above comment, CFE had a net loose of 2,287 million pesos.
- In memorandum accounts CFE registers the amount for fixed capacity charge included in the signed contracts with Independent Energy Producers that are in operation, as well as the contingency related to the operating and construction projects in case of nonfulfilment of the contracts.

### Financial Statements June 30, 2004

#### BALANCE SHEET \*

<u>ASSETS</u>		<u>LIABILITIES AND EQUITY</u>	
<b>CURRENT ASSETS</b>		<b>CURRENT LIABILITIES</b>	
Cash and temporary investments	\$ 20.324	Current portion of long-term debt	\$ 3.613
		Current portion of capital lease obligations and PIDIREGAS	2.804
		Suppliers and contractors	4.567
Accounts and notes receivable	21.890	Value-added tax payable	12.238
Consumers and other debtors, net	3.049	Taxes and fees payables	3.413
Luz y Fuerza del Centro	<u>3.049</u>	Other accounts payable and accrued liabilities	1.277
	24.939	Deposits from users and contractors	4.950
			<u>4.254</u>
Materials for operations, net	<u>15.027</u>		
<b>TOTAL CURRENT ASSETS</b>	<b>60.290</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>37.116</b>
		<b>LONG-TERM DEBT</b>	<b>21.696</b>
<b>LONG-TERM EMPLOYEE LOANS</b>	<b>2.399</b>	<b>LONG-TERM CAPITAL LEASE OBLIGATIONS AND PIDIREGAS</b>	<b>48.455</b>
		<b>OTHER LONG-TERM LIABILITIES</b>	<b>1.024</b>
<b>PLANTS, INSTALLATION AND EQUIPMENT, NET</b>	<b>547.361</b>	<b>EMPLOYEE RETIREMENT OBLIGATIONS</b>	<b>145.557</b>
		<b>TOTAL LIABILITIES</b>	<b>253.848</b>
<b>OTHER ASSETS</b>	<b>846</b>	<b>EQUITY</b>	
<b>UNAMORTIZED INTANGIBLE ASSETS</b>	<b>6.443</b>	Accumulated equity from prior years	365.172
		Contributions received	1.574
		Income (loss) for the year	(2.287)
		Excess (Insufficiency) in restated equity	(968)
		<b>TOTAL EQUITY</b>	<b>363.491</b>
<b>TOTAL ASSETS</b>	<b>\$ 617.339</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 617.339</b>

**ORDER ACCOUNTS: INDEPENDENT PRODUCER OF ENERGY**

Future Payments of Projects in Operation	\$ 142.666
Amount of the contingency of Projects in Operation and Construction	\$ 60.676

\*Number expressed in milliom of mexican pesos of june 2004

## STATEMENTS OF OPERATIONS\*

REVENUES FROM ENERGY SALES	<u>\$ 71.953</u>
<b>COSTS AND EXPENSES:</b>	
Exploitation	57.058
Depreciation	9.881
Administrative expenses	1.550
Actuarial cost of employee retirement obligations for the year	<u>7.598</u>
	<u>76.087</u>
OPERATING INCOME (LOSS)	<u>(4.134)</u>
<b>NET COMPREHENSIVE FINANCING COST:</b>	
Interest expense, net	(2.905)
Foreign exchange gain (loss), net	(2.078)
Monetary position gain	1.034
	<u>(3.949)</u>
OTHER INCOME (EXPENSES), Net	<u>543</u>
INCOME TAX ON DISTRIBUTABLE REMNANT	<u>(326)</u>
OPERATING INCOME (LOSS) BEFORE PROFITS AND TRANSFERS	<u>(7.866)</u>
Duties	(23.150)
Non-cash transfers from the Federal Government to supplement deficient rates	<u>28.729</u>
Benefit from non-cash transfers from the Federal Government to supplement deficient rates	<u>5.579</u>
NET INCOME (LOSS)	<u>\$ (2.287)</u>

\*Number expressed in milliom of mexican pesos of june 2004

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General Director

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Finance Director

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**CFE** *Una empresa  
de clase mundial*