

## IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (“QIBs”) (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, AS AMENDED (THE “SECURITIES ACT”)) OR (2) NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES.**

**IMPORTANT: You must read the following before continuing.** The following applies to offering memorandum following this page, and you are advised to read this important notice carefully before reading, accessing or making any other use of the offering memorandum. In accessing the offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES BY ANY PERSON IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

THE SECURITIES DESCRIBED IN THE FOLLOWING OFFERING MEMORANDUM ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA (“EEA”). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); OR (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (AS AMENDED, THE “INSURANCE DISTRIBUTION DIRECTIVE”), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THE SECURITIES DESCRIBED IN THE FOLLOWING OFFERING MEMORANDUM ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE UNITED KINGDOM (“UK”). FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2 OF REGULATION (EU) NO 2017/565 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (“EUWA”); OR (II) A CUSTOMER WITHIN THE MEANING OF THE PROVISIONS OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED, THE “FSMA”) AND ANY RULES OR REGULATIONS MADE UNDER THE FSMA TO IMPLEMENT DIRECTIVE (EU) 2016/97, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT, AS DEFINED IN POINT (8) OF ARTICLE 2(1) OF REGULATION (EU) NO 600/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA. CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “UK PRIIPS REGULATION”) FOR OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE UK HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE SECURITIES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE UK MAY BE UNLAWFUL UNDER THE UK PRIIPS REGULATION.

IN THE UK, THE FOLLOWING OFFERING MEMORANDUM AND ANY OTHER MATERIAL IN RELATION TO THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM ARE BEING DISTRIBUTED ONLY TO, AND ARE DIRECTED ONLY AT, PERSONS WHO ARE “QUALIFIED INVESTORS” (AS DEFINED IN ARTICLE 2 OF REGULATION (EU) 2017/1129 AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUWA (THE “UK PROSPECTUS REGULATION”)) WHO ARE (I) PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED, THE “ORDER”), OR (II) HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER, OR (III) PERSONS TO WHOM IT WOULD OTHERWISE BE LAWFUL TO DISTRIBUTE THEM, ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS.” IN THE UK, THE SECURITIES ARE ONLY AVAILABLE TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE THE SECURITIES WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. THE FOLLOWING OFFERING MEMORANDUM AND ITS CONTENTS ARE CONFIDENTIAL AND SHOULD NOT BE DISTRIBUTED, PUBLISHED OR REPRODUCED (IN WHOLE OR IN PART) OR

DISCLOSED BY ANY RECIPIENTS TO ANY OTHER PERSON IN THE UK. ANY PERSON IN THE UK THAT IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THE FOLLOWING OFFERING MEMORANDUM OR ITS CONTENTS.

THE INFORMATION CONTAINED IN THE OFFERING MEMORANDUM IS EXCLUSIVELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (COMISIÓN NACIONAL BANCARIA Y DE VALORES) (THE "CNBV"). THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE MEXICAN NATIONAL SECURITIES REGISTRY (REGISTRO NACIONAL DE VALORES) MAINTAINED BY THE CNBV AND, THEREFORE, MAY NOT BE PUBLICLY OFFERED OR SOLD IN MEXICO OR OTHERWISE BE SUBJECT TO INTERMEDIATION ACTIVITIES IN MEXICO. HOWEVER, THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM MAY BE OFFERED IN MEXICO TO INVESTORS DOMICILED IN MEXICO THAT QUALIFY AS INSTITUTIONAL OR QUALIFIED INVESTORS UNDER MEXICAN LAW PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (LEY DEL MERCADO DE VALORES). NOTICE IS TO BE GIVEN TO THE CNBV FOR INFORMATIONAL PURPOSES ONLY AND RECEIPT THEREOF BY THE CNBV WILL NOT CONSTITUTE OR IMPLY A CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM, WITH REGARDS TO THE SOLVENCY, LIQUIDITY OR CREDIT QUALITY OF THE ISSUER OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THE OFFERING MEMORANDUM AND DOES NOT RATIFY OR VALIDATE ANY ACTIONS OR OMISSIONS, IF ANY, IN CONTRAVENTION OF APPLICABLE LAW. THE ACQUISITION OF THE NOTES BY AN INVESTOR WHO IS A RESIDENT OF MEXICO WILL BE MADE UNDER SUCH INVESTOR'S OWN RESPONSIBILITY.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF SUCH DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act). The offering memorandum is being sent at your request and by accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act), and (2) that you consent to delivery of such offering memorandum by electronic transmission.

You are reminded that the offering memorandum has been delivered to you on the basis that you are a person into whose possession the offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently neither the initial purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.



## Comisión Federal de Electricidad

*(a Productive State Enterprise of the Federal Government of the United Mexican States)*

**U.S.\$500,000,000 5.700% Sustainable Notes due 2030**  
**U.S.\$1,000,000,000 6.450% Sustainable Notes due 2035**

**jointly and severally guaranteed by**

**CFE Distribución, CFE Suministrador de Servicios Básicos, CFE Transmisión, CFE Generación I, CFE Generación II, CFE Generación III, CFE Generación IV, CFE Generación V and CFE Generación VI (each, a Subsidiary Productive Enterprise of Comisión Federal de Electricidad)**

Comisión Federal de Electricidad (the “Issuer”), a productive state enterprise of the Federal Government (the “Mexican government”) of the United Mexican States (“Mexico”), is offering U.S.\$500,000,000 aggregate principal amount of 5.700% Sustainable Notes due 2030 (the “2030 notes”) and U.S.\$1,000,000,000 aggregate principal amount of 6.450% Sustainable Notes due 2035 (the “2035 notes” and, together with the 2030 notes, the “notes”). The 2030 notes will bear interest at the rate of 5.700% per year and will mature on January 24, 2030. The 2035 notes will bear interest at the rate of 6.450% per year and will mature on January 24, 2035. Interest on the notes will be payable semi-annually in arrears on January 24 and July 24 of each year, beginning on January 24, 2025. The payment of principal of and interest and Additional Amounts (as defined under “Description of the Notes—Additional Amounts”) will be unconditionally and irrevocably guaranteed jointly and severally by CFE Distribución, CFE Suministrador de Servicios Básicos, CFE Transmisión, CFE Generación I, CFE Generación II, CFE Generación III, CFE Generación IV, CFE Generación V and CFE Generación VI (each, a “guarantor” and, collectively, the “guarantors”), each of which is a subsidiary productive enterprise of the Issuer. The Issuer’s payment obligations under the notes, and the payment obligations of the guarantors under their respective guaranties of the notes, will at all times rank without any preference among themselves and equally with all other unsubordinated public external indebtedness of the Issuer or of such guarantor, respectively. The Mexican government does not guarantee or secure the Issuer’s obligations or those of the guarantors and has no obligation to pay the principal, interest or any other amounts payable on the notes in the event that the Issuer’s cash flows and/or assets or those of the guarantors are not sufficient to make any such payments. The notes do not grant in any way rights over the ownership, control or assets of the Issuer or any of the guarantors. The notes will not be secured by any of the Issuer or the guarantors’ assets or properties.

We may redeem the 2030 notes, in whole or in part, at any time prior to December 24, 2029 (one month prior the maturity date of the 2030 notes), by paying the redemption price on the outstanding principal amount of the 2030 notes to be redeemed as described in “Description of the Notes—Redemption and Purchase—Optional Redemption,” plus accrued and unpaid interest thereon to the redemption date. On or after December 24, 2029 (one month prior the maturity date of the 2030 notes), we may redeem the 2030 notes, in whole or in part, by paying 100% of the principal amount of the 2030 notes to be redeemed, plus accrued and unpaid interest thereon to the redemption date. We may redeem the 2035 notes, in whole or in part, at any time prior to October 24, 2034 (three months prior the maturity date of the 2035 notes), by paying the redemption price on the outstanding principal amount of the 2035 notes to be redeemed as described in “Description of the Notes—Redemption and Purchase—Optional Redemption,” plus accrued and unpaid interest thereon to the redemption date. On or after October 24, 2034 (three months prior the maturity date of the 2035 notes), we may redeem the 2035 notes, in whole or in part, by paying 100% of the principal amount of the 2035 notes to be redeemed, plus accrued and unpaid interest thereon to the redemption date. See “Description of the Notes—Redemption and Purchase—Optional Redemption.” In addition, in the event of certain changes to applicable laws and regulations or certain changes in the interpretation or application of such laws and regulations that result in an increase in the applicable rate of Mexican withholding tax in respect of payments of interest under the notes of a series, the Issuer or any guarantor may redeem the notes of such series, in whole but not in part, prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest to the redemption date. See “Description of the Notes—Redemption and Purchase—Redemption for Taxation Reasons.” In addition, upon the occurrence of certain fundamental changes in our ownership or business (including, among others, if the Issuer ceases to be a public sector entity of, or majority-owned by, the Mexican government), the Issuer will be required to offer to purchase the notes at a price equal to 100% of their principal amount, plus accrued and unpaid interest to the purchase date. See “Description of the Notes—Redemption and Purchase—Purchase at the Option of Holders.”

The notes will contain provisions, commonly known as “collective action clauses.” Under these provisions, which differ from the terms of the Issuer’s public external indebtedness issued prior to June 16, 2015, the Issuer may amend the payment provisions of any series of debt securities issued under the indenture (including the notes) and other reserved matters listed in the indenture, with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, more than 66<sup>2</sup>/<sub>3</sub>% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed modification, taken individually. See “Description of the Notes—Meetings, Amendments and Waivers.”

We will apply to admit the notes for listing on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market of the Luxembourg Stock Exchange.

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Investing in the notes involves risks. See “Risk Factors” beginning on page 23.

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**Issue price per 2030 note:** 99.782%, plus accrued interest, if any, from September 24, 2024

**Issue price per 2035 note:** 99.639%, plus accrued interest, if any, from September 24, 2024

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THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS EXCLUSIVELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE MEXICAN *COMISIÓN NACIONAL BANCARIA Y DE VALORES* (NATIONAL BANKING AND SECURITIES COMMISSION, OR THE “CNBV”). THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE MEXICAN *REGISTRO NACIONAL DE VALORES* (NATIONAL SECURITIES REGISTRY) MAINTAINED BY THE CNBV AND, THEREFORE, THE NOTES MAY NOT BE PUBLICLY OFFERED OR SOLD IN MEXICO. HOWEVER, THE NOTES MAY BE OFFERED, ON A PRIVATE PLACEMENT BASIS, IN MEXICO TO INVESTORS THAT QUALIFY AS INSTITUTIONAL OR ACCREDITED INVESTORS UNDER MEXICAN LAW, PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN *LEY DEL MERCADO DE VALORES* (THE “SECURITIES MARKET LAW”). AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW, WE WILL NOTIFY THE CNBV OF THE OFFERING OF THE NOTES OUTSIDE OF MEXICO TO COMPLY WITH ARTICLE 7, SECOND PARAGRAPH, OF THE MEXICAN SECURITIES LAW AND REGULATIONS THEREUNDER FOR INFORMATIONAL AND STATISTICAL PURPOSES ONLY, AND THE FILING OR RECEIPT OF SUCH NOTICE BY THE CNBV IS NOT A REQUIREMENT FOR THE VALIDITY OF THE NOTES AND DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction, and are being offered only (1) to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the Securities Act and (2) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. For certain restrictions on the transfer of the notes, see “Transfer Restrictions.”

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The initial purchasers expect to deliver the notes to purchasers in book-entry form through the facilities of The Depository Trust Company (“DTC”) for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”), and Clearstream Banking S.A. (“Clearstream”), against payment on or about September 24, 2024.

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*Global Coordinators and Joint Book-Running Managers*

**BBVA**

**BofA  
Securities**

**Citigroup**

**HSBC**

**Mizuho**

*Joint Book-Running Managers*

**BNP PARIBAS**

**Santander**

**Scotiabank**

**SMBC Nikko**

September 17, 2024



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You should carefully review the entire offering memorandum before making an investment decision. Neither the Issuer nor any of the initial purchasers has authorized anyone to provide you with different information. The Issuer is offering to sell, and is seeking offers to buy, the notes only in jurisdictions where offers and sales are permitted. This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this offering memorandum nor any sale made under it implies that there has been no change in our affairs or that the information in this offering memorandum is correct as of any date after the date of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the placement of the notes. The Issuer and the initial purchasers reserve the right to reject any offer to purchase for any reason.

**Neither the U.S. Securities and Exchange Commission (the “SEC”), the CNBV, any state securities commission nor any other regulatory authority has approved or disapproved the offering of the notes or the notes; nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.**

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. See “Plan of Distribution—Sales Outside the United States—European Economic Area.” The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. See “Plan of Distribution—Sales Outside the United States—United Kingdom.”

You must:

- comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this offering memorandum and the purchase, offer or sale of the notes, and
- obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales; and neither the Issuer nor any of the initial purchasers shall have any responsibility therefor.

See “Transfer Restrictions” for information on transfer restrictions applicable to the notes.

You acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes, other than as contained in this offering memorandum and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

The notes may not be transferred or resold, except as permitted under the indenture governing the notes, the Securities Act and applicable U.S. state securities laws. You may be required to bear the financial risks of this investment for an indefinite period of time.

We have taken reasonable care to ensure that the information contained in this offering memorandum is true and correct in all material respects and is not misleading in any material respect as of the date of this offering memorandum, and that there has been no omission of information that, in the context of the issuance of the notes, would make any statement of material fact in this offering memorandum misleading in any material respect, in light of the circumstances existing as of the date of this offering memorandum. We accept responsibility accordingly.

No representation or warranty, express or implied, is made or given by the initial purchasers or the trustee as to the accuracy, completeness or sufficiency of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or shall be relied upon as, a promise, representation or warranty by the initial purchasers or the trustee. To the fullest extent permitted by law, none of the initial purchasers or the trustee accepts any responsibility for the contents of this offering memorandum or for any other statement made or purported to be made by the initial purchasers or the trustee or on their behalf in connection with the Issuer or the issue and offering of the notes. Each of the initial purchasers and the trustee accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement. This offering memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the initial purchasers, the trustee or any other person that any recipient of this offering memorandum should purchase the notes. Each potential purchaser of the notes should determine for itself the relevance of the information contained in this offering memorandum and its purchase of the notes should be based upon such investigations with its own tax, legal, business and financial advisors as it deems necessary. The initial purchasers assume no obligation, responsibility or liability to update the information contained herein, or to inform investors of any change of the information or any issues that come to their attention.

In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. See “Risk Factors” for a discussion of certain factors to be considered in connection with an investment in the notes. Each person receiving this offering memorandum acknowledges that such person has not relied on the initial purchasers, the trustee or any person affiliated with any of such persons in connection with its investigation of the accuracy of such information or its investment decision. By purchasing the notes, you will be deemed to have acknowledged that you have made certain acknowledgments, representation and agreements as set forth above and under “Transfer Restrictions.”

Neither we nor any of the initial purchasers, nor any of our or their respective representatives, are making any representation to you regarding the legality of an investment in the notes. You should consult with your own advisors as to legal, tax, business, financial, regulatory and related aspects of an investment in the notes. You must comply with all laws applicable in any place in which you buy, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals. Neither we nor any of the initial purchasers, nor any of our or their respective representatives shall have any responsibility for any of the foregoing legal requirements.

## ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer is an *empresa productiva del Estado* (productive state enterprise) of the Mexican government and the guarantors are *empresas productivas subsidiarias* (subsidiary productive enterprises) of the Issuer, all of which have been created under applicable law. The Issuer and the guarantors have irrevocably submitted to the jurisdiction of the U.S. federal courts located in the Borough of Manhattan in The City of New York and, to the extent permitted by law, have waived immunity from the jurisdiction of these courts in connection with any action based upon the notes brought by any holder of notes. The Issuer and the guarantors have, however, reserved the right to plead immunity under the U.S. Foreign Sovereign Immunities Act of 1976 (the “Foreign Sovereign Immunities Act”) in actions brought against them under the U.S. federal securities laws or any U.S. state securities laws. Unless the Issuer or the guarantors waive their immunity against such actions, a U.S. court judgment could be obtained against the Issuer or the guarantors only if a U.S. court were to determine that the Issuer or the guarantors are not entitled to sovereign immunity under the Foreign Sovereign Immunities Act with respect to that action.

The Issuer’s and the guarantors’ directors and officers, as well as certain experts named in this offering memorandum, reside outside the United States, and all or a substantial portion of assets of the Issuer and the guarantors, and their respective directors and officers, are located outside of the United States. As a result, it may not be possible for holders of the notes to effect service of process outside of Mexico upon the Issuer or the guarantors, its or their directors or officers or those experts, or to enforce against such parties judgments of courts located outside Mexico predicated upon civil liabilities under the laws of jurisdictions other than Mexico, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States.

Neither the Issuer, as a productive state enterprise of the Mexican government, nor the guarantors, as subsidiary productive enterprises of the Issuer, are subject to the Mexican *Ley de Concursos Mercantiles* (the “Commercial Bankruptcy Act”) and thus cannot be declared in reorganization or bankrupt (*en concurso mercantil o en quiebra*). Under applicable Mexican law, the Issuer may be liquidated and dissolved by the Mexican Congress if it determines that the Issuer ceases to fulfill the purpose for which the Issuer was created or for any other reason. In addition, the guarantors may be liquidated and dissolved at any time by the *Consejo de Administración* of the Issuer (the “Board of Directors”), upon a proposal of the Issuer’s *Director General* (General Director). In the event that the Issuer is liquidated and dissolved by the Mexican Congress, or the guarantors are liquidated and dissolved as a result of a determination made by the Board of Directors, it is uncertain whether or to what extent the rights of holders of the notes would be honored. The Mexican government does not guarantee the notes and is not required to assume or make payments under the notes.

Under the *Ley de la Comisión Federal de Electricidad* (the “CFE Law”), real property owned by the Issuer and the guarantors shall be deemed to be property of the public domain and, under Articles 6 and 13 of the *Ley General de Bienes Nacionales* (General Law of Public Property), neither attachment prior to judgment nor attachment in aid of execution will be ordered by Mexican courts against any such real property. As a result, a Mexican court would not recognize an attachment order against any such real property. In addition, under the *Constitución Política de los Estados Unidos Mexicanos* (the “Mexican Constitution”) and the *Ley de la Industria Eléctrica* (the “Electric Industry Law”), the transmission and distribution of electric energy through the *Red Nacional de Transmisión* (National Transmission Grid) and the *Redes Generales de Distribución* (General Distribution Grids), which are deemed a public service, are reserved to the Mexican government, through us, and to that extent, the assets related thereto may be subject to immunity. As a result, the ability to enforce judgments against the Issuer or the guarantors in the courts of Mexico may be substantially limited.

Neither the Issuer nor the guarantors can predict whether Mexican courts would enforce judgments of U.S. courts based on the civil liability provisions of the U.S. federal securities laws. Therefore, even if a judgment of a U.S. court against the Issuer or any guarantor were obtained, a holder of notes may not be able to obtain a judgment in Mexico that is based on that U.S. court judgment. Moreover, a holder of notes may not be able to enforce a judgment against the property of the Issuer or any guarantor in the United States except under the limited circumstances specified in the Foreign Sovereign Immunities Act. If an action were to be brought in Mexico seeking to enforce the obligations of the Issuer or the guarantors under the notes or the guaranty agreement (in respect of the notes), satisfaction of those obligations may be made in Mexican pesos, pursuant to the laws of Mexico, at the rate of exchange in effect on the date on which payment is made. Such rate of exchange is currently determined by *Banco de México* every business day in Mexico based on an average of wholesale foreign exchange market quotes and is published on *Banco de México*’s website ([www.banxico.org.mx](http://www.banxico.org.mx)) and the following business banking day in the Mexican *Diario Oficial de la Federación* (the “Official Gazette”).

## WHERE YOU CAN FIND MORE INFORMATION

We prepare annual audited consolidated financial statements and quarterly unaudited condensed consolidated financial information in both Spanish and English. This information is available on our website ([www.cfe.mx](http://www.cfe.mx)). In addition, we are required to file certain annual, quarterly and other reports and information with the *Bolsa Mexicana de Valores, S.A.B. de C.V.* (<https://www.bmv.com.mx/es/listados-y-prospectos>) (the “BMV”) with respect to our debt securities listed on the BMV. You may inspect and copy these reports and other information related to us at the offices of the BMV located at Paseo de la Reforma 255, Colonia Cuauhtémoc, Alcaldía Cuauhtémoc, C.P. 54124, Ciudad de México, México. Our BMV filings are available to you on the BMV’s website ([www.bmv.com.mx](http://www.bmv.com.mx)).

The Issuer is a productive state enterprise of the Mexican government. However, the Mexican government does not guarantee or secure the Issuer’s obligations and has no obligation to pay the principal or interest on the notes in the event that the Issuer’s cash flows and/or assets are not sufficient to make any such payments. Macroeconomic and other information relating to the Mexican government is available to the public on the websites of *Banco de México* ([www.banxico.org.mx](http://www.banxico.org.mx)), the Mexican *Secretaría de Hacienda y Crédito Público* (Ministry of Finance and Public Credit, or the “Ministry of Finance”) ([www.gob.mx/shcp](http://www.gob.mx/shcp)) and the Mexican *Instituto Nacional de Estadística y Geografía* (National Institute of Statistics and Geography, or “INEGI”) ([www.inegi.org.mx](http://www.inegi.org.mx)). In addition, Mexico publishes ongoing reports with the SEC. Such reports are available on the SEC’s website ([www.sec.gov](http://www.sec.gov)).

The information contained in the foregoing websites is not incorporated by reference in this offering memorandum.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Unless otherwise specified or the context otherwise requires, references in this offering memorandum to “CFE,” “we,” “us” and “our” are to Comisión Federal de Electricidad, and any subsidiaries that CFE consolidates, including its subsidiary productive enterprises, and CFE International LLC, CF Energía, S.A. de C.V., CFE Intermediación de Contratos Legados, S.A. de C.V., CFE Calificados, S.A. de C.V. and CFECapital, S. de R.L. de C.V., which are our affiliates (*empresas filiales*) and are reflected in our consolidated results. These affiliates will not guarantee the notes. References to the “Issuer” are solely to Comisión Federal de Electricidad.

### Financial Statements

#### *Overview*

This offering memorandum includes our annual audited consolidated financial statements as of and for the years ended December 31, 2022 and 2021 (our “2022 annual financial statements”), our annual audited consolidated financial statements as of and for the years ended December 31, 2023 and 2022 (our “2023 annual financial statements” and, together with our 2022 annual financial statements, our “annual financial statements”), and our unaudited condensed consolidated interim financial statements as of June 30, 2024 and for the six-month periods ended June 30, 2024 and 2023 (our “interim financial statements” and, together with our annual financial statements, our “financial statements”). Our interim financial statements have been subject to a limited review by Gossler, S.C., an independent auditor.

Our financial statements are expressed in thousands of Mexican pesos and have been prepared in accordance with International Financing Reporting Standards (“IFRS”), as adopted by the International Accounting Standards Board (the “IASB”).

For the six-month period ended June 30, 2024, our non-guarantor affiliates represented approximately 11.8% of our Adjusted EBITDA and approximately 4.6% of our total assets. For the year ended December 31, 2023, our non-guarantor affiliates represented approximately 2.1% of our Adjusted EBITDA and approximately 4.9% of our total assets.

### Currency Information

References in this offering memorandum to “U.S.\$” and “U.S. dollars” are to the lawful currency of the United States and references to “Ps.” and “Mexican pesos” are to the lawful currency of Mexico.

This offering memorandum contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, U.S. dollar equivalent information for amounts in Mexican pesos is based upon the rate published in the Official Gazette on June 29, 2024 for payment obligations due on June 30, 2024, which was Ps.18.2215 per U.S.\$ 1.00. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or that have been or could be converted into U.S. dollars at the rate indicated or any other rate. As of September 13, 2024 the exchange rate published in the Official Gazette was Ps. 19.5887 per U.S.\$ 1.00.

### Rounding

Certain figures included in this offering memorandum have been rounded for ease of presentation. Percentage figures included in this offering memorandum have been calculated on the basis of such amounts prior to rounding, not on the basis of rounded figures. For this reason, percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our financial statements. Certain numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that preceded them due to rounding.

## FORWARD-LOOKING STATEMENTS

This offering memorandum contains words, such as “believe,” “plan,” “intend,” “estimate,” “target,” “expect,” “anticipate,” “should,” “potential,” “seek,” “consider,” “assume,” “forecasts” and similar expressions that identify forward-looking statements, which reflect our views about future events and financial performance. Examples of such forward-looking statements include projections or statements as to the following:

- changes in the legal and regulatory regime applicable to the Mexican electricity sector, or the interpretation thereof;
- our future operating revenues, net income (loss), capital expenditures, indebtedness levels or other financial items or ratios;
- our plans, objectives or goals, including those related to our competition, regulation and rates;
- our future financial performance;
- the future economic performance of Mexico;
- interest rates, currency exchange rates, restrictions on convertibility, devaluations and foreign securities markets; and
- availability and cost of external financing for our operations, which have been affected by the stress experienced by the global financial markets.

Actual results could differ materially from those projected in such forward-looking statements as a result of various factors that may be beyond our control. These factors include, but are not limited to:

- significant economic or political developments in Mexico, particularly developments affecting the electricity sector and the constitutional reforms that have recently been enacted or are in process of being enacted;
- changes in the economic policies or priorities of the Mexican government;
- changes in our or Mexico’s domestic and international credit ratings;
- interruptions or failures in our operations or technology systems;
- economic, political and regulatory developments in the United States or elsewhere;
- legal action initiated by us or our suppliers or contractual counterparties, in connection with contractual terms and breaches thereunder;
- adjustments to the rates that we charge our customers;
- availability of funds under income laws and budgets approved annually for our operations;
- effects on us from increases in fuel oil or natural gas prices;
- our inability to meet efficiency or cost reduction objectives or increases in our operating costs;
- natural disasters, accidents, blockades and acts of sabotage or terrorism;
- terrorist and organized criminal activities as well as geopolitical events;
- the outbreak of military hostilities, including the military conflict involving Russia and Ukraine, the conflict in Gaza and disruptions to shipping operations in the Red Sea;
- changes in interest rates or access to sources of financing on competitive terms and inflation levels;

- foreign currency exchange fluctuations relative to the U.S. dollar or the Mexican peso and potential currency exchange control risks;
- effects on us from competition, including on our ability to hire and retain skilled personnel;
- national or international public health events, including the outbreak of pandemics or contagious diseases, and the potential impact on our business and the global economy; and
- changes in, or failure to comply with, our legal regime or regulatory environment, including with respect to tax, environmental regulations, fraudulent activity, corruption and bribery.

Accordingly, you should not place undue reliance on these forward-looking statements. In any event, these statements speak only as of their dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

For a more detailed discussion of important factors that could cause actual results to differ materially from those contained in any forward-looking statement, see “Risk Factors.”

## TECHNICAL TERMS RELATING TO THE ELECTRICITY INDUSTRY

“capacity” means the installed capacity an electric system must have to meet peak hour demand plus a reserve sufficient to cover unplanned outages. Some of our installed capacity is idle during periods when there is lower demand for energy output and, during those periods, some of the potential output is not generated. Capacity is generally measured in megawatts.

“demand” means, for an integrated electric system, the amount of power demanded by consumers of energy at any point in time, including energy lost during transmission and distribution to consumers. It is often expressed in kilowatts.

“distribution” means the part of the electric power system that takes power from a bulk power substation to customer switches. It includes distribution substations, circuits that extend from distribution substations to every distribution transformer, metering equipment and customer location.

“generation” means the production of electricity in the large quantities required to supply electric power systems in generating stations or power plants. Generation of electricity is achieved by converting the heat of fuel (*e.g.*, coal, gas or uranium), the hydraulic energy of water, or other forms of energy (*e.g.*, wind or solar) into electric energy. A generating station or facility may consist of several independent generating units.

“GW” means gigawatt. One gigawatt equals one billion watts, one million kilowatts or one thousand megawatts.

“GWh” means gigawatt-hour, or one million kilowatt-hours. The GWh is often used to measure the annual energy output from large power generators.

“GVA” means gigavolt-amperes. The capacity of our transmission grid is normally measured in terms of gigavolt-amperes, where one GVA is one billion volt-amperes.

“kW” or “kilowatt” means one thousand watts.

“kWh” means kilowatt-hour, the standard unit of energy used in the electric utility industry to measure consumption. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour.

“legacy/grandfathered interconnection contracts” refers to interconnection contracts executed by CFE with private generation companies prior to the Mexican Energy Reform, and remained in effect thereafter.

“MW” or “megawatt” means one million watts or one thousand kilowatts.

“MWh” means megawatt-hour, or one thousand kilowatt-hours.

“photovoltaic” means a method of generating electrical power by converting solar radiation into direct current electricity using semiconductors and, subsequently, by using inverters, turning such direct current into alternate current.

“reserve” means, in the electricity industry, the generating capacity that is accessible on short notice to meet unplanned increases in demand for electricity or losses of generation capacity.

“substation” means an assembly of equipment through which electrical energy delivered by transmission circuits is passed in order to convert it to voltages suitable for use by consumers.

“thermal” means a type of electric generating station in which the source of energy for the prime mover or turbine is heat.

“transmission line” means an electrical connection between two points on a power system for the purpose of transferring high voltage electrical energy between the points. Generally, a transmission line consists of large wires, or conductors, held aloft by towers.



“TW” means terawatt. One terawatt equals one trillion watts, one billion kilowatts, one million megawatts or one thousand gigawatts.

“TWh” means terawatt-hour—a unit of electrical energy equal to the work done by one TW acting for one hour.

“volt-ampere” means the unit used to measure the apparent power in an electrical circuit.

“voltage” means the energy level of electrons flowing in an electric current. A high voltage line carries electrons that are at a high energy level and can transmit more power than a low voltage line with the same current flowing in it.

## SUMMARY

*This summary highlights selected information described in more detail elsewhere in this offering memorandum. This summary may not include all of the information you should consider before making a decision to invest in the notes. You should carefully read this entire offering memorandum, including the risk factors and financial statements.*

### Comisión Federal de Electricidad

#### Overview

We are an electric power company operating as a productive state enterprise of the Mexican government and, following the energy reform described below, we remain 100% owned by the Mexican government. We generate approximately 72% of the electricity consumed in Mexico, which includes electricity generated by independent power producers (“IPPs”), and we are solely responsible for the transmission and distribution of electricity for public service purposes throughout Mexico. The remaining 28% of electricity is generated by Petróleos Mexicanos (“PEMEX”) for self consumption, a productive state enterprise of the Mexican government that is engaged in exploration, production, refining and marketing of oil and gas, and by private producers. As of June 30, 2024, we provided electricity to over 48.6 million customer accounts, which we estimate represented 99.5% coverage of the Mexican population.

We were created in 1937 by presidential decree, and then converted by the Mexican Congress in 1949 into an *organismo público descentralizado de la Administración Pública Federal* (a decentralized public entity of the Mexican government). Pursuant to the CFE Law, in accordance with the Energy Reform Decree and Secondary Legislation (each as defined below), we were converted into an *empresa productiva del Estado* (a productive state enterprise) in October 2014, subject to a new legal regime and with a corporate purpose of creating economic value for the Mexican government as its owner. In addition, pursuant to Mexican Constitution, the Electric Industry Law and the CFE Law, in 2016, we undertook a vertical and horizontal separation of each of our key electric sector activities — electricity generation, transmission, distribution and commercialization — through the creation of nine *empresas productivas subsidiarias* (subsidiary productive enterprises) and four *empresas filiales* (affiliate enterprises). On August 2, 2019, we created CFE Telecomunicaciones e Internet para Todos, a new subsidiary productive enterprise. See “Comisión Federal de Electricidad—General Regulatory Framework—Organizational Structure of CFE.”

On December 20, 2013, amendments to Articles 25, 27 and 28 of the Mexican Constitution were published as the Energy Reform Decree in the Official Gazette, which took effect on December 21, 2013 (the “Energy Reform Decree”). The Energy Reform Decree outlines the general framework for the Secondary Legislation. On August 11, 2014, the secondary legislation relating to the Energy Reform Decree (the “Secondary Legislation”) was published in the Official Gazette. The Secondary Legislation includes nine laws including, among others, the new CFE Law and the Electric Industry Law. On October 31, 2014, the President of Mexico published in the Official Gazette 26 regulations and amendments regarding the Secondary Legislation including, among others, the Regulations to the CFE Law and the Regulations to the Electric Industry Law. On March 9, 2021, certain amendments to the Electric Industry Law were enacted and published in the Official Gazette (the “Electric Industry Law Amendments”). However, The Electric Industry Law Amendments were challenged through several *amparo* proceedings and, on January 31, 2024, the Mexican Supreme Court (*Suprema Corte de Justicia de la Nación*) declared a number of its articles void and unconstitutional.

On February 5, 2024, the Mexican President proposed 20 constitutional reforms relating, among other things, to (i) strategic state industries, (ii) administrative organic simplification and (iii) judicial reform, among others (collectively, the “Proposed Constitutional Reforms”). The judicial reform, which represents a major overhaul of the judiciary system in Mexico was enacted on September 15, 2024 and is expected to be gradually implemented pursuant to secondary legislation. See “Comisión Federal de Electricidad—General Regulatory Framework” for more details regarding the laws and regulations applicable to us.

We have undertaken several steps aimed at consolidating our organizational and operational structure, including the following measures:

- we have taken advantage of our financing mechanisms, such as *Fideicomiso Maestro de Inversion* (the “Master Investment Trust”), the Clean Energy Trust and the Conventional Power Trust (each as defined below and

described under “—Business Strategy—Business Plan”), as well as co-investments, joint ventures and public-private partnerships;

- we created a Fibra E (*fideicomiso de inversión en energía e infraestructura* number CIB/2919, which issues CBFEs under the ticker symbol “FCFE”) through our affiliate CFECapital, S. de R.L. de C.V. Our Fibra E aims to attract new private investors to finance infrastructure investments in energy generation, transmission and distribution projects and has the benefit of (i) increasing our equity, (ii) not being considered part of our public indebtedness, and (iii) allowing us to retain ownership and control over strategic assets. In February 2018, our Fibra E conducted an offering of *certificados bursátiles fiduciarios de inversión en energía e infraestructura* (“CBFEs”) to finance transmission projects. In the future, our Fibra E may offer to sell additional CBFEs to finance generation, transmission and distribution projects. As of June 30, 2024, the price of the Fibra E CBFEs was Ps. 25.15 pesos; and
- we reduced our generation costs by converting certain plants that use fuel oil to natural gas.

See “Comisión Federal de Electricidad—General Regulatory Framework—Mexican Energy Reform.”

The Electric Industry Law provides that the rates that we charge for regulated services are to be determined by the *Comisión Reguladora de Energía* (the “CRE”). The regulated power supply rates we currently charge are determined by the Mexican government: by the CRE for commercial, public service (*alumbrado público*) and industrial customers; and by the Ministry of Finance for agricultural and residential customers. These electricity supply rates established by the CRE reflect our anticipated production costs (including generation costs associated with basic supply vested contracts (*contratos legados para el suministro básico*), long-term auction (*subastas de largo plazo*) agreements, and costs in the wholesale electricity market considering the local marginal prices for the short-term energy market), as well as other variables including the category and location of the consumer and the time of day that the electricity is consumed. According to the CRE’s methodology, basic supply rates are comprised, in general terms, of the costs associated with transmission, distribution, CENACE and basic supplier operations and ancillary services not traded in the *Mercado Eléctrico Mayorista* (Wholesale Electricity Market, or the “MEM”), as well as generation charges, particularly, generation charges associated with energy and capacity. However, the Electric Industry Law also provides that the federal government may determine a rate mechanism that differs from the final rates set by the CRE for specific groups of basic power supply users. The Mexican government, through the Ministry of Finance, has set some of our electricity rates at levels below our operating costs (if applicable, subject only to an inflation adjustment factor) in order to maintain the affordability of electricity, in particular, for our agricultural and most of our residential customers.

Generally, basic supply consumer rates are calculated based on the regulated rates applicable to transmission and distribution activities as well as ancillary services that are not traded in the MEM, certain generation costs, the operation tariff of CENACE and the corresponding basic power supplier (*suministrador de servicios básicos*) and the subsidy from the Mexican government. The energy and capacity costs in consumer final rates are calculated month by month according to market and contractual factors and variables.

*Suministradores calificados* (qualified suppliers) duly registered with the CRE are permitted to compete with us by supplying electricity to the load points (*centros de carga*) of *usuarios calificados* (qualified users) (which, as a general rule, are users with a demand of more than 1 MW) at unregulated rates of such qualified users and by representing exempt generators (*generadores exentos*) (i.e., those generators that do not require a generation permit since the installed capacity of their power plants is less than 0.5 MW) in the MEM. As of June 30, 2024, there were 58 registered qualified suppliers with the CRE.

### **Our Business**

Our business is divided into four main areas: generation, transmission, distribution and commercialization. Pursuant to the 2024-2038 *Programa de Desarrollo del Sistema Eléctrico Nacional* (“PRODESEN”) prepared by the *Secretaría de Energía* (the “Ministry of Energy”) of the Mexican government, we generate approximately 72% of the electricity consumed in Mexico, including IPPs. We have a 100% market share of the public transmission and distribution markets. As of June 30, 2024, we had a 100% market share of the basic supply market and a 25.6% market share of the qualified supply market. We are the largest electrical company in Latin America and the largest clean energy generator in Mexico, as measured by installed generation capacity, as well as the largest company in Mexico

as measured by total assets and the fifth largest company in Mexico as measured by total revenues as of December 31, 2023.

We continually invest in electricity generation, transmission and distribution infrastructure in order to address Mexico's growing electricity demand. In 2023, we paid a net amount of Ps. 95.1 billion (U.S.\$5.2 billion) for the acquisition of plants, facilities and equipment, and as of the six-month period ended June 30, 2024, we had paid an amount of Ps. 45.3 billion (U.S.\$2.5 billion). The Board of Directors defines our five-year business plan, determines our annual budget and approves investment priorities and projects. Our *balance financiero* (financial condition target), *techo de gasto de servicios personales* (expenditure ceiling) and *techo de endeudamiento neto* (net debt ceiling) are updated annually and require the approval of the Mexican Congress. Our investment budget for 2024, approved as part of the Mexican Federal Budget for 2024, is approximately Ps. 56.7 billion (U.S.\$3.4 billion) of which Ps. 45.3 billion (U.S.\$2.5 million) had been invested as of June 30, 2024.

Our service area is divided into 16 regions and extends to some of the most remote regions of Mexico.



Source: CFE.

The majority of our electricity generation activities (including nuclear, coal-fired and geothermal) are undertaken *through* thermal and hydroelectric power plants. A small percentage of our electricity generation comes from other sources, including wind and photovoltaic power plants. Since 1992, IPPs have been permitted under Mexican law to build and operate electricity generation plants in Mexico and sell the generated power exclusively to us.

As of June 30, 2024, our total debt, including obligations regarding our documented debt, *Proyectos de Inversión de Infraestructura Productiva con Registro Diferido en el Gasto Público* (“PIDIREGAS”, see “Capital Expenditures and Investment—Long-Term Productive Infrastructure Projects (PIDIREGAS)”) and debt incurred under our trust investment financings was Ps. 460.7 billion (U.S.\$25.3 billion). In addition, on December 2023 and July 2023 we issued a total of Ps. 20 billion (U.S.\$ 1.1 billion) aggregate principal amount of *certificados bursátiles* (“Cebures”).

Our total equity was Ps. 750.7 billion (U.S.\$ 41.2 billion) and our total assets were Ps. 2.7 trillion (U.S.\$ 149.3 billion) as of June 30, 2024. For further information on our existing indebtedness, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

Our total revenue and net loss for the six-month period ended June 30, 2024 were Ps. 322.9 billion (U.S.\$ 17.7 billion) and Ps. (79.5) billion (U.S.\$ 4.4 billion), respectively, as compared to Ps. 313.9 billion (U.S.\$ 17.2 billion) of total revenue and Ps. 81.1 billion (U.S.\$ 4.5 billion), of net gain in the same period in 2023. This change is mainly driven by foreign exchange losses as a result of the depreciation of the Mexican Peso.

Our total revenue and net gain for 2023 were Ps. 639.8 billion (U.S.\$ 35.1 billion) and Ps. 96.2 billion (U.S.\$ 5.3 billion), respectively. Our total revenue and net income for 2022 were Ps. 620.9 billion and Ps. (15.7) billion, respectively. Our total revenue and net income (loss) for 2021 were Ps. 566.7 billion and Ps. (106.3) billion

respectively. For the years 2021 and 2022, this result was mainly affected by higher operation costs, whereas the recovery shown for 2023 was mainly driven by cost stabilization following the COVID-19 pandemic.

### **Business Strategy**

In 2023, our Board of Directors approved our 2024-2028 Business Plan, as a continuation of our 2023-2027 Business Plan, which includes:

- a reiteration of our mission for CFE, to provide the energy required for Mexico's economic and social development in an efficient, sustainable, affordable and inclusive manner, through a policy that prioritizes national energy security and sovereignty and also strengthens the public sector electricity service; and
- a revised vision for CFE, to consolidate our position as the leading energy company in Mexico, with technical and financial solvency, that seeks to strengthen our human capital and guarantee quality and socially responsible service to our customers in all segments of the market, contributing to the country's sustainable development and generating economic value and profitability to the country.

To continue working towards the achievement of our mission and vision, our 2024-2028 Business Plan has reiterated our eight primary objectives:

- increase CFE's productivity, generating economic value and profitability for the country, and prioritizing the reliability of the country's electric supply;
- maintain CFE's majority market share in generation on a nationwide basis;
- contribute to sustainable development in Mexico and the reduction of greenhouse gas emissions;
- increase and diversify CFE's income sources through new business development;
- reduce financial, commercial and operational damages to CFE derived from regulatory asymmetries;
- strengthen internal process control through: (i) comprehensive risk management, (ii) anti-corruption measures, (iii) institutional management and (iv) continuous development of CFE's human capital;
- improve user satisfaction and our institutional image on a nationwide basis; and
- improve CFE's financial profitability and cash flow, guaranteeing the availability of operating and investment resources.

Our business strategy remains focused on maximizing our overall performance in each of our four main business lines through our Investment Plan for 2024-2028, which amounts to a total of Ps. 536.3 billion (U.S.\$ 29.4 billion) with the following estimated breakdown by business line: (i) Generation: 44.7%; (ii) Distribution: 26.9%; (iii) Transmission: 24.1% and (iv) Other: 4.3%, and includes the following strategies:

#### ***Improve our Electricity Generation Performance***

We intend to maximize our electricity generation capacity through the optimization, flexibility, diversification and location of our generation power plants in the country, and also by the incorporation of friendly environmental new technologies, and the rehabilitation and modernization of our existing clean energy underperforming power plants, in particular, our hydroelectric power plants located in different hydrological basins. Among the objectives of our 2024-2028 Business Plan is (i) to renew CFE's generation infrastructure, replacing less efficient generation plants with more efficient plants to face the challenges of the wholesale electricity market and thus guarantee the supply of electricity throughout Mexico, (ii) increase CFE's productivity to generate economic value and profitability for the Mexican state, (iii) increase efficiency and reduce costs, (iv) expand and modernize the operation and maintenance of CFE's electricity transmission and distribution systems, and (v) reduce CO<sub>2</sub> emissions and work to achieve the sustainability goals undertaken by the Mexican state under international agreements, such as the Paris Agreement.

As of June 30, 2024, approximately 32.1% of CFE's total installed capacity (including IPPs and long term auctions ("LTAs")) was derived from clean energy sources including hydroelectric, geothermal, solar and wind. Between 2024 and 2028, we plan to build 10 combined cycle plants through the Conventional Generation Projects Trust (*Fideicomiso de Proyectos de Generación Convencional*) as part of the transition to clean energies for an aggregate amount of approximately Ps. 53.2 billion (U.S.\$ 2.9 billion), which we expect will add 3,058MW of installed capacity to the *Sistema Eléctrico Nacional* (National Electric System). Additionally, through the Clean Energy Trust (*Fideicomiso de Energías Limpias*) we plan to develop 20 projects that include the construction, installment, operation and equipment of hydroelectric plants, two additional phases of the photovoltaic energy plant of Puerto Peñasco and the Puerto Libertad green hydrogen project which, in the aggregate, we expect will add 1,567 MW of installed capacity to the National Electric System for an aggregate amount of approximately Ps. 43.1 billion (U.S.\$ 2.4 billion).

CFE expects that the Puerto Peñasco plant will be the largest photovoltaic generation plant in Mexico, as measured by installed capacity, with 1,000 MW of installed capacity upon estimated completion of its five phases in 2028. The first phase of the project began operations in 2023 and reached a capacity of 120 MW, marking a significant milestone in our commitment to providing clean and renewable energy sources. Our generation subsidiaries are also implementing a maintenance program with investments of over Ps. 148.4 billion (U.S.\$8.1 billion) as of June 30, 2024.

Our market share in electricity generation, including IPPs and LTAs, is approximately 72%. Our goal is to increase our electricity output at a rate that will correspond with the anticipated increase in electricity demand in Mexico, which PRODESEN estimates will be a Compound Annual Growth Rate (CAGR) of 2.6% per year at least until 2038, while also improving the profitability of our business portfolio. Additionally, we intend to increase the competitiveness of our generation plants.

We rely, and expect to continue to rely, on the use of cleaner burning fuels, such as natural gas, in our generation activities (as compared to fuels that emit higher levels of contaminants into the environment, such as fuel oil). We are moving towards producing more clean energy. Clean energy includes hydroelectric, nuclear, wind power, geothermal, bioenergy, photovoltaic and efficient cogeneration energy. Through our Hydroelectric Power Plant Modernization Plan, we aim to rehabilitate and repower structures such as turbines, control panels and substations to modernize more than 40% of our hydroelectric generation park. We are currently developing four hydroelectric powerplants with a capacity of 284 MW that will increase the generation of renewable energy and extend the useful life of our infrastructure.

As of June 30, 2024, installed capacity via "clean" sources, including hydroelectric, geothermal, solar and wind, represented approximately 32.1% of our total installed capacity (including IPPs and LTAs), and the remaining 39.5% and 28.4% (including IPPs and LTAs) of our installed capacity is based on combined cycle technology and other technologies based on fuel oil sources, respectively. We also plan to engage in strategic projects with companies in other industrial sectors, which could reuse the gases that are a byproduct of electrical energy generation, to help reduce the emission of pollutants.

Our goal is to maintain or improve this allocation between fuel types in the future; however, our actual allocation will depend in part on the global supply of such fuels and other pricing considerations. In addition, we rely, and expect to continue to rely, on clean generation technology, such as hydroelectric, geothermal and wind power generation, each of which use renewable primary sources of energy.

#### ***Modernize our Transmission and Distribution Grids and Reduce Technical and Non-Technical Losses***

Transmission and distribution remain strategic activities for the Mexican government and are part of our core business lines. Our 2024-2028 Business Plan includes 57 investment projects and programs related to the maintenance of transmission lines, power substations, acquisition of computer equipment and rehabilitation of buildings and workshops. In addition, there are 150 projects contemplated by SENER, some of which are shared with CFE Distribución, such projects combined represent a total investment of Ps.84.0 billion (U.S. \$4.6 billion) from 2023 onwards. Transmission subline projects are being developed to strengthen the connection between the Northwest and North Pacific regions and between the Bajío and Central regions of the country that aim to help solve the congestion of the links in that area. Other relevant projects consider connecting the Riviera Maya and Cancun regions by means of building a submarine line from Playacar to Chankanaab.

Our main objective in the mid- to long-term in our distribution grid is to reduce our technical losses and the quantity of electricity that is used in Mexico but not paid for (referred to as “non-technical losses”). We have reduced our technical and non-technical losses in the distribution process from 11.7% as of December 31, 2022 to 11.0% as of December 31, 2023. Our goal is to reduce our technical and non-technical losses in the distribution process from 11.0% in 2023 to 6.0% by 2028, through the modernization of our metering systems, strengthening our commercial processes, regularizing our services in areas affected by irregular land use and strengthening our electric infrastructure. We have two main projects that are focused on the reduction of technical losses, which are the acquisition of new metering systems and the execution of our operative efficiency project. Given these projects, the investment budget for CFE Distribución for the years 2023 to 2029 is Ps. 144.3 billion (U.S.\$ 7.9 billion), of which Ps. 16.9 billion (U.S.\$932.6 million) have been spent as of June 30, 2024.

As part of our operative efficiency project, we expect to modernize our equipment and technology, including the replacement of aging substations and power lines, which is integral to providing reliable electricity service to our customers. We intend to dedicate a significant portion of our financial and human resources as we seek to ensure that our grids employ state of the art technology and are in good working condition. In addition, we intend to further develop our “smart-grid” technology, which includes a two-way digital communication system between our customers and us, through which we expect to monitor the electricity needs of our customers in real time and, accordingly, improve the efficiency with which we provide electricity. We expect that the implementation of smart-grid technology will also help reduce our non-technical losses, by making it possible to automate the operation of our distribution grid remotely and manage our distribution grid’s energy balance for the MEM.

We seek to reduce electricity service interruptions. Much of our equipment is installed outdoors and is subject to the varying weather conditions and natural disasters that affect Mexico from time to time. As a result, this equipment (including, in particular, our transmission towers and utility poles) often incurs weather-related damage, which in certain instances causes electricity service interruptions for our customers. We maintain a well-trained staff of technicians that repair damaged equipment upon our receipt of notice of any such damage. For 2021, we had a goal to reduce the System Average Interruption Duration Index (“SAIDI”) to 21.27 minutes per year, and as of December 30, 2021, the SAIDI had been reduced to 20.63 minutes per year. Our goal for 2022 was to reduce the SAIDI to 20.21 minutes per year, and as of December 31, 2022, we had reduced the SAIDI to 19.25 minutes per year. Our goal for 2023 was to reduce the SAIDI to 19.05 minutes per year, and as of December 31, 2023, we had reduced the SAIDI to 17.79 minutes per year. Finally, our goal was to reduce the SAIDI to 6.63 minutes as of and for the six-month period ended June 30, 2024, and as of and for the six-month period ended June 30, 2024, we had reduced the SAIDI to 5.97 minutes. We continually assess the quality and speed of these repairs, and we expect that our dedication to delivering fast and effective repair services will continue into the future.

We have experienced three major service interruptions in the past two years. In November 2023, a pine tree collapsed onto one of our conductors in Mexico’s southeast region, specifically the 115,000 volt network associated with the Motozintla substation. The fall of the tree caused the collapse of two of our structures thus leaving the electricity line out of operation and we experienced 3.1357 SAIDI and 440kV of energy not supplied. Following this event, air and ground inspections were increased. On September 1, 2024, an act of vandalism took one of our lines out of operation. The incident occurred in the Guerrero area, specifically the 115,000 volt network associated with the Papagayo substation. The incident had an effect of 1.0924 SAIDI, and as a consequence 217kV of energy was not supplied. On April 9, 2024, due to strong wind conditions, one of our conductors detached in Mexico’s southeast region, specifically in the 115,000 volt network in the Villahermosa area. The incident had an effect of 1.4018 SAIDI, and as a consequence 957vH of energy was not supplied. After this incident, we began replacing cables and fitting, and insulating lines that are exposed to corrosion.

### ***Supply and Commercialization***

A key aspect of our growth strategy is increasing the profitability of our commercialization activities in the medium to long-term. We intend to continue servicing our customers represented by over 48.6 million basic supply customer accounts and future qualified users by developing client-focused strategies that focus on differentiating our clients by segment. We also plan to take advantage of our client base to develop new lines of business and increase our overall commercialization capacity. As of June 30, 2024, CFE had a 100% market share of the basic supply market and a 25.6% market share of the qualified supply market.

In parallel, we plan to continue to develop our transportation and commercialization of natural gas business. Under our current structure, CF Energía, S.A. de C.V. and CFE International LLC, two entities wholly owned by us, participate in the business of buying, selling, transporting and storing gas, fuel oil, coal and other fuels.

We are one of the most important purchasers of the natural gas that is consumed in Mexico, and in the coming years we expect to become the main consumer of natural gas in North America. Considering our unique position in the industry and the opportunities available in Mexico's less-developed regions, we seek to gradually increase our presence in the market as we continue to commercialize, import, export, transport and store natural gas in Mexico and the United States.

### ***Clean Transportation***

With the aim of facilitating the expansion of the electromobility market, we have been designing and executing public policies to promote the use of electric vehicles through our *Programa de Ahorro de Energía del Sector Eléctrico* (Electricity Sector Energy Savings Program, or the "PAESE"). The PAESE is a business unit specialized in energy efficiency policies and projects, as well as electrical engineering, in collaboration with the Ministry of Energy and the *Fondo para la Transición Energética y el Aprovechamiento Sustentable de la Energía* (Fund for Energy Transition and Sustainable Energy Use, or "FOTEASE").

### ***CFE Telecomunicaciones e Internet para Todos***

With the formation on August 2, 2019 of our subsidiary CFE Telecomunicaciones e Internet para Todos, we aim to reach small and unprivileged communities throughout Mexico. With government support and our own assets, we plan to work in furtherance of guaranteeing the right to access to information technologies for those communities. We expect to expand internet access in those communities by using our optic fiber grid to provide free internet access in over 10,000 isolated localities. CFE Telecomunicaciones e Internet para Todos also provides the service of optical fiber capacity to the government entity *Financiera del Bienestar*.

CFE Telecomunicaciones e Internet para Todos expects to have 140,000 access points to provide internet service to 122,000 localities across the country by 2025.

In 2023, CFE Telecomunicaciones e Internet para Todos installed 81,494 free internet access points in public places including, among others, schools, federal buildings, higher education institutions and rural medical units. Notably, 18 high-specialty hospitals have been connected nationwide. As of June 2023, 67,176 mobile telephone lines have been activated.

As part of our 2024-2028 Business Plan, we continue to focus on guaranteeing access to broadcasting and telecommunications services, including wireless broadband and mobile telephony and internet services. In July, 2024, the Mexican government transferred control of the telecommunications company Altán Redes, to CFE Telecomunicaciones e Internet para Todos.

### ***Strategic Alliances***

In July, 2022, CFE entered into strategic alliances with domestic and international gas marketers with the purpose of diversifying risks and sources of income, taking advantage of CFE's gas pipeline capacity in Mexico and the United States, further establishing its presence in international markets and generating employment. These alliances include:

- a U.S.\$2.2 billion joint investment facility with New Fortress Energy, which allows CFE to export liquified natural gas to Europe through the development of an LNG terminal and a new distribution center.
- a U.S.\$5.0 billion joint investment facility with TC Energia, for purposes of extending the Transportadora de Gas Natural de la Huasteca (TGNH) marine gas pipeline to transport natural gas to the Isthmus of Tehuantepec and the Yucatán Peninsula; and



- a U.S.\$5.0 billion joint investment facility with GPO Planta de Fertilizantes, allow for the supply of 81,000 MMBTUs of natural gas per day for a fertilizer plant in Topolobampo, Sinaloa to reduce external dependency.

## **Business Plan**

Our 2024-2028 Business Plan is based on strategic pillars that support each of our business lines:

### *Organizational and Operational Structure and Strong Performance Culture*

Our organizational and operational structures allow us and our affiliates to operate in a competitive and efficient manner, attract high-skilled employees, improve our strong performance culture and enhance result-oriented strategies. For further information, see “Comisión Federal de Electricidad—General Regulatory Framework—Organizational Structure of CFE.”

Our 2024-2028 Business Plan requires us to reduce our financing costs and improve our financial risk management controls and increase the level of possible investment in infrastructure projects.

### *Services and Support*

During 2019, we implemented an operational model in which the Issuer provides administrative support and other services to its subsidiary productive enterprises and affiliates to create synergies. This model, which includes financial and operational metrics to continually evaluate each subsidiary productive enterprise and affiliate, has helped us optimize the value of our assets through the implementation of more efficient processes within our subsidiaries. Under the new operational model, we may also transfer certain of our servicing areas to subsidiary productive enterprises or affiliates, including those areas that currently provide administrative support. These subsidiaries are expected to service third parties as well as to continue servicing our businesses and affiliates.

In addition, our *Laboratorio de Pruebas de Equipos y Materiales* (Equipment and Materials Testing Laboratory or “LAPEM”), integrated to the Corporate Commercial Business Division, provides fundamental support in our generation, transmission and distribution businesses and our engineering services. Through engineering services, tests, analysis, diagnostics and quality control of equipment and material acquired by us, LAPEM contributes to the efficiency, quality, reliability, safety and sustainability of our company and the National Electric System.

### *Investments and Financing Capabilities*

Our program of contracting with IPPs has allowed private companies to bid and operate electricity generation plants in Mexico and sell the generated power to us. Under the program, we have entered into long-term agreements (up to 25 years), under which IPPs are responsible for the construction, operation and maintenance of the electricity generation facility during the life of the agreement, and we are obligated to purchase the electricity produced by that facility. The use of IPPs has historically helped us meet electricity generation demands without the cost of construction.

The IPP program has also allowed us to obtain competitive prices for the purchased electricity via international bidding processes, in which we award projects to bidders that offer the lowest price per kWh for the sale of electricity to us. As of June 30, 2024, CFE had a total of 34 IPP contracts signed relating to generation facilities that were operational (103 units, which include combined-cycle and wind).

The *Obra Pública Financiada* program (Financed Public Works Program, “OPF”) addresses our infrastructure needs regarding the transmission and distribution of electricity and for generation projects that cannot be structured using IPPs. We enter into relatively short-term agreements (1-2 years), under which a private company, which we select in an international public bidding process, is responsible for the construction of a project, but not for its ongoing operation and maintenance. Bidders that are selected for OPF agreements receive total payment upon the completion of the project. The main advantage of this program is the avoidance of potential risks relating to the development of the project that may arise during the construction stage, such as cost escalation and failure of the completed project to meet technical specifications. As with IPPs, we are able to secure competitive prices for the OPFs as a result of an international bidding process.

We also intend to increase competition during the bidding processes for procurement contracts, reduce our financing costs and improve our risk-management policies.

In the past, our financings have been mostly limited to public and private financing transactions in the Mexican loan and bond markets, and certain private financings in the United States, Europe and Japan. In addition, since May 2011, we have sought various financings in the international bond markets. We believe that the further development of this financing option, together with our objective to diversify our financing sources, will improve our liquidity and debt maturity profile and help fund our investment activities.

We have formed several financing structures to allow the integration of our financial and investment portfolios. In December 2017, we created the *Fideicomiso de Inversión en Energía e Infraestructura* (Fibra E) as a vehicle to obtain financing, which is backed by the revenues from existing productive assets in the energy transmission sector.

On July 21, 2021, we created the Master Investment Trust to finance the construction and development of new power plants, as well as the acquisition of existing projects. This financing vehicle is backed by CFEnergía's accumulated and future profits, as well as any capital raised in prior and future equity issuances by Fibra E. This structure is designed with the purpose of guaranteeing the return on investments and enhancing the financial capacity of each of our subsidiaries and affiliates. We are currently developing renewable energy projects (5 combined cycle plants) under the Master Investment Trust for a total aggregate capacity of 3,865 MW and a total investment of U.S.\$3.2 billion.

On August 6, 2021 and September 24, 2021, we, as settlor, and Banco Nacional de Comercio Exterior, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, División Fiduciaria, as trustee, incorporated two management and payment trusts (*fideicomisos de administración y fuente de pago*), namely, the *Fideicomiso de Energías Limpias* (the "Clean Energy Trust") and the *Fideicomiso de Proyectos de Generación Convencional* (the "Conventional Power Trust"), for purposes of creating trust estates to fund payment obligations incurred in connection with the development of investment projects, including clean energy power plants and conventional power plants powered by natural gas, respectively. Under these structures, the trusts are being used for the construction or renewal of power plants and for entering into contracts with our generation subsidiaries, which in turn, will operate the power plants. There are 18 IPPs under construction through these trusts, including generation plants of various technologies, as well as the transmission line associated with the Puerto Peñasco plant. We are currently developing renewable energy projects (2 photovoltaic projects and 20 hydroelectric projects) under the Clean Energy Trust (*Fideicomiso Energías Limpias*) for a total aggregate capacity of 1,567.0 MW and a total investment of U.S.\$3.4 billion. We are currently developing renewable energy projects (5 combined cycle plants and two internal combustion plants) under the Energy Transition Trust (*Fideicomiso de Transición Energética*), for a total capacity of 3,058 MW and a total investment of U.S.\$2.6 billion.

The trusts may also enter into financing agreements with banks and other financial entities, in which the Issuer may act as joint obligor (*obligado solidario*), mainly with the export credit agencies. These trusts' sources of revenue are the revenues obtained from the specific investment projects that they develop. For more information about the financings entered into by the Clean Energy Trust and the Conventional Power Trust, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources."

In 2023, we entered into ECA financings for an aggregate amount of U.S.\$1,439.9 million: a financing with the Multilateral Investment Guarantee Agency Agreement (MIGA) for a principal amount of U.S.\$305.0 million maturing on June 6, 2038, two financings with OeKB for a principal amount of U.S.\$266.5 million maturing on October 10, 2038 and October 27, 2038 and another financing with AFD for a principal amount of U.S.\$98.7 million, for purposes of financing hydroelectric power plant repowering and modernization projects; two financings with JBIC for an aggregate principal amount of U.S.\$433.7 million maturing on March 27, 2036, and one facility with SACE U.S.\$336.0 million, maturing on May 24, 2036, to finance generation projects using energy transition technology (natural gas and green hydrogen).

We are currently negotiating 15-year term financings with China Export & Credit Insurance Corporation (Sinosure) for an aggregate amount of approximately U.S.\$1.2 billion, to finance the development of new generation

Combined Cycle Power Plants (“CCP”) with a total investment of approximately U.S.\$2 billion, which we expect will contribute to the reduction of CO<sub>2</sub> emissions by 50% with respect to conventional CCP.

#### *Long-Term Employee Benefit Obligation Costs Optimization and Productivity*

As of December 31, 2023, our long-term employee benefit liabilities represented 27.1% of our total liabilities. On June 19, 2024 we entered into a new collective bargaining agreement with the SUTERM for the 2024-2026 term. This new collective bargaining agreement included modifications to employee pensions, salary and benefit increases, including a 4.0% increase in daily salaries and a 4.66% increase in pensions payable to retirees. In addition, as of June 30, 2024, we reported a liability of Ps. 421.4 billion (U.S.\$23.1 billion) on our statement of financial position related to long-term employee benefits, which represented 21.4% of our total liabilities as of such date. See Note 17 to our 2023 annual financial statements.

#### *Strategic Regulatory Action*

As a productive state enterprise, we intend to have an active role in the implementation of the new policies and regulations to develop the National Electric System. We will continue to develop our relationship with our regulators. In particular, regarding our rate-regulated business, we will coordinate and maintain a channel of communication aimed to align the rates that we charge our customers with our costs and operating expenses.

Additionally, the energy reform established the creation of the *Centro Nacional de Control de Energía* (“CENACE”), the independent energy system operator of the National Electric System and the entity in charge of managing the MEM, its participants and the electricity spot market.

#### *Sustainability Objectives*

We have been designing and working towards implementing policies and institutional programs with the goal of achieving our sustainability-related objectives. Our 2024-2028 Business Plan includes important environmental, social and governance (“ESG”) initiatives that we expect to pursue, which underline our strong commitment to sustainability, including:

- Modernize and upgrade our hydroelectric power generation plants to produce an additional 540.6 MW between 2024 and 2028;
- Promote clean energy generation projects by aiming to have 27.10% of our total energy generated in 2027 generated by clean or diverse energy sources;
- Reduce our CO<sub>2</sub> emissions from electricity generation to 324 g/kWh and implement 139 energy efficiency projects between 2024 and 2028, which are expected to generate energy savings of 64,441 MWh and avoid approximately 27,253 tons of CO<sub>2</sub> emissions;
- Reduce energy losses by 9.36% in 2028;
- Promote digital inclusion by providing 140,000 free internet access points across 122,000 rural communities targeting low-income and underserved populations in Mexico by 2028, through our subsidiary CFE Telecomunicaciones e Internet para Todos;
- Implement a gender equality and inclusion program that aims to train 70% of our staff in gender equality and attend to 100% of gender violence complaints by the end of 2028;
- Achieve 90% compliance with our established social responsibility programs; and
- Progress in the development of programs to strengthen CFE’s focus on ESG topics by advancing in the update of the anticorruption program.

## *Social Responsibility*

We will continue to operate as a last resort provider of electric power and we intend to continue to proactively face any electric emergencies. As a productive state enterprise, we expect to continue to monitor and assist the regulatory authorities in establishing reasonable and fair rates. Under our 2024-2028 Business Plan, we aim to expand and modernize the national transmission network at an annual compounded average rate of 1.5% (as measured in kilometers of new transmission lines).

## **Recent Developments**

### ***Proposed Energy Sector Constitutional Reforms***

On February 5, 2024, a proposal to dissolve the CRE, the CNH, and other constitutional autonomous agencies in Mexico was presented through the Commission on Constitutional Points (Comisión de Puntos Constitucionales) of the Chamber of Deputies. The proposed changes aim to amend Article 28 of the Mexican Constitution to integrate the resources and responsibilities of the CRE and the CNH with SENER. As of the date of this offering memorandum, such proposal has not yet been enacted, however, a change in applicable law, regulations or policies in Mexico, or the interpretation thereof, if adverse to us, could have a negative impact on our business, financial condition and results of operations.

### ***Judicial Reform***

On September 15, 2024, the constitutional reform that overhauls the judicial system in Mexico was published in the Federation Official Gazette (*Diario Oficial de la Federación*) and as a result, as of the date of this offering memorandum, the constitutional reform is now effective. Pursuant to this constitutional reform, all federal judges will now be elected and the first election of federal judges is expected to take place in 2025. In addition, a new judiciary tribunal will be created, taking over the duties of the currently existing Federal Judiciary Council (*Consejo de la Judicatura Federal*). We cannot assure you that this reform will not have a negative impact on our business, financial condition and results of operations.

### ***Transfer of Altán Redes to CFE Telecomunicaciones e Internet para Todos***

In July, 2024, the Mexican government transferred control of the telecommunications company Altán Redes to CFE Telecomunicaciones e Internet para Todos. Altán Redes is a private company resulting from the Shared Network Project (*Proyecto Red Compartida*), that began in 2017 with the goal of using the 90mHz and 700mHz radio frequency concessions granted by the federal government to provide internet to the entire Mexican population. Given the synergies between CFE Telecomunicaciones e Internet para Todos and Altán Redes, the federal government decided to financially support the alliance to help bridge Mexico's digital divide.

The infrastructure deployed by CFE Telecomunicaciones e Internet para Todos and Altán Redes currently covers approximately 80% of the Mexican population with a 4.5G network. The alliance aims to cover 85% of the population with its infrastructure by the end of 2024 and 92.2% of the population by 2028.

## ***Recent Legal Proceedings***

On August 23, 2024, Greenfield SPV I, S.A.P.I. de C.V. ("Greenfield"), Terminales Portuarias del Pacífico, S.A.P.I. de C.V. ("TPP") and Terminal Marítima de Carbón, S.A. de C.V. ("TMC"), filed a lawsuit against CFE and CFE Generación II in the Southern District of New York, seeking to recognize an arbitral award issued against CFE and CFE Generación II on May 28, 2024 by the London Court of International Arbitration, in an amount of approximately U.S.\$40.4 million. The arbitral award stems from a dispute between the parties on a contract signed in 2016 among Greenfield, CFE and TPP for the provision of coal transportation and storage services for the Plutarco Elías Calles thermoelectric plant in Guerrero, Mexico. CFE Generación II considered that the overstay of some vessels that transported the coal caused damages and losses, and for such reason decided to execute the operational guarantee granted by Greenfield, TMC TPP. These parties did not agree with the decision adopted by EPS CFE Generación II and initiated a commercial arbitration under the rules of the London Court of International Arbitration. CFE and EPS CFE Generación II disagree with the substantive content of the award issued by the arbitral tribunal. We learnt through

press releases that, in September 2024, the consortium filed a lawsuit before a New York Court in order to have the arbitration award recognized and enforceable in the United States. We cannot assure you of the outcome of the proceedings and whether they could have a material adverse effect on our business, financial conditions or results of operations.

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Our principal executive office is located at Paseo de la Reforma 164, Col. Juárez, 06600 Ciudad de México. Our telephone number at that address is +52 (55) 5229-4400.

## THE OFFERING

*The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing throughout this offering memorandum. For a more complete description of the terms of the notes, see “Description of the Notes.”*

<b>Issuer</b> .....	Comisión Federal de Electricidad.
<b>Guarantors</b> .....	CFE Distribución, CFE Suministrador de Servicios Básicos, CFE Transmisión, CFE Generación I, CFE Generación II, CFE Generación III, CFE Generación IV, CFE Generación V, and CFE Generación VI.
<b>Notes Offered</b> .....	U.S.\$500,000,000 aggregate principal amount of 5.700% Sustainable Notes due 2030. U.S.\$1,000,000,000 aggregate principal amount of 6.450% Sustainable Notes due 2035.
<b>Issue Date</b> .....	September 24, 2024.
<b>Issue Price</b> .....	2030 notes: 99.782% of the principal amount thereof, plus accrued interest, if any, from September 24, 2024. 2035 notes: 99.639% of the principal amount thereof, plus accrued interest, if any, from September 24, 2024.
<b>Maturity Date</b> .....	2030 notes: January 24, 2030. 2035 notes: January 24, 2035.
<b>Interest Rate</b> .....	The 2030 notes will bear interest at the rate of 5.700% per annum. The 2035 notes will bear interest at the rate of 6.450% per annum.
<b>Interest Payment Dates</b> .....	Interest on the notes will be payable semi-annually on January 24 and July 24 of each year, beginning on January 24, 2025.
<b>Guarantees</b> .....	Payments of principal, premium, if any, interest, and any other amounts due in respect of the notes (whether at stated maturity, upon redemption, purchase pursuant to an offer to purchase, acceleration or otherwise) will be irrevocably and unconditionally, jointly and severally, guaranteed by the guarantors.
<b>Status</b> .....	The notes will constitute the Issuer’s direct, general, unconditional, unsecured and unsubordinated Public External Indebtedness (as defined below). The notes will rank equally with all of the Issuer’s other unsubordinated Public External Indebtedness. It is understood that this provision shall not be construed so as to require the Issuer to make payments under the notes ratably with payments being made under any of its other Public External Indebtedness.

The guarantees will constitute the direct, general, unconditional, unsecured and unsubordinated Public External Indebtedness (as defined below) of the guarantors. The guarantees will rank equally with all other unsubordinated Public External Indebtedness of such guarantor. It is understood that this provision shall not be construed so as to require any guarantor to make payments under the notes ratably with payments being made under any of its other Public External Indebtedness.

The Mexican government does not guarantee or secure the Issuer’s obligations or those of the guarantors and has no obligation to pay the principal or interest on the notes in the event that the Issuer’s cash flows and/or assets or those of the

guarantors are not sufficient to make any such payments. The notes do not grant in any way recourse against the Mexican government or rights over the ownership, control or assets of the Issuer or of the guarantors.

For the six-month period ended June 30, 2024, our non-guarantor affiliates represented approximately 11.8% of our Adjusted EBITDA and approximately 4.6% of our total assets. For the year ended December 31, 2023, our non-guarantor affiliates represented approximately 2.1% of our Adjusted EBITDA and approximately 4.9% of our total assets.

See “Description of the Notes—General—Status.”

#### **Payments of Additional**

#### **Amounts .....**

The Issuer and the guarantors are required by current Mexican law to deduct Mexican withholding taxes from payments of interest (or amounts deemed to be interest) to holders who are not residents of Mexico for tax purposes, as described under “Taxation—Mexican Tax Considerations,” and to pay such deducted taxes to the Mexican tax authorities. The Issuer and the guarantors will pay Additional Amounts in respect of those payments of interest (or amounts deemed to be interest) so that the amount holders receive after Mexican withholding tax will equal the amount that they would have received if no such Mexican withholding taxes had been applicable, subject to certain limitations and exceptions as described under “Description of the Notes—Additional Amounts.”

#### **Negative Covenants .....**

The indenture governing the notes contains certain negative covenants relating to the Issuer and the guarantors, including:

- a negative pledge, under which the Issuer has agreed to a limitation on its and the guarantors’ ability to incur certain liens securing Public External Indebtedness; and
- a limitation on fundamental changes, under which the Issuer have agreed not to, and not to permit the guarantors to, engage in certain mergers, consolidations or sales of assets.

These covenants are subject to significant qualifications and exceptions. See “Description of the Notes—Negative Covenants.”

#### **Optional Redemption .....**

Prior to December 24, 2029 (one month prior the maturity date of the 2030 notes) (the “2030 notes Par Call Date”), the Issuer may redeem the 2030 notes at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to (1) (a) the sum of the present values of the remaining payments of principal and interest thereon discounted to the redemption date (assuming the 2030 notes matured on the 2030 notes Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 35 basis points, less (b) interest accrued to the date of redemption, and (2) 100% of the principal amount of the 2030 notes to be redeemed, plus, in either case, accrued and unpaid interest thereon to the redemption date (and Additional Amounts, if any).

On or after the 2030 notes Par Call Date, the Issuer may redeem the 2030 notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the 2030 notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

Prior to October 24, 2034 (three months prior the maturity date of the 2035 notes) (the “2035 notes Par Call Date”), the Issuer may redeem the 2035 notes at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to (1) (a) the sum of the present values of the remaining payments of principal and interest thereon discounted to the redemption date (assuming the 2035 notes matured on the 2035 notes Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 45 basis points, less (b) interest accrued to the date of redemption, and (2) 100% of the principal amount of the 2035 notes to be redeemed, plus, in either case, accrued and unpaid interest thereon to the redemption date (and Additional Amounts, if any).

On or after the 2035 notes Par Call Date, the Issuer may redeem the 2035 notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the 2035 notes being redeemed plus accrued and unpaid interest thereon to the redemption date.

See “Description of the Notes—Redemption and Purchase—Optional Redemption.”

**Tax Redemption** ..... The Issuer or any guarantor may redeem the notes of one or both series, in whole, but not in part, prior to maturity, at a price equal to 100% of the outstanding principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon (and Additional Amounts, if any) to the redemption date, upon notice, if the Issuer or such guarantor is obligated to pay any Additional Amounts on the notes of such series in excess of those Additional Amounts attributable to a Mexican withholding tax rate of 4.9% in respect of payments of interest, as a result of certain changes in Mexican tax laws and regulations applicable to payments under the notes of such series or certain changes in the interpretation or application of such laws. See “Description of the Notes—Redemption and Purchase—Redemption for Taxation Reasons.”

**Purchase at the Option of Holders** ..... Upon the occurrence of certain fundamental changes in the ownership or business of the Issuer (including, among others, if the Issuer ceases to be a public-sector entity of, or majority-owned by, the Mexican government) and, in certain circumstances, of the Issuer and the guarantors, the Issuer will be required to offer to purchase the notes, at a price equal to 100% of their principal amount, plus accrued interest (and Additional Amounts, if any) to the purchase date. See “Description of the Notes—Redemption and Purchase—Purchase at the Option of Holders.”

**Further Issuances** ..... The Issuer may, from time to time without the consent of holders of the notes, issue additional notes of each series having the same terms and conditions as the notes of such series in all respects, except for the issue date, issue price and, if applicable, the date of first payment of interest, the date from which interest will accrue, CUSIP and/or other securities numbers and, to the extent necessary, certain temporary securities law transfer restrictions; provided that any such additional notes issued with the same CUSIP as the notes of such series offered hereby shall be (1) issued in a qualified reopening, (2) otherwise treated as part of the same “issue” of debt instruments as the notes of such series issued pursuant to this offering memorandum, or (3) issued with no more than *de minimis* original issue discount, in each case, for U.S. federal income tax purposes. Additional notes issued in this manner will increase the aggregate



principal amount of, and be consolidated with and form a single series with, the previously outstanding notes of such series.

**Collective Action Clauses .....**

The notes will contain “collective action clauses.” Under these provisions, which differ from the terms of the Issuer’s Public External Indebtedness issued prior to June 16, 2015, the Issuer may amend the payment provisions of any series of debt securities issued under the indenture (including the notes) and other reserved matters listed in the indenture with the consent of the holders of: (1) with respect to a single series of debt securities, more than 75% of the aggregate principal amount of the outstanding debt securities of such series; (2) with respect to two or more series of debt securities, if certain “uniformly applicable” requirements are met, more than 75% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate; or (3) with respect to two or more series of debt securities, whether or not the “uniformly applicable” requirements are met, more than 66⅔% of the aggregate principal amount of the outstanding debt securities of all series affected by the proposed modification, taken in the aggregate, and more than 50% of the aggregate principal amount of the outstanding debt securities of each series affected by the proposed modification, taken individually. See “Description of the Notes—Meetings, Amendments and Waivers.”

**Transfer Restrictions .....**

The notes have not been and will not be registered under the Securities Act and are subject to transfer restrictions. See “Transfer Restrictions.”

The notes have not been and will not be registered with the *Registro Nacional de Valores* (Mexican National Securities Registry) maintained by the CNBV and, therefore, the notes may not be publicly offered or sold in Mexico. The notes may be offered in Mexico to investors that satisfy the requirements to be considered institutional or qualified investors under Mexican law, pursuant to the private placement exemption set forth in Article 8 of the Securities Market Law.

**Form and Denomination .....**

The notes will be issued in fully registered book-entry form, with a minimum denomination of U.S.\$ 200,000 and integral multiples of U.S.\$ 1,000 in excess thereof.

The notes sold in the United States in reliance on Rule 144A will be evidenced by one or more notes in global form (collectively, the “Restricted global note”), which will be deposited with a custodian for, and registered in the name of a nominee of, DTC. The notes sold outside of the United States in reliance on Regulation S will be evidenced by one or more notes in global form (collectively, the “Regulation S global note”), which also will be deposited with a custodian for, and registered in the name of a nominee of, DTC. Transfer of beneficial interests between the Restricted global note and the Regulation S global note will be subject to certain certification requirements.

**Use of Proceeds .....**

We intend to allocate an amount equal to the net proceeds from the notes offering to finance or refinance, in whole or in part, new or existing Eligible Green Projects or Eligible Social Projects (together, the “Eligible Projects”) pursuant to the Sustainable Financing Framework.

Pending full allocation of the net proceeds of the offering to Eligible Projects, we intend to use unallocated funds to refinance existing indebtedness (including the repayment of certain short term debt of the Issuer).

Certain of the initial purchasers and/or their affiliates are lenders under certain of our loan agreements that may be repaid with proceeds from this offering. In addition, certain of the initial purchasers and/or their affiliates may hold positions in any outstanding debt securities that we may elect to repurchase.

<b>Listing .....</b>	Application will be made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF Market. No assurance can be given that such application will be granted or that the Luxembourg listing will be maintained.
<b>Trustee, Registrar, Paying Agent and Transfer Agent .....</b>	Deutsche Bank Trust Company Americas.
<b>Luxembourg Listing Agent .....</b>	Deutsche Bank Luxembourg S.A.
<b>Sustainable Bond Structuring Agent.....</b>	Scotia Capital (USA) Inc.
<b>Governing Law .....</b>	The indenture is, and the notes and guarantees will be, governed by, and construed in accordance with, the laws of the State of New York, except that matters relating to the authorization and execution of the indenture and the notes and the guarantees by the Issuer and the guarantors are governed by and construed in accordance with the laws of Mexico.
<b>Risk Factors .....</b>	Prospective purchasers of the notes should consider carefully all of the information set forth in this offering memorandum and, in particular, the information set forth under “Risk Factors” in this offering memorandum, before making an investment in the notes.

## SUMMARY FINANCIAL AND OPERATING INFORMATION

The summary financial information set forth below has been derived from our annual financial statements and our interim financial statements. This summary of financial information should be read in conjunction with, and are qualified in their entirety by reference to, our financial statements included elsewhere in this offering memorandum.

Our financial statements are expressed in thousands of Mexican pesos and have been prepared in accordance with IFRS, as issued by the IASB.

	As of and for the Six-month Period Ended June 30,			As of and for the Year Ended December 31,			
	2024	2024	2023	2023 <sup>(2)</sup>	2023 <sup>(2)</sup>	2022	2021
	(in millions of U.S. dollars, except for ratios, percentages and GWh) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratios, percentages and GWh)		(in millions of U.S. dollars, except for ratios, percentages and GWh) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratios, percentages and GWh)		
<b>Statement of Comprehensive Income (Loss) Data</b>							
Total revenue.....	17,721	322,903	313,907	35,115	639,844	620,848	566,687
Total costs .....	13,766	250,839	246,174	28,186	513,584	611,778	602,148
<b>Operating results .....</b>	<b>3,955</b>	<b>72,064</b>	<b>67,733</b>	<b>6,929</b>	<b>126,260</b>	<b>9,070</b>	<b>(35,461)</b>
Total comprehensive financing results, net.....	8,280	150,872	(20,475)	306	5,576	17,651	75,824
<b>Income (loss) before income tax and other comprehensive income</b>	<b>U.S.\$(4,325)</b>	<b>(79,528)</b>	<b>88,208</b>	<b>6,623</b>	<b>120,684</b>	<b>(8,581)</b>	<b>(111,285)</b>
Income tax .....	U.S.\$40	Ps. 720	7,130	1,344	Ps. 24,493	Ps. 7,085	Ps. (5,025)
<b>Net (loss) income .....</b>	<b>U.S.\$(4,365)</b>	<b>(79,528 )</b>	<b>81,078</b>	<b>5,279</b>	<b>Ps. 96,191</b>	<b>Ps. (15,666)</b>	<b>Ps. (106,260)</b>
<b>Statement of Financial Position Data</b>							
Total current assets .....	14,213	258,982	194,977	\$10,588	192,922	207,933	201,662
Plants, facilities and equipment, net.....	82,862	1,509,876	1,456,563	81,874	1,491,858	1,449,934	1,383,392
Right-of-use assets, net	42,667	777,460	487,309	26,109	475,740	509,923	511,368
Derivative financial instruments .....	195	3,550	4,374	77	1,396	9,072	14,827
Loans to employees .....	1,391	25,338	21,167	1,305	23,779	19,522	17,403
Deferred tax assets	5,724	104,302	100,252	5,251	95,675	101,461	89,723
Intangibles and other assets .	2,207	40,212	47,525	2,395	43,640	45,980	47,973
<b>Total assets.....</b>	<b>149,259</b>	<b>2,719,720</b>	<b>2,312,167</b>	<b>127,597</b>	<b>2,325,010</b>	<b>2,343,825</b>	<b>2,266,349</b>
Long-term employee benefits <sup>(2)</sup> .....	23,126	421,390	429,570	23,291	424,388	431,249	Ps. 369,920
Short-term debt and Lease Liabilities <sup>(3)</sup> .....	8,273	150,748	116,034	7,005	127,649	121,585	63,235
Other payables and accrued liabilities and Income tax <sup>(4)</sup> .....	9,831	179,139	147,638	9,302	169,504	168,071	113,571
Long-term debt and non-current Lease liabilities <sup>(5)</sup> .....	64,899	1,182,554	826,298	44,557	811,897	953,632	992,094
Other long-term liabilities....	1,933	35,226	41,914	1,812	33,009	31,978	26,837
Total equity holders of the parent and Non- controlling interests.....	41,196	750,662	750,713	41,630	758,563	637,309	700,691
<b>Total liabilities and total equity .....</b>	<b>149,259</b>	<b>Ps. 2,719,720</b>	<b>2,312,167</b>	<b>127,597</b>	<b>2,325,010</b>	<b>2,343,825</b>	<b>2,266,349</b>

	As of and for the Six-month Period Ended June 30,			As of and for the Year Ended December 31,			
	2024	2024	2023	2023 <sup>(2)</sup>	2023 <sup>(2)</sup>	2022	2021
	(in millions of U.S. dollars, except for ratios, percentages and GWh) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratios, percentages and GWh)		(in millions of U.S. dollars, except for ratios, percentages and GWh) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratios, percentages and GWh)		
<b>Non-GAAP Measures</b>							
Net Debt <sup>(6)</sup>	66,600	1,213,544	846,753	47,859	872,058	1,018,458	978,130
Adjusted EBITDA <sup>(7)</sup> .....	7,743	141,087	127,340	13,871	252,753	122,200	79,636
Ratio of Adjusted EBITDA to interest paid <sup>(8)</sup> .....	5.9	5.9	6.7	6.1	6.1	3.1	4.1
Ratio of Debt <sup>(9)</sup> to Adjusted EBITDA LTM <sup>(10)</sup> .....	5.0	5.0	5.1	3.7	3.7	8.8	13.3
Ratio of Net Debt <sup>(11)</sup> to Adjusted EBITDA LTM	4.6	4.6	4.6	3.5	3.5	8.3	12.3
Ratio of Debt to Total Equity <sup>(12)(13)</sup> .....	177.6%	177.6%	125.5%	123.9%	123.9%	168.7%	150.6%
Acquisition of plants, facilities and equipment	82,862	1,509,876	1,456,563	81,874	1,491,858	1,449,934	1,383,392
GWh sold <sup>(14)</sup> .....	106,863	106,863	104,020	222,892	222,892	214,594	206,542

- (1) Mexican peso amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the Mexican peso/U.S. dollar exchange rate of Ps. 18.2215= U.S.\$ 1.00, as published in the Official Gazette on June 29, 2024 for payment obligations due on June 30, 2024. Such translations should not be construed as a representation that the Mexican peso amounts have been or could be converted into U.S. dollars at the foregoing or any other rate.
- (2) Represents employee benefits plus provision for long-term employee benefit obligations upon retirement.
- (3) As of December 31, 2022 and 2021, represents current portion of documented debt plus PIDIREGAS and current portion of lease liabilities. As of December 31, 2023 and June 30, 2023 and 2024, represents current portion of long term documented debt plus PIDIREGAS and lease liabilities under IFRS 16 “Leases.”
- (4) Represents liabilities derived from suppliers and contractors plus taxes and fees payable plus other accounts payable and accrued liabilities plus deposits from users and contractors.
- (5) As of December 31, 2022 and 2021, represents long term documented debt plus PIDIREGAS and non-current portion of lease liabilities. As of December 31, 2023 and June 30, 2024 and 2023, represents long term documented debt plus PIDIREGAS and lease liabilities under IFRS 16 “Leases.” “Documented debt” consists of local and international bonds issued by the Issuer, loans and lines of credit (mainly revolving).
- (6) Net debt is calculated as outstanding debt less cash and cash equivalents.
- (7) Adjusted EBITDA equals net income plus income tax and total comprehensive financing results, net, less depreciation and employee benefits costs. Operating EBIT equals net income plus income tax and total comprehensive financing results, net.
- (8) Calculated as Adjusted EBITDA divided by interest paid
- (9) Debt equals short-term debt plus current lease liabilities plus long-term debt plus non-current lease liabilities.
- (10) Ratio calculated as Debt divided by Adjusted EBITDA for, in the case of the twelve-month period ended June 30, 2024(LTM), the sum of Adjusted EBITDA for the six-month period ended June 30, 2024 and Adjusted EBITDA for the year ended December 31, 2023 minus Adjusted EBITDA for the six-month period ended June 30, 2023, and, in the case of the twelve-month period ended June 30, 2023 (LTM), the sum of Adjusted EBITDA for the six-month period ended June 30, 2023 and Adjusted EBITDA for the year ended December 31, 2022 minus Adjusted EBITDA for the six-month period ended June 30, 2022.
- (11) Ratio calculated as Net Debt divided by Adjusted EBITDA for, in the case of the twelve-month period ended June 30, 2024(LTM), the sum of Adjusted EBITDA for the six-month period ended June 30, 2024 and Adjusted EBITDA for the year ended December 31, 2023 minus Adjusted EBITDA for the six-month period ended June 30, 2023, and, in the case of the twelve-month period ended June 30, 2023 (LTM), the sum of Adjusted EBITDA for the six-month period ended June 30, 2023 and Adjusted EBITDA for the year ended December 31, 2022 minus Adjusted EBITDA for the six-month period ended June 30, 2022.
- (12) Total Equity equals total equity holders of the parent plus non-controlling interest.

(13) Ratio calculated as Debt divided by Total Equity.

(14) Sold by CFE Suministrador de Servicios Básicos.

Adjusted EBITDA and the ratios of Adjusted EBITDA to interest paid, Debt to Adjusted EBITDA LTM, Net Debt to Adjusted EBITDA LTM and Debt to Total Equity are presented in this offering memorandum because we believe that they are widely accepted as financial indicators of our ability to internally fund capital expenditures and service or incur debt. Adjusted EBITDA and such ratios should not be considered as indicators of our financial performance, as alternatives to cash flow, as measures of liquidity or as being comparable to other similarly titled measures of other companies.

Reconciliation of our Operating EBIT is as follows:

	For the Six-month Period Ended June 30,			For the Year Ended December 31,			
	2024	2024	2023	2023	2023	2022	2021
	(in millions of U.S. dollars) <sup>(1)</sup>	(in millions of Mexican pesos)		(in millions of U.S. dollars) <sup>(1)</sup>	(in millions of Mexican pesos)		
Net (loss) income.....	(4,325)	(79,528)	81,079	5,279	96,192	(15,667)	(106,260)
Income tax .....	40	720	7,130	1,344	24,493	7,085	(5,025)
Total comprehensive financing results, net.....	8,280	150,872	(20,475)	306	5,576	17,651	75,824
<b>Operating EBIT .....</b>	<b>3,955</b>	<b>72,064</b>	<b>67,734</b>	<b>6,929</b>	<b>126,261</b>	<b>9,069</b>	<b>(35,461)</b>

Reconciliation of our Net Debt is as follows:

	As of June 30,			As of December 31,			
	2024	2024	2023	2023	2023	2022	2021
	(in millions of U.S. dollars) <sup>(1)</sup>	(in millions of Mexican pesos)		(in millions of U.S. dollars) <sup>(1)</sup>	(in millions of Mexican pesos)		
Cash and Cash Equivalents .....	6,572	119,758	95,579	3,704	67,488	56,759	77,200
Debt .....	73,172	1,333,302	942,332	51,563	939,546	1,075,217	1,055,330
<b>Net Debt .....</b>	<b>66,600</b>	<b>1,213,544</b>	<b>846,753</b>	<b>47,859</b>	<b>872,058</b>	<b>1,018,458</b>	<b>978,130</b>

Reconciliation of our Adjusted EBITDA is as follows:

	For the Six-month Period Ended June 30,			For the Year Ended December 31,			
	2024	2024	2023	2023	2023	2022	2021
	(in millions of U.S. dollars) <sup>(1)</sup>	(in millions of Mexican pesos)		(in millions of U.S. dollars) <sup>(1)</sup>	(in millions of Mexican pesos)		
Operating EBIT .....	3,955	72,064	67,734	6,929	126,261	9,069	(35,461)
Depreciation .....	2,404	43,810	36,771	4,246	77,370	74,957	69,237
Employee benefit costs <sup>(2)</sup> .....	1,384	25,213	22,836	2,696	49,123	38,173	45,860
<b>Adjusted EBITDA .....</b>	<b>7,743</b>	<b>141,087</b>	<b>127,341</b>	<b>13,871</b>	<b>252,754</b>	<b>122,199</b>	<b>79,636</b>

Reconciliation of our ratio of Adjusted EBITDA to interest paid is as follows:

	For the Six-month Period Ended June 30,			For the Year Ended December 31,			
	2024	2024	2023	2023	2023	2022	2021
	(in millions of U.S. dollars, except for ratio) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratio)		(in millions of U.S. dollars, except for ratio) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratio)		
Adjusted EBITDA .....	7,743	141,087	127,341	13,871	252,754	122,199	79,636
Interest paid .....	1,319	24,038	19,044	2,274	41,431	39,262	19,361
<b>Ratio of Adjusted EBITDA to interest paid</b>	<b>5.9</b>	<b>5.9</b>	<b>6.7</b>	<b>6.1</b>	<b>6.1</b>	<b>3.1</b>	<b>4.1</b>

Reconciliation of our Debt is as follows:

	As of June 30,			As of December 31,			
	2024	2024	2023	2023	2023	2022	2021
	(in millions of U.S. dollars) <sup>(1)</sup>	(in millions of Mexican pesos)		(in millions of U.S. dollars) <sup>(1)</sup>	(in millions of Mexican pesos)		
Short-term debt .....	7,080	129,012	90,719	5,527	100,709	95,148	37,305
Current lease liabilities .....	1,193	21,736	25,316	1,478	26,940	26,437	25,930
Long-term debt .....	18,203	331,691	311,803	17,081	311,237	355,353	356,616
Non-current lease liabilities .....	46,696	850,863	514,495	27,476	500,660	598,280	635,479
<b>Debt .....</b>	<b>73,172</b>	<b>1,333,302</b>	<b>942,333</b>	<b>51,562</b>	<b>939,546</b>	<b>1,075,218</b>	<b>1,055,330</b>

Reconciliation of our ratio of Debt to Adjusted EBITDA LTM is as follows:

	As of and for the Twelve-Month Period Ended June 30,			As of and for the for the Year Ended December 31,			
	2024	2024	2023	2023	2023	2022	2021
	(in millions of U.S. dollars, except for ratio) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratio)		(in millions of U.S. dollars, except for ratio) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratio)		
Debt .....	73,172	1,333,302	942,333	51,562	939,546	1,075,218	1,055,330
Adjusted EBITDA LTM .....	14,626	266,501	184,597	13,871	252,753	122,200	79,636
<b>Ratio of Debt to Adjusted EBITDA LTM .....</b>	<b>5.0</b>	<b>5.0</b>	<b>5.1</b>	<b>3.7</b>	<b>3.7</b>	<b>8.8</b>	<b>13.3</b>

Reconciliation of our ratio of Net Debt to Adjusted EBITDA LTM is as follows:

	As of and for the Twelve-Month Period Ended June 30,			As of and for the for the Year Ended December 31,			
	2024	2024	2023	2023	2023	2022	2021
	(in millions of U.S. dollars, except for ratio) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratio)		(in millions of U.S. dollars, except for ratio) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratio)		
Net Debt .....	66,600	1,213,544	846,753	47,859	872,058	1,018,458	978,130
Adjusted EBITDA LTM .....	14,626	266,501	184,597	13,871	252,753	122,200	79,636
<b>Ratio of Net Debt to Adjusted EBITDA LTM .....</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>3.5</b>	<b>3.5</b>	<b>8.3</b>	<b>12.3</b>

Reconciliation of our Total Equity is as follows:

	As of June 30,			As of December 31,			
	2024	2024	2023	2023	2023	2022	2021
	(in millions of U.S. dollars) <sup>(1)</sup>	(in millions of Mexican pesos)		(in millions of U.S. dollars) <sup>(1)</sup>	(in millions of Mexican pesos)		
Total equity holders of the parent.....	40,250	733,412	731,967	40,641	740,546	615,696	680,984
Non-controlling interest .....	947	17,250	18,745	989	18,017	21,613	19,708
<b>Total Equity.....</b>	<b>41,197</b>	<b>750,662</b>	<b>750,712</b>	<b>41,630</b>	<b>758,563</b>	<b>637,309</b>	<b>700,692</b>

Reconciliation of our ratio of Total Equity to Debt is as follows:

	As of June 30,			As of December 31,			
	2024	2024	2023	2023	2023	2022	2021
	(in millions of U.S. dollars, except for ratio) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratio)		(in millions of U.S. dollars, except for ratio) <sup>(1)</sup>	(in millions of Mexican pesos, except for ratio)		
Debt.....	73,172	1,333,302	942,332	51,562	939,546	1,075,217	1,055,330
Total Equity .....	41,197	750,662	750,712	41,630	758,563	637,309	700,692
<b>Ratio of Debt to Total Equity .....</b>	<b>177.6%</b>	<b>177.6%</b>	<b>125.5%</b>	<b>123.9%</b>	<b>123.9%</b>	<b>168.7%</b>	<b>150.6%</b>

- (1) Mexican peso amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the Mexican peso/U.S. dollar exchange rate of Ps. 18.2215= U.S.\$ 1.00, as published in the Official Gazette on June 27, 2024 for payment obligations due on June 30, 2024. Such translations should not be construed as a representation that the Mexican peso amounts have been or could be converted into U.S. dollars at the foregoing or any other rate.
- (2) Ratio calculated as Debt divided by Adjusted EBITDA for, in the case of the twelve-month period ended June 30, 2024(LTM), the sum of Adjusted EBITDA for the six-month period ended June 30, 2024 and Adjusted EBITDA for the year ended December 31, 2023 minus Adjusted EBITDA for the six-month period ended June 30, 2023, and, in the case of the twelve-month period ended June 30, 2023 (LTM), the sum of Adjusted EBITDA for the six-month period ended June 30, 2023 and Adjusted EBITDA for the year ended December 31, 2022 minus Adjusted EBITDA for the six-month period ended June 30, 2022.
- (3) Net debt is calculated as debt less cash and cash equivalents.

The figures in Mexican pesos shown for the purpose of reconciling Adjusted EBITDA are presented in thousands of Mexican pesos in the consolidated statements of cash flows for the corresponding periods.

## RISK FACTORS

*An investment in the notes is subject to the risks described below. You should carefully review the following risk factors, together with the other information contained in this offering memorandum, before deciding whether this investment is suited to your particular circumstances. Any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could, in turn, affect our ability to repay our indebtedness, including the notes. The trading price of the notes could decline due to any of these risks, and investors may lose all or part of their investment. The risks described below are those known to us and what we currently believe may materially affect us. Additional risks not presently known to us or that we currently consider immaterial may also impair our business.*

### **Risk Factors Related to Mexico**

#### ***We are vulnerable to disruptions and volatility in the global financial markets.***

We cannot predict the future effects of adverse conditions in the global economy and financial markets on the Mexican economy. In addition, we cannot predict the impact of adverse conditions in the global economy and financial markets to our business.

In 2022, 2023 and 2024, global macroeconomic conditions remained volatile due to the conflict between Russia and Ukraine, the ongoing conflict between Hamas and Israel, high inflation, and residual economic impacts resulting from China's COVID-19 policies and related lockdowns.

As of the date of this offering memorandum, uncertainty remains concerning the future economic environment as impacted by the recent and ongoing military conflict between the Russian Federation and Ukraine, which is contributing to increases in the prices of energy, oil and other commodities and to volatility in financial markets globally as well as a new landscape in relation to international sanctions. Such economic uncertainty could have a negative impact on our business and results of operations. A slowing or failing of the economic expansion would likely aggravate the adverse effects of these difficult economic and market conditions on us and on others in the financial services industry. The open conflict in Europe may trigger additional geopolitical risks over the short and medium term. As Western sanctions on Russia continue to have an adverse impact on the country and Russia weaponizes energy, the siege-like standoff between the West and Russia may escalate, and ripple effects from the Russia-Ukraine war may continue to amplify challenges as emerging markets face a slow rebound from COVID, including high food and energy costs, higher U.S. interest rates, a strong U.S. dollar and slow Chinese growth.

In addition, negative risks to economic and financial stability include a possible shift toward inward looking policy platforms and protectionism in the U.S., harsher global financial conditions that could negatively impact the European Union and emerging market economies, increased geopolitical tensions, and an economic slowdown in China. The occurrence of any of these conditions could have a negative impact on the performance of the Mexican economy and a material adverse effect on our ability to access capital and liquidity on financial terms acceptable to us, if at all.

Any of the above-mentioned or other factors could affect our business, prospects, financial condition and operating results. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial. Any such disruptions may also magnify the impact of other risks described in this offering memorandum.

#### ***Economic conditions, political events and government policies in Mexico and elsewhere may have a material impact on our operations and financial performance***

Substantially all of our operations and assets are located in Mexico and our revenues, therefore, are indirectly related to economic conditions in Mexico, including, among other factors, changes in its gross domestic product ("GDP"), per capita disposable income, unemployment rates, the value of the Mexican peso as compared to the U.S. dollar, regulations affecting convertibility, inflation, changes in oil prices, interest rates, regulation, taxation, social instability, and other political social and economic developments. These events could also lead to increased volatility in the foreign exchange and financial markets, thereby affecting our ability to obtain new financing and service our debt, including the notes.



In 2021, Mexican GDP increased by 6.0% and inflation increased to 7.4%. In 2022, Mexican GDP increased by 3.7% and inflation increased to 7.8%. In 2023, Mexican GDP increased by 3.2% and inflation decreased to 4.7%. In 2021 and 2022 the outbreak of COVID-19 adversely affected the economy and financial markets of Mexico and its trading partners. While currently COVID-19 is no longer materially adversely affecting Mexico's economy, the extent to which any future COVID-19 outbreak may impact the Mexican economy is uncertain, as is the extent of further Mexican economic recovery, if any.

Political events in Mexico may significantly affect Mexican economic policy and, consequently, our operations. The Mexican government has exercised, and continues to exercise, significant influence over the Mexican economy. Mexican government actions concerning the economy and regulation of certain industries, including the energy sector, could have a significant effect on us and on market conditions in Mexico. The Mexican President influences new policies and governmental actions regarding the Mexican economy, and the new administration could implement substantial changes in law, policy and regulations in Mexico, which could negatively affect our business, financial condition and results of operations. General elections for president, Chamber of Deputies and Senate took place on June 2, 2024, and Claudia Sheinbaum (candidate for the Morena party) was elected president. Following the presidential election, Morena and its allies achieved a qualified majority in each of the *Cámara de Diputados* (Chamber of Deputies) and the *Cámara de Senadores* (Senate). The new Mexican Congress assumed office on September 1, 2024 and the new Mexican president-elect, Claudia Sheinbaum, will assume office on October 1, 2024. We cannot predict whether the Morena party will implement substantial changes in law, policy and regulations in Mexico, including the Proposed Constitutional Reforms. If any such Proposed Constitutional Reforms are approved, we cannot predict the timeframe within which they would be implemented, or the effect such reforms could have in our business, results of operations, financial conditions and prospects. We cannot further predict the impact that other political developments in Mexico will have on the Mexican economy nor can we provide any assurances that these events, over which we have no control, will not have an adverse effect on our business, financial condition and results of operations.

In the past, Mexico has experienced several periods of slow or negative economic growth, high inflation, high interest rates, currency devaluation (in particular with respect to the Mexican peso-U.S. dollar exchange rate), convertibility restrictions and other economic problems. These problems may worsen or reemerge, as applicable, in the future and could adversely affect our business and ability to service our debt. We cannot assure you that *Banco de México*'s monetary policies and decisions in the future will not increase its reference rates and that such possible increases will not adversely affect our results of operations.

In addition, a worsening of international financial or economic conditions, such as a slowdown in growth or recessionary conditions in Mexico's trading partners, including the United States, or the emergence of a new financial crisis, could have adverse effects on the Mexican economy, our financial condition and our ability to service our debt, including the notes.

***Violence in Mexico has adversely impacted, and may continue to adversely impact, the Mexican economy***

In recent years, Mexico has experienced a period of increased criminal activity and violence, primarily due to organized crime. Increasing violence among criminal organizations, particularly drug traffickers, and clashes between these and Mexican civilian and military personnel, or increases in other types of crime, are a risk to our business and could negatively impact our performance. This violence has had an adverse impact on the Mexican economy generally, and may lead to increased social instability in the future, which could adversely affect our ability to conduct our business. We cannot assure you that the level of violent crime in Mexico, over which we have no control, will not increase in the future and will not have adverse effects on our business, financial position and results of operation.

***Social, political and economic developments in other countries may adversely affect us, including the prices of our debt securities***

Social, political, economic conditions in other countries may, to varying degrees, affect the market value of securities of Mexican companies, including the notes. Although social, political and economic conditions in other countries may differ significantly from social, political and economic conditions in Mexico, investors' reactions to social, political or economic developments in other countries may have an adverse effect on the market value of securities of Mexican companies, including the notes.

***Economic, political and regulatory developments in the United States may adversely affect the Mexican economy***

Changes in economic, political and regulatory conditions in the United States or in laws and policies governing foreign trade could create uncertainty in the international markets and could have a negative impact on the Mexican economy. Economic conditions in Mexico are highly correlated with economic conditions in the United States. This correlation is due, in part, to the high degree of economic activity between the two countries generally, including the trade facilitated by the United States-Mexico-Canada Agreement (“USMCA”), as well as physical proximity.

In August 2017, Mexico, the United States and Canada commenced renegotiation of North American Free Trade Agreement (“NAFTA”), and on November 30, 2018, the presidents of Mexico, United States and Canada signed the USMCA. The USMCA effectively replaced NAFTA on July 1, 2020. Unlike NAFTA, the USMCA includes a sunset provision that requires it to be analyzed and modified, if applicable, after six years and after 16 years shall be renegotiated. The USMCA also includes amendments to the rules of origin in practically all sectors, rules to deter artificial changes to exchange rates to obtain commercial advantages, additional intellectual property protections, as well as amendments in labor matters and information technologies, among other provisions. There can be no assurance as to the outcome of the USMCA or any subsequent trade agreements made as a response thereto, and the impact on our industry of these measures or any other measure adopted by the United States cannot be predicted. First revision of the USMCA is expected to take place in 2026 and no assurance can be made that the results of such revision will not negatively impact Mexico and the Issuer's operations and financial conditions.

Moreover, the U.S. presidential elections, scheduled to be held on November 5 2024, may introduce regulatory, economic, and policy changes with significant implications for Mexico. Shifts in U.S. foreign policy, border security measures, and trade agreements resulting from the election outcome may affect the Mexican economy and, therefore, our business and results of operations. We cannot assure you to what extent a potential change in the U.S. administration for the four-year period from 2025 to 2029 will affect Mexico's economy and on our business, results of operations or financial condition. While the Mexican and U.S. governments have been able to reach an understanding in the past, we cannot assure you that such understanding will remain in place or that the U.S. government will not impose policies on Mexico in the future and that we will not be materially adversely affected by such policies in the future.

***Changes in exchange rates or in Mexico's exchange controls may adversely affect our ability to service our foreign currency-denominated indebtedness***

The Mexican government does not currently restrict the ability of Mexican companies or individuals to convert Mexican pesos into U.S. dollars or other currencies, and Mexico has not had foreign exchange controls policy since 1982. However, in the future, the Mexican government could impose a restrictive exchange control policy or devalue the Mexican peso, as it has done in the past. We cannot provide assurances that the Mexican government will maintain its current policies with regard to the Mexican peso or that the Mexican peso's value will not fluctuate significantly in the future.

***The Mexican peso has been subject to significant devaluations against the U.S. dollar in the past, and Mexican government policies affecting the value of the Mexican peso could prevent us from paying our foreign currency obligations***

Depreciation of the Mexican peso against the U.S. dollar and/or volatility in the financial markets could adversely affect our operational and financial results. In particular, a depreciation in the value of the Mexican peso relative to the U.S. dollar could increase our costs because our main raw materials are hydrocarbons, whose prices are referenced to the U.S. dollar. In addition, more than half of our debt, excluding lease liabilities (56.4% as of June 30, 2024, before hedging) is denominated in U.S. dollars or other foreign currencies (20.1% after hedging), and we may incur additional indebtedness denominated in U.S. dollars or other foreign currencies in the future. Future declines in the value of the Mexican peso relative to the U.S. dollar or other foreign currencies would increase our interest and repayment costs in Mexican pesos and may result in foreign exchange losses.

***Regulatory developments in Mexico could have a negative impact on our results of operations and financial condition***

We operate in an industry that is heavily regulated by the Mexican government. As a result, our results of operations are closely linked to certain factors that are under the control of the Mexican government, such as the regulation of electricity rates throughout Mexico.

For example, on February 5, 2024, a proposal to dissolve the CRE, the National Hydrocarbons Commission (*Comisión Nacional de Hidrocarburos*) (“CNH”), and other constitutional autonomous agencies in Mexico was presented. This measure is part of a reform package that was presented by the President on February 5, 2024, through a bill prepared by the Commission on Constitutional Points (*Comisión de Puntos Constitucionales*) of the Chamber of Deputies. The proposed changes aim to amend Article 28 of the Constitution to integrate the resources and responsibilities of the CRE and the CNH into the Ministry of Energy (*Secretaría de Energía*) (“SENER”). While these modifications could potentially benefit us in the short term, they also introduce risks and uncertainty in the energy sector, including the attractiveness of the power sector for private investors. Mexico requires considerable private investment in its electricity sector to accommodate demand growth and prevent financial pressure on CFE. Investments in transmission and distribution capacity are required to avoid intermittence of the renewable generation.

Moreover, the centralization of regulatory functions could result in future regulatory changes that may be unfavorable to us. We cannot predict the uncertainty surrounding subsequent legislative amendments or potential reforms, and whether such reforms will benefit us. Consequently, a change in applicable law, regulations or policies in Mexico, or the interpretation thereof, if adverse to us, could have a negative impact on our business, financial condition and results of operations. See “Comisión Federal de Electricidad—General Regulatory Framework” and “Risk Factors—Risk Factors Related to Mexico—Several constitutional reforms have been proposed and are subject to approval and implementation”.

***Several constitutional reforms have been proposed and are subject to approval and implementation.***

On February 5, 2024, the Mexican president introduced the Proposed Constitutional Reforms, which relate to (i) reforms in strategic state industries (“Strategic Industries Reform”), (ii) administrative organic simplification (“Organic Simplification Reform”), and (iii) judicial system reform (“Judicial Reform”), among others.

The Strategic Industries Reform aims to eliminate the concept of “productive state enterprise”, replacing the concept with “state public enterprise”. Moreover, the Mexican government’s prerogatives with respect to planning and controlling the national electric system would be reinforced, given that the Strategic Industries Reform explicitly prohibits private participation in electricity transmission and distribution. The proposed reform sets forth that private entities will not prevail over state public enterprises; however, the extent of such provision is not specified within the proposal. Lastly, the proposed reform states that the “state public enterprise” would be tasked with planning and controlling the national electricity grid and providing electricity “to the people at the lowest possible price, avoiding profit.” If approved, the *Cámara de Diputados* (Chamber of Deputies) and the *Cámara de Senadores* (Senate) shall have 180 days to adjust the legal framework accordingly.

The Organic Simplification Reform seeks to streamline the public sector. Such proposal eliminates constitutionally autonomous bodies, which include the Federal Antitrust Commission (*Comisión Federal de Competencia Económica*) and the coordinated regulatory agencies in energy matters, corresponding to the CRE and the National Hydrocarbons Commission (*Comisión Nacional de Hidrocarburos*). In such case, the Ministry of Economy will undertake the functions of the Federal Antitrust Commission, and the Ministry of Energy will assume those of CRE and the National Hydrocarbons Commission. If enacted, the proposal will become effective the day after its publication in the Federal Gazette (*Diario Oficial de la Federación*); from such date, the *Cámara de Diputados* (Chamber of Deputies) and the *Cámara de Senadores* (Senate) must pass the necessary legislation to implement the reform within 90 days.

The Judicial Reform, which was enacted on September 15, 2024 and is now effective, includes a new composition of the Supreme Court (*Suprema Corte de Justicia de la Nación*), reducing both the number of justices and their term. Furthermore, the Judicial Reform provides for the popular election of justices, magistrates and judges. Additionally, the Federal Judiciary Council (*Consejo de la Judicatura Federal*) will be replaced by a new administrative body and a Disciplinary Tribunal (*Tribunal de Disciplina Judicial*) will be created. Lastly, new procedural rules will be stipulated, including other modifications to the judicial branch.

The Proposed Constitutional Reforms require the approval of two-thirds of the members in both the *Cámara de Diputados* (Chamber of Deputies) and the *Cámara de Senadores* (Senate) and the approval of a majority of the local congresses of each State and of Mexico City. On September 5, 2024, the Mexican Senate approved the Judicial Reform, and was approved by the local congresses on September 15, 2024. We cannot predict how the implementation of the Proposed Constitutional Reforms will affect us generally. Moreover, these and other legal and/or regulatory changes, reforms, or suspensions of the applicable law could adversely affect our business, results of operations and financial condition.

***Legislative or regulatory action with respect to tax and labor laws and regulations could adversely affect us.***

The Mexican government has in recent years implemented various changes to the laws applicable to Mexican companies, including us. For example, on April 23, 2021, a labor reform was published that amended the outsourcing provisions of the Mexican Labor Law (the “2021 Labor Reform”). The law significantly limits subcontracting and amends the profit-sharing rules. The law provided 90 days for employers to comply with the law but was later delayed until September 1, 2021. As a result of this reform, we were required to restructure the manner in which certain services were provided across our operating subsidiaries. Although we believe the steps taken to restructure our operations put us in compliance with the 2021 Labor Reform, we can provide no assurance that a review by the Ministry of Labor and Social Welfare (*Secretaría del Trabajo y Previsión Social*) would not require additional changes to our operations.

In addition, we are subject to Mexican federal, state and local tax laws and regulations. Mexican tax laws are subject to constant change and we cannot assure you that the Federal Government will not introduce and enact tax reforms or take other actions in response to economic, political or social conditions in Mexico that may adversely affect our business, financial condition, results of operations and prospects. Changes in state and local tax laws or regulations may result in an increase in our tax liability. If those changes occur, we may be required to pay additional taxes on our assets or income. These effects of increased tax costs cannot and have not been quantified, nor can we assure you that these reforms, once implemented, will not adversely affect our financial condition, results of operations and the amount of cash available for payments on the notes.

**Risk Factors Related to the Issuer and the Guarantors**

***The Mexican government controls us and could limit our ability to satisfy our external debt obligations***

The primary source of funds for us to make payments under the notes is our results of operations and cash flows. The notes do not grant in any way rights over the ownership, control or assets of the Issuer or the guarantors.

Pursuant to the CFE Law, in October 2014, we were converted from a decentralized public entity of the Mexican government into a productive state enterprise of the Mexican government. In addition, the Board of Directors has been empowered to create additional subsidiary productive enterprises or participate in affiliates without the need to obtain approval from the Mexican Congress. We have additional technical, managerial and budgetary autonomy, which is designed to allow us to compete with other companies participating in the Mexican energy sector. See “Comisión Federal de Electricidad—General Regulatory Framework.” Notwithstanding this increased autonomy, we remain under the Mexican government’s supervision and regulation, and the Minister of Energy acts as Chair of the Board of Directors. Our activities are monitored by the Ministry of Energy and the CRE, and our annual budget can be adjusted by the Mexican government in certain respects, as it has been adjusted in the recent past. The influence by the Mexican government may cause our business and activities to be driven by political factors that may not be aligned with increasing our efficiency and/or profitability. In addition, our financial condition target, expenditure and net debt ceiling are included in the overall public sector financing plans and expenditure budget, which requires the approval of the Mexican Congress. The maximum amount we may pay in connection with indebtedness incurred is fixed, on a yearly basis, by the Chamber of Deputies. As a result, our financing and payment capacity is directly aligned with that of the Mexican government, which could adversely affect our ability to make payments under any securities issued by us, including the notes. In addition, the Mexican government has the power, upon further amendment to the Mexican Constitution and applicable federal law, to reorganize us, including transferring of all or a portion of our assets to an entity not controlled by the Mexican government. The reorganization contemplated by the Energy Reform Decree and the Secondary Legislation, or any other reorganization implemented by the Mexican government in the future could adversely affect our operations, cause a disruption in our workforce and cause us to default on certain obligations. See “Comisión Federal de Electricidad—General Regulatory Framework.”

Although we are wholly owned by the Mexican government, our financing obligations do not constitute obligations of the Mexican government, and the Mexican government does not guarantee or secure our obligations and has no obligation to pay the principal or interest on the notes in the event that we fail to make any such payments. In certain past debt restructurings of the Mexican government, our external indebtedness was treated on the same terms as the debt of the Mexican government and other public sector entities, and it may be treated on similar terms in any future debt restructuring. In addition, Mexico has in the past entered into agreements with official bilateral creditors to reschedule public sector external debt. The Mexican government's agreements with international creditors may affect our external debt obligations, including the notes.

***Our operating costs may not be fully covered by our electricity rates, which are set by the Mexican government; as a result, a reduction of our electricity rates could adversely affect our results of operations and financial condition***

The Mexican government may set some of our consumer electricity rates at levels below our operating costs (if applicable, subject only to an inflation adjustment factor) in order to maintain the affordability of electricity, in particular with respect to our residential and agricultural customers, which rates will continue to be determined by the Mexican government pursuant to the Secondary Legislation. In addition, upon the repeal of the *Ley del Servicio Público de Energía Eléctrica* (the "LSPEE") and the Issuer's conversion into a productive state enterprise, we are no longer subject to the public use tax and "rate insufficiency" regime that was historically applicable to us.

To avoid absorbing the impact of subsidies granted to consumers by the Mexican government, through 2014 we were permitted to offset certain taxes through the "rate insufficiency" regime, which allowed us to transfer losses incurred from subsidized electricity rates to the Mexican government. The subsidy we currently receive is included in the *Presupuesto de Egresos de la Federación* ("Federal Budget") and transferred in ten monthly payments from February to November of each year. While the Electric Industry Law provides that regulated tariffs such as basic power supply, transmission and distribution should cover efficient operation, maintenance, financing and depreciation costs (as well as a reasonable profit), if the Mexican government maintains or continues to set some of our electricity rates at levels below our operating costs, we may be required to absorb the impact of the subsidies granted to consumers by the Mexican government and our business, financial condition and results of operations may be adversely affected. We can provide no assurances that we will not have to absorb such impact in the future and that, if we have to absorb it, our results of operations and financial position will not be adversely affected.

***Any significant increase in fuel prices could adversely affect our results of operations and financial condition***

Our operations require substantial amounts of fossil fuel (fuel oil, natural gas, liquefied natural gas, coal and diesel), since a substantial percentage of our installed capacity for generation (including through the IPPs model) is derived from plants powered by these fuels. We purchase our fuel oil and natural gas from PEMEX and other suppliers through our commercialization affiliates both in Mexico and in the United States, at indexed prices pursuant to long-term (15-year) contracts awarded pursuant to an international bidding process. Fuel oil and natural gas, together, represented 60.8% of the cost of our fuels for the six-month period ended June 30, 2024, excluding IPPs. As of June 30, 2024 and December 31, 2023, approximately 7.8% of our installed capacity relied on the use of coal. In October 2020, CFE formalized the purchase of two million tons of coal from 60 producers in the state of Coahuila. For the acquisition of the coal, a survey of 120 producers was conducted, with the support of the Deputy Ministry of Mining (*Subsecretaría de Minería*) and the Mexican Geological Service (*Servicio Geológico Mexicano*), to carry out on-site verifications, review of permits, application of questionnaires and verification of tax, labor and environmental obligations. From this survey and review, 75 potential suppliers were identified and we entered into contracts with 60 of them. These suppliers have been providing coal to CFE's generation subsidiaries since September 2020. 72% of this purchase was allocated to micro and small producers, 16% to medium producers and 12% to large producers. A small percentage of our generating plants use diesel fuel, which we purchase from PEMEX at prices regulated by the Mexican government.

Any variation in fuel prices could affect our results of operations and financial condition, since an increase in fuel prices has a direct impact on our net operating cost. For example, gas and power shortages in Texas caused by a severe freeze affecting the United States and Mexico in February 2021 significantly impacted natural gas prices. See "Summary—Recent Developments—Natural Gas Price Disruption" and "—Climate change, including extreme weather conditions, has in the past and may in the future adversely affect our operations and financial results." Fluctuations in fuel prices are generally passed on to our industrial, commercial, public services (street lighting) and high-consumption residential customers, which accounted for around 76.0% of electricity sales revenue during the six-month period that ended June 30, 2024 and 40.5% of electricity sales during the year ended December 31, 2023. This pass-through is reflected via monthly rate adjustments based on the CRE's tariff methodology which indirectly

reflects fuel costs as it considers energy costs for CFE Suministrador de Servicios Básicos and the evolution of local marginal prices. Despite these pass-through mechanics, we expect to remain exposed to fuel price fluctuation, given our use of imported natural gas. Further, we are not able to fully reduce our exposure to the volatility of fuel prices and such fluctuations may impact our results of operations and financial condition. Additionally, we could face a combination of increased fuel prices and depreciation of the Mexican peso, which could adversely affect our operational and financial results.

We have substantial amounts of debt, and our substantial leverage could adversely affect our results of operations and financial condition.

We have incurred and, pursuant to our capital expenditures program, will continue to incur substantial amounts of indebtedness. Neither the indenture governing the notes, nor any of our loan agreements, or the other documents governing our indebtedness contain covenants restricting the incurrence of indebtedness by us. However, because we are subject to certain budgetary controls by the Mexican government and the Mexican Congress, we may not be able to exceed limits on net indebtedness established for us, which are reevaluated annually by the Mexican Congress.

Our ability to repay our indebtedness, including the notes, depends primarily on our results of operations and cash flow. If our operating revenues and cash flows are significantly affected by any factor, including, for example, serious technical failures in the functioning of our generation facilities, or increases in fuel prices or labor costs, we may have difficulties making payments as they come due on our indebtedness, including the notes.

***The occurrence of certain events could result in an obligation to prepay, or accelerate, our indebtedness***

We have incurred indebtedness in Mexico and in the international markets that is subject to certain conditions that, if not met by us, could give rise to an obligation to prepay or an event of default under such indebtedness. For example, a mandatory prepayment event or an event of default under certain of our indebtedness may occur if (i) we cease to be a productive state enterprise of the Mexican government, (ii) the Mexican government ceases to be our majority owner, (iii) we cease to be a productive state enterprise authorized to generate, transmit and distribute electricity in Mexico or (iv) our share of the electricity market in Mexico with respect to other public sector entities were to be reduced below 75% (unless the Mexican government were to formally assume or guarantee all of our obligations). The Issuer would have an obligation to offer to repurchase such indebtedness, including the notes, early if the events described above were to occur, but we cannot assure you that we would have the resources available to do so if such an event were to occur. Moreover, if a mandatory prepayment event or an event of default under our indebtedness were to occur and our repayment obligations are accelerated, our business, financial condition and results of operations could be adversely affected.

***We are or may be involved in legal and regulatory proceedings that could result in unfavorable decisions and significant financial costs or penalties***

We are exposed to claims that arise from our operations. We cannot assure you that these claims will be resolved in our favor or that, in the event of an adverse resolution, will not result in significant costs or penalties for CFE. In addition, responding to the demands of legal claims and responding to, or initiating proceedings may divert management's time and attention and significant amounts of our financial resources.

We are currently party to an international arbitration proceeding initiated in May 2021 resulting from a commercial dispute for an amount of approximately U.S.\$ 400 million claimed by J. Aron & Company LLC ("J. Aron") against our affiliate CFE International LLC ("CFE International"). The dispute relates to the parties' payment and delivery obligations under long-term natural gas purchase contracts following a severe winter storm in Texas during February 2021 that resulted in unprecedented price spikes. Purchases from J. Aron, which have been suspended since the initiation of the proceedings, did not represent a significant percentage of our total natural gas purchases. J. Aron claims approximately U.S.\$540 million and CFE International claims approximately U.S.\$510 million, in addition to interest and costs. CFE is unable to reasonably determine the outcome of the arbitration and whether it would have a material adverse effect on its results of operations, liquidity, or financial situation. As of the date of this offering memorandum, we have not provisioned for these claims. In the event of adverse developments in these proceedings, however, it is possible that we would need to materially increase our existing provision for litigation. Provisioning for these claims, if required, could have a significant non-cash impact on our results of operations.

Additionally, during July 2021, Whitewater Midstream, a Texas-based midstream company (“Whitewater Midstream”), commenced an arbitration proceeding against CFE International. The dispute relates to the parties’ mutual obligations under long-term natural gas purchase contracts following the severe winter storm in Texas during February 2021 that resulted in unprecedented price spikes. On May 13 2024, a Houston arbitration panel rejected Whitewater Midstream’s claims and awarded CFE International related damages, fees and costs, which Whitewater Midstream paid on May 22, 2024.

On August 23, 2024, Greenfield SPV I, S.A.P.I. de C.V, Terminales Portuarias del Pacífico, S.A.P.I. de C.V. and Terminal Marítima de Carbón, S.A. de C.V., filed a lawsuit against CFE and CFE Generación II in the Southern District of New York, seeking to recognize an arbitral award issued against CFE and CFE Generación II on May 28, 2024 by the London Court of International Arbitration, in an amount of approximately U.S.\$40.4 million. The arbitral award stems from a dispute between the parties relating to a contract signed in 2016 among Greenfield, CFE and TPP for the provision of coal transportation and storage services for the Plutarco Elías Calles thermoelectric plant in Guerrero, Mexico. Given the initial stages of this proceeding, we are not yet able to assess the potential outcome and whether it would materially adversely affect our financial condition or results of operations.

It is difficult to quantify the potential impact of these and other legal proceedings on CFE. We classify our risk of loss from legal proceedings as “probable”, “possible” or “remote”. We make provisions for probable losses but do not make provisions for possible and remote losses. However, the amounts involved in certain of the proceedings in which we believe our risk of loss is remote could be higher than expected and be substantial. In addition to the impact of any awards, fines, penalties or damages imposed as a result of claims against us, lawsuits against us may cause us to experience adverse media coverage, reputational harm and other collateral consequences as a result of such claims, and could lead to attempts on the part of other parties to pursue similar claims, all of which could also adversely impact us. Consequently, our losses could be significantly higher than the amounts for any provisions recorded in respect of legal claims against us.

If one or more final judgments are issued against us, including a final order enforcing any arbitral award against us under the proceedings referred to above, and such judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay, we could be in default under the indenture that governs the notes, which may, in turn, trigger cross-default provisions in our other debt instruments.

While we intend to defend these claims, we cannot assure you that the outcome of the proceedings will be favorable to us, nor can we guarantee that we will not be subject to further claims, lawsuits or legal proceedings related to these or any other matters which, if determined adversely to us, could have an adverse effect on our business, operations, or financial condition. In addition, there could be public announcements related to these proceedings or developments and, if investors perceive these results to be negative, it could have a substantial adverse effect on us.

***Certain modifications within the Electric Industry Law Amendments were declared unconstitutional.***

The Electric Industry Law Amendments were subject to numerous *amparo* lawsuits before federal courts in Mexico. Ultimately, Mexico’s Supreme Court determined that certain amendments were unconstitutional as they were deemed contrary to the principles of competition and free access to markets. Nevertheless, certain provisions of the Electric Industry Law Amendments were considered constitutional and, thus, are currently part of the regulatory framework. See “Comisión Federal de Electricidad—General Regulatory Framework—Electric Industry Law Amendments” for more information.

We cannot predict how the implementation of the Electric Industry Law Amendments will affect us generally. Moreover, these and other legal and/or regulatory changes, reforms, or suspensions of the applicable law could adversely affect our business, results of operations and financial condition.

***We are subject to anti-corruption, anti-bribery and anti-money laundering laws. Our failure to comply with these laws could result in penalties, harm our reputation and have an adverse effect on our business, results of operations and financial condition***

We are subject to anti-corruption, anti-bribery and anti-money laundering laws. Although we maintain policies and processes intended to comply with these laws, we cannot ensure that these compliance policies and

processes will prevent intentional, reckless or negligent acts committed by our officers or our employees. If we, our officers or our employees fail to comply with any applicable anti-corruption, anti-bribery or anti-money laundering laws, we and our officers and our employees may be subject to criminal, administrative or civil penalties and other remedial measures, which could have material adverse effects on our business, financial condition and results of operations. Any investigation of potential violations of anti-corruption, anti-bribery or anti-money laundering laws by governmental authorities in Mexico or other jurisdictions could result in an inability to prepare our financial statements in a timely manner, including under certain circumstances the withdrawal of previously issued audited financial statements. This could adversely impact our reputation, ability to access the financial markets and ability to obtain contracts, assignments, permits and other government authorizations necessary to participate in our industry, which, in turn, could have adverse effects on our business, results of operations and financial condition.

We are performing an investigation in connection with potential corrupt acts related to the awarding in 2016 and 2017 of certain contracts to Whitewater Midstream. We also announced that one contract subject to investigation is for a gas pipeline that is unnecessary for the purposes of CFE, and indicated that this contract was awarded without appropriate approvals of the CFE governing body and without a transparent and competitive bidding process. We disclosed two additional gas supply contracts with Whitewater Midstream which CFE believes contain various contractual terms that are not in line with market practice and are unfavorable to CFE, and stated that CFE's attempts to renegotiate these contracts with Whitewater Midstream had to date been unsuccessful. In addition, we disclosed that certain former CFE officials are under investigation. While CFE intends to take legal action against Whitewater Midstream as a result of these practices, we cannot assure you what the outcome of these investigations will be or that any legal actions conducted by CFE will be successful, including whether CFE can terminate or not comply with these contracts without facing penalties. We also cannot assure you that CFE will not be subject to investigations or to criminal, administrative or civil proceedings or penalties and other remedial measures, including as a result of our involvement in these contracts. Any such investigations or proceedings could adversely impact our reputation, ability to access the financial markets and ability to obtain contracts, assignments, permits and other government authorizations necessary to participate in our industry, which, in turn, could have adverse effects on our business, results of operations and financial condition.

***The Issuer is a productive state enterprise and depends on the results of operations of its subsidiary productive enterprises, including to meet its obligations under the notes***

The Issuer is a productive state enterprise with no independent operations or substantial assets other than assets of its subsidiary productive enterprises. See "Comisión Federal de Electricidad—General Regulatory Framework—Organizational Structure of CFE." Accordingly, it depends on the results of operations of its subsidiary productive enterprises. The Issuer's ability to service its debt and other obligations, including the notes, will depend on its subsidiary productive enterprises' generation of cash flow and their ability to make such cash available to the Issuer. In the event that the Issuer does not receive cash from its subsidiary productive enterprises, the Issuer may be unable to make required principal and interest payments on its indebtedness, including the notes, or honor its other obligations. Any adverse change in the financial condition or results of operations of the Issuer's subsidiary productive enterprises could affect our business, results of operations and financial condition.

***Increased competition in the electricity sector could adversely affect our business and financial performance***

As a result of the Energy Reform Decree and the enactment of the Secondary Legislation and the applicable regulations, electricity generation and commercialization are open to private sector participation and the new legislation allows high margin industrial and commercial consumers (licensed as qualified users) to purchase electricity from private qualified suppliers. Dispatch of power plants in the MEM is subject, by general rule, to an economic dispatch (*despacho económico*) principle which essentially results in the most cost-efficient power plants (that is, the power plants with the lower variable operation costs) being dispatched by the independent system operator (*i.e.*, CENACE) for purposes of the short-term energy market. The economic dispatch principle applies to power plants owned by private companies as well as power plants owned by productive state enterprises such as ours. In addition, private companies are allowed to enter into partnerships or agreements with us or the Ministry of Energy for the financing, installation, maintenance, management, operation and expansion of transmission and distribution infrastructure. Likewise, under the regime of the former electricity law, the LSPEE, private companies were allowed to participate in the generation and supply of power to satisfy their own power needs or their shareholders' electricity requirements through grandfathered self-supply and cogeneration schemes. These grandfathered schemes still apply after the Energy Reform Decree. See "Comisión Federal de Electricidad—General Regulatory Framework—Private Participation in the Electricity Sector." This electricity sector structure could result in increased competition in some



of the sectors in which we operate, and could make it more difficult for us to hire and retain skilled personnel. If we are unable to compete successfully with private-sector companies in these sectors, our results of operations and financial performance may be adversely affected.

***The expansion into any new area of the Mexican energy sector in which we have not been previously engaged will subject us to the expenses, difficulties and risks inherent in establishing a new line of business***

From time to time we may expand into new areas within the Mexican energy sector in which we have not been previously engaged. Expansion into new businesses may present operating challenges different from those we currently encounter, and we cannot assure that new business initiatives will be successful enough to justify the time, effort, and resources that we devote to them or ultimately achieve profitability. In July, 2024, the Mexican government transferred control of the telecommunications company Altán Redes, to CFE Telecomunicaciones e Internet para Todos. The expansion into any new area of the Mexican energy sector will subject us to the expenses, difficulties and risks inherent in establishing a new line of business. Failure to successfully develop this or other new lines of business in conjunction with our existing operations may have an adverse effect on our business, financial condition and results of operations.

***We may suffer from a significant interruption of service, which could adversely affect our results of operations and financial condition***

Although we conduct a comprehensive maintenance program, we may not be able to prevent service interruptions due to technical or technological failures. Much of our equipment is installed outdoors and is subject to the varying weather conditions that affect Mexico from time to time. As a result, this equipment, including, in particular, our transmission towers and utility poles, often incurs weather-related damage as well as wear-and-tear from aging, which in certain instances causes electricity service interruptions for our customers. Furthermore, we may suffer from significant and prolonged interruptions of service in any one or more of our facilities due to natural disasters (e.g., hurricanes, earthquakes, flooding, tsunamis and/or fires), epidemics (including, but not limited to, global health crisis, such as the COVID-19 pandemic), accidents, sabotage, terrorist acts, copper wire theft or failure of our technical systems or emergency maintenance plans, which could adversely affect our business, financial condition and results of operations.

Additionally, as demand for electricity in Mexico increases in the future, our ability to maintain the quality of our service and avoid service interruptions may depend in part on our ability to expand our labor force accordingly. However, because we are subject to certain budgetary controls, any expansion of our labor force is subject to the authorization of the Mexican government and the Mexican Congress. We cannot assure you that we will be able to obtain such authorization.

***We are subject to environmental risks and possible claims and lawsuits inherent to the generation, transmission and distribution of electricity***

There are environmental risks inherent to electricity generation, transmission, and distribution activities, and accordingly, we are subject to claims and lawsuits for damages arising from our operations. In particular, we are subject to environmental risks relating to the operation of our nuclear generation plant. Although we monitor the emissions of all our generation plants on a daily basis, we are subject to environmental audits ordered and performed by the *Procuraduría Federal de Protección al Ambiente* (Federal Environmental Protection Agency), which is part of the SEMARNAT, without prior notice, which could subject us to fines or remedial action. Furthermore, our nuclear facility is also subject to the regulation of the International Nuclear Regulators Association (INRA) and certain other international organizations.

Furthermore, a wide range of general and industry-specific Mexican federal and state environmental laws and regulations apply to our operations; these laws and regulations are often costly to comply with and could imply penalties in case of non-compliance. Such regulatory burden increases our costs as it may require significant capital expenditures. For instance, during the first quarter of 2022, the SEMARNAT enacted the Mexican official standard NOM-001-SEMARNAT-2021, replacing NOM-001-SEMARNAT-1996, and entered into force on March 11, 2023, and established the new maximum permissible levels of pollutants in wastewater discharged into national receiving bodies under the administration of the National Water Commission. The enactment of this new standard required the implementation of specific compliance programs in our facilities in order to meet the new parameters and limits set forth therein. We are currently evaluating the impact of the enactment of this updated standard, which may affect our results of operations.

We maintain a general liability insurance policy (which includes environmental risk insurance) and a civil liability insurance policy for the operation of our nuclear plant; however, such coverage may not be adequate or available to protect us in the event of a claim, or our coverage could be canceled or otherwise terminated. A major claim for damages could have a material impact on our business, financial condition, results of operations or prospects.

Natural disasters, such as hurricanes, earthquakes or massive rain storms could adversely affect our operations, in particular the supply of energy to the affected regions. On September 8, 2017 and September 19, 2017, Mexico was hit by two powerful earthquakes that registered a magnitude of 8.2 and 7.1, respectively, on the Richter scale, resulting in loss of life and significant damage to the affected regions. Both earthquakes resulted in power outages in regions of Mexico in which we operate. In particular, because the epicenter of the September 19 earthquake was located about 100 miles away from Mexico City and near other highly populated cities in six other states, approximately 4.8 million consumers were affected by power supply disruptions. While we were able to reestablish approximately 99% of power supply within four days of the September 19 earthquake, and we have contingency plans in place and insurance against some or all of these risks, we cannot assure you that we will be able to respond to the effects of future natural disasters in an effective manner or that our insurance coverage will be adequate.

***Climate change, including extreme weather conditions, has in the past and may in the future adversely affect our operations and financial results***

Our business has been, and in the future could be, affected by severe weather in areas where we or our suppliers operate, which could materially affect our operations and financial results. Extreme weather conditions such as hurricanes or flooding have in the past resulted in, and may in the future result in, the shutdown of our facilities, evacuation of our employees or activity disruptions at our client's well-sites or in our supply chain. In addition, impacts of climate change, such as sea level rise, fires, coastal storm surge, inland flooding from intense rainfall, freeze, and hurricane-strength winds may damage our facilities or disrupt our operations, or may lead to environmental damage, including harm to indigenous and other communities. For example, a recent severe freeze in the United States and Mexico caused gas and power shortages in Texas and significantly impacted natural gas prices. Any such extreme weather-related events may result in increased operating costs, litigation or decreases in revenue which could adversely affect our financial condition, results of operations and cash flows. See "—Any significant increase in fuel prices could adversely affect our results of operations and financial condition" and "—We are or may be involved in legal and regulatory proceedings that could result in unfavorable decisions and significant financial penalties." In addition, we had two major power outages caused by fires during April 2019 in the Yucatan Peninsula, and on December 28, 2020 in Tamaulipas, causing the interruption of electricity services. On October 25, 2023, Hurricane Otis, a category 5 storm, struck Acapulco, causing landslides, floodings, and a total blackout as Acapulco's power transmission and distribution lines were damaged. We cannot assure you that similar events may not occur in the future that could adversely affect our financial condition, results of operations and cash flows.

***Unfavorable hydrologic conditions may adversely affect our operations***

Our power generation activities depend, to a certain extent, on adequate flows and supplies of water and the regulation and management of water flows in order to avoid flooding in urban areas, as 17.3% of our total installed capacity as of June 30, 2024 was from hydroelectric sources. Hydrological conditions largely influence plant dispatch and generation and therefore affect our operations. In the event of adverse hydrologic conditions and if alternative sources of generation are not available to us at a low cost, our financial performance may be negatively affected.

***We may not be successful in implementing our business strategies***

As part of our overall business strategy, including as set forth in our 2024-2028 Business Plan, we plan to undertake new, or expand ongoing, projects. Such projects include, among others, improving our clean and renewable energy generation capabilities by modernizing certain existing plants, developing new clean energy generation plants and building new combined cycle plants, and further implementing green projects to improve the operational efficiency of our electricity transmission and distribution network. In addition, as part of our 2024-2028 Business Plan, we are working towards achieving our sustainability objectives.

Because of inherent uncertainties affecting these initiatives, we are exposed to a number of risks and challenges, including, among others, the following:

- new and expanded business activities may require additional and unanticipated capital expenditures and increased regulatory compliance costs;

- new and expanded business activities may result in lower profits than we currently anticipate and there can be no guarantee that such activities will become profitable at the levels we desire or at all;
- new and expanded business activities may require us to obtain additional financing, which may not be available to us at all, or at attractive rates, and additional borrowings will increase our leverage;
- relations with the communities in which we operate or plan to expand our projects may deteriorate; and
- we may need to hire new personnel and/or retrain existing personnel to oversee and operate the relevant new business activities.

In addition, we may not be able to meet our goals relating to clean and renewable energy generation capabilities for a variety of factors, including since our actual allocation between installed capacity via “clean” sources and through other technologies based on fuel oil sources will depend in part on the global supply of such fuels and other pricing considerations, as well as increased reliance on our power plants as a result of recently amended dispatch rules.

***Labor unrest, employee benefits obligations and labor-related lawsuits may adversely affect our business, financial condition and results of operations***

As of June 30, 2024, approximately 77.7% of our employees were members of the SUTERM. Historically, our relationship with the SUTERM has been cordial and respectful despite our differing interests. Every two years, we renegotiate the terms of our *contrato colectivo* (collective bargaining agreement) with the SUTERM, while wages are reviewed and negotiated on an annual basis. On June 19, 2024 we entered into a new collective bargaining agreement with the SUTERM for the 2024-2026 term. This new collective bargaining agreement included modifications to employee pensions, salary and benefit increases, including a 4.0% increase in daily salaries and a 4.66% increase in pensions payable to retirees. In addition, as of June 30, 2024, we reported a liability of Ps. 421.4 billion (U.S.\$ 23.1 billion) on our statement of financial position related to long-term employee benefits, which represented 21.4% of our total liabilities as of such date. We cannot guarantee that any modifications to the collective bargaining agreement with the SUTERM in the future will not have a material adverse impact on our results of operations and financial condition, nor assure the future stability of our relationship with the SUTERM. Any labor related conflict with the SUTERM or material increases in benefits under any revision of existing labor laws may adversely affect our business, results of operations and financial condition.

Any inability to meet these obligations at any time in the future may result in labor unrest, which could adversely affect our business, financial condition and results of operations.

Further, we are subject to labor-related lawsuits filed against us by current and past employees. Although we have established reserves that we believe are sufficient to cover the risks associated with these lawsuits, we cannot guarantee that the assumptions underlying the establishment of our reserves will prove to be accurate, nor can we assure you that we will not become the subject of further lawsuits that may have an adverse effect on our business, results of operations and financial condition.

***Our failure to timely file required financial information in Mexico may have adverse consequences***

We are required, pursuant to the *Disposiciones de carácter general aplicables a las emisoras de valores y a otros participantes del mercado de valores* (General Provisions Applicable to Issuers of Securities and other Participants of the Mexican Stock Exchange), to publish our financial results in Mexico within specified timeframes.

Although delays of this type are infrequent and we have procedures in place to avoid similar delays, we cannot guarantee that unforeseen events or changes in accounting policies will not result in similar delays in the future.

***We may be subject to interruptions or failures in our information technology systems, as well as to cyberattacks or other breaches of network or IT security***

We rely on sophisticated information technology systems and infrastructure to support our business in accordance with industry standards. Although we regularly evaluate risks and update our systems, programs and infrastructure, our systems may be susceptible to outages due to fire, floods, earthquakes, power loss,

telecommunications failures and similar events. The failure of any of our information technology systems may cause disruptions in our operations, adversely affecting our operations. We cannot assure you that our business continuity plans will be completely effective in the event of interruptions or failure of our information technology systems.

Furthermore, our technologies, systems and networks may become the target of cyberattacks or information security breaches that could result in the unauthorized release, misuse or loss of confidential information, or other disruption of our operations. Although we have not experienced any material loss related to cyberattacks or cybersecurity issues, there can be no assurance that we will not be the target of cyberattacks in the future that could adversely affect our operations or financial condition. In addition, if we fail to protect the privacy of customer and employee confidential data, we may be adversely affected. As cyber threats continue to evolve, we may be required to incur additional expenses to enhance our protective measures or to remediate any information security vulnerability.

### **Risk Factors Related to the Notes**

#### ***The notes will contain provisions that permit CFE to amend the payment terms of the notes without the consent of all the holders***

The notes will contain provisions regarding acceleration and voting on amendments, modifications and waivers that are commonly referred to as “collective action clauses.” Under these provisions, certain key terms of one or both series of the notes may be amended, including the maturity date, interest rate and other payment terms, without the consent of all the holders. See “Description of the Notes—Meetings, Amendments and Waivers.”

#### ***An active trading market for the notes may fail to develop, which could adversely affect the market prices and liquidity of the notes***

Currently, there is no established trading market for the notes. Application will be made to have the notes admitted for listing on the Official List of Luxembourg Stock Exchange. Even if the notes become listed on either exchange, we may delist the notes from such exchange. If the notes fail to, or cease to be listed on the Luxembourg Stock Exchange, certain investors may not invest in, or continue to hold or invest in, the notes. A trading market for the notes may not develop, or if a market for the notes were to develop, the notes may trade at a discount from their initial offering price, depending upon many factors, including prevailing interest rates, the market for similar securities, general economic conditions and our financial condition. The initial purchasers are not under any obligation to make a market with respect to the notes, and we cannot assure you that trading markets will develop or be maintained. Accordingly, we cannot assure you as to the development or liquidity of any trading market for the notes. If an active market for the notes does not develop or is interrupted, the market price and liquidity of the notes may be adversely affected.

#### ***We may choose to redeem the notes and you may be unable to reinvest the proceeds at the same or a higher rate of return***

We may redeem the 2030 notes, in whole or in part, at any time or from time to time, prior to December 24, 2029 (one month prior the maturity date of the 2030 notes), by paying the redemption price on the outstanding principal amount of the 2030 notes to be redeemed as described in “Description of the Notes—Redemption and Purchase—Optional Redemption,” plus accrued and unpaid interest thereon to the redemption date. On or after December 24, 2029 (one month prior the maturity date of the 2030 notes), we may redeem the 2030 notes, in whole or in part, by paying 100% of the principal amount of the 2030 notes to be redeemed, plus accrued and unpaid interest thereon to the redemption date. We may redeem the 2035 notes, in whole or in part, at any time or from time to time, prior to October 24, 2034 (three months prior the maturity date of the 2035 notes), by paying the redemption price on the outstanding principal amount of the 2035 notes to be redeemed as described in “Description of the Notes—Redemption and Purchase—Optional Redemption,” plus accrued and unpaid interest thereon to the redemption date. On or after October 24, 2034 (three months prior the maturity date of the 2035 notes), we may redeem the 2035 notes, in whole or in part, by paying 100% of the principal amount of the 2035 notes to be redeemed, plus accrued and unpaid interest thereon to the redemption date. In addition, in the event of certain changes in Mexican tax laws or certain changes in the interpretation or application of such laws, we will have the right to redeem the notes of one or both series, in whole but not in part, prior to their maturity at a price equal to 100% of the outstanding principal amount of the notes to be redeemed plus accrued and unpaid interest to the redemption date (and Additional Amounts, if any). See “Description of the Notes—Redemption and Purchase—Redemption for Taxation Reasons.” We may choose to redeem the notes at times when prevailing interest rates may be relatively low. Accordingly, you may not be able to

reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the notes being redeemed.

***The notes are subject to certain transfer restrictions***

The notes have not been and will not be registered under the Securities Act or any U.S. state or other securities laws, and we are not required to make and currently do not plan on making any such registration in the immediate future. Accordingly, the notes may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state or other securities laws, as applicable. Prospective investors should be aware that investors may be required to bear the financial risks of an investment in the notes for an indefinite period of time. See “Transfer Restrictions” for a full explanation of these restrictions.

***Our credit ratings do not reflect all risks of investing in the notes***

Our credit ratings are an assessment by the rating agencies of our ability to pay our debts as they mature. Consequently, actual or anticipated changes in our credit ratings generally affect the market value of the notes. The ratings do not constitute a recommendation to buy, sell or hold securities and may be revised or withdrawn at any time by the rating agency. Our credit rating from each rating agency should be evaluated independently of ratings by any other rating agencies.

Our current credit ratings and rating outlooks depend, in part, on economic conditions and other factors that affect credit risk and are outside our control, as well as assessments of the creditworthiness of Mexico.

Mexico’s long-term public external indebtedness was downgraded in the spring of 2020 by each of the three major credit rating agencies. On July 6, 2022, S&P affirmed its BBB rating and revised its outlook to stable, on July 8, 2022, Moody’s downgraded its rating to Baa2 from Baa1 and revised its outlook to stable, and on December 7, 2023, Fitch affirmed its BBB- rating with a stable outlook. On July 24, 2024, Fitch issued a statement that the wide-ranging proposed constitutional reforms would negatively affect Mexico’s overall institutional profile while recognizing that the severity of their impact might become clearer once these are approved and implemented. Fitch had further stated that weak governance indicators already constrain the sovereign rating, and are only partly offset by a prudent, credible and consistent macroeconomic policy record.

There can be no assurances that Mexico’s credit ratings will be maintained or that they will not be downgraded, suspended or cancelled. Any credit rating downgrade, suspension or cancellation may have an adverse effect on our credit ratings in the future.

***Changes in the interest rate environment could adversely impact the trading price of the notes***

We expect that the trading price of the notes will depend on a variety of factors, including, without limitation, the interest rate environment.

If interest rates, or expected future interest rates, rise during the terms of the notes, the price of the notes will likely decrease. The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the trading price of the notes. Because interest rates and interest rate expectations are influenced by a wide variety of factors, many of which are beyond our control, we cannot assure you that changes in interest rates or interest rate expectations will not adversely affect the trading price of the notes.

***We are not subject to the bankruptcy laws of Mexico, and certain of our assets cannot be attached by creditors***

Neither the Issuer, as a productive state enterprise of the Mexican government, nor the guarantors, as subsidiary productive enterprises of the Issuer, are subject to the Commercial Bankruptcy Act and thus cannot be declared in *concurso mercantil* or bankrupt. Under applicable Mexican law, the Issuer may be liquidated and dissolved by the Mexican Congress if it determines that the Issuer ceases to fulfill the purpose for which the Issuer was created or for any other reason. In addition, the guarantors may be liquidated and dissolved at any time by the Board of Directors, upon a proposal of the Issuer’s General Director. In the event that the Issuer is liquidated and dissolved by the Mexican Congress, or the guarantors are liquidated and dissolved as a result of a determination made by the Board

of Directors, it is uncertain whether or to what extent the rights of holders of the notes would be honored. The Mexican government does not guarantee the notes and is not required to assume or make any payments under the notes.

Under the CFE Law, real property owned by the Issuer and the guarantors is deemed to be property in the public domain, and under Articles 6 and 13 of the General Law of Public Property neither attachment prior to judgment nor attachment in aid of execution will be ordered by Mexican courts against our real property. As a result, a Mexican court would not recognize an attachment order against such assets. In addition, under the Electric Industry Law, the transmission and distribution of electric energy as a public service are reserved to the Mexican government, through us, and to that extent, the assets related thereto may be subject to immunity. As a result, the ability to enforce judgments against the Issuer or the guarantors in the courts of Mexico may be limited.

The Issuer and the guarantors have irrevocably submitted to the jurisdiction of the U.S. federal courts located in the Borough of Manhattan in The City of New York and, to the extent permitted by law, have waived immunity from the jurisdiction of these courts in connection with any action based upon the notes brought by any holder of notes. However, a holder of notes would not be able to enforce that judgment against the Issuer's or the guarantors' property in the United States except under the limited circumstances specified in the Foreign Sovereign Immunities Act. Moreover, most of the Issuer's and the guarantors' assets are located in Mexico, not in the United States. Therefore, even if a U.S. judgment against the Issuer or the guarantors were obtained, and an action to enforce that judgment were to be brought in Mexico, or an action seeking to enforce the obligations of the Issuer or the guarantor under the notes or the guaranty agreement (in respect of the notes) were brought against us in Mexico, satisfaction of those obligations may be made in Mexican pesos, pursuant to the laws of Mexico, at the rate of exchange in effect on the date on which payment is made. This rate of exchange is currently determined by *Banco de México* every business day in Mexico, based on an average of wholesale foreign exchange market quotes, and is published on *Banco de México's* website ([www.banxico.org.mx](http://www.banxico.org.mx)) and the following business banking day in the Official Gazette.

***Holders of the notes may not be able to enforce civil liabilities against us or our directors and officers***

The Issuer is a productive state enterprise of Mexico and the guarantors are subsidiary productive enterprises of the Issuer. While the Issuer and the guarantors have irrevocably submitted to the jurisdiction of the federal courts located in the Borough of Manhattan in The City of New York and, to the extent permitted by law, have waived immunity from the jurisdiction of these courts in connection with any action based upon the notes brought by any holder of notes, the Issuer and the guarantors have reserved the right to plead immunity under the Foreign Sovereign Immunities Act in actions brought against the Issuer or the guarantors under the U.S. federal securities laws or any U.S. state securities laws. Unless the Issuer or the guarantors waive their immunity against such actions, a U.S. court judgment could be obtained against the Issuer or any guarantor only if a U.S. court were to determine that the Issuer or any guarantor is not entitled to sovereign immunity under the Foreign Sovereign Immunities Act with respect to that action.

The Issuer's and the guarantors' directors and officers, as well as certain experts named in this offering memorandum, reside outside the United States, and all or a substantial portion of their assets are located outside of the United States. As a result, it may not be possible for holders of the notes to effect service of process outside Mexico upon the Issuer or the guarantors, its or their directors or officers, or those experts, or to enforce against such parties judgments of courts located outside Mexico predicated upon civil liabilities under the laws of jurisdictions other than Mexico, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or other laws of the United States.

***Mexican law does not require us to pay our foreign-currency judgments or foreign currency-denominated liabilities in a currency other than Mexican pesos***

Although our obligations to pay U.S. dollars outside Mexico are valid and enforceable, under Article 8 of the Mexican *Ley Monetaria de los Estados Unidos Mexicanos* (Mexican Monetary Law), if proceedings are brought in Mexico seeking to enforce in Mexico our obligations under the notes, whether as a result of an initial action before Mexican courts or in connection with the enforcement of a judgment issued by a non-Mexican court through a Mexican court, we would not be required to discharge such obligations in Mexico in a currency other than Mexican currency. Pursuant to such Article 8, an obligation that is payable in Mexico in a currency other than Mexican currency may be satisfied in Mexican currency at the rate of exchange in effect on the date and in the place payment occurs. Such rate currently is determined by *Banco de México* every business banking day in Mexico and published the following business banking day in the Official Gazette. It is unclear, however, whether the applicable rate of exchange applied by the Mexican court to determine the Mexican judgment currency is the rate prevailing at the time when the judgment

is rendered or when the judgment is paid. Provisions that purport to limit our liability to discharge our obligations in Mexican currency as described above, or to give any party an additional course of action seeking indemnity or compensation for possible deficiencies arising or resulting from variations in rates of exchange, will not be enforceable in Mexico.

***Payment dates with respect to the notes shall be determined in accordance with the time zone applicable to The City of New York***

All payment dates with respect to the notes, whether at maturity, upon earlier redemption or on any interest payment date, shall be determined in accordance with the time zone applicable to The City of New York. Because of time-zone differences, the interest payment date on which we make payment may not be the same business day in the applicable jurisdiction of the relevant holder of notes. In addition, deliveries, payments and other communications involving the notes are likely to be carried out through Euroclear and Clearstream, which means such transactions can only be carried out on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

***Trading in the clearing systems is subject to minimum denomination requirements***

The terms of the notes provide that notes will be issued in minimum denominations of U.S.\$ 200,000 and multiples of U.S.\$ 1,000 in excess thereof. It is possible that the clearing systems through which the notes are held may process trades which could result in amounts being held in denominations smaller than the minimum denomination. If definitive notes are required to be issued in relation to such notes in accordance with the provisions of the relevant global note, a holder who does not have the minimum denomination or any integral multiple of U.S.\$ 1,000 in excess thereof in its account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of definitive notes unless and until such time as its holding satisfies the minimum denomination requirement.

***There can be no assurance that we will make disbursements for projects with the specific characteristics described in the “Use of Proceeds” section in an amount equal to the proceeds from the sale of the notes***

We intend to allocate an amount equal to the net proceeds from the sale of the notes offering to finance or refinance, in whole or in part, new or existing Eligible Projects. See “Use of Proceeds.” However, we will retain broad discretion over the use or allocation of the net proceeds of the notes.

There can be no assurance that funds in an amount equal to the net proceeds will be totally or partially allocated to Eligible Projects or that any such Eligible Projects will be implemented in any specific manner or in accordance with a specific timetable or at all. No assurance can be given that any projects funded with the proceeds from the notes will meet investor expectations regarding green or social performance, nor can there be any assurance that any Eligible Project will lead to the results or outcomes originally declared or expected. Adverse social or environmental impacts may occur during the design, construction, commissioning and/or operation of any Eligible Projects.

Further, the trading price of the notes may be negatively impacted by any failure by us to allocate the net proceeds from the notes to Eligible Projects, take the other actions as described under “Use of Proceeds” or to otherwise meet or continue to meet the investment requirements of certain environmentally or socially focused investors with respect to the notes. The indenture pursuant to which the notes will be issued does not include covenants or agreements requiring us to allocate an amount equivalent to the net proceeds from the sale of the notes to Eligible Projects or to satisfy the reporting and other undertakings described under “Use of Proceeds—Reporting.” As a result, it will not be an event of default under the indenture or the notes if we fail to allocate an amount equivalent to the net proceeds from the sale of the notes to Eligible Projects or to satisfy the reporting and other undertakings as described under “Use of Proceeds” and holders of the notes will have no remedies under the indenture for any such failure.

Prospective investors should carefully review the information set out in this offering memorandum regarding such use of the net proceeds and must determine for themselves the relevance of such information for the purpose of any investment in the notes together with any other investigation such investor deems necessary. None of the initial purchasers for this offering, including the sustainable bond structuring agents, or the trustee are responsible for assessing or verifying whether or not the projects to which we allocate the proceeds from the notes meet the criteria described under “Use of Proceeds” or for the monitoring of the use of proceeds or assessing or verifying whether or not the Eligible Projects meet the sustainability criteria of any investor.

***There is no legal, regulatory or market definition of, or standardized criteria for, what constitutes a “green,” “social,” “sustainable” or other equivalently labeled project, and any such designations made by third parties with respect to the notes may not be suitable for the investment criteria of an investor***

There is currently no market consensus or clear definition (legal, regulatory or otherwise) of what precise attributes are required for a particular project or series of notes to be defined as “green,” “social” or “sustainable.” Certain Mexican laws and regulations define “clean energy” and “clean energy plants,” but such definitions may not necessarily meet the criteria or expectations of certain investors. Accordingly, no assurance can be given to investors that any Eligible Projects selected to receive an allocation of funds from the net proceeds of the notes will meet any or all investor expectations regarding such “green,” “social,” “sustainable” or other equivalently-labeled performance objectives, or that adverse social or environmental impacts will not occur during the design, construction, commissioning and/or operation of any Eligible Projects funded by the proceeds from the notes, that the Eligible Projects will be capable of being implemented in accordance with any timing schedule or that the Eligible Projects will not be subject to controversy or to criticism by activist groups or other stakeholders.

Further, the Eligible Projects to which we allocate the net proceeds from the offering have complex direct or indirect environmental, social or sustainability impacts and such Eligible Projects may become controversial or criticized by environmentally or socially focused investors or other stakeholders.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by us) in connection with the issuance of the Sustainable Financing Framework or the notes. For the avoidance of doubt, no such opinion or certification is, nor should it be deemed to be, incorporated into this offering memorandum. No such opinion or certification is, nor should it be deemed to be, a recommendation by CFE, any initial purchaser or any other person to buy, sell or hold the notes. Any such opinion or certification is only current as of the date that opinion or certification was initially issued, and any such opinion or certification may not reflect the potential impact of all risks related to the Eligible Projects and other factors that may affect the value of the notes. Prospective investors must determine for themselves the relevance of any such opinion or certification or the information contained therein for the purpose of any investment in the notes. To our knowledge, the providers of such opinions and certifications are not currently subject to any specific regulatory or other regime or oversight. Any withdrawal of any such opinion or certification or any additional opinion or certification attesting that we are not complying in whole or in part with any matters for which such opinion or certification is opining or certifying may have a material adverse effect on the value of the notes and/or result in adverse consequences for certain investors with mandates to invest in securities to be used for a particular purpose.

***The trading price of notes may be negatively affected to the extent that perception by investors of the suitability of the notes as “sustainable” bonds deteriorates or demand for sustainability-themed investment products diminishes***

Perception by investors of the suitability of the notes as “sustainable” bonds could be negatively affected by dissatisfaction with our compliance with the Sustainable Financing Framework for determining Eligible Projects described under “Use of Proceeds,” controversies involving the environmental, social or sustainability impact of our business or industry, evolving standards or market consensus as to what constitutes a “sustainable” bond or the desirability of investing in “sustainable” bonds or any opinion or certification as to the suitability of the notes as “sustainable” bonds no longer being in effect. The trading price of the notes may be also negatively affected to the extent demand for sustainability-themed investment products diminishes due to evolving investor preferences, increased regulatory or market scrutiny on funds and strategies dedicated to sustainability or environmental, social or governance themed investing or for other reasons.

We do not intend to list or seek admission of the notes to any green bond or similar index.



## USE OF PROCEEDS

We estimate that the net proceeds from the sale of the notes, after payment of the initial purchasers' service fees and estimated transaction expenses payable by us, will be approximately U.S.\$1,491,165,000.

We intend to allocate an amount equal to the net proceeds from the notes offering to finance or refinance, in whole or in part, new or existing Eligible Green Projects or Eligible Social Projects (together, the "Eligible Projects") pursuant to the Sustainable Financing Framework.

Pending full allocation of the net proceeds of the offering to Eligible Projects, we intend to use unallocated proceeds to refinance existing indebtedness (including the repayment of certain short term debt of the Issuer).

Certain of the initial purchasers and/or their affiliates are lenders under certain of our loan agreements that may be repaid with proceeds from this offering. In addition, certain of the initial purchasers and/or their affiliates may hold positions in any outstanding debt securities that we may elect to repurchase.

"Eligible Green Projects" are expenditures that we expect that will meet one or more of the following eligibility criteria:

- Renewable Energy: Expenditures that help supply energy from renewable and low-carbon sources. Examples of projects under this category may include, but are not limited to:
  - Construction, development, expansion, maintenance, production, refurbishment, repowering or acquisition of wind, solar, geothermal or hydroelectric energy facilities or businesses.
    - Concentrating solar power (CSP) plants will be eligible if at least 85% of electricity generated from solar sources.
    - Geothermal facilities will be eligible if their direct CO<sub>2</sub> emissions will be less than 100g CO<sub>2</sub>/kWh.
    - Hydropower facilities will be eligible (i) if in operation before 2020, if it has either a power density exceeding 5W/m<sup>2</sup> or a greenhouse gas emissions intensity lower than 100g CO<sub>2</sub>e/kWh, and (ii) if operations commenced in 2020 or after, if it has either a power density exceeding 10W/m<sup>2</sup> or a greenhouse gas emissions intensity lower than 50g CO<sub>2</sub>e/kWh.
  - The purchase of renewable energy from wind and solar power facilities, pursuant to long-term (equal to or greater than 5 years) power purchase agreements (PPAs), including those entered into prior to the issuance of the notes as well as later extensions.
  - Investments in the installation of electricity transmission lines that facilitate increased development and connection of renewable electricity generation sources.
    - Transmission lines will be eligible if they are either dedicated exclusively to renewable energy power plants or would carry at least 90% renewable energy.
- Energy Efficiency: Expenditures that relate to projects that could result in increased energy efficiency, on a best efforts basis, to ensure all projects achieve at least a 30% energy efficiency improvement. Examples of projects under this category may include, but are not limited to:
  - Financing of electric powered machinery or incorporation of energy saving technologies, including LED lighting technology.
  - Energy storage systems and smart grids.
  - Energy efficient heating, ventilation, air conditioning (HVAC), refrigeration and electrical equipment.
- Clean Transportation: Expenditures that relate to the acquisition, modernization and maintenance of our transport fleet, including transportation with zero direct emissions (*i.e.*, electric vehicles) and low GHG emissions (*i.e.*, hybrid vehicles), as well as expenditures related to the installation, acquisition, modernization and maintenance of infrastructure projects associated with electric vehicles, including charging stations. Examples of projects under this category may include, but are not limited to:

- Electric passenger and freight vehicles. To be eligible, hybrid passenger vehicles must meet a greenhouse gas emission threshold of 50gCO<sub>2</sub>/km and hybrid freight vehicles (such as heavy trucks) must meet a threshold of 25gCO<sub>2</sub>/km.
- Rolling stock and vehicles for electrified public transport, such as electrified rail, trams, trolleybuses and cable cars.
- Buses (fully electric).
- Green Buildings: Expenditures related to the acquisition, financing, construction or retrofitting of buildings in line with Green Building Standards (planning and design, energy efficiency, green roofs, water efficiency and conservation, material conservation and resource efficiency, environmental quality). A building is eligible when at least one of the following criteria is met:
  - 30% or more emissions/energy performance improvements over baseline such as ASHRAE 90.1 2010 or equivalent.
  - The level of energy performance of the building belongs to the top 15% of the national stock (based on primary energy demand and/or carbon emissions intensity).
  - Receives/targets a design, post-construction or in-use environmental certification. Eligible certification standards include LEED Gold certified or higher, BREEAM Excellent or higher, HQE Excellent or higher.

“Eligible Social Projects” are expenditures related to funding the construction, improvement, acquisition or maintenance and operation of facilities and equipment needed to provide fixed wireless broadband service in areas without availability of wired services. Examples of projects under this category may include, but are not limited to, CFE Telecomunicaciones e Internet para Todos’ expansion projects that seek to create 200,000 access points to provide internet service to 130,000 localities across Mexico by 2025.

The target population for Eligible Social Projects includes low-income and underserved populations in Mexico. The Sustainable Financing Framework’s design is based on the definition of “poverty per income” and open data collected through the Census of Population and Housing, and analyzed by The National Council for Evaluation of Social Development Policy (*Consejo Nacional de Evaluación de la Política de Desarrollo Social*) to target the most needed territories and populations.

Expenditures that qualify under the relevant criteria that were made by us or any of our subsidiaries up to 24 months prior to the issuance of the notes are considered eligible.

The examples of expenditures within the Eligible Project categories are for illustrative purposes only, and we cannot assure you that the net proceeds from the sale of the notes will be allocated to fund projects with these specific characteristics.

We will not knowingly allocate proceeds from the issuance of our Sustainable Financing Instrument to activities involving the violation of human rights. Moreover proceeds from CFE’s Sustainable Financing Instruments will not be allocated to fossil fuel related projects

### ***Process for Eligible Project Evaluation and Selection***

Selected members of CFE’s Corporate Director’s Office for Strategic Planning will select projects that align with our Sustainable Financing Framework dated January 31, 2022 (as it may be amended or supplemented, the “Sustainable Financing Framework”). These projects will subsequently be reviewed by different areas and committees, such as the Deputy Director’s Office for Investment Evaluation Projects, the Investments Commission, the Strategy and Investments Committee and, ultimately, the final allocation will be reviewed and approved by CFE’s Board of Directors. The Sustainable Financing Framework provides that Eligible Projects will be evaluated for environmental and social risks in line with company-level policies and procedures, and a business case, a financial case and an execution case will be developed for each project. On an annual basis, the Investments Commission will review the list of Eligible Green and or Eligible Social Projects against the eligibility and exclusion criteria set forth in the Sustainable Financing Framework. In the event that a project no longer meets the Eligibility Criteria, CFE will reallocate funds from the ineligible project to other Eligible Green Projects and/or Eligible Social Projects.

### ***Management of the Proceeds***

Members of the Corporate Director's Office of Finance (*Dirección Corporativa de Finanzas*) will track the amount of net proceeds from the sale of the notes spent on Eligible Projects by establishing and maintaining a specific investment folder that gathers all the expenses and documentation based on a unique project code identifier. Pending the allocation of the net proceeds of the notes to an Eligible Project, an amount equal to the unallocated balance of the net proceeds may be used to pay outstanding indebtedness, other capital management activities or will be held on CFE's balance sheet, invested in cash, cash equivalents and/or other liquid instruments, in accordance with CFE's investment policy. We intend to allocate the net proceeds from the sale of the notes within 24 months from the date of issuance. Payment of principal and interest on the notes will be made from our general account and will not be linked to the performance of any Eligible Project.

### ***Reporting***

We intend to publish a report (the "Sustainable Financing Instruments Report") within one year of the date of the issuance of the notes and annually thereafter until the net proceeds from the sale of the notes have been fully allocated. This report will include:

- i. the amount of net proceeds from the sale of the notes that have been allocated to one or more Eligible Projects, either individually or by category, subject to confidentiality considerations;
- ii. the allocation of net proceeds to financing or refinancing;
- iii. expected impact metrics, where feasible;
- iv. selection of brief project descriptions; and
- v. the outstanding amount of net proceeds to be allocated to Eligible Projects at the end of the reporting period.

This reporting policy is not a contractual obligation of CFE, and we may decide to change our reporting policy or not comply with the policy at any time.

The information and materials contained on, or accessible through, our website, including the Sustainable Financing Framework and our Sustainable Financing Instruments Report are not incorporated in, and do not form a part of, this offering memorandum. Neither the notes nor the indenture pursuant to which the notes will be issued requires CFE to use the net proceeds from the sale of the notes as described above, and any failure of CFE to comply with the foregoing will not constitute a breach of or default under the notes or the indenture governing the notes. The above description of the use of the proceeds from the sale of the notes is not intended to modify or add any covenant or other contractual obligation undertaken by us under the notes or the indenture pursuant to which the notes will be issued.

### ***External Review***

No initial purchaser has undertaken, or is responsible for, any verification of any Eligible Project or whether or not the notes constitute sustainable bonds. Investors should make their own assessment of these matters. No assurance can be given that the notes meet or will continue to meet future investor expectations in regards to environmental sustainability or transparency. See "Risk Factors—There can be no assurance that we will make disbursements for projects with the specific characteristics described in the "Use of Proceeds" section in an amount equal to the proceeds from the sale of the notes" and Risk Factors—There is no legal, regulatory or market definition of, or standardized criteria for, what constitutes a "green," "social," "sustainable" or other equivalently labeled project, and any such designations made by third parties with respect to the notes may not be suitable for the investment criteria of an investor."

## CAPITALIZATION

The following table sets forth our short-term debt and our capitalization on an actual basis as of June 30, 2024 and as adjusted to reflect the issuance and sale of the notes, but not the use of proceeds therefrom.

	As of June 30, 2024			
	Actual (in millions of Mexican pesos)	Actual (in millions of U.S. dollars) <sup>(1)</sup>	As Adjusted for this Offering (in millions of Mexican pesos)	As Adjusted for this Offering (in millions of U.S. dollars) <sup>(1)</sup>
<b>Debt</b>				
Current portion of long-term debt...	115,197	6,322	106,997	5,872
Current portion of the lease of plants, installation, equipment and PIDIREGAS .....	13,815	758	13,815	758
<b>Total short-term debt</b> .....	<b>129,012</b>	<b>7,080</b>	<b>120,812</b>	<b>6,630</b>
Long-term documented debt .....	248,078	13,615	228,945	12,565
Long-term leases of plants, installation, equipment and PIDIREGAS .....	83,613	4,589	83,613	4,589
5.700% Sustainable Notes due 2030 offered hereby <sup>(2)</sup> .....	—	—	9,111	500
6.450% Sustainable Notes due 2035 offered hereby <sup>(2)</sup> .....	—	—	18,222	1,000
<b>Total long-term debt</b> .....	<b>331,691</b>	<b>18,204</b>	<b>339,891</b>	<b>18,654</b>
<b>Total debt</b> .....	<b>460,703</b>	<b>25,284</b>	<b>460,703</b>	<b>25,284</b>
<b>Equity</b>				
Accumulated results .....	(14,864)	(816)	(14,864)	(816)
Contributions from the Mexican government .....	23,089	1,267	23,089	1,267
Contributions in kind received from the Mexican government...	95,111	5,220	95,111	5,220
Other comprehensive income .....	630,076	34,579	630,076	34,579
Non-controlling interest .....	17,250	947	17,250	947
<b>Total equity</b> .....	<b>750,662</b>	<b>41,197</b>	<b>750,662</b>	<b>41,197</b>
<b>Total capitalization (total debt plus total equity)</b> .....	<b>1,211,365</b>	<b>66,481</b>	<b>1,211,365</b>	<b>66,481</b>

(1) Mexican peso amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the Mexican peso/U.S. dollar exchange rate of Ps. 18.2215 = U.S.\$ 1.00, as published in the Official Gazette on June 29, 2024 for payment obligations due on June 28, 2024.

(2) Does not include issuance costs.

Except as set forth above, there has been no material change to our capitalization since June 30, 2024.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis is based on and should be read in conjunction with our annual financial statements and interim financial statements and related notes thereto included elsewhere in this offering memorandum and should also be read in conjunction with “Presentation of Financial Information,” “Summary—Summary Financial and Operating Information” and other financial information contained in this offering memorandum.

We prepare our financial statements in accordance with IFRS, which require our management to make certain estimates and assumptions to determine the valuation of certain items included in our financial statements and to make the appropriate disclosures therein. Although actual results may differ from such estimates, our management believes that the estimates and assumptions used were adequate under the circumstances.

### **Significant Accounting Policies**

The following is a summary of the significant accounting policies that we follow in preparing our financial information, including our financial statements included herein. See Note 3 to our 2023 annual financial statements and Note 3 to our interim financial statements.

#### ***Basis of Consolidation***

The financial information of CFE Distribución, CFE Transmisión, CFE Generación I, CFE Generación II, CFE Generación III, CFE Generación IV, CFE Generación V, CFE Generación VI, CFE Suministrador de Servicios Básicos and CFE Telecomunicaciones e Internet para Todos, our subsidiary productive enterprises, CFE Calificados, S.A. de C.V., CFE International, LLC., CFenergía, S.A. de C.V., CFE Intermediación de Contratos Legados, S.A. de C.V. and CFE Capital, S. de R.L. de C.V., our affiliate enterprises, and the three trusts over which we have control are consolidated in our financial statements for all periods presented in this offering memorandum.

#### ***Non-controlling Interest***

Changes in our ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions.

#### ***Transactions in Foreign Currency***

Foreign currency-denominated transactions are recorded at the current exchange rate on the date on which they are carried out. Foreign currency monetary assets and liabilities are valued in local currency at the exchange rate in effect at the date of the financial statements. Foreign exchange fluctuations are recorded as profit or loss as part of our financing cost.

#### ***Cash and Cash Equivalents***

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

#### ***Financial Instruments***

Financial assets (except for accounts receivable that do not contain a significant financing component) or financial liabilities are initially recorded at fair value plus, in the case of items not measured at fair value through profit or loss, the transaction costs that are directly attributable to the purchase or issuance.

IFRS 9 “Financial Instruments” establishes the requirements for the recognition and measurement of financial assets, financial liabilities and other purchase or sale contracts for non-financial items.

#### ***Derivative Financial Instruments and Hedge Accounting***

Derivative financial instruments are recognized at fair value in our statement of financial position, and changes are generally recognized through profit or loss.

The fair value of derivative financial instruments is determined using generally accepted valuation techniques. In line with the risk strategy adopted, we enter into derivative financial instruments to mitigate foreign exchange and interest rate exposure, through contracting interest-rate swaps, cross-currency swaps and foreign exchange forwards.

The effectiveness of hedge derivatives is assessed prior to their designation as hedges, as well as during the hedging period, which is reassessed at least quarterly. If the hedge is not highly effective, we cease to treat the relevant derivative financial instrument as a hedge.

We suspend cash flow hedge accounting when a derivative expires, has been cancelled or executed, is not effective enough to offset the changes in the fair value or cash flows of the hedged item, or when we decide to cease to treat the relevant derivative financial instrument as a hedge.

### ***Finance Income and Finance Costs***

Our finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortized cost or fair value through other comprehensive income;
- hedge ineffectiveness recognized in profit or loss; and
- the reclassification of net income and losses previously recognized in other comprehensive income on cash flow hedges of interest rate risk and foreign currency risk for borrowings.
- Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which our right to receive payment is established.
- The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
  - the gross carrying amount of the financial asset; or
  - the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### ***Inventory of Operating Materials and Costs of Consumption***

Inventories of operating materials are recorded at the lower of their acquisition cost or net realizable value. Operating materials inventory unit costs are calculated using the average cost method.

When required, we record provisions to recognize write-downs in the value of our inventories due to impairment, obsolescence, low turnover and other circumstances that indicate that the recovery values of the inventories are less than their carrying amounts.

## ***Plants, Facilities and Equipment***

Plants, facilities and equipment are recorded at their acquisition cost. Borrowing costs incurred in financing of both direct and general construction in progress for a period longer than six months are capitalized as part of the cost of such asset.

In addition to the acquisition costs and other costs directly attributable to preparing the asset (in order to operate in the location and conditions foreseen by our technicians), the asset cost also includes estimated retirement costs and restoring costs.

Plants, facilities and equipment used for generation, transmission and distribution of electricity are subsequently revalued to adjust such cost to fair value, net from accumulated depreciation. We have established the policy of reviewing the fair value of our fixed assets every five years. Any increase in the revaluation of those plants, facilities and equipment is recognized as a surplus in other comprehensive income, except if such increase reverts a revaluation decrease previously recognized in the results of operations, in which case the increase is credited to the results of the period to the extent it reduces the expense previously recognized. A decrease in the carrying value generated by the revaluation of those plants, facilities, and equipment is recorded in the results of operations to the extent it exceeds the revaluation in plants, facilities and equipment, if any.

Depreciation of plants, facilities and equipment used for generation, transmission and distribution of electricity is recognized in net income and calculated by using the straight-line method as of the initial operating date of assets, considering depreciation rates based on the respective useful lives of the assets. In the event of a subsequent sale or retirement of revaluated property, the revaluation surplus attributable to the revaluation reserve of the remaining properties is transferred directly to retained earnings.

Depreciation rates based on the useful lives of the assets are determined by CFE-employed specialists as follows:

	<b>Useful Life (Years)</b>
Geothermal power plants.....	27 to 50
Steam power plants.....	34 to 75
Hydroelectric power plants.....	40 to 80
Internal combustion power plants.....	34 to 75
Turbogas and combined-cycle power plants .....	34 to 75
Nuclear power plants.....	40
Substations.....	39 to 75
Transmission lines.....	34 to 75
Distribution networks .....	30 to 59

The estimated useful life, residual value and depreciation method are reviewed periodically, and the effect of any change on the estimate recorded is recognized prospectively. Capitalized replacement parts are depreciated from the time at which they are available for use.

Real property and assets allocated to offices and general services are depreciated in accordance with the following rates:

<b>Real property</b>	<b>Useful Life</b>
	<b>Years</b>
Buildings.....	20
Office furniture and equipment .....	10
Computer equipment .....	4
Transportation equipment.....	4
Other assets.....	10

Land is not depreciated.

There is a periodical evaluation to determine whether there is an indication of impairment of plants, facilities and equipment allocated to offices and general services.

## ***Intangible Assets and Other Assets***

Intangible assets acquired separately are recognized at cost and we estimate the useful life of each intangible asset. Intangibles with an indefinite useful life are classified as intangible assets with indefinite useful lives, mainly rights of way.

The other assets line item is largely comprised of security deposits provided under real estate leases, as well as guarantees provided to third parties under agreements for goods and/or services provided.

## ***Employee Benefits***

### Direct employee benefits.

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

### Pension benefits and other benefits.

We provide retirement pensions to our employees.

A defined benefit pension plan is given to employees who started their employment relationship on or before August 18, 2008, and a defined contribution pension plan applies to our employees whose employment started on or after August 19, 2008.

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

In addition, there are defined contribution pension plans established by the Mexican government, which must make contributions on behalf of workers. The pension costs for defined contribution pension plans are recognized in our results as incurred and are calculated by applying the percentages indicated in the relevant regulations on the amount of wages and eligible wages, and deposited in the retirement fund chosen by our employees and the Mexican Social Security Institute.

According to the Mexican *Ley Federal del Trabajo* (Federal Labor Law), there is a requirement to provide for a seniority premium as well as to make certain payments to staff for terminations under certain circumstances.

The cost of the defined contribution pension plans is recognized in profit or loss as they are incurred. Our net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

### Defined Benefit Plans.

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

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



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

#### Termination Benefits.

Termination benefits are expensed at the earlier of: (i) when we can no longer withdraw the offer of those benefits and (ii) when we recognize costs for a restructuring. These benefits are discounted when they are not expected to be wholly settled within 12 months of the reporting date.

#### ***Income Tax***

Income tax expense comprises current and deferred tax.

Current-year income tax is recognized as a short-term liability, net of prepayments made during the year.

Deferred tax is recognized using the asset and liability method, based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes at the date of the consolidated statement of financial position.

Deferred tax is measured at the tax rates that are expected to be in force when the assets materialize or the liabilities are settled using tax rates enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred taxes are recognized in profit or loss except for the items related to other comprehensive income.

#### ***Revenue Recognition***

Our revenue recognition policies are as follows:

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

IFRS 15 “Revenue from Contracts with Customers” establishes a complete conceptual framework for determining whether to recognize income from ordinary activities, when to recognize it and in what amount. This standard replaced the existing revenue recognition guideline, including IAS 18 “Income from Ordinary Activities,” IAS 11 “Construction Contracts” and IFRIC 13, on January 1, 2018.

Under IFRS 15, revenue is recognized when the performance obligation is satisfied. Among other requirements, IFRS 15 requires that the collectability of a contract be reasonably assured to be able to recognize the revenue under that contract. We determined that certain divisions have problems related to regularization of rates and social resistance, and our customers in those divisions no longer have the capacity or willingness to pay the amounts owed. We reassessed our contracts with those customers and have preliminarily determined that they do not meet the revenue recognition requirement prescribed by IFRS 15.

Sale of fuel: revenue is recognized when the fuel is delivered to customers.

Transmission and distribution services: revenue is recognized over time, as the public electricity transmission and distribution services are provided.

Third-party contributions: revenue from contributions received from customers to connect them to the national transmission and distribution grids is recorded in the statement of comprehensive income after their request is satisfied. This revenue is included under other revenue.

Revenue from subsidies: revenue from subsidies received from the Ministry of Finance is recognized when we receive the subsidies.

### ***Leases***

Our lease recognition policies are as follows:

We have right-of-use assets which are deemed to be leases under IFRS 16 “Leases” derived from our contracts with creditors for rentals of office space, furniture, reserved capacity gas pipelines for a fixed price, as well as contracts with independent power generation plants that provide power generation services to us.

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

#### *As a Lessee*

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

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

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

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

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

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

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

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in our estimate

of the amount expected to be payable under a residual value guarantee, if we change our assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

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

#### Short-term leases and leases of low-value assets

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

#### *As a Lessor*

We recognize lease payments received from operating leases as income on a linear basis during the lease term as part of other income.

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

#### ***Transactions with Mexican Federal, State and Municipal Governments***

The main transactions carried out with the Mexican federal, state and municipal governments and their accounting treatment are as follows:

##### (1) Transactions with the Mexican government:

- **Invested equity.** In accordance with the CFE Law and the Mexican *Ley de Ingresos de la Federación para el Ejercicio Fiscal 2024* (the “Federal Revenue Law”), the Ministry of Finance can impose a dividend payment on the invested equity which, if applicable, should be paid to the Mexican government and recorded as a decrease in equity. Similarly, the executive branch of the Mexican government can determine its reinvestment annually in entities as an equity contribution for the Issuer. The Federal Revenue Law for 2024 does not contemplate a dividend payment to the Mexican government.
- **Subsidy.** Certain electricity rates have been historically set at levels below our operating costs. To avoid absorbing the impact of subsidies granted to consumers by the Mexican government, we receive transfers from the Mexican government to compensate for the subvention of such electricity rates.

#### **Subsidy**

	<b>Six-month Period Ended</b>		<b>Year Ended December 31,</b>		
	<b>June 30,</b>		<b>2023</b>	<b>2022</b>	<b>2021</b>
	<b>2024</b>	<b>2023</b>	<b>(in millions of Mexican pesos)</b>		
Subsidy paid by the Mexican government .....	48,948.8	45,974.9	76,624.8	82,186.7	70,279.0

##### (2) Transactions with Mexican state and municipal governments:

Beginning on January 1, 2017, contributions received from the Mexican state and municipal governments to connect a customer to the grid and provide electricity are recorded as deferred income and recognized as income in

the consolidated statement of comprehensive income once we have concluded the customer connection to the grid. Once connected, certain customers are able to select between us or our competitors to supply electricity.

### ***Provisions***

Accrued liabilities are recognized when there is a present obligation, either legal or assumed, which is the result of a past event, that is likely to require the use of economic resources to settle the obligation and can be reasonably estimated.

In cases where the effect of the value of money over time is important, the amount of the provision is discounted to present value, based on disbursements we estimate will be required to settle the obligation in question. The discount rate is before tax and reflects market conditions at the time of our statement of financial position and, where appropriate, the risks specific to the liability. In the case of contingent liabilities, we recognize the corresponding provision only when an outflow of resources for its settlement is probable. In this case, the increase in the provision is recognized as financing cost.

### ***Measurement of Fair Values***

A number of our accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. We have an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements and reports directly to the CFO.

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

### ***Factors Affecting our Revenue and Expenses***

Our revenues and expenses are principally affected by economic conditions in Mexico, changes in the price of fuel oil and natural gas, fluctuations in the prevailing interest rates and changes in foreign exchange rates.

### ***Economic Conditions in Mexico***

Because our operations, facilities and customers are located in Mexico, we are affected by general economic conditions in the country. In particular, the general performance of the Mexican economy affects demand for electricity, and inflation primarily affects our business by leading to increases in wages and other operating costs, while at the same time reducing our net income if electricity prices do not increase at the same pace as inflation.

During 2021, GDP growth increased by 6.0% as compared to 2020, primarily due to the economic recovery following the COVID-19 pandemic. During 2022, GDP growth increased by 3.7% as compared to 2021, primarily due to an overall increase in industrial activities in the country, with a particular increase in manufacturing, construction, mining, energy and hydroelectric power, which was partially offset by an increase in inflation and a decline in economic activity in the United States. During 2023, GDP growth also increased by 3.2% as compared to 2022, primarily due to the stability in industrial activities, mainly driven by an activity increase in the construction sector (public and private) and nearshoring. Finally, during the six-month period ended June 30, 2024, GDP growth increased by 1.8% in annualized terms as compared to the same period in 2023, primarily due to the increasing trends in foreign direct and portfolio investment in the country.

In general, higher GDP per capita has led to higher energy consumption per capita. Given median income levels in Mexico, there is a high potential for strong electricity demand growth in the future. The projected GDP growth rate for Mexico is expected to average between 2.0% and 3.0% annually between 2024 and 2038. Future demand is expected to be driven by the projected GDP growth, which we believe that places Mexico in a unique position compared to the rest of the OECD countries.

The following table sets forth the year-over-year changes in Mexico of various economic indicators, including GDP, the national consumer price index, the national producer price index, merchandise export growth and interest rates, as well as a comparison of these changes to the changes in the demand for electricity in Mexico for the years indicated.

## Selected Economic Indicators for the Years Ended December 31, 2019 through 2023

	2019	2020	2021	2022	2023
Real GDP (% change) <sup>(1)</sup> .....	(0.4)	(8.4)	6.0	3.7	3.2
National consumer price index (% change) <sup>(2)</sup> .....	2.8	3.2	7.4	7.8	4.7
National producer price index without oil (% change) <sup>(1)</sup> .....	0.8	4.1	9.3	5.3	1.3
Merchandise export growth without oil (% change) <sup>(1)</sup> .	3.0	12.8	9.3	3.5	0.4
Interest rates (average % based on 28-day Cetes) <sup>(2)</sup> .....	7.8	5.3	4.4	7.7	11.1
Change in Electricity Demand in Mexico (% change) <sup>(3)</sup>	2.2	(2.2)	3.5	3.4	3.5

(1) Source: INEGI.

(2) Source: Banco de México.

(3) Source: PRODESEN.

### Changes in the Rates CFE Charges Consumers

The Electric Industry Law provides that the rates that we charge for regulated services are to be determined by the CRE as a general rule. In December 2017, the CRE published for the first time a schedule of consumer rates (specifically, basic supply end-users) as well as the methodology used for their determination. During 2018, following some discussions with the CRE, consumer rates were revised and the average price per kWh of our electricity retail sales during 2018 reached an average of Ps. 1.79 per kWh, an increase of 7.4%, from Ps. 1.67 per kWh during 2017. In December 2018, the CRE established the methodology to calculate consumer rates for 2019, which were established at an average price of Ps. 1.89 per kWh during 2019, and in December 2019, the CRE established the methodology to calculate the rates for 2020, which were established at an average price of Ps. 1.81 per kWh during 2020. In December 2020, the CRE updated the methodology to determine rate adjustments in 2021, which were established at an average price of Ps. 1.89 per kWh during the first three months of the year. As a result of certain injunctions granted by district courts in favor of third parties under *amparo* lawsuits against the application of the updated methodology issued by the CRE in December 2020, the methodology that had been previously established for 2019 continued to apply for purposes of determining basic power supply rates for the remainder of 2021. In December 2023, the CRE updated CFE's generation costs for the year 2024, applying key items from the 2019 methodology (particularly, in connection with the calculation of generation costs) to determine supply rates, which became effective through *Acuerdo A/073/2023*, issued on December 17, 2023. Future adjustments to the rates of regulated transmission and distribution public services are currently under discussion with the CRE. See "Comisión Federal de Electricidad—Electricity Rates" for a more detailed description of the new system.

### Changes in the Prices of Electricity, Fuel Oil and Natural Gas Paid by CFE

Our margins are substantially dependent on the prices that we charge for electricity and that we are required to pay for the fuel that powers our generation activities. For the year ended December 31, 2023, fuel oil represented 20.5% of the various fossil fuel sources on which we rely for our generation activities and natural gas represented 50.3% for a total of 70.8%. Fuel oil and natural gas, together, represented 60.8% of the cost of our fuels for the six-month period ended June 30, 2024 and 70.8% of the cost of our fuels for the year ended December 31, 2023 excluding IPPs. Although several of our generating plants can use either fuel oil or natural gas, our generation plants are generally limited to the use of a single fuel type. As a result, our ability to change fuel sources in the event of a price increase is limited.

The prices we pay for fuel oil and natural gas have been and may continue to be affected by, among other factors, the availability of fuel oil and natural gas in Mexico, our ability to enter into agreements with local companies producing or transporting fuel oil and natural gas, the prices established by the Mexican government for these products and international supply and demand. Any significant increase in fuel prices could adversely affect our results of operations and financial condition.

During the third week of February 2021, natural gas production in the southwestern United States (in particular, Texas and Oklahoma) was affected by unprecedented freezing temperatures, which caused failures in gas extraction and transportation infrastructure in the region. Although the disruption was short-lived, it resulted in a decrease of natural gas production, specifically in Texas and the Permian and Haynesville areas in the Gulf of Mexico. Decreased production resulted in significant increases in natural gas prices in Texas, which in turn caused an increase in our cost of fuels, as natural gas is an important component of CFE's fossil fuel bill. In 2021, we reported a 49.3%

increase in operating costs as compared to 2020. During the storm in Texas, CFE substituted its generation output by using its hydroelectric and thermal power plants, and by purchasing fossil fuels from alternative markets. This strategy reduced the adverse impact in energy supply to a minimum for both CFE and other private generators in Mexico, and allowed scheduled rotational power outages. CFE has implemented a financial hedging strategy to reduce the impact of future price disruptions and has since then established other strategies, which include, among others, increasing diversification of generation technologies with a focus on renewable energy sources, reducing fossil fuel dependence, increasing diversification of fuel supply and sources, and increasing fuel storage capabilities.

The Electric Industry Law provides that the rates that we charge for regulated services are to be determined by the CRE. The electricity supply rates established by the CRE reflect our anticipated production costs (including, generation costs associated to basic supply vested contracts (*contratos legados para el suministro básico*), long-term auction (*subastas de largo plazo*) agreements, and costs in the wholesale electricity market considering the local marginal prices for the short-term energy market, as well as other variables including the category and location of the consumer and the time of day that the electricity is expected to be consumed. According to the CRE's methodology, basic supply rates are comprised, in general terms, of the costs associated with transmission, distribution, CENACE and basic supplier operations and ancillary services not traded in the MEM, as well as generation charges associated, mainly, with energy and capacity. However, the Electric Industry Law also provides that the executive branch may determine a rate mechanism different from the final rates determined by the CRE for specific groups basic power supply of users. The Mexican government, through the Ministry of Finance, has set certain of our electricity rates at levels below our operating costs (if applicable, subject only to an inflation adjustment factor) in order to maintain the affordability of electricity, in particular, for our residential and agricultural customers.

### ***Changes in Interest Rates***

As of June 30, 2024, we had Ps. 1,794.0 billion (U.S.\$ 98.5 billion) in total indebtedness (including obligations in respect of PIDIREGAS and lease liabilities). Lease liabilities accounted for a total of Ps. 1,333.3 billion (U.S.\$ 73.2 billion). Of our total indebtedness, excluding lease liabilities, Ps. 460.7 billion (U.S.\$ 25.3 billion) accrued interest at floating interest rates. If the interest rates applicable to our floating rate debt increase, we will incur a corresponding increase in our interest expense, which may reduce our net income. We have entered into interest rate swaps covering 69.0% of our floating rate foreign currency-denominated debt.

### ***Changes in Exchange Rates***

Our external debt denominated in foreign currencies represented 20.1% (after hedging) of our total indebtedness, excluding lease liabilities, as of June 30, 2024. We have incurred indebtedness in several currencies, with the most substantial portion being denominated in U.S. dollars. We have entered into hedging transactions to minimize our exposure to foreign exchange risk with respect to a portion of our U.S. dollar-denominated debt, but the majority of our U.S. dollar-denominated debt is not swapped into Mexican pesos. If the Mexican peso depreciates against the U.S. dollar, we may need to apply a higher percentage of our revenues to the servicing of our U.S. dollar-denominated debt, which may reduce our net income.

### ***Labor Relations and Employee Benefits***

As of June 30, 2024, approximately 77.7% of our employees were members of the SUTERM. Historically, our relationship with the SUTERM has been cordial and respectful despite our differing interests. Every two years, we renegotiate the terms of our collective bargaining agreement with the SUTERM, while wages are reviewed on an annual basis.

In 2008, as a result of our collective bargaining negotiations with the SUTERM, we entered into a “defined contribution” employee benefits program, wherein we have agreed to establish individual retirement accounts for each employee that we hire after August 18, 2008. As currently set forth in the new collective bargaining agreement with the SUTERM, employees subject to the defined contribution plan are required to contribute 5% of their monthly salary into their individual retirement account, and we provide a corresponding contribution in the amount of 7.5% of each employee's monthly salary (although these percentages are subject to change in accordance with the terms of the collective bargaining agreement). This new program replaces our previous “defined benefits” plan, which entitled our employees to certain retirement benefits, including a pension and health insurance, which were allocated to our retired employees in amounts that corresponded, in large part, to their years of service and seniority level at CFE. The new defined contribution plan does not apply retroactively to our employees that were employed as of or prior to August

18, 2008, nor does it apply to temporary employees. Labor unrest, employee benefits obligations and labor-related lawsuits may adversely affect our business, financial condition and results of operations.

On June 19, 2024 we entered into a new collective bargaining agreement with the SUTERM for the 2024-2026 term. This new collective bargaining agreement included modifications to employee pensions, salary and benefit increases, including a 4.0% increase in daily salaries and a 4.66% increase in pensions payable to retirees. In addition, as of June 30, 2024, we reported a liability of Ps. 421.4 billion (U.S.\$ 23.1 billion) on our statement of financial position related to long-term employee benefits, which represented 21.4% of our total liabilities as of such date

### ***Competition in Supply and Generation***

As a result of the Energy Reform Decree and the enactment of the Secondary Legislation, we expect greater involvement from third parties in the power industry, which could create greater competition. The new legislation allows high margin industrial and commercial consumers to purchase electricity from other independent qualified suppliers, which could have a significant impact on our results of operations and financial performance. Increased competition in the electricity sector could adversely affect our business and financial performance.

## **Results of Operations**

### ***Six-month Period Ended June 30, 2024 Compared to Six-month Period Ended June 30, 2023***

#### ***Total Revenue***

During the six-month period ended June 30, 2024, we reported total revenue of Ps. 322.9 billion (U.S.\$ 17.7 billion), which represented a 2.9% increase as compared to our total revenue of Ps. 313.9 billion (U.S.\$ 17.2 billion) for the same period in 2023. This revenue increase was mainly due to an increase in revenues derived from electricity supply services.

During the six-month period ended June 30, 2024, we sold 106.9 TWh of electricity (excluding sales through the wholesale channel under CFE Calificados, S.A. de C.V.), which represented a 2.7% increase in total sales volume as compared to the same period in 2023 (104.0 TWh). Additionally, we had an increase in our customer accounts from 47.8 million as of June 30, 2023, to 48.6 million as of June 30, 2024.

Our revenue from electricity sales attributable to retail sales of electricity during the six-month period ended June 30, 2024 were Ps. 240.6 billion (U.S.\$ 13.2 billion) as compared to Ps. 229.8 billion (U.S.\$ 12.6 billion) for the same period in 2023. This increase was due to an increase in sales in domestic commercial, agricultural, industrial and services sectors as a result of the general reactivation of economic activities following the COVID-19 pandemic.

The average price per kWh of our electricity retail sales increased by 3.3%, from Ps. 2.13 per kWh during the six-month period ended June 30, 2023 to Ps. 2.20 per kWh during the same period in 2024.

Total revenue attributable to direct sales of electricity to each of our customer types during the six-month period ended June 30, 2024, as compared to the same period in 2023, is set forth in the following table.

## Revenue from Electricity Sales

	June 30,		% Change
	2024	2023	
<b>Customer Type</b>	<b>(in billions of Mexican pesos)</b>		
Domestic services <sup>(1)</sup> .....	52.0	48.0	8.3 %
Commercial services.....	29.4	27.8	5.9 %
Agricultural services.....	6.4	5.9	8.2 %
Industrial services .....	144.2	138.2	4.3 %
Services <sup>(2)</sup> .....	7.2	7.2	0.2 %
Other programs	1.3	1.9	(30.0)%
<b>Total sales<sup>(3)</sup> .....</b>	<b>240.5</b>	<b>229.7</b>	<b>4.7%</b>

(1) Refers to services provided to residential users.

(2) Refers to street and public lighting.

(3) Total sales do not reflect electricity that has been (i) exported, (ii) resold or (iii) sold domestically but as part of “other programs”; however, such amounts are reflected in revenue from the sale of electricity, as further described in Note 18 to our interim financial statements.

### *Total Costs*

Our total costs of generating, transmitting and distributing electricity (collectively, “operating costs”) increased by Ps. 250.8 billion (U.S.\$13.76 million), or 1.9%, during the six-month period ended June 30, 2024 as compared to the same period in 2023, primarily due to an increase in salaries, employee benefits and compensation.

Our employee benefit costs increased by Ps. 2.4 billion, or 10.4%, during the six-month period ended June 30, 2024 as compared to the same period in 2023, primarily due to the salary and employee benefit increases as a consequence of the renegotiation of the collective bargaining agreement for the 2024-2026 term.

The table below presents our total costs for the six-month period ended June 30, 2024, as compared to the same period in 2023:



## Total Costs

	Six-month Period Ended June 30,		
	2024	2023	% Change
	(in billions of Mexican pesos)		
Salaries and related costs.....	42.8	37.6	13.6 %
Energy and other fuel supplies .....	105.5	113.4	(6.9) %
Energy and other fuel supplies - Third party	8.09	10.3	(22.1)%
Maintenance, materials and general services	18.1	16.1	12.1 %
Taxes and duties .....	1.8	1.6	10.6 %
Wholesale Electricity Market costs (MEM)	1.3	1.2	3.0 %
Depreciation .....	43.8	36.8	19.1%
Employee benefit costs.....	25.2	22.8	10.4%
Other expenses .....	4.3	6.1	(30.2)%
<b>Total costs .....</b>	<b>250.8</b>	<b>246.2</b>	<b>1.9%</b>

### *Operating Results*

We had operating results of Ps.72.1 billion (U.S.\$3.9 billion) for the six-month period ended June 30, 2024 as compared to operating results of Ps.67.7 billion (U.S.\$3.7 billion) during the same period in 2023. This increase was mainly due to an increase in revenues derived from electricity supply services.

### *Total Comprehensive Financing Results, Net*

Total comprehensive financing results, net reflects interest income (including gains and losses on certain derivative instruments), interest expense, financing income or expense and foreign exchange gain or loss. We had comprehensive financing results, net for the six-month period ended June 30, 2024 of Ps. (150.8) billion (U.S.\$ (8.24) billion), as compared to a comprehensive financing results, net for the same period in 2023 of Ps. (20.4) billion (U.S.\$ 1.1 billion). This result was mainly due to due foreign exchange losses related to the 7.2% depreciation of the Mexican Peso of as compared to the same period in 2023.

The following table sets forth our total comprehensive financing results, net for the six-month period ended June 30, 2024 as compared to the same period in 2023:

### Total Comprehensive Financing Results, Net

	Six-month Period Ended June 30,		% Change
	2024	2023	
	(in billions of Mexican pesos)		
Interest expense.....	24.04	19.04	26.2%
Finance cost .....	23.95	37.00	(35.3)%
Foreign exchange (income) loss .....	102.88	(76.52)	(234)%
<b>Total comprehensive financing results, net.....</b>	<b>150.87</b>	<b>(20.50)</b>	<b>(837)%</b>

### Income Tax

We are obligated to pay income taxes based on our income, as are all corporate entities in Mexico. Our taxable income represents the difference between our taxable revenues, including profits, capital gains and passive income, and our expenses. During the six-month period ended June 30, 2024, we obtained a tax benefit of Ps. 0.7 billion (U.S.\$ 40.0 million) as a result of deferred tax assets obtained from our increased investments, as compared to monthly estimated income tax payments that amounted to Ps. 7.1 billion (U.S.\$ 391 million) during the same period in 2023.

### Net (loss) income

Net (loss) income increased to Ps. (79.5) billion (U.S.\$ 4.4 billion) during the six-month period ended June 30, 2024 from a net (loss) income of Ps. 81.1 billion (U.S.\$ 4.4 billion) for the same period in 2023. The net loss was mainly related to foreign exchange losses related to the 6.7% depreciation of the Mexican Peso of as compared to the same period in 2023.

### Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

### Total Revenue

During 2023, we reported total revenue of Ps. 639.8 billion (U.S.\$35.1 billion), which represented a 3.1% increase as compared to our total revenue of Ps. 620.8 billion (U.S.\$34.1 billion) for 2022. This revenue increase was mainly due to higher income from energy sales as result of high demand for electricity in the domestic, industrial, agricultural and commercial sectors and other income compared to the same period in 2023.

The average price per kWh of our electricity retail sales increased by 7.1% from Ps. 1.99 per kWh in 2022 to Ps. 2.12 per kWh in 2023. During 2023, our basic supplier sold 222,891.5 GWh of electricity, which represented a 3.9% increase in total sales volume as compared to 2022 (214,593.7 GWh).

Total revenue attributable to direct sales of electricity to each of our customer types during 2023, as compared to 2022, is set forth in the following table:

### Revenue from Electricity Sales

	Year Ended December 31,		% Change
	2023	2022	
	(in billions of Mexican pesos)		
<b>Customer Type:</b>			
Domestic services <sup>(1)</sup> .....	111.2	95.7	16.2%
Commercial services .....	60.3	54.4	10.8%

	Year Ended December 31,		% Change
	2023	2022	
	(in billions of Mexican pesos)		
Agricultural services .....	11.1	9.4	18.7%
Industrial services .....	289.4	261.4	10.7%
Services <sup>(2)</sup> .....	14.5	15.3	(5.1)%
<b>Total sales<sup>(3)</sup> .....</b>	<b>486.6</b>	<b>436.3</b>	<b>11.5%</b>

(1) Domestic services refers to services provided to residential users.

(2) Refers to street and public lighting.

(3) Total sales do not reflect electricity that has been (i) exported, (ii) resold or (iii) sold domestically but as part of “other programs”; however, such amounts are reflected in revenue from the sale of electricity, as further described in Note 22 to our 2023 annual financial statements.

### Total Costs

Our total costs of generating, transmitting and distributing electricity decreased by Ps. 513.6 billion (U.S.\$ 28.1 million), or 16.1%, in 2023 as compared to Ps. 611.8 billion (U.S.\$33.6 billion) in 2022, due to a reduction of energy and fuels costs and other expenses. Our costs related to energy and other fuel supplies decreased by Ps.89.7 billion, or 29.4%, in 2023 as compared to 2022, mainly due to a decrease in the price of natural gas as a consequence of the decreasing impact that the Russia-Ukraine conflict had in such prices during 2022. The table below presents our total costs for 2023.

### Total Costs

	Year Ended December 31,		% Change
	2023	2022	
	(in billions of Mexican pesos)		
Salaries and related costs .....	84.8	74.9	13.2%
Energy and other fuel supplies.....	216.0	305.8	(29.4)%
Energy and other fuel supplies - Third party .....	21.3	43.8	51.3%
Maintenance, materials and general services .....	33.3	26.8	24.3%
Taxes and duties.....	4.6	2.7	72.5%
MEM costs.....	2.6	3.0	(11.9)%
Depreciation.....	77.4	75.0	3.2%
Employee benefit costs .....	49.1	38.2	28.7%
Other expenses .....	24.4	41.7	(41.4)%
<b>Total costs .....</b>	<b>513.6</b>	<b>611.8</b>	<b>(16.1)%</b>

### Operating Results

Our operating results increased from Ps. 9.1 billion (U.S.\$497.8 million) in 2022 to Ps. 126.2 billion (U.S.\$ 6.9 million) in 2023, mainly as a consequence of a 62.2% decrease in the average price of natural gas consumed by CFE.

### Total Comprehensive Financing Results, Net

Total comprehensive financing results, net reflects interest income or expense (including gains and losses on certain derivative instruments) and foreign exchange gain or loss. Our total comprehensive financing results, net decreased from a cost of Ps. 17.7 billion in 2022 to a cost of Ps. 5.6 billion (U.S.\$ 0.3 billion) in 2023. This decrease

was primarily due to a 12.8% appreciation of the Mexican Peso during 2023. The following table sets forth our total comprehensive financing results, net for 2023 as compared to 2022:

**Total Comprehensive Financing Results, Net**

	<b>Year Ended December 31,</b>		<b>% Change</b>
	<b>2023</b>	<b>2022</b>	
	<b>(in billions of Mexican pesos)</b>		
Interest expense.....	41.4	39.3	5.5%
Finance cost .....	38.0	20.9	82.1%
Foreign exchange (income) loss .....	(73.9)	(42.5)	73.9%
<b>Total comprehensive financing results, net.....</b>	<b>5.6</b>	<b>17.7</b>	<b>(68.4)%</b>

*Income Tax*

We recognized a Ps. 24.5 billion (U.S.\$ 1.3 million) income tax expense in 2023, as compared to an income tax expense of Ps. 7.1 billion in 2022. The income tax expense increase of Ps. 17.4 billion (U.S.\$ 1.0 million) as of December 31, 2023 was mainly due to an increase in current income tax and deferred income tax derived from employment obligations.

*Net (Loss) Income*

Net (loss) income decreased from net loss of Ps. 15.7 billion in 2022 to a net loss of Ps. 96.1 billion (U.S.\$ 5.3 billion) in 2023. This decrease was primarily due to the foreign exchange gain as result of a 12.8% appreciation of the Mexican Peso during 2023. See “—Factors Affecting our Revenue and Expenses.”

**Year Ended December 31, 2022 Compared to Year Ended December 31, 2021**

*Total Revenue*

During 2022, we reported total revenue of Ps. 620.8 billion, which represented a 9.6% increase as compared to our total revenue of Ps. 566.7 billion for 2021. This revenue increase was mainly due to an increase in energy demand.

The average price per kWh of our electricity retail sales increased by 6.5%, from Ps. 1.86 per kWh in 2021 to Ps. 1.98 per kWh in 2022. During 2022, our basic supplier sold 214,594 GWh of electricity, which represented a 3.9% increase in total sales volume as compared to 2021 (206,542 GWh).

Total revenue attributable to direct sales of electricity to each of our customer types during 2022, as compared to 2021, is set forth in the following table:

**Revenue from Electricity Sales**

	<b>Year Ended December 31,</b>		<b>% Change</b>
	<b>2022</b>	<b>2021</b>	
	<b>(in billions of Mexican pesos)</b>		
<b>Customer Type:</b>			
Domestic services <sup>(1)</sup> .....	95.7	87.8	9.0%
Commercial services .....	54.4	48.1	13.1%
Agricultural services .....	9.4	8.0	17.1%
Industrial services .....	261.4	225.3	16.0%
Services <sup>(2)</sup> .....	15.3	13.4	14.0%

	Year Ended December 31,		% Change
	2022	2021	
	(in billions of Mexican pesos)		
<b>Total sales<sup>(3)</sup></b> .....	<b>436.3</b>	<b>382.7</b>	<b>14.0%</b>

(1) Domestic services refers to services provided to residential users.

(2) Refers to street and public lighting.

(3) Total sales do not reflect electricity that has been (i) exported, (ii) resold or (iii) sold domestically but as part of “other programs”; however, such amounts are reflected in revenue from the sale of electricity, as further described in Note 23 to our 2023 annual financial statements.

### *Total Costs*

Our total costs increased by 1.6% in 2022 as compared to 2021 due to the increase in prices caused by the Russia-Ukraine conflict, and the sanctions imposed by the United States to Russian fuel exports. The table below presents our total costs for 2022 as compared to 2021:

	Year Ended December 31,		% Change
	2022	2021	
	(in billions of Mexican pesos)		
Salaries and related costs .....	74.9	71.5	4.8%
Energy and other fuel supplies.....	305.8	262.0	16.7%
Energy and other fuel supplies - Third party .....	43.8	62.3	(29.7)%
Maintenance, materials and general services .....	26.8	21.4	25.2%
Taxes and duties.....	2.7	2.3	15.4%
MEM costs.....	3.0	3.3	8.1%
Depreciation.....	75.0	69.2	8.4%
Employee benefit costs .....	38.2	45.9	(16.8)%
Other expenses .....	41.7	64.3	(35.2)%
<b>Total costs</b> .....	<b>611.8</b>	<b>602.1</b>	<b>1.6%</b>

### *Operating Results*

Our operating results increased from Ps. (35.5) billion in 2021 to Ps. 9.1 billion in 2022, mainly as a consequence of an increase in sales of energy, subsidies and savings in energy and other fuels supplies (third party) and other expenses.

### *Total Comprehensive Financing Results, Net*

Total comprehensive financing results, net reflects interest income or expense (including gains and losses on certain derivative instruments) and foreign exchange gain or loss. Our total comprehensive financing results, net decreased from a cost of Ps. 75.8 billion in 2021 to a cost of Ps. 17.7 billion in 2022. This decrease was primarily due to the 5.7% appreciation of the Mexican Peso compared to the same period 2021 .

The following table sets forth our total comprehensive financing results, net for 2022 as compared to 2021:

**Total Comprehensive Financing Results, Net**

	Year Ended December 31,		% Change
	2022	2021	
	(in billions of Mexican pesos)		
Interest expense.....	39.3	49.3	20.3%
Finance cost .....	20.9	8.9	133.7%
Foreign exchange (income) loss .....	(42.5)	17.6	(341.1)%
<b>Total comprehensive financing results, net.....</b>	<b>17.7</b>	<b>75.8</b>	<b>(76.7)%</b>

*Income Tax*

We recognized a Ps. 7.1 billion income tax expense in 2022, as compared to an income tax benefit of Ps. 5.0 billion in 2021. The income tax expense increase of Ps. 12.1 billion as of December 31, 2022 was mainly due to deferred income tax from labor costs and deferred tax from fixed assets.

*Net Loss*

Net loss decreased from Ps. (106.3) billion in 2021 to Ps. (15.7) billion in 2022. This decrease in net income was primarily due to the increase of revenues as a result of increased energy sales of 52.9 billion pesos in the industrial, domestic and commercial sectors. This increase is mainly attributable to (i) the increased demand from post-COVID economic recovery, (ii) Mexico's competitiveness in attracting new investments in the face of nearshoring and (iii) Mexico's reliable supply in global manufacturing and service chains.

**Liquidity and Capital Resources**

We have experienced, and expect to continue to experience, substantial liquidity and capital resource requirements, principally in order to finance the construction and maintenance of our electrical generation facilities, transmission and distribution substations and power-line grids and to service our outstanding debt. In the past, we have generally met our liquidity and capital resource requirements primarily from cash flow generated by our operating activities and borrowings. For the six-month period ended June 30, 2024, our net cash flow provided by operating activities was Ps.120.2 billion (U.S.\$ 6.6 billion). Our cash flow used in investment activities during the six-month period ended June 30, 2024 was Ps. 74.9 billion (U.S.\$ 4.1 billion), which left us, after cash flows used in financing activities of Ps. (22.6) billion (U.S.\$ 1.2 billion), with an increase in cash and cash equivalents of Ps. 52.3 billion (U.S.\$ 2.9 billion). For the year ended December 31, 2023, our net cash flow provided by operating activities was Ps. 212.6 billion (U.S.\$ 11.7 billion). Our cash flow used in investment activities during 2023 was Ps. 117.5 billion (U.S.\$ 6.4 billion), which left us, net cash from financing activities of Ps. 106.7 billion (U.S.\$ 5.9 billion), with an increase in cash and cash equivalents of Ps. 10.7 billion (U.S.\$ 0.6 billion).

As of June 30, 2024, we had working capital of Ps. 750.7 billion (U.S.\$ 41.2 billion) and as of December 31, 2023, we had working capital (total current assets less total current liabilities) of Ps. 758.6 billion (U.S.\$ 41.6 billion). The decrease in our working capital was primarily due to an increase of short term debt as result of the revamping of hydroelectric plants.

The following table sets forth the maturity composition of our short- and long-term debt as of June 30, 2024, excluding bank loans, IPPs and interest:

**CFE's Contractual Maturities**

(as of June 30, 2024)

(in billions of Mexican pesos)

	<b>Total</b>	<b>Less than one year</b>	<b>More than 1 year and less than 3 years</b>	<b>More than 3 years and less than 5 years</b>	<b>More than 5 years</b>
Documented debt	<b>288.0</b>	39.9	58.7	50.6	138.8
PIDIREGAS	<b>97.4</b>	13.8	20.3	11.2	52.1
<b>Total</b>	<b>385.4</b>	<b>53.7</b>	<b>79.0</b>	<b>61.8</b>	<b>190.9</b>

We have a total amount of Ps. 385.4 billion (U.S.\$ 21.2 billion) in debt that will come due in less than a year from June 30, 2024, some of which may be refinanced with the proceeds from newly issued debt.

The major categories of our indebtedness, excluding lease liabilities, are as follows:

<b>Total Indebtedness</b>			
	<b>As of June 30,</b>	<b>As of December 31</b>	
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>(in billions of Mexican pesos)</b>		
Bank loans	75.3	48.2	64.0
Documented debt	39.9	39.4	18.0
PIDIREGAS debt	13.8	13.1	13.1
<b>Total short-term debt</b>	<b>129.0</b>	<b>100.7</b>	<b>95.1</b>
Documented debt	248.1	226.3	251.0
PIDIREGAS debt	83.6	84.9	104.4
<b>Total long-term debt</b>	<b>331.7</b>	<b>311.2</b>	<b>355.4</b>
<b>Total debt<sup>(1)</sup></b>	<b>460.7</b>	<b>411.9</b>	<b>450.5</b>

(1) Refers to total registered public debt, which does not include obligations for capital leases associated with IPPs.

This section describes our material indebtedness incurred after June 30, 2024. For a breakdown of our indebtedness, excluding lease liabilities, by currency, see Note 13 to our interim financial statements and Note 13 to our 2023 annual financial statements.

During August, 2024, we issued U.S.\$2.4 billion short-term Cebures under our first revolving program for up to Ps. 25,000 million. The proceeds obtained from this issuance will be used to finance short-term working capital needs, as well as to refinance outstanding bank facilities.

After giving effect to our hedging derivatives, as of June 30, 2024, 43.6% of our total indebtedness, excluding lease liabilities and trust investing financing, was denominated in Mexican pesos and 56.4% was denominated in other currencies (primarily U.S. dollars). After giving effect to our hedging derivatives, as of December 31, 2023, 48.5% of our total indebtedness, excluding lease liabilities and trust investing financing, was denominated in Mexican pesos and 51.5% was denominated in other currencies (primarily U.S. dollars). As of June 30, 2024, 56.4% of our total indebtedness, excluding lease liabilities and trust investment financing, was denominated in Mexican pesos and 43.6% was denominated in other currencies (primarily U.S. dollars). As of December 31, 2023, 28.4% of our debt obligations,

excluding lease liabilities and trust investment financing, bore interest at floating rates, after hedging. We have not pledged any assets as collateral for our debt.

### Conditioned Investment Liabilities (IPPs)

In addition to our indebtedness discussed above, as of June 30, 2024, we had 34 IPP contracts with lease characteristics of power generating plants in accordance with IFRIC 4 “Determination if an agreement contains a lease” and IFRIC 12 “Service Concession Agreements.” In turn, those leases qualify as financial leases in accordance with IAS 17, “Leases,” which requires that we capitalize all leases for which we are the sole beneficiary of the leased asset. The annual interest rate on those lease agreements is 11.02% on average.

In addition to the 33 contracts with IPPs for fossil-fuel power plants, we had six other contracts for wind facilities with IPPs in operation. Unlike the other 33 IPP contracts, these contracts for wind facilities are not considered financial leases as we pay only for wind power actually generated and delivered. In addition, we have entered into contracts with third-party suppliers for services related to liquefied natural gas and coal that are not considered financial leases under IFRS.

### Capital Expenditures and Investment

Since 2006, CFE has gradually increased its installed capacity. We estimate that, with our current installed capacity, the projects that are currently under construction and the new projects approved by our Board of Directors, we and the private sector participants can satisfy the demand for electricity in Mexico for the next 15 years in accordance with PRODESEN. As of June 30, 2024, our installed capacity (our own, IPP and LTAs) was 70,392 MW, an increase of 251 MW from the installed capacity as of December 31, 2023.

The following table illustrates the growth in our installed capacity since 2019 as well as the change in our generation of electricity:

	Installed Capacity As of December 31,	Generation As of December 31,
	(MW)	(TWh)
2019	66,564	236.9
2020	67,696	216.0
2021	68,253	231.4
2022	68,603	247.1
2023	70,141	262.0
2024*	70,392	123.5

\* As of June 30, 2024.

Our total capital expenditures for 2024, approved as part of the Federal Budget for 2024 amount to up to Ps. 56.7 billion (U.S.\$ 3.1 billion) in investments and include allocations for the following items: up to Ps. 19.0 billion (U.S.\$ 1 million) for PIDIREGAS electricity generation projects and maintenance of our generation infrastructure; up to Ps. 9.5 billion (U.S.\$ 0.5 million) for the improvement and expansion of our transmission grid, and up to Ps. 9.7 billion (U.S.\$ 0.5 million) for the improvement and expansion of our distribution grid and commercialization.

### Long-Term Productive Infrastructure Projects (PIDIREGAS)

An important component of our capital expenditures are PIDIREGAS. Because of federal budgetary constraints, in 1996, the Mexican government sought private sector participation in the building and financing of PIDIREGAS in the electricity sector. The Mexican government approved the designation of certain infrastructure projects as PIDIREGAS. This designation means that these projects are treated as off-balance sheet items for annual Mexican government budgetary purposes, until delivery of the completed project to us or until our payment obligations begin under the contract, and are excluded from across-the-board Mexican government budget reductions.

The Mexican *Ley Federal de Deuda Pública* (Federal Law of Public Debt) and the *Ley Federal de Presupuesto y Responsabilidad Hacendaria* (Federal Law of Budget and Fiscal Accountability) define the PIDIREGAS legal framework. Article 18 of the Federal Law of Public Debt outlines the treatment of financial



obligations under PIDIREGAS, defining as a direct liability the amounts payable under a financing during the current and immediately following fiscal years, and the remaining amounts as a contingent liability until its full payment. Article 32 of the Federal Law of Budget and Fiscal Accountability grants PIDIREGAS preferential and priority treatment for inclusion in the Mexican government's budget in future years, until the full payment of a project's costs. The distinction between PIDIREGAS and non-PIDIREGAS expenditures on the budget of the Mexican government (which includes the expenditures of the various decentralized public entities) is important in that, due to the private financing of PIDIREGAS projects during the planning and construction stages, they are immune from across-the-board budget cuts by the Mexican Congress, while non-PIDIREGAS investments are not.

PIDIREGAS has three stages:

- The Mexican government identifies a project as a PIDIREGAS and authorizes expenditures related to their development by the private sector;
- Private sector companies, in cooperation with us, build and deliver the project to us; and
- We, with the Mexican government's authorization, pay all amounts owing to contractors and make final payments to receive delivery of the completed project, and then record as a liability the full principal amount of all indebtedness incurred to finance the project.

Compliance with the Mexican government's financial reporting standards and the Guidelines for the Accounting Treatment of Investments in Long-Term Productive Infrastructure Projects (Technical Release NIF-09-B), which outlines the accounting and budgetary treatment applicable to PIDIREGAS, is mandatory during the construction period and after delivery of the PIDIREGAS. In accordance with IFRS, all of the accounts, expenditures and liabilities related to PIDIREGAS are incorporated into our financial statements.

There are currently two types of PIDIREGAS projects: conditioned investment (IPPs) and direct investment (OPFs). These two primary private investment programs address the two central needs of CFE: generation and transmission.

*Productores Externos de Energía (Independent Power Producer Program).* The IPP program allows private companies to bid to construct and operate a generation plant in Mexico and sell the generated power to CFE. Under the program, CFE enters into a long-term agreement (up to 25 years) under which the private producer is responsible for the construction, operation and maintenance of the generation facility during the life of the contract and CFE is obligated to purchase the electricity produced by that facility. Power purchase agreements under the IPP program are subject to certain options or obligations to buy the underlying generation asset as a result of certain events such as force majeure, restructuring of the market or events of default. The IPP program helps CFE meet generation demands without the costs of construction and maintenance. The IPP program also allows CFE to obtain competitive prices for the purchased energy through an international bidding process. Pursuant to IFRS, 28 of our contracts with IPPs are reported as financial leases in our financial statements.

*Obra Pública Financiada (Financed Public Works Program).* The OPF program addresses our infrastructure needs with respect to the transmission and distribution of electrical energy and for generation projects that cannot be structured as IPPs. CFE enters into relatively short-term agreements (1-2 years) under which a private company is responsible for the construction of a project, but not for its ongoing operation and maintenance. International bidders place their bids to receive a total payment upon the completion of the project involved. The main advantage of this program is the avoidance of potential risks relating to the development of the project that may arise during the construction stage, such as risks relating to cost escalation and failure of the completed project to meet the technical specifications. As with IPPs, we are able to secure competitive prices for the OPFs as a result of an international bidding process.

The table below sets forth a comparison between IPPs and OPFs.

<b>IPP Program</b>	<b>OPF Program</b>
<ul style="list-style-type: none"> <li>• Used for generation projects, excluding hydroelectric plants.</li> </ul>	<ul style="list-style-type: none"> <li>• Generally used for transmission lines and substations.</li> </ul>

**IPP Program**

- Projects are awarded through international bidding process to bidder who offers lowest kWh price for the sale of electricity to CFE.
- Winning bidder becomes fully responsible for the financing and construction of the plant.
- CFE and the bidder sign an agreement for commitment of electrical power generation capacity and purchase of associated electrical power by CFE for up to 25 years commencing upon commercial operation of the plant.
- Bidder remains the sole owner of the project assets and plant operator.

**OPF Program**

- Projects are awarded through international public bidding process to bidder that offers the lowest project development price.
- Winning bidder becomes fully responsible for the construction of the project under a “turnkey” contract and the financing of the project during the construction stage.
- At the end of construction and upon acceptance of the work by CFE, the ownership of the project is transferred to CFE and CFE pays the bidder the full contract price.

Currently, three new power plants are being built, which together are expected to add an additional 1,389 MW of installed capacity.

***Recent developments with respect to PIDIREGAS***

During the first half of 2024, we expect to complete the construction of “Guerrero Negro IV,” a combined-cycle power generation plant located in the State of Baja California Sur, which is expected to have an installed capacity of 8 MW. The construction is being completed under the PIDIREGAS scheme and, therefore, we are not incurring capital expenditures for purposes of the construction.

**Derivatives and Hedging*****Foreign Exchange Rate Risk***

A substantial part of our indebtedness, excluding lease liabilities and trust investing financing (20.1% (after hedging) as of June 30, 2024) is denominated in foreign currencies, mostly U.S. dollars, and we have very limited assets and revenues denominated in U.S. dollars. As a result, we are exposed to the risk of depreciation of the Mexican peso. As of December 31, 2023, our U.S. dollar-denominated indebtedness, including our U.S. dollar-denominated obligations in respect of our PIDIREGAS debt, amounted to Ps. 363.7 billion (U.S.\$ 20.0 billion).

To offset the foreign exchange rate risk, we enter into derivative financial instruments with large financial institutions to minimize the impact of fluctuations in exchange rates on our indebtedness. These derivative instruments typically consist of cross-currency swaps in which we pay Mexican peso amounts based on Mexican peso interest rates and receive U.S. dollar amounts based on U.S. dollar interest rates. As of June 30, 2024, we had outstanding cross-currency swaps covering foreign currency liabilities, excluding lease liabilities and trust investment financing, of Ps. 385.4 billion (U.S.\$ 21.2 billion), including our U.S. dollar-denominated PIDIREGAS debt.

Our Japanese yen-denominated debt, as of December 31, 2023, amounted to Ps. 4.9 billion (U.S.\$ 269.5 million) or 2.3% of our total indebtedness, excluding lease liabilities. In 2012, we also entered into derivative financial instruments to offset the foreign exchange rate risk of our ¥ 32 billion private placement. This derivative financial instrument consists of a foreign exchange forward string purchase contract under which we have agreed to purchase Japanese yen at a fixed U.S. dollar exchange rate during the established transaction term. We have also purchased a call option for the purchase of Japanese yen at the end of this transaction term. The mark-to-market value of this transaction is a liability of Ps. (1,058,970) million (U.S.\$ (58,116.5) million) as of December 31, 2023. For further discussion relating to our derivative and hedging transactions, see Note 11 to our interim financial statements and Note 11 to our 2023 annual financial statements.

### ***Interest Rate Risk***

A substantial part of our indebtedness, excluding lease liabilities, trust investment financing, bears interest at variable rates (29.1% and 31.0% as of June 30, 2024, before and after hedging, respectively). As a result, we are exposed to risks from changing interest rates.

We enter into derivative financial instruments with large financial institutions to minimize the impact of fluctuations in variable interest rates on our indebtedness. The types of derivative instruments we have typically entered into in recent periods include interest-rate swaps (in which we generally pay amounts based on fixed interest rates and receive amounts based on variable interest rates). The general effect of these swaps is to replace an obligation to pay variable-rate interest on our debt with an obligation to pay fixed-rate interest.

The fair value of our derivative instruments for hedging purposes was a liability of Ps. (8.1) billion (U.S.\$ (0.4) million) as of June 30, 2024.

Our use of derivatives varies from time to time, depending on our judgment about our level of exposure to exchange rate and interest rate risks, and the costs of derivative instruments. The aggregate notional amount of our interest-rate swaps may be greater or less than the principal amount of our debt, and we may discontinue hedging at any time. We review and change our derivatives positions regularly, and our derivatives policies change from time to time. Under IFRS, we account for our interest rate swaps on a fair value basis. See Note 10 to our interim financial statements and Note 11 to our 2023 annual financial statements.

### ***Off Balance Sheet Arrangements***

We do not have any off-balance sheet arrangements that are reasonably likely to have a material effect on our financial condition, operating results, liquidity or capital resources.

## COMISIÓN FEDERAL DE ELECTRICIDAD

### Overview

We are an electric power company operating as a productive state enterprise of the Mexican government and, following the energy reform described below, we remain 100% owned by the Mexican government. We generate approximately 72% of the electricity consumed in Mexico, which includes electricity generated by independent power producers (“IPPs”), and we are solely responsible for the transmission and distribution of electricity for public service purposes throughout Mexico. The remaining 28% of electricity is generated by Petróleos Mexicanos (“PEMEX”) for self consumption, a productive state enterprise of the Mexican government that is engaged in exploration, production, refining and marketing of oil and gas, and by private producers. As of June 30, 2024, we provided electricity to over 48.6 million customer accounts, which we estimate represented 99.5% coverage of the Mexican population.

We were created in 1937 by presidential decree, and then converted by the Mexican Congress in 1949 into an *organismo público descentralizado de la Administración Pública Federal* (a decentralized public entity of the Mexican government). Pursuant to the CFE Law, in accordance with the Energy Reform Decree and Secondary Legislation (each as defined below), we were converted into an *empresa productiva del Estado* (a productive state enterprise) in October 2014, subject to a new legal regime and with a corporate purpose of creating economic value for the Mexican government as its owner. In addition, pursuant to Mexican Constitution, the Electric Industry Law and the CFE Law, in 2016, we undertook a vertical and horizontal separation of each of our key electric sector activities — electricity generation, transmission, distribution and commercialization — through the creation of nine *empresas productivas subsidiarias* (subsidiary productive enterprises) and four *empresas filiales* (affiliate enterprises). On August 2, 2019, we created CFE Telecomunicaciones e Internet para Todos, a new subsidiary productive enterprise. See “Comisión Federal de Electricidad—General Regulatory Framework—Organizational Structure of CFE.”

On December 20, 2013, amendments to Articles 25, 27 and 28 of the Mexican Constitution were published as the Energy Reform Decree in the Official Gazette, which took effect on December 21, 2013 (the “Energy Reform Decree”). The Energy Reform Decree outlines the general framework for the Secondary Legislation. On August 11, 2014, the secondary legislation relating to the Energy Reform Decree (the “Secondary Legislation”) was published in the Official Gazette. The Secondary Legislation includes nine laws including, among others, the new CFE Law and the Electric Industry Law. On October 31, 2014, the President of Mexico published in the Official Gazette 26 regulations and amendments regarding the Secondary Legislation including, among others, the Regulations to the CFE Law and the Regulations to the Electric Industry Law. On March 9, 2021, certain amendments to the Electric Industry Law were enacted and published in the Official Gazette (the “Electric Industry Law Amendments”). However, The Electric Industry Law Amendments were challenged through several *amparo* proceedings and, on January 31, 2024, the Mexican Supreme Court (*Suprema Corte de Justicia de la Nación*) declared a number of its articles void and unconstitutional.

On February 5, 2024, the Mexican President proposed 20 constitutional reforms relating, among other things, to (i) strategic state industries, (ii) administrative organic simplification and (iii) judicial reform, among others (collectively, the “Proposed Constitutional Reforms”). The judicial reform, which represents a major overhaul of the judiciary system in Mexico was enacted on September 15, 2024 and is expected to be gradually implemented pursuant to secondary legislation. See “Comisión Federal de Electricidad—General Regulatory Framework” for more details regarding the laws and regulations applicable to us.

We have undertaken several steps aimed at consolidating our organizational and operational structure, including the following measures:

- we have taken advantage of our financing mechanisms, such as *Fideicomiso Maestro de Inversion* (the “Master Investment Trust”), the Clean Energy Trust and the Conventional Power Trust (each as defined below and described under “—Business Strategy—Business Plan”), as well as co-investments, joint ventures and public-private partnerships;
- we created a Fibra E (*fideicomiso de inversión en energía e infraestructura* number CIB/2919, which issues CBFES under the ticker symbol “FCFE”) through our affiliate CFECapital, S. de R.L. de C.V. Our Fibra E aims to attract new private investors to finance infrastructure investments in energy generation, transmission and distribution projects and has the benefit of (i) increasing our equity, (ii) not being considered part of our public indebtedness, and (iii) allowing us to retain ownership and control over strategic assets. In February 2018, our Fibra E conducted an offering of *certificados bursátiles fiduciarios de inversión en energía e infraestructura*

(“CBFEs”) to finance transmission projects. In the future, our Fibra E may offer to sell additional CBFEs to finance generation, transmission and distribution projects. As of June 30, 2024, the price of the Fibra E CBFEs was Ps. 25.15 pesos; and

- we reduced our generation costs by converting certain plants that use fuel oil to natural gas.

See “Comisión Federal de Electricidad—General Regulatory Framework—Mexican Energy Reform.”

The Electric Industry Law provides that the rates that we charge for regulated services are to be determined by the *Comisión Reguladora de Energía* (the “CRE”). The regulated power supply rates we currently charge are determined by the Mexican government: by the CRE for commercial, public service (*alumbrado público*) and industrial customers; and by the Ministry of Finance for agricultural and residential customers. These electricity supply rates established by the CRE reflect our anticipated production costs (including generation costs associated with basic supply vested contracts (*contratos legados para el suministro básico*), long-term auction (*subastas de largo plazo*) agreements, and costs in the wholesale electricity market considering the local marginal prices for the short-term energy market), as well as other variables including the category and location of the consumer and the time of day that the electricity is consumed. According to the CRE’s methodology, basic supply rates are comprised, in general terms, of the costs associated with transmission, distribution, CENACE and basic supplier operations and ancillary services not traded in the *Mercado Eléctrico Mayorista* (Wholesale Electricity Market, or the “MEM”), as well as generation charges, particularly, generation charges associated with energy and capacity. However, the Electric Industry Law also provides that the federal government may determine a rate mechanism that differs from the final rates set by the CRE for specific groups of basic power supply users. The Mexican government, through the Ministry of Finance, has set some of our electricity rates at levels below our operating costs (if applicable, subject only to an inflation adjustment factor) in order to maintain the affordability of electricity, in particular, for our agricultural and most of our residential customers.

Generally, basic supply consumer rates are calculated based on the regulated rates applicable to transmission and distribution activities as well as ancillary services that are not traded in the MEM, certain generation costs, the operation tariff of CENACE and the corresponding basic power supplier (*suministrador de servicios básicos*) and the subsidy from the Mexican government. The energy and capacity costs in consumer final rates are calculated month by month according to market and contractual factors and variables.

*Suministradores calificados* (qualified suppliers) duly registered with the CRE are permitted to compete with us by supplying electricity to the load points (*centros de carga*) of *usuarios calificados* (qualified users) (which, as a general rule, are users with a demand of more than 1 MW) at unregulated rates of such qualified users and by representing exempt generators (*generadores exentos*) (*i.e.*, those generators that do not require a generation permit since the installed capacity of their power plants is less than 0.5 MW) in the MEM. As of June 30, 2024, there were 58 registered qualified suppliers with the CRE.

## ***Our Business***

Our business is divided into four main areas: generation, transmission, distribution and commercialization. Pursuant to the 2024-2038 *Programa de Desarrollo del Sistema Eléctrico Nacional* (“PRODESEN”) prepared by the *Secretaría de Energía* (the “Ministry of Energy”) of the Mexican government, we generate approximately 72% of the electricity consumed in Mexico, including IPPs. We have a 100% market share of the public transmission and distribution markets. As of June 30, 2024, we had a 100% market share of the basic supply market and a 25.6% market share of the qualified supply market. We are the largest electrical company in Latin America and the largest clean energy generator in Mexico, as measured by installed generation capacity, as well as the largest company in Mexico as measured by total assets and the fifth largest company in Mexico as measured by total revenues as of December 31, 2023.

We continually invest in electricity generation, transmission and distribution infrastructure in order to address Mexico’s growing electricity demand. In 2023, we paid a net amount of Ps. 95.1 billion (U.S.\$5.2 billion) for the acquisition of plants, facilities and equipment, and as of the six-month period ended June 30, 2024, we had paid a net amount of Ps. 45.3 billion (U.S.\$2.5 billion) for the acquisition of plants, facilities and equipment. The Board of Directors defines our five-year business plan, determines our annual budget and approves investment priorities and projects. Our *balance financiero* (financial condition target), *techo de gasto de servicios personales* (expenditure ceiling) and *techo de endeudamiento neto* (net debt ceiling) are updated annually and require the approval of the Mexican Congress. Our investment budget for 2024, approved as part of the Mexican Federal Budget for 2024, is

approximately Ps. 56.7 billion (U.S.\$3.4 billion) of which Ps. 45.3 billion (U.S.\$2.5 million) had been invested as of June 30, 2024.

Our service area is divided into 16 regions and extends to some of the most remote regions of Mexico.



Source: CFE.

The majority of our electricity generation activities (including nuclear, coal-fired and geothermal) are undertaken *through* thermal and hydroelectric power plants. A small percentage of our electricity generation comes from other sources, including wind and photovoltaic power plants. Since 1992, IPPs have been permitted under Mexican law to build and operate electricity generation plants in Mexico and sell the generated power exclusively to us.

As of June 30, 2024, our total debt, including obligations regarding our documented debt, *Proyectos de Inversión de Infraestructura Productiva con Registro Diferido en el Gasto Público* (“PIDIREGAS”, see “Capital Expenditures and Investment—Long-Term Productive Infrastructure Projects (PIDIREGAS)”) and debt incurred under our trust investment financings was Ps. 460.7 billion (U.S.\$25.3 billion). In addition, on December 2023 and July 2023 we issued a total of Ps. 20 billion (U.S.\$ 1.1 billion) aggregate principal amount of *certificados bursátiles* (“Cebures”).

Our total equity was Ps. 750.7 billion (U.S.\$ 41.2 billion) and our total assets were Ps. 2.7 trillion (U.S.\$ 149.3 billion) as of June 30, 2024. For further information on our existing indebtedness, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

Our total revenue and net loss for the six-month period ended June 30, 2024 were Ps. 322.9 billion (U.S.\$ 17.7 billion) and Ps. (79.5) billion (U.S.\$ 4.4 billion), respectively, as compared to Ps. 313.9 billion (U.S.\$ 17.2 billion) of total revenue and Ps. 81.1 billion (U.S.\$ 4.5 billion), of net gain in the same period in 2023. This change is mainly driven by foreign exchange losses as a result of the depreciation of the Mexican Peso.

Our total revenue and net gain for 2023 were Ps. 639.8 billion (U.S.\$ 35.1 billion) and Ps. 96.2 billion (U.S.\$ 5.3 billion), respectively. Our total revenue and net income for 2022 were Ps. 620.9 billion and Ps. (15.7) billion, respectively. Our total revenue and net income (loss) for 2021 were Ps. 566.7 billion and Ps. (106.3) billion respectively. For the years 2021 and 2022, this result was mainly affected by higher operation costs, whereas the recovery shown for 2023 was mainly driven by cost stabilization following the COVID-19 pandemic.

## Business Strategy

In 2023, our Board of Directors approved our 2024-2028 Business Plan, as a continuation of our 2023-2027 Business Plan, which includes:

- a reiteration of our mission for CFE, to provide the energy required for Mexico’s economic and social development in an efficient, sustainable, affordable and inclusive manner, through a policy that prioritizes national energy security and sovereignty and also strengthens the public sector electricity service; and

- a revised vision for CFE, to consolidate our position as the leading energy company in Mexico, with technical and financial solvency, that seeks to strengthen our human capital and guarantee quality and socially responsible service to our customers in all segments of the market, contributing to the country's sustainable development and generating economic value and profitability to the country.

To continue working towards the achievement of our mission and vision, our 2024-2028 Business Plan has reiterated our eight primary objectives:

- increase CFE's productivity, generating economic value and profitability for the country, and prioritizing the reliability of the country's electric supply;
- maintain CFE's majority market share in generation on a nationwide basis;
- contribute to sustainable development in Mexico and the reduction of greenhouse gas emissions;
- increase and diversify CFE's income sources through new business development;
- reduce financial, commercial and operational damages to CFE derived from regulatory asymmetries;
- strengthen internal process control through: (i) comprehensive risk management, (ii) anti-corruption measures, (iii) institutional management and (iv) continuous development of CFE's human capital;
- improve user satisfaction and our institutional image on a nationwide basis; and
- improve CFE's financial profitability and cash flow, guaranteeing the availability of operating and investment resources.

Our business strategy remains focused on maximizing our overall performance in each of our four main business lines through our Investment Plan for 2024-2028, which amounts to a total of Ps. 536.3 billion (U.S.\$ 29.4 billion) with the following estimated breakdown by business line: (i) Generation: 44.7%; (ii) Distribution: 26.9%; (iii) Transmission: 24.1% and (iv) Other: 4.3%, and includes the following strategies:

### ***Improve our Electricity Generation Performance***

We intend to maximize our electricity generation capacity through the optimization, flexibility, diversification and location of our generation power plants in the country, and also by the incorporation of friendly environmental new technologies, and the rehabilitation and modernization of our existing clean energy underperforming power plants, in particular, our hydroelectric power plants located in different hydrological basins. Among the objectives of our 2024-2028 Business Plan is (i) to renew CFE's generation infrastructure, replacing less efficient generation plants with more efficient plants to face the challenges of the wholesale electricity market and thus guarantee the supply of electricity throughout Mexico, (ii) increase CFE's productivity to generate economic value and profitability for the Mexican state, (iii) increase efficiency and reduce costs, (iv) expand and modernize the operation and maintenance of CFE's electricity transmission and distribution systems, and (v) reduce CO<sub>2</sub> emissions and work to achieve the sustainability goals undertaken by the Mexican state under international agreements, such as the Paris Agreement.

As of June 30, 2024, approximately 32.1% of CFE's total installed capacity (including IPPs and LTAs) was derived from clean energy sources including hydroelectric, geothermal, solar and wind. Between 2024 and 2028, we plan to build 10 combined cycle plants through the Conventional Generation Projects Trust (*Fideicomiso de Proyectos de Generación Convencional*) as part of the transition to clean energies for an aggregate amount of approximately Ps. 53.2 billion (U.S.\$ 2.9 billion), which we expect will add 3,058MW of installed capacity to the *Sistema Eléctrico Nacional* (National Electric System). Additionally, through the Clean Energy Trust (*Fideicomiso de Energías Limpias*) we plan to develop 20 projects that include the construction, installment, operation and equipment of hydroelectric plants, two additional phases of the photovoltaic energy plant of Puerto Peñasco and the Puerto Libertad green hydrogen project which, in the aggregate, we expect will add 1,567 MW of installed capacity to the National Electric System for an aggregate amount of approximately Ps. 43.1 billion (U.S.\$ 2.4 billion).

CFE expects that the Puerto Peñasco plant will be the largest photovoltaic generation plant in Mexico, as measured by installed capacity, with 1,000 MW of installed capacity upon estimated completion of its five phases in

2028. The first phase of the project began operations in 2023 and reached a capacity of 120 MW, marking a significant milestone in our commitment to providing clean and renewable energy sources. Our generation subsidiaries are also implementing a maintenance program with investments of over Ps. 148.9 billion (U.S.\$7.2 billion) as of June 30, 2024.

Our market share in electricity generation, including IPPs and LTAs, is approximately 72%. Our goal is to increase our electricity output at a rate that will correspond with the anticipated increase in electricity demand in Mexico, which PRODESEN estimates will be a Compound Annual Growth Rate (CAGR) of 2.6% per year at least until 2038, while also improving the profitability of our business portfolio. Additionally, we intend to increase the competitiveness of our generation plants.

We rely, and expect to continue to rely, on the use of cleaner burning fuels, such as natural gas, in our generation activities (as compared to fuels that emit higher levels of contaminants into the environment, such as fuel oil). We are moving towards producing more clean energy. Clean energy includes hydroelectric, nuclear, wind power, geothermal, bioenergy, photovoltaic and efficient cogeneration energy. Through our Hydroelectric Power Plant Modernization Plan, we aim to rehabilitate and repower structures such as turbines, control panels and substations to modernize more than 40% of our hydroelectric generation park. We are currently developing four hydroelectric powerplants with a capacity of 284 MW that will increase the generation of renewable energy and extend the useful life of our infrastructure.

As of June 30, 2024, installed capacity via “clean” sources, including hydroelectric, geothermal, solar and wind, represented approximately 32.1% of our total installed capacity (including IPPs and LTAs), and the remaining 39.5% and 28.4% (including IPPs and LTAs) of our installed capacity is based on combined cycle technology and other technologies based on fuel oil sources, respectively. We also plan to engage in strategic projects with companies in other industrial sectors, which could reuse the gases that are a byproduct of electrical energy generation, to help reduce the emission of pollutants.

Our goal is to maintain or improve this allocation between fuel types in the future; however, our actual allocation will depend in part on the global supply of such fuels and other pricing considerations. In addition, we rely, and expect to continue to rely, on clean generation technology, such as hydroelectric, geothermal and wind power generation, each of which use renewable primary sources of energy.

#### ***Modernize our Transmission and Distribution Grids and Reduce Technical and Non-Technical Losses***

Transmission and distribution remain strategic activities for the Mexican government and are part of our core business lines. Our 2024-2028 Business Plan includes 57 investment projects and programs related to the maintenance of transmission lines, power substations, acquisition of computer equipment and rehabilitation of buildings and workshops. In addition, there are 150 projects contemplated by SENER, some of which are shared with CFE Distribución, such projects combined represent a total investment of Ps.84.0 billion (U.S. \$4.6 billion) from 2023 onwards. Transmission subline projects are being developed to strengthen the connection between the Northwest and North Pacific regions and between the Bajío and Central regions of the country that aim to help solve the congestion of the links in that area. Other relevant projects consider connecting the Riviera Maya and Cancun regions by means of building a submarine line from Playacar to Chankanaab.

Our main objective in the mid- to long-term in our distribution grid is to reduce our technical losses and the quantity of electricity that is used in Mexico but not paid for (referred to as “non-technical losses”). We have reduced our technical and non-technical losses in the distribution process from 11.7% as of December 31, 2022 to 11.0% as of December 31, 2023. Our goal is to reduce our technical and non-technical losses in the distribution process from 11.0% in 2023 to 6.0% by 2028, through the modernization of our metering systems, strengthening our commercial processes, regularizing our services in areas affected by irregular land use and strengthening our electric infrastructure. We have two main projects that are focused on the reduction of technical losses, which are the acquisition of new metering systems and the execution of our operative efficiency project. Given these projects, the investment budget for CFE Distribución for the years 2023 to 2029 is Ps. 144.3 billion (U.S.\$ 7.9 billion), of which Ps. 16.9 billion (U.S.\$932.6 million) have been spent as of June 30, 2024.

As part of our operative efficiency project, we expect to modernize our equipment and technology, including the replacement of aging substations and power lines, which is integral to providing reliable electricity service to our customers. We intend to dedicate a significant portion of our financial and human resources as we seek to ensure that our grids employ state of the art technology and are in good working condition. In addition, we intend to further



develop our “smart-grid” technology, which includes a two-way digital communication system between our customers and us, through which we expect to monitor the electricity needs of our customers in real time and, accordingly, improve the efficiency with which we provide electricity. We expect that the implementation of smart-grid technology will also help reduce our non-technical losses, by making it possible to automate the operation of our distribution grid remotely and manage our distribution grid’s energy balance for the MEM.

We seek to reduce electricity service interruptions. Much of our equipment is installed outdoors and is subject to the varying weather conditions and natural disasters that affect Mexico from time to time. As a result, this equipment (including, in particular, our transmission towers and utility poles) often incurs weather-related damage, which in certain instances causes electricity service interruptions for our customers. We maintain a well-trained staff of technicians that repair damaged equipment upon our receipt of notice of any such damage. For 2021, we had a goal to reduce the System Average Interruption Duration Index (“SAIDI”) to 21.27 minutes per year, and as of December 30, 2021, the SAIDI had been reduced to 20.63 minutes per year. Our goal for 2022 was to reduce the SAIDI to 20.21 minutes per year, and as of December 31, 2022, we had reduced the SAIDI to 19.25 minutes per year. Our goal for 2023 was to reduce the SAIDI to 19.05 minutes per year, and as of December 31, 2023, we had reduced the SAIDI to 17.79 minutes per year. Finally, our goal was to reduce the SAIDI to 6.63 minutes as of and for the six-month period ended June 30, 2024, and as of and for the six-month period ended June 30, 2024, we had reduced the SAIDI to 5.97 minutes. We continually assess the quality and speed of these repairs, and we expect that our dedication to delivering fast and effective repair services will continue into the future.

We have experienced three major service interruptions in the past two years. In November 2023, a pine tree collapsed onto one of our conductors in Mexico’s southeast region, specifically the 115,000 volt network associated with the Motozintla substation. The fall of the tree caused the collapse of two of our structures thus leaving the electricity line out of operation and we experienced 3.1357 SAIDI and 440kV of energy not supplied. Following this event, air and ground inspections were increased. On September 1, 2024, an act of vandalism took one of our lines out of operation. The incident occurred in the Guerrero area, specifically the 115,000 volt network associated with the Papagayo substation. The incident had an effect of 1.0924 SAIDI, and as a consequence 217kV of energy was not supplied. On April 9, 2024, due to strong wind conditions, one of our conductors detached in Mexico’s southeast region, specifically in the 115,000 volt network in the Villahermosa area. The incident had an effect of 1.4018 SAIDI, and as a consequence 957vH of energy was not supplied. After this incident, we began replacing cables and fitting, and insulating lines that are exposed to corrosion.

### ***Supply and Commercialization***

A key aspect of our growth strategy is increasing the profitability of our commercialization activities in the medium to long-term. We intend to continue servicing our customers represented by over 48.6 million basic supply customer accounts and future qualified users by developing client-focused strategies that focus on differentiating our clients by segment. We also plan to take advantage of our client base to develop new lines of business and increase our overall commercialization capacity. As of June 30, 2024, CFE had a 100% market share of the basic supply market and a 25.6% market share of the qualified supply market.

In parallel, we plan to continue to develop our transportation and commercialization of natural gas business. Under our current structure, CF Energía, S.A. de C.V. and CFE International LLC, two entities wholly owned by us, participate in the business of buying, selling, transporting and storing gas, fuel oil, coal and other fuels.

We are one of the most important purchasers of the natural gas that is consumed in Mexico, and in the coming years we expect to become the main consumer of natural gas in North America. Considering our unique position in the industry and the opportunities available in Mexico’s less-developed regions, we seek to gradually increase our presence in the market as we continue to commercialize, import, export, transport and store natural gas in Mexico and the United States.

### ***Clean Transportation***

With the aim of facilitating the expansion of the electromobility market, we have been designing and executing public policies to promote the use of electric vehicles through our *Programa de Ahorro de Energía del Sector Eléctrico* (Electricity Sector Energy Savings Program, or the “PAESE”). The PAESE is a business unit specialized in energy efficiency policies and projects, as well as electrical engineering, in collaboration with the Ministry of Energy and the *Fondo para la Transición Energética y el Aprovechamiento Sustentable de la Energía* (Fund for Energy Transition and Sustainable Energy Use, or “FOTEASE”).

### ***CFE Telecomunicaciones e Internet para Todos***

With the formation on August 2, 2019 of our subsidiary CFE Telecomunicaciones e Internet para Todos, we aim to reach small and unprivileged communities throughout Mexico. With government support and our own assets, we plan to work in furtherance of guaranteeing the right to access to information technologies for those communities. We expect to expand internet access in those communities by using our optic fiber grid to provide free internet access in over 10,000 isolated localities. CFE Telecomunicaciones e Internet para Todos also provides the service of optical fiber capacity to the government entity *Financiera del Bienestar*.

CFE Telecomunicaciones e Internet para Todos expects to have 140,000 access points to provide internet service to 122,000 localities across the country by 2025.

In 2023, CFE Telecomunicaciones e Internet para Todos installed 81,494 free internet access points in public places including, among others, schools, federal buildings, higher education institutions and rural medical units. Notably, 18 high-specialty hospitals have been connected nationwide. As of June 2023, 67,176 mobile telephone lines have been activated.

As part of our 2024-2028 Business Plan, we continue to focus on guaranteeing access to broadcasting and telecommunications services, including wireless broadband and mobile telephony and internet services. In July, 2024, the Mexican government transferred control of the telecommunications company Altán Redes, to CFE Telecomunicaciones e Internet para Todos.

### ***Strategic Alliances***

In July, 2022, CFE entered into strategic alliances with domestic and international gas marketers with the purpose of diversifying risks and sources of income, taking advantage of CFE's gas pipeline capacity in Mexico and the United States, further establishing its presence in international markets and generating employment. These alliances include:

- a U.S.\$2.2 billion joint investment facility with New Fortress Energy, which allows CFE to export liquified natural gas to Europe through the development of an LNG terminal and a new distribution center.
- a U.S.\$5.0 billion joint investment facility with TC Energia, for purposes of extending the Transportadora de Gas Natural de la Huasteca (TGNH) marine gas pipeline to transport natural gas to the Isthmus of Tehuantepec and the Yucatán Peninsula; and
- a U.S.\$5.0 billion joint investment facility with GPO Planta de Fertilizantes, allow for the supply of 81,000 MMBTUs of natural gas per day for a fertilizer plant in Topolobampo, Sinaloa to reduce external dependency.

### **Business Plan**

Our 2024-2028 Business Plan is based on strategic pillars that support each of our business lines:

#### ***Organizational and Operational Structure and Strong Performance Culture***

Our organizational and operational structures allow us and our affiliates to operate in a competitive and efficient manner, attract high-skilled employees, improve our strong performance culture and enhance result-oriented strategies. For further information, see “Comisión Federal de Electricidad—General Regulatory Framework—Organizational Structure of CFE.”

Our 2024-2028 Business Plan requires us to reduce our financing costs and improve our financial risk management controls and increase the level of possible investment in infrastructure projects.

#### ***Services and Support***

During 2019, we implemented an operational model in which the Issuer provides administrative support and other services to its subsidiary productive enterprises and affiliates to create synergies. This model, which includes financial and operational metrics to continually evaluate each subsidiary productive enterprise and affiliate, has helped

us optimize the value of our assets through the implementation of more efficient processes within our subsidiaries. Under the new operational model, we may also transfer certain of our servicing areas to subsidiary productive enterprises or affiliates, including those areas that currently provide administrative support. These subsidiaries are expected to service third parties as well as to continue servicing our businesses and affiliates.

In addition, our *Laboratorio de Pruebas de Equipos y Materiales* (Equipment and Materials Testing Laboratory or “LAPEM”), integrated to the Corporate Commercial Business Division, provides fundamental support in our generation, transmission and distribution businesses and our engineering services. Through engineering services, tests, analysis, diagnostics and quality control of equipment and material acquired by us, LAPEM contributes to the efficiency, quality, reliability, safety and sustainability of our company and the National Electric System.

#### *Investments and Financing Capabilities*

Our program of contracting with IPPs has allowed private companies to bid and operate electricity generation plants in Mexico and sell the generated power to us. Under the program, we have entered into long-term agreements (up to 25 years), under which IPPs are responsible for the construction, operation and maintenance of the electricity generation facility during the life of the agreement, and we are obligated to purchase the electricity produced by that facility. The use of IPPs has historically helped us meet electricity generation demands without the cost of construction.

The IPP program has also allowed us to obtain competitive prices for the purchased electricity via international bidding processes, in which we award projects to bidders that offer the lowest price per kWh for the sale of electricity to us. As of June 30, 2024, CFE had a total of 34 IPP contracts signed relating to generation facilities that were operational (103 units, which include combined-cycle and wind).

The *Obra Pública Financiada* program (Financed Public Works Program, “OPF”) addresses our infrastructure needs regarding the transmission and distribution of electricity and for generation projects that cannot be structured using IPPs. We enter into relatively short-term agreements (1-2 years), under which a private company, which we select in an international public bidding process, is responsible for the construction of a project, but not for its ongoing operation and maintenance. Bidders that are selected for OPF agreements receive total payment upon the completion of the project. The main advantage of this program is the avoidance of potential risks relating to the development of the project that may arise during the construction stage, such as cost escalation and failure of the completed project to meet technical specifications. As with IPPs, we are able to secure competitive prices for the OPFs as a result of an international bidding process.

We also intend to increase competition during the bidding processes for procurement contracts, reduce our financing costs and improve our risk-management policies.

In the past, our financings have been mostly limited to public and private financing transactions in the Mexican loan and bond markets, and certain private financings in the United States, Europe and Japan. In addition, since May 2011, we have sought various financings in the international bond markets. We believe that the further development of this financing option, together with our objective to diversify our financing sources, will improve our liquidity and debt maturity profile and help fund our investment activities.

We have formed several financing structures to allow the integration of our financial and investment portfolios. In December 2017, we created the *Fideicomiso de Inversión en Energía e Infraestructura* (Fibra E) as a vehicle to obtain financing, which is backed by the revenues from existing productive assets in the energy transmission sector.

On July 21, 2021, we created the Master Investment Trust to finance the construction and development of new power plants, as well as the acquisition of existing projects. This financing vehicle is backed by CF Energía’s accumulated and future profits, as well as any capital raised in prior and future equity issuances by Fibra E. This structure is designed with the purpose of guaranteeing the return on investments and enhancing the financial capacity of each of our subsidiaries and affiliates. We are currently developing renewable energy projects (5 combined cycle plants) under the Master Investment Trust for a total aggregate capacity of 3,865 MW and a total investment of U.S.\$3.2 billion.

On August 6, 2021 and September 24, 2021, we, as settlor, and Banco Nacional de Comercio Exterior, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, División Fiduciaria, as trustee, incorporated two management and payment trusts (*fideicomisos de administración y fuente de pago*), namely, the *Fideicomiso de*

*Energías Limpias* (the “Clean Energy Trust”) and the *Fideicomiso de Proyectos de Generación Convencional* (the “Conventional Power Trust”), for purposes of creating trust estates to fund payment obligations incurred in connection with the development of investment projects, including clean energy power plants and conventional power plants powered by natural gas, respectively. Under these structures, the trusts are being used for the construction or renewal of power plants and for entering into contracts with our generation subsidiaries, which in turn, will operate the power plants. There are 18 IPPs under construction through these trusts, including generation plants of various technologies, as well as the transmission line associated with the Puerto Peñasco plant. We are currently developing renewable energy projects (2 photovoltaic projects and 20 hydroelectric projects) under the Clean Energy Trust (*Fideicomiso Energías Limpias*) for a total aggregate capacity of 1,567.0 MV and a total investment of U.S.\$3.4 billion. We are currently developing renewable energy projects (5 combined cycle plants and two internal combustion plants) under the Energy Transition Trust (*Fideicomiso de Transición Energetica*), for a total capacity of 3,058 MV and a total investment of U.S.\$2.6 billion.

The trusts may also enter into financing agreements with banks and other financial entities, in which the Issuer may act as joint obligor (*obligado solidario*), mainly with the export credit agencies. These trusts’ sources of revenue are the revenues obtained from the specific investment projects that they develop. For more information about the financings entered into by the Clean Energy Trust and the Conventional Power Trust, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.”

In 2023, we entered into ECA financings for an aggregate amount of U.S.\$1,439.9 million: a financing with the Multilateral Investment Guarantee Agency Agreement (MIGA) for a principal amount of U.S.\$305.0 million maturing on June 6, 2038, two financings with OeKB for a principal amount of U.S.\$266.5 million maturing on October 10, 2038 and October 27, 2038 and another financing with AFD for a principal amount of U.S.\$98.7 million, for purposes of financing hydroelectric power plant repowering and modernization projects; two financings with JBIC for an aggregate principal amount of U.S.\$433.7 million maturing on March 27, 2036, and one facility with SACE U.S.\$336.0 million, maturing on May 24, 2036, to finance generation projects using energy transition technology (natural gas and green hydrogen).

We are currently negotiating 15-year term financings with China Export & Credit Insurance Corporation (Sinosure) for an aggregate amount of approximately \$1.2 billion, to finance the development of new generation Combined Cycle Power Plants (“CCP”) with a total investment of approximately \$2 billion, which we expect will contribute to the reduction of CO<sub>2</sub> emissions by 50% with respect to conventional CCP.

#### *Long-Term Employee Benefit Obligation Costs Optimization and Productivity*

As of December 31, 2023, our long-term employee benefit liabilities represented 27.1% of our total liabilities. On June 19, 2024 we entered into a new collective bargaining agreement with the SUTERM for the 2024-2026 term. This new collective bargaining agreement included modifications to employee pensions, salary and benefit increases, including a 4.0% increase in daily salaries and a 4.66% increase in pensions payable to retirees. In addition, as of June 30, 2024, we reported a liability of Ps. 421.4 billion (U.S.\$23.1 billion) on our statement of financial position related to long-term employee benefits, which represented 21.4% of our total liabilities as of such date. See Note 17 to our 2023 annual financial statements.

#### *Strategic Regulatory Action*

As a productive state enterprise, we intend to have an active role in the implementation of the new policies and regulations to develop the National Electric System. We will continue to develop our relationship with our regulators. In particular, regarding our rate-regulated business, we will coordinate and maintain a channel of communication aimed to align the rates that we charge our customers with our costs and operating expenses.

Additionally, the energy reform established the creation of the *Centro Nacional de Control de Energía* (“CENACE”), the independent energy system operator of the National Electric System and the entity in charge of managing the MEM, its participants and the electricity spot market.

#### *Sustainability Objectives*

We have been designing and working towards implementing policies and institutional programs with the goal of achieving our sustainability-related objectives. Our 2024-2028 Business Plan includes important environmental,

social and governance (“ESG”) initiatives that we expect to pursue, which underline our strong commitment to sustainability, including:

- Modernize and upgrade our hydroelectric power generation plants to produce an additional 540.6 MW between 2024 and 2028;
- Promote clean energy generation projects by aiming to have 27.10% of our total energy generated in 2027 generated by clean or diverse energy sources;
- Reduce our CO<sub>2</sub> emissions from electricity generation to 324 g/kWh and implement 139 energy efficiency projects between 2024 and 2028, which are expected to generate energy savings of 64,441 MWh and avoid approximately 27,253 tons of CO<sub>2</sub> emissions;
- Reduce energy losses by 9.36% in 2028;
- Promote digital inclusion by providing 140,000 free internet access points across 122,000 rural communities targeting low-income and underserved populations in Mexico by 2028, through our subsidiary CFE Telecomunicaciones e Internet para Todos;
- Implement a gender equality and inclusion program that aims to train 70% of our staff in gender equality and attend to 100% of gender violence complaints by the end of 2028;
- Achieve 90% compliance with our established social responsibility programs; and
- Progress in the development of programs to strengthen CFE’s focus on ESG topics by advancing in the update of the anticorruption program.

### *Social Responsibility*

We will continue to operate as a last resort provider of electric power and we intend to continue to proactively face any electric emergencies. As a productive state enterprise, we expect to continue to monitor and assist the regulatory authorities in establishing reasonable and fair rates. Under our 2024-2028 Business Plan, we aim to expand and modernize the national transmission network at an annual compounded average rate of 1.5% (as measured in kilometers of new transmission lines).

### **History**

We were created in 1937 by presidential decree, and then converted by the Mexican Congress in 1949 into a decentralized public entity of the Mexican government. Since the enactment of the LSPEE, we have generally been responsible for the generation, transmission and distribution of electric power in Mexico. In connection with the Energy Reform Decree, which, among others, repealed the LSPEE, we were converted from a decentralized public entity of the Mexican government to a productive state enterprise effective upon the effectiveness of the CFE Law in October 2014. Such transformation required, and still requires, changes in management, organization and operation standards. Our activities are supervised by the Ministry of Energy, and the Minister of Energy serves as the Chair of the Board of Directors.

### ***Luz y Fuerza del Centro***

Luz y Fuerza del Centro (“LFC”), which was the utility previously responsible for the transmission and distribution of electricity in Mexico City and the surrounding areas, was dissolved by presidential decree in October 2009. LFC was also involved in small-scale electric power generation, amounting to 1,174 MW as of October 2009. Pursuant to the terms of LFC’s dissolution, the assets of LFC were transferred to the *Servicio de Administración y Enajenación de Bienes* (Asset Management and Divestiture Service, or “SAE”), a decentralized entity of the Mexican government that is operated by the Ministry of Finance. As of the date of the dissolution, LFC’s legal, commercial and financial obligations were assumed by SAE and the distribution of electricity within Mexico City and the surrounding areas was assumed by us. In order to carry out these new responsibilities, we have entered into a lease arrangement with SAE, which provides us with access to certain of LFC’s former assets and enables us to service LFC’s former customers.

As a result of LFC's dissolution, we obtained approximately six million additional customer accounts. However, the increase in our customer base had little effect on our overall sales volume both because the volume of our sales to these new customers is substantially similar to the volume of our previous sales to LFC and because of the additional non-technical losses we incur by servicing the metropolitan area directly.

## Our Operations

### Generation

As of June 30, 2024, our installed capacity was 70,392 MW, which includes the installed capacity of IPPs. Of our total installed capacity, 64% corresponds to our own generation units, while the remaining 36% corresponds to 33 generation plants operated by IPPs and 75 generation plants contracted and operated through long-term auctions (LTAs).

The following table sets forth the change in our installed capacity for the periods listed:

	Installed Capacity						
	As of December 31,						As of June 30,
Installed Capacity	2018	2019	2020	2021	2022	2023	2024
Installed Capacity (MW)							
CFE.....	42,018	42,881	43,106	43,723	44,073	44,846	45,095
IPPs & LTAs.....	21,939	23,683	24,590	24,530	24,530	25,295	25,297
Total.....	63,957	66,564	67,696	68,253	68,603	70,141	70,392
Generation (TWh)							
CFE.....	162.7	145.9	118.2	125.5	137.1	145.0	71.8
IPPs & LTAs.....	86.3	91.0	97.8	105.8	110.0	117.0	59.2
Total.....	249.0	236.9	216.0	231.4	247.1	262.0	131.0

Source: CFE.

During the first half of 2024, we generated approximately 81% of our electricity (including IPPs and LTAs) from fossil fuel-based power plants, and the remaining 19% from clean energy sources, of which 7% came from hydroelectric power plants, and 12% from other sources, such as nuclear, geothermal, wind and photovoltaic plants. As of June 30, 2024, our installed capacity was 70,392 MW, including 25,297 MW from IPPs and LTAs. Since most of our power generation relies on fossil fuels (mainly fuel oil and natural gas), our generation cost is highly sensitive to international fuel prices, which is mitigated through our short- and medium-term hedging programs.

During 2023, we generated 262.0 TWh of electricity, representing a 6.0% increase over the 247.1 TWh we generated in 2022. Of this total, 45% was generated by IPPs and LTAs and the remainder was generated from facilities owned by us.

The table below sets forth the installed capacity as of June 30, 2024 of the various sources of energy on which we rely.

### Installed Capacity by Source as of June 30, 2024

Type of Plant	Capacity (MW)	% of Total
Gas, fuel oil and diesel.....	24,860	35.3%
Coal-fired.....	5,463	7.8%
Nuclear power.....	1,608	2.3%
Geothermal .....	808	1.1%
<b>Total thermal (excluding IPPs).....</b>	<b>32,740</b>	<b>46.5%</b>
Hydroelectric .....	12,144	17.3%
Wind and photovoltaic.....	212	0.3%
IPPs (combined-cycle and wind).....	16,603	23.6%
LTAs (renewable and combined-cycle)....	8,694	12.4%
<b>Total CFE (including IPPs and LTAs)...</b>	<b>70,392</b>	<b>100.0%</b>

Source: CFE.

Our electricity generation capacity as of June 30, 2024 consisted of 273 plants with 727 units (including IPPs) throughout Mexico as follows in the table below (the distribution by generation type varies by season, rainfall and availability of renewable resources):

### Generation Plants and Units by Type as of June 30, 2024

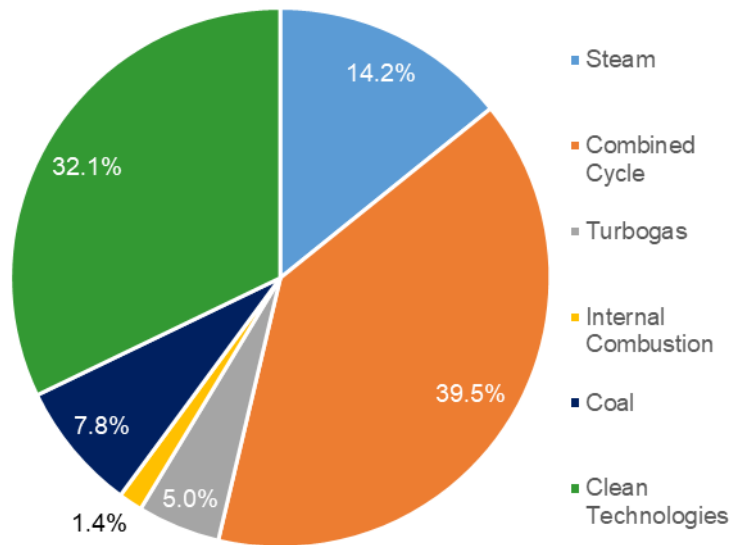
Type	Plants	Units <sup>(1)</sup>
IPPs (combined-cycle and wind) .....	33	103
LTAs (renewable and combined-cycle)	75	75
Hydropower .....	60	167
Turbo gas .....	43	106
Steam .....	21	58
Internal combustion (diesel).....	7	76
Combined-cycle .....	20	87
Geothermal.....	4	27
Coal-fired .....	3	15
Wind and photovoltaic .....	6	11
Nuclear power.....	1	2
<b>TOTAL .....</b>	<b>273</b>	<b>727</b>

(1) Includes units which are out of operation and in the process of being decommissioned.

Source: CFE.

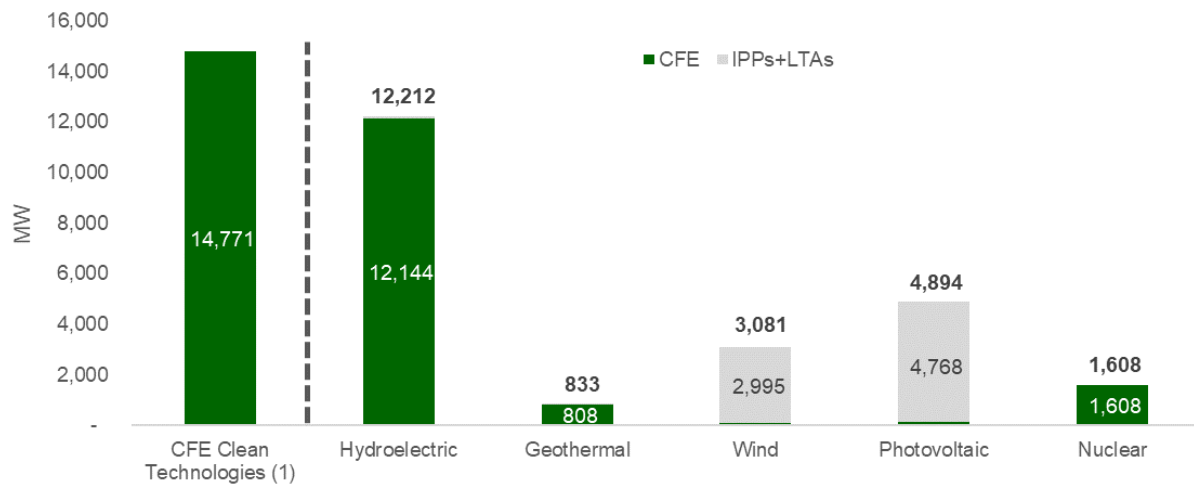
CFE is moving towards producing more clean energy for generation. As of June 30, 2024, installed capacity via “clean” sources, which includes hydroelectric, among others, represented approximately 32.1% of total installed capacity.

### Generation Plants Capacity Breakdown as of June 30, 2024



1. Clean Sources includes: hydroelectric, nuclear, wind power, geothermal and photovoltaic.  
Source: CFE.

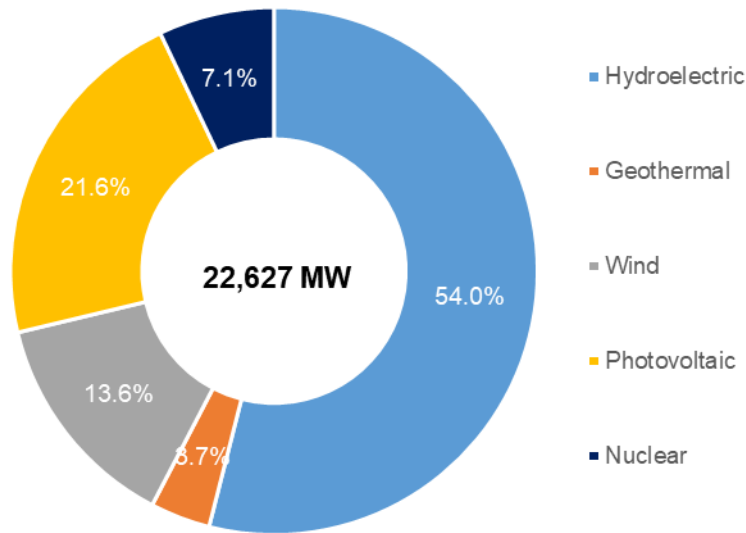
The following chart sets forth our installed capacity on clean energy sources as of June 30, 2024 as compared to private generators<sup>(3)</sup>:



1. Clean sources include: hydroelectric, nuclear, wind power, geothermal and photovoltaic.



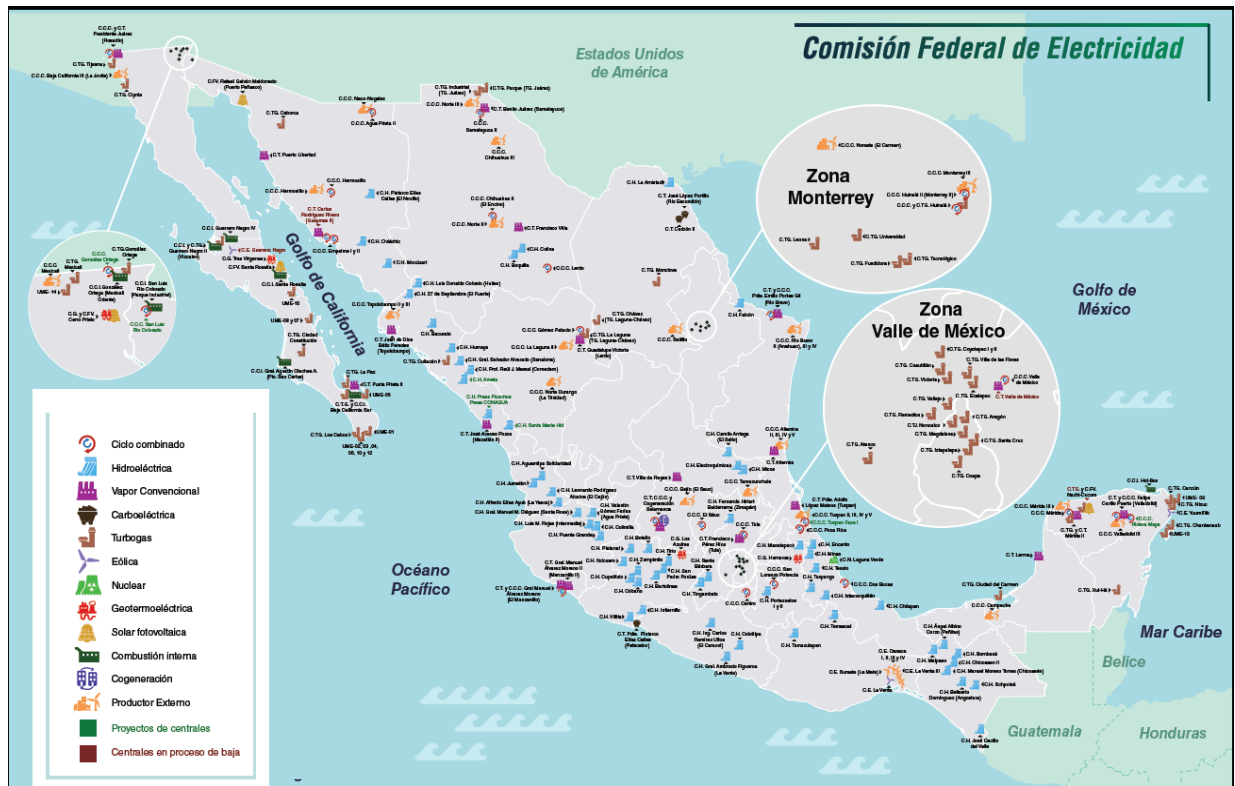
### CFE's Clean Technologies Installed Capacity Breakdown as of June 30, 2024<sup>(3)</sup>



3. Includes CFE, IPPs and LTAs figures.

4. Other Clean Technologies includes: nucleoelectric energy and efficient cogeneration.

As of June 30, 2024, our generation plants and generation units were located throughout Mexico, as illustrated in the map below.



Source: CFE.

### *Thermal Power Generation*

Thermal power generation that uses fossil fuels as the primary source of energy can be classified according to the type of technology used to power the rotation of an electrical generator's turbines, as follows:

- Steam (fuel oil);
- Gas turbine (natural gas);
- Combined-cycle;
- Internal combustion (diesel); and
- Coal-fired.

As of June 30, 2024, approximately 57% of our electricity generation capacity, excluding IPPs, was based on fossil fuels (natural gas, coal, diesel and fuel oil). Therefore, our generation cost is highly sensitive to international fuel prices, which is mitigated through our short- and medium-term hedging programs.

We purchase our fuel oil and natural gas from PEMEX and other suppliers through our commercialization affiliates both in Mexico and in the United States, at indexed prices pursuant to long-term contracts awarded pursuant to an international bidding process. Fuel oil and natural gas, together, represented 85.0% of the cost of our fuels for the six-month period ended June 30, 2024, excluding IPPs. Approximately 7.8% of our installed capacity relied on the use of coal as of June 30, 2024. A small percentage of our generating plants use diesel fuel, which we purchase from PEMEX at prices regulated by the Mexican government.

### *Nuclear Power Generation*

We operate Mexico's only nuclear power plant, Laguna Verde. The Laguna Verde plant is located on the coast of the Gulf of Mexico in the municipality of Alto Lucero in the state of Veracruz. The plant is a strategic facility due to its high power generation capacity, low operating cost and frequency and voltage regulation capacity. Laguna Verde is comprised of two power generating units. The nuclear reactor contained in each power generating unit is a "Boiling Water" (BWR-5) reactor equipped with direct cycle Mark II containment. In 2011, we completed a substantial renovation of both generating units as a result of an investment of approximately Ps. 11.4 billion (U.S.\$ 624.7 million), which was financed as an OPF under PIDIREGAS. As a result of the renovations, the installed capacity of Laguna Verde increased by 208 MW to a total of 1,608 MW as of June 30, 2024. On 2023, Laguna Verde generated a total of 12,043.6 GWh, and during the first half of 2024 has generated a total of 5,506.2 GWh.

The two units of the Laguna Verde plant together account for 2.3% of our total installed capacity (including IPPs and LTAs) as of June 30, 2024, with a total capacity of 1,608 MW. Laguna Verde's operations are subject to regulation and oversight by both national and international nuclear regulatory bodies. Laguna Verde has operated in compliance with ISO-14000 international standards for environmental management since 1999 based on its quality and safety standards. In 2020, the Ministry of Energy authorized the renewal of the operating license for Unit 1 of this facility. The license is valid from July 25, 2020 to July 24, 2050. CFE has obtained the renewal of the operating license for Unit 2, valid from April, 2025 to April 2055. See "Risk Factors—Risks Factors Related to the Issuer and the Guarantors—We are subject to environmental risks and possible claims and lawsuits inherent to the generation, transmission, and distribution of electricity."

### *Hydroelectric Power Generation*

Our largest hydroelectric generating plant is *Manuel Moreno Torres*, which has 2,400 MW of installed capacity and is located in Chicoasén, Chiapas. The plant utilizes the water flow from the Grijalva River to power its turbines. The second and third largest plants are *Infiernillo*, which has 1,200 MW of installed capacity and is located in La Unión, Guerrero, and *Malpaso*, which has 1,080 MW of installed capacity and is located in Tecpatán, Chiapas. As of June 30, 2024, our hydroelectric power plants had a total capacity of 12,144 MW, or 17.3% of our total installed capacity (including IPPs and LTAs).

### *Coal-Fired Power Generation*

We have three coal-fired power generation plants: two located just south of the U.S.-Mexico border in the State of Coahuila, known as the *Carbón* plants, and a third one in the State of Guerrero, known as the *Petacalco* plant. These three plants comprise a total of 15 generation units, which have a combined installed capacity of 5,463 MW and represented 7.8% of our total installed capacity and 4.4% of our total generation as of June 30, 2024.

### *Geothermal Power Generation*

Our geothermal energy is generated by four plants with a total installed capacity of 833 MW as of June 30, 2024, which represent approximately 1.2% of our total installed capacity (including IPPs and LTAs). Our largest geothermal power station is *Cerro Prieto*, followed by *Los Azufres* in Michoacán. Geothermal energy is the only renewable source other than hydroelectric power that currently contributes significantly to the total mix of the electricity we generate.

### *Wind and Photovoltaic Power Generation*

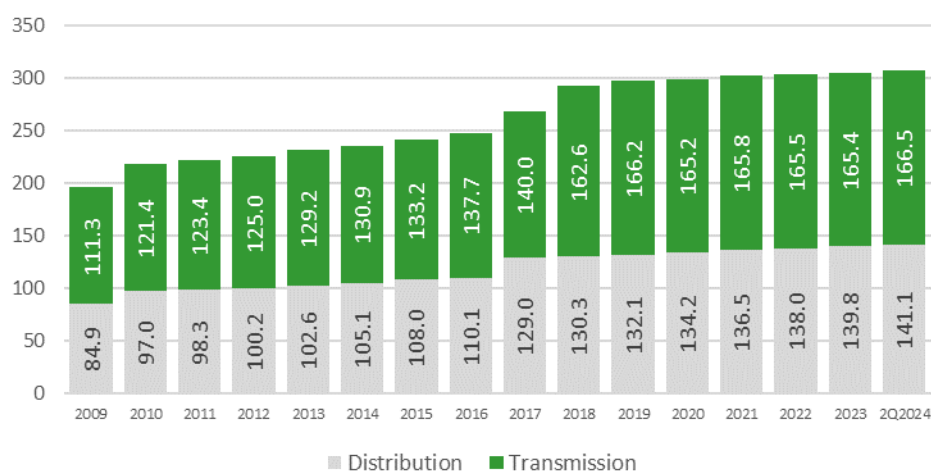
We own and operate two wind power plants, the largest of which is the *La Venta* power plant located 30 km northeast of the city of Juchitán, Oaxaca. *La Venta* was the first wind power plant developed in Mexico and in Latin America. A small portion of our installed capacity (126 MW) is derived from two one-unit photovoltaic plants located in the states of Baja California and Baja California Sur, the most important of which is the Cerro Prieto plant located in the state of Baja California, south of the U.S.-Mexico border and near the city of Mexicali, with an installed capacity of 5 MW. Most recently, during the first half of 2023, we began commercial operations in the photovoltaic plant of Puerto Peñasco (stage 1). The six active wind and photovoltaic power plants we own and operate have a combined installed capacity of 212 MW and the six wind power plants operated by IPPs have a combined installed capacity of 612.9 MW, all of them located in the State of Oaxaca which, combined with the 15 plants operated by LTAs total a combined installed capacity of 2,997 MW. As of June 30, 2024, our wind and solar power plants (including IPPs and LTAs) contributed to 11.3% of our total installed capacity.

### *Transformation, Transmission and Distribution*

Electric power generated in our facilities, as well as by IPPs and by other private generators that are interconnected to the grid, is made available to consumers after being transformed, transmitted and distributed. Transformation is the process by which the current and voltage of electricity is converted to a form suitable for its transmission or distribution. This process is carried out by our grid of electrical transmission and distribution substations, which has grown in size and capacity in parallel with the growth of our transmission and distribution grids.

As of June 30, 2024, our transformation capacity was 307.6 GVA, of which 54.1% related to transmission substations and 45.9% to distribution transformers.

### Capacity of Transmission and Distribution Substations (GVA)



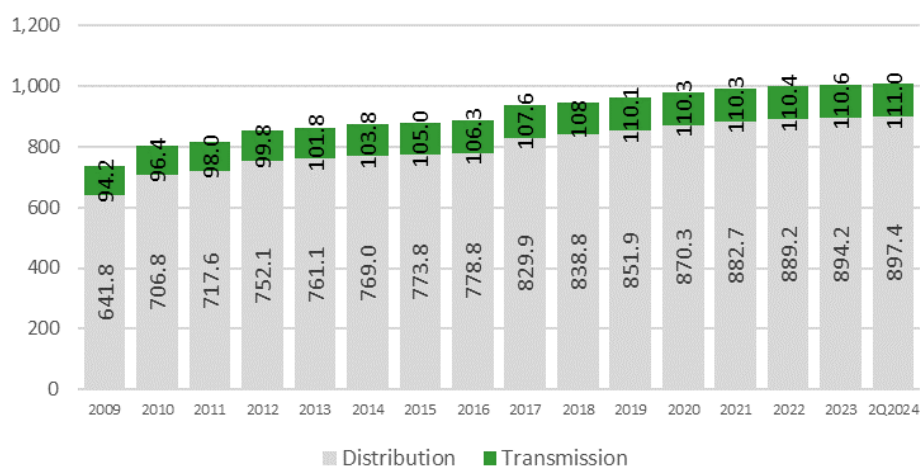
Source: CFE

Transmission is the process by which electrical power is carried from electrical generators to distribution substations. Our transmission grid consists of a network of power lines with capacities ranging from 69 to 400 kilovolts, and it provides national coverage through nine agencies in 55 zones. Between 2015 and 2016, the length of our transmission grid increased significantly due to a reclassification of voltage limits between distribution and transmission, resulting in an asset transfer from CFE Distribución to CFE Transmisión. As of June 30, 2024, the transmission grid was 111,029 kilometers (68,990 miles) long.

Our distribution grid, which is responsible for delivering electricity to most of our customers throughout Mexico, comprises distribution power lines with voltage levels of 33, 23, 13.8, 6.6, and 2.4 kilovolts, and 220 and 110 volts.

As of June 30, 2024, we had a total of 897,438 kilometers (557,642 miles) of distribution lines. Including transmission and distribution power lines, our transmission and distribution network is over 1,008,467 kilometers (626,632 miles) long. We also have 13 international connections, 11 with the United States of America, one with Guatemala and one with Belize.

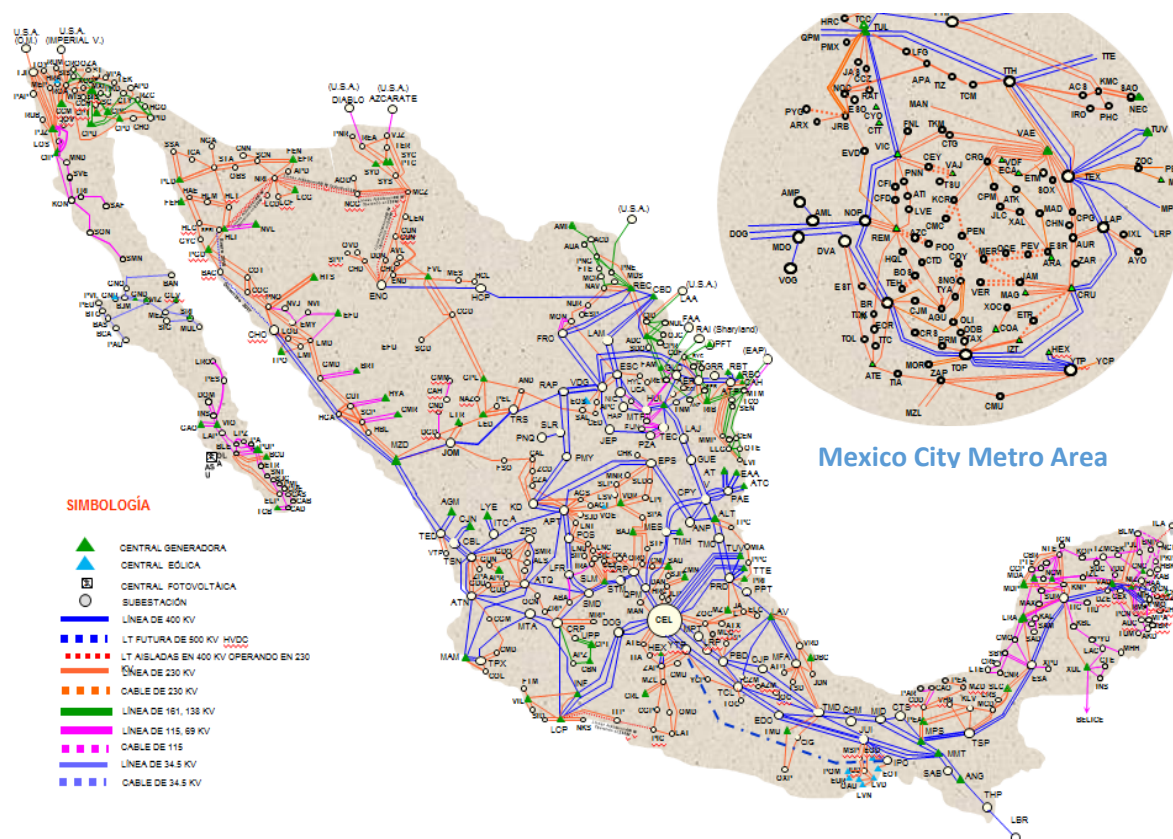
### Length of Transmission and Distribution Lines (thousands of kilometers)



Source: CFE

BC= Baja California  
 NO= Northwest  
 NT= North  
 NE= Northeast  
 OC= West  
 CE= Center  
 OR = East  
 SE= Southeast  
 PE = Peninsular  
 ZTM= Metropolitan Area

The map below shows the geographic distribution of our transmission grid.



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## **CENACE**

Pursuant to the Mexican Constitution and the Electric Industry Law, we were required to transfer to the CENACE the necessary human, material and financial resources for the operation of the National Electric System and the MEM. Accordingly, on November 28, 2014, we transferred to the CENACE the following assets:

- the *Centro Nacional* (National Center) located in Mexico City;
- the *Centro Nacional Alterno* (Alternate National Center) located in Puebla;
- eight control areas located in Mexicali, Hermosillo, Gómez Palacio, Monterrey, Guadalajara, Mexico City, Puebla and Mérida;
- the control centers in La Paz and Santa Rosalía;
- the *Coordinación de Planificación* (Office of Planning) of the *Subdirección de Programación* (Budget Department) located in Mexico City; and
- employees and assets associated with the operation of the above.

For more information regarding the CENACE, see “—General Regulatory Framework.”

The CENACE is also responsible for auctioning mid-term (3-years) and long-term (15-year/20-year) *contratos de cobertura* (power purchase agreements) in which we commit to purchase energy, capacity and/or clean energy certificates (for long-term auctions only), at specified prices from private participants. The purpose of these auctions is to allow us to purchase electricity, capacity and clean energy certificates (for long-term auctions only) at competitive prices from qualified bidders.

The CENACE conducted two long-term auctions for clean and renewable energy projects in 2016. The first auction received 227 offers from 69 prequalified bidders. As a result, in March 2016, 18 offers were granted to 11 companies for wind and solar projects. The average price offered by the winning companies was around 38% lower than the maximum purchase price offered by us. The projects selected in this first auction have a total generation capacity of 2,085 MW. In the second auction, 23 companies were selected out of 57 that participated. The winning bids were selected in September 2016 and covered 83.8% of the energy requested by us. The projects selected have a total generation capacity of 3,776 MW. During 2017, the CENACE carried out one more long-term auction allocating a total of 15 winning bids for solar and wind energy projects with a total generation capacity of approximately 2,180 MW. On March 28, 2018, the CENACE announced a fourth long-term auction, in which participants would be able to make one or more bids to sell any combination of the following products: capacity, electricity and clean energy certificates. However, on December 3, 2018, such long-term auction was suspended due to senior management changes in different government entities following the commencement of the term of the new federal administration. As of the date of this offering memorandum, no further long-term auctions have been announced.

CENACE conducted one mid-term auction in 2017, and one in 2018, which was subsequently cancelled. As of the date of this offering memorandum, no further mid-term auctions have been announced.

## ***Fiber Optic Network***

As of June 30, 2024, we had over 63,530 kilometers (39,476 miles) of national fiber optic network, with an average of 36 fiber strands, composed of long distance (89%) and access (11%) networks, developed to increase the safety and reliability of the National Electric System. Our fiber optic network has available capacity for commercialization and is attractive for the telecommunications sector. It facilitates the deployment of solutions for technical and administrative networks, including voice, data, video and smart power grid.

With the incorporation on August 2, 2019 of CFE Telecomunicaciones e Internet para Todos, a productive subsidiary of CFE, we expect to reach small and unprivileged communities throughout Mexico, providing free internet access in isolated localities, by using our optic fiber grid. As of June 30, 2023, CFE Telecomunicaciones e

Internet para Todos had over 81,494 working priority access internet locations in 32 states, and by 2025, we expect to have 140,000 access points to provide internet service to 122,000 localities across the country.

## Service Quality

During the past several years, the Mexican government has implemented various programs in an effort to modernize our operational units. All of our operational units are under constant evaluation. This practice allows us to identify our strengths and weaknesses, and to set benchmarks for productivity, competitiveness and technology programs, including the reduction of energy losses, the establishment of quality indicators and the implementation of pricing and maintenance programs. Our energy savings programs consist of efforts to promote replacement of high-consumption appliances and air conditioning units as well as internal programs for energy savings in generation plants and the creation of incentives for customers to use energy-friendly equipment.

Our quality indicators show a steady improvement over the past years. Increases in service quality are due to our commitment and effective measures undertaken by management to transform CFE into a world class company. Since 2004, all of our processes and work centers have been certified under the ISO 9000 rules. We have been awarded the *Premio Nacional de Calidad* (National Quality Award) numerous times, an award given by the Mexican government for continued improvement in quality indicators. We have also been awarded the *Premio Iberoamericano de la Calidad* (Iberoamerican Quality Award) on four occasions, the *Reconocimiento Innova* (Innova Award) and the *Premio Intragob* (Intragob Award).

The following table sets forth the primary indicators on which we rely to evaluate the quality of the services we provide.

Service Indicators	2019	2020	2021	2022	2023	2Q2024
<b>Service Quality</b>						
Fulfillment of service commitments (%).....	92.6	94.0	95.5	97.5	97.2	97.1
Receipt of non-conforming electricity (for every 1,000 users per month) .....	4.86	4.39	4.17	4.35	4.40	4.43
<b>Quality of Electric Power Supply</b>						
Outage time per user (minutes per year).....	25.1	22.1	20.7	19.2	17.8	6.0
Population with access to electric power (%)...	98.75	98.95	99.12	99.20	99.30	99.6

## Client Base and Demand

Since our inception in 1937, Mexico's population has grown significantly. This population growth has been accompanied by a significant increase in the demand for electric energy. The following table sets forth our response to population growth in Mexico during the last 48 years:

	As of December 31,						As of June 30,
	1970	1980	1990	2000	2010	2020	2024
Population of Mexico* (in millions)	48.2	66.8	81.2	97.5	112.3	126.0	132.3
Number of CFE customer accounts (in millions).....	4.9	6.8	12.0	18.7	34.2	45.6	48.6
<b>Total installed capacity of CFE (in MW).....</b>	<b>5,401</b>	<b>13,692</b>	<b>24,442</b>	<b>35,869</b>	<b>51,611</b>	<b>59,004</b>	<b>70,392</b>

\*Source: INEGI and CFE. \*Population data up to 2020, from INEGI. Population for 2024, estimated by CONAPO.

We provide electricity to approximately 99.5% of Mexico's population, and as of June 30, 2024, we had over 48.6 million customer accounts. We classify our customers into five categories: residential, commercial, agricultural, services and large industry. As of December 31, 2023, our customer base consisted of 89.2% residential accounts and 9.2% commercial accounts, with the remainder of our accounts attributed to agricultural, industrial and services customers.

The following table sets forth a customer breakdown per sector for the years ended December 31, 2018 through 2023 and for the six-month period ended June 30, 2024:

Sector	Year Ended December 31,						Six- Month Period Ended June 30,
	2018	2019	2020	2021	2022	2023	2024
<b>Percentage of Customers</b>							
Residential.....	88.7%	88.8%	89.0%	89.1%	89.1%	89.2%	89.2%
Commercial.....	9.7%	9.6%	9.4%	9.3%	9.3%	9.2%	9.3%
Agricultural.....	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
Industrial .....	0.9%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%
Services.....	0.4%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%

Source: CFE.

Although the residential sector represented 89.2% of our customer base as of June 30, 2024, it constituted only 21.6% of our sales as of June 30, 2024. Inversely, the industrial sector represented approximately 0.9% of our customer base, but as of June 30, 2024, it accounted for 60.5% of our sales volume.

The following table sets forth the percentage of our sales volume attributable to each sector that we service for the years ended December 31, 2018 through 2023 and for the six-month period ended June 30, 2024.

Sector	Year Ended December 31,						Six-month Period Ended June 30,
	2018	2019	2020	2021	2022	2023	2024
<b>Percentage of Volume Sold*</b>							
Residential.....	17.1%	18.9%	23.1%	23.3%	22.4%	23.3%	21.6%
Commercial.....	13.1%	12.9%	12.6%	13.1%	13.2%	13.1%	12.2%
Agricultural.....	1.7%	1.7%	2.2%	2.3%	2.2%	2.5%	2.7%
Industrial .....	64.3%	62.9%	58.3%	57.6%	58.6%	57.9%	60.5%
Services.....	3.9%	3.7%	3.7%	3.7%	3.6%	3.2%	3.0%

\* 100% is total retail volume before non-technical losses, billing errors, billing in process and other exploitation products.

## Electricity Rates

The Electric Industry Law provides that the rates that we charge for regulated services are to be determined by the CRE. In accordance with applicable law, these regulated rates are determined in order to recover efficient costs and obtain a reasonable profit; provided that such regulated rates shall foster the efficient development of the power industry, secure the continuance of the rendering of power-related services, prevent any undue discrimination, allow for the open access to the transmission and distribution grids and protect the interests of market participants and end-users. Regulated services include the transmission and the distribution of electricity, as well as the operation of a basic services supplier. The final rates for basic services supply are also rate-regulated.

In 2015, the CRE published the rates that our transmission and distribution subsidiaries were to charge during an initial period from 2016 to 2018, as well as the criteria and methodology to apply adjustments to those rates during that initial period. In December 2020, the CRE extended the application of those transmission and distribution rates indefinitely. The methodology for future transmission and distribution rate adjustments is currently under discussion between the CRE and CFE.

Regulated electricity transmission rates are structured as a “postage stamp” based on injections by each generator or withdrawals that each power supplier or qualified user makes from the National Electric System, in each case without regards to the distance over which the electricity is transmitted, based on two tension levels: higher or equal to 220 kV and below 220 kV. Such regulated rates shall be adjusted annually based on inflation and development of new transmission infrastructure.



A similar methodology applies in connection with regulated tariffs for the electricity distribution service provided by CFE Distribution, provided, however, that such rates shall be allocated amongst 16 distribution regions across the country and upon five different groups based upon costumers' consumption profile. Such regulated rates shall be adjusted annually based on inflation and by an economies of scale factor for each distribution region.

In November 2017, the CRE published the methodology to determine and adjust the rates for the operation of a basic services supplier, for the final rates for basic services supply, and for provision of ancillary services not included in the MEM. According to the Electric Industry Law, the required income for basic services suppliers shall include the costs of regulated rates, as well as the energy generation costs and any associated products or services purchased by the supplier for this service.

The new rate system for basic power supply was implemented in December 2017. Rates have been grouped in 17 divisions and 12 categories, and include charges for the following concepts: generation, transmission, distribution, CENACE operations, operation of the basic services supplier, energy and capacity, among others. The rates for the initial phase were valid through December 31, 2018. In December 2018, the CRE established the methodology to calculate consumer rates for 2019, which complemented the rate regulation for other regulated services such as transmission and distribution, and implemented a mechanism for reviewing and adjusting the generation-related component/charge of the basic supply rate on a monthly basis based on the costs relating to basic supply vested contracts, long-term agreements and the MEM. During 2019, the CRE modified the methodology established in December 2018 (including its monthly review and update mechanism) to, among other things, define the generation costs/component of the basic supply rate as being comprised by expected costs of basic supply vested contracts, expected costs of long-term auction energy hedging agreements, expected costs in the MEM (considering Day-Ahead Market's local marginal prices), expected generation costs in small power systems under the micro-grid scheme operating in Yucatán and Baja California, and amounts credited to the end-users of the interruptible I-15 tariff. Additionally, in order for end-users to have certain stability in their power bills, the CRE decided to continue applying (a) capacity charges for the lesser of (i) the coincident maximum demand for the peak hour (in kW) and (ii) the maximum demand associated to the consumption registered in the applicable monthly invoicing period (kWh), and (b) distribution charges for the lesser of (i) the maximum demand registered in the applicable monthly invoicing period (in kW) and (ii) the maximum demand associated to the consumption in the applicable invoicing period (in kWh). The final rates for 2021 were calculated based on the ratification in December 2020 of the key items of the methodology established by the CRE in December 2019. Additionally, the new basis of calculation for 2021 took into account, as generation costs, certain amendments ("*Convenios Modificatorios*") to vested basic power supply contracts that were signed in November 2020 and that for purposes of the basic power supply tariffs became effective in January 2021 through *Acuerdo A/046/2020* issued by the CRE. However, given certain injunctions granted by district courts to third parties against the applicability of such *Convenios Modificatorios* to the basic power supply tariffs, the methodology established in December 2019 continued to apply for purposes of the determining basic power supply rates during the remainder of 2021. In December 2021, the CRE updated CFE's generation costs and issued a new methodology for 2022 which applies the key items of the 2019 methodology (particularly, in connection with the calculation of generation costs associated with vested basic power supply contracts, without considering any generation costs pursuant to the *Convenios Modificatorios* under *Acuerdo A/046/2020* nor any amounts associated with the interruptible I-15 tariff) to determine supply tariffs, which became effective through *Acuerdo A/039/2021*, issued on December 17, 2021. During 2022, the CRE, through general administrative provisions ("*Disposiciones Administrativas de Carácter General*"), issued methodologies to determine the supply tariffs for the operation of basic energy services, (*Acuerdo A/027/2022*), fixed rates for the operation of the CENACE (*Acuerdo A/026/2022*), as well as fixed rates for the provision of public electric energy transmission services (*Acuerdo A/044/2022*).

The Electric Industry Law also provides that the executive branch may determine a rate mechanism different from the final rates determined by the CRE for specific groups of users. The Mexican government, through the Ministry of Finance, has set some of our electricity rates at levels below our operating costs (if applicable, subject only to an inflation adjustment factor) in order to maintain the affordability of electricity, in particular, for our residential and all of our agricultural customers. As a result, we have historically relied on full or partial subsidies from the Mexican government to address any rate insufficiencies. During the summer months, the Mexican government increases the portion of the rate insufficiencies that relate to our residential customers located in regions of Mexico that experience extreme heat. This seasonal adjustment is designed to mitigate the financial burden arising from higher demand for electricity, in particular because of the increased use of air conditioners in these regions. The Federal Budget has allocated Ps.81.6 billion for rate subsidies. We can provide no assurances that the Ministry of Finance will grant full subsidies related to rate insufficiencies to us, and that the impact of the absorption of the subsidies will not adversely affect our results of operations and financial position.

Additionally, our affiliate CFE Calificados, S.A. de C.V. may charge different prices for the electricity it provides to its customers, as it operates as a qualified supplier facing market prices and charging unregulated prices to its clients. We note, however, that such entity is not a guarantor of the notes.

The rates that we can charge our customers can be modified significantly, particularly with respect to certain of our industrial and commercial customers that are not eligible for subsidies from the Mexican government. The rates that we charge our residential and agricultural customers will continue to be determined and regulated by the Mexican government, in principle, through the Ministry of Finance. The rates that we charge our large industrial and commercial customers under the qualified supply regime are no longer regulated, which grants us greater flexibility in determining our pricing strategy for these consumers and enable us to compete on equal terms with private electricity producers. We also expect to generate additional revenue from the rates applicable to our transmission and distribution activities, which are designed to allow us to obtain a profit that the CRE determines to be reasonable from services that we provide to third parties. We believe that the new rate regime will also provide greater transparency regarding our results of operations. The public use tax was repealed by the Electric Industry Law.

The rate-setting mechanisms for transmission and distribution public services in general consider a reasonable return on equity as well as depreciation, operation, maintenance and administration costs and an adjustment for efficiency improvements in such operation, maintenance and administration costs. The final rates for basic services supply are integrated by (a) regulated tariffs corresponding to transmission, distribution, basic supplier's operation and ancillary services not included in the MEM; and (b) the generation costs (energy and capacity) resulting from the costs of energy and associated products for providing the basic power supply to end-users.

The following table sets forth, for the periods indicated, (i) the average price of electricity that we charge our final users (measured in Mexican pesos per kWh) and (ii) the percentage change in the average price of electricity that we charge our customers.

<b>Historic Price Trends</b>		
<b>Year</b>	<b>Period Average Price of Electricity Ps/kWh</b>	<b>Percentage Change in Period Average Price (as compared to the immediately preceding period)</b>
2013 .....	1.52	-3.4%
2014 .....	1.58	3.5%
2015 .....	1.39	-12.2%
2016 .....	1.40	1.0%
2017 .....	1.67	19.0%
2018 .....	1.79	7.4%
2019 .....	1.89	5.8%
2020 .....	1.81	-4.6%
2021 .....	1.86	3.1%
2022 .....	1.99	6.6%
2023 .....	2.12	6.8%
Six months ended June 30, 2024 .....	2.20	3.7%

Source: CFE.

## Billing and Collection

Our billing and collection practices are governed, among others, by the *Disposiciones Administrativas de Carácter General que establecen las condiciones generales para la prestación del suministro eléctrico* (General Regulations for the Distribution and Sale of Electricity to the Public, the “Billing Rules”).

The bills are sent monthly to industrial, commercial and service customers and every two months to residential customers. Under the Billing Rules, customers have ten calendar days, plus three additional calendar days when the collection is made by “centralized collection,” to pay for electricity bills after receipt of the corresponding invoice. However, if we deliver an invoice late, the applicable payment period is extended accordingly. Our average collection rate as of May 2024 was 97.3%.

In order to satisfy our customers and improve their experience using our services, we offer several payment platforms, of which the most important are: (i) customer service, (ii) web page, (iii) ATMs (CFEmáticos), (iv) phone application, (v) banks, (vi) self-service stores and (vii) mobile apps.

We may suspend the supply of electricity to a customer if, among other items set forth in article 41 of the Electric Industry Law, any of the following occurs: (i) late payment; (ii) tampering with metering or control installations; (iii) acts or failures to act by the customer that prevent the correct operation of the grids in compliance with technical regulations; (iv) violations of electricity supply contracts and regulations with respect to the use of electricity; (v) consumption of electricity without a contract; and (vi) connection to our service without our previous authorization. Upon the occurrence of any of the above, we may proceed to cancel service without judicial intervention. However, in the case of any of the events described under (i), (iii) or (iv) above occur, we are required to notify customers before suspending their service.

In the context of basic power supply, we may terminate the supply of electricity if, for example, any of the following occurs: (i) a suspension event is not cured within 15 calendar days following such suspension; or (ii) upon request by a customer following the rescission of the electricity supply agreement.

A customer may rescind its electricity supply agreement without cause and without incurring any liability for damages, by means of a five business days' prior written notice or else upon delivery of a change of address notice. We may rescind an electricity supply agreement upon the occurrence of any of the following events, provided each such event is deemed as a termination or rescission event thereof (i) if the customer consumes electricity through irregular electrical facilities in a manner that alters or impedes the proper functioning of the meters and other measurement equipment, (ii) if the identity information furnished by the customer shall have been false, (iii) upon a deliberate or reiterated breach by the customer to its obligations under the applicable law, and (iv) upon a final judgment or administrative resolution adjudicating such rescission.

We may agree to modify the terms of payment when customers are unable to pay amounts owed to us but have agreed to such amounts. Among the modifications that we may agree to are: (i) the payment of 25% of the aggregate amount owed to us upon execution of an agreement modifying the terms of payment; (ii) the establishment of a monthly payment plan; (iii) the charging of interest on amounts owed (at a rate of the *Tasa de Interés Interbancaria de Equilibrio* (TIIE) plus a margin approved by us); and (iv) the acceleration of the aggregate amount owed to us upon the failure to make a monthly payment.

## Labor

As of June 30, 2024, we had 92,134 employees (including temporary employees). As of June 30, 2024, approximately 77.8% of our employees were unionized under the SUTERM and the remainder were not unionized. We have never experienced a labor-related work stoppage or strike, and we consider our overall relationship with our unionized employees to be stable.

The following table sets forth the breakdown of our labor force between unionized and non-unionized employees as of December 31, 2018 through 2023, and as of June 30, 2024:

Employees*	As of December 31,						As of June 30,
	2018	2019	2020	2021	2022	2023	2024
Non-unionized Employees.....	18,690	19,137	20,346	20,418	20,262	20,472	20,507
Unionized Employees.....	72,679	72,174	73,484	71,320	71,562	71,582	71,627
<b>Total Active Employees .....</b>	<b>91,369</b>	<b>91,311</b>	<b>93,830</b>	<b>91,738</b>	<b>91,824</b>	<b>92,054</b>	<b>92,134</b>

\* Source: CFE. Includes temporary employees.

In 2008, as a result of our collective bargaining negotiations with the SUTERM, we entered into a new “defined contribution” employee benefits program, wherein we have agreed to establish individual retirement accounts for each employee that we hire after August 18, 2008. As currently set forth in the collective bargaining agreement with the SUTERM, employees subject to the defined contribution plan are required to contribute 5% of their monthly

salary into their individual retirement account, and we provide a corresponding contribution in the amount of 7.5% of each employee's monthly salary (although these percentages are subject to change in accordance with terms of the collective bargaining agreement).

On June 19, 2024 we entered into a new collective bargaining agreement with the SUTERM for the 2024-2026 term. This new collective bargaining agreement included modifications to employee pensions, salary and benefit increases, including a 4.0% increase in daily salaries and a 4.66% increase in pensions payable to retirees. As of June 30, 2024, we reported a liability of Ps.421.4 billion (U.S.\$23.1 billion) on our statement of financial position in respect of our long-term employee benefits, which represents 21.4% of our total liabilities. See "Risk Factors—Risk Factors Related to the Issuer and the Guarantors—Labor unrest, employee benefits obligations and labor-related lawsuits may adversely affect our business, financial condition and results of operations."

## Environmental and Sustainability Matters

We are subject to a broad range of environmental laws and regulations, including the Mexican *Ley General del Equilibrio Ecológico y la Protección al Ambiente* (General Law of Ecological Balance and Environmental Protection), which is the principal environmental law in Mexico. These laws and regulations impose stringent environmental protection standards regarding, among other things, water usage, air and noise emissions, contamination control, wastewater discharges, the use and handling of hazardous waste or materials and waste disposal practices. These standards expose us to the risk of environmental costs and liabilities; however, as of the date of this offering memorandum, we believe that we are in substantial compliance with all environmental laws applicable to us. In addition to environmental laws and regulations applicable to our operations, we are required to utilize the electricity production technologies that result in the lowest cost to us, on both a short-term and a long-term basis, after considering the environmental effect of each technology. We are also required to use the electricity production technologies that offer optimum stability, quality and safety for the public service we provide. This mandate is consistent with our longer-term strategy to focus on clean energy as we expand our generation capacity.

To maintain compliance with and mitigate our risk under the Mexican environmental legal and regulatory framework, we maintain an environmental policy program known as the *Programa Institucional para la Competitividad y la Sustentabilidad de la Comisión Federal de Electricidad* (Program for the Competitiveness and Sustainability of the Comisión Federal de Electricidad, or the "PICS"), designed primarily to reduce the environmental impact and increase the efficiency of our operations, increase the use of alternative fuels and promote energy savings programs. To satisfy these objectives, PICS focuses on plant modernizations, emissions controls, the construction of water treatment plants and programs to promote the use of clean energy and increase the efficiency of hydrocarbon-based plants, each of which is consistent with the *Programa Especial de Cambio Climático 2009-2012* (Mexican government's Special Climate Change Program for 2009-2012) which establishes the objective of reduction of 50% of greenhouse gases emissions by 2050. CFE aims to reduce CO<sub>2</sub> emissions to 324gr/kWh by 2028. Furthermore, PICS requires each participant in the bidding processes relating to the construction, maintenance and operation of power plants to prove their ability to perform these activities in compliance with all existing environmental rules and regulations and with our standards, which in some cases are more stringent than those in applicable environmental laws. Additionally, it requires winning bidders to perform an environmental impact study sanctioned by the *Procuraduría Federal de Protección al Ambiente* (Federal Environmental Protection Agency), which is part of the SEMARNAT.

Pursuant to the Electric Industry Law, the Ministry of Energy will implement policies and procedures to promote the diversification of energy sources, energy security and clean energy through the use of clean energy certificates.

A substantial majority of our plants were awarded a *Certificado de Industria Limpia* (Clean Industry Certificate), certifying that their operations are in full compliance with applicable environmental laws. We expect that all of our plants currently under construction will be awarded with a Clean Industry Certificate. Additionally, certain of our operations and processes in our different power plants have obtained ISO-9001, ISO 14000 and ISO 18000 certifications for environmental management systems.

Additionally, CFE has developed and continues to develop a program to strengthen its organizational structure by incorporating sustainability concepts, with particular focus towards environmental, social & governance (ESG) issues. We have also adopted the Sustainable Financing Framework, which was published on January 31, 2022. See "Use of Proceeds."

Finally, we maintain a general liability insurance policy which includes specific environmental liabilities insurance coverage arising from nuclear accidents in compliance with Mexican rules and regulations and international conventions to which Mexico is a party.

## **Intellectual Property**

We currently hold 9 patents: four to protect inventions, three to protect our utility models and two for the protection of our designs. We have also obtained 283 trademark registrations.

## **General Regulatory Framework**

### ***Mexican Energy Reform***

We describe below the key features of our legal framework as it relates to our operations:

- Legal Form: We are a productive state enterprise, and our framework gives us a degree of managerial and budgetary autonomy, as described below.
- Scope of Mandate: Our corporate purpose is to create economic value and increase the profitability of the Mexican state and we are solely responsible for the transmission and distribution of electricity for public service purposes.
- Corporate Governance: The CFE Law requires that our Board of Directors consists of 10 board members. The President of Mexico appoints five members, including the Minister of Finance and the Minister of Energy, who serves as the Chair of the Board of Directors. Four part-time independent board members are appointed by the President and ratified by the *Cámara de Senadores* (Senate), and the remaining board member is appointed by the SUTERM, our labor union. In addition, our internal auditing, control and accountability responsibilities are undertaken by three separate and independent bodies.
- Budgetary Autonomy: Although the Mexican Congress approves our financial condition target, personal services expenditure and net debt ceilings, and notwithstanding we are subject to certain budgetary controls by the Mexican government and the Mexican Congress, our Board of Directors is able to define our five-year business plan, determine our annual budget and freely approve investment priorities and projects. We also have autonomy and flexibility with respect to our procurement, contracting and compensation policies, which we believe enable us to reduce contracting costs by adopting terms that are market standard in our service contracts and enhance our ability to attract and retain highly-skilled employees.
- Dividends: The Ministry of Finance may determine, based upon the information provided by the Board of Directors, the amount of any dividend we will pay to the Mexican government each year after taking into account our business plan and capital investment and financing needs for the upcoming fiscal year. The Federal Revenue Law for 2024 does not contemplate a dividend payment to the Mexican government. Upon congressional approval, the Ministry of Finance would determine the terms on which we would pay such dividend.
- Rates: The rates that we charge our customers are determined and regulated by the Mexican government, provided that rates for certain end-users (particularly, residential and all agricultural customers) which are determined by the Ministry of Finance, and certain other customers within the basic services supply space are charged at rates set by CRE and determined based on components such as transmission, distribution, CENACE operation and basic services supplier operation regulated tariffs/rates, as well as generation charges (such as energy and capacity charges). The rates that we charge through CFE Calificados, S.A. de C.V. to our large industrial and commercial customers that qualify as “qualified users” by registration with the CRE (provided existing demand exceeds certain thresholds) are not regulated, which grants us greater flexibility in determining our pricing strategy for “qualified users” and enables us to compete on equal terms with private electricity suppliers. We also expect to generate additional revenue from the rates applicable to our

transmission and distribution activities, which are designed to allow us to obtain a profit that the CRE determines to be reasonable from services that we provide to the National Electric System.

- Continued government participation: The Mexican government is exclusively responsible for the planning and control of Mexico's National Electric System and the transmission and distribution of electric energy, which remains a public service.
- Private-sector participation: The Mexican government may permit private-sector companies to enter into contracts with us related to the financing, installation, maintenance, management, operation and expansion of electricity transmission and distribution infrastructure, although concessions continue to be prohibited with respect to these activities. In addition, private-sector companies are now able to invest and participate in all aspects of electricity generation and commercialization activities.
- Vertical and Horizontal Division of CFE: The CFE Law and the Electric Industry Law mandate that we maintain vertical and horizontal separation of each of our core activities of generation, transmission, distribution and commercialization of electric power. See “—Organizational Structure of CFE.”
- Regulatory oversight and authority: The Ministry of Energy and the CRE have technical and administrative authority over certain of our operations and the electric energy sector generally. The Ministry of Energy is in charge of designing, implementing and coordinating Mexico's energy policy, implementing the infrastructure programs, monitoring and adjusting the profitability and return on equity of productive state enterprises and its subsidiaries pursuant to the methodologies determined by the Ministry of Finance and establishing mechanisms to promote clean energy generation through tradable clean energy certificates. The CRE was vested with its own legal status and technical and administrative autonomy and was entrusted with regulating and issuing permits for power generation and power supply and implementing regulations to encourage the sustainability, reliability and efficiency of the National Electric System. In addition, the CENACE, a decentralized public entity of the Mexican government, was created to manage the National Electric System, operate the MEM and ensure an open and non-discriminatory access to the electric transmission grid and the distribution systems.
- Electric Industry Law: The Electric Industry Law enables private-sector companies to obtain permits for generation and commercialization of electric power. Participants in Mexico's electric sector, including us, are able to sell electricity to industrial and commercial customers (under a qualified power supply scheme) at prices set by the market in a new MEM. Pursuant to the Electric Industry Law, we are subject to a permits regime in order to continue to generate electricity, we are authorized to sell electricity to residential consumers and industrial and commercial consumers subject to power supply/commercialization permits at regulated rates (under a basic power supply regime) and unregulated prices (under a qualified power supply regime), and we have authority to enter into contracts with private-sector companies, including contracts for the financing, installation, maintenance, procurement, operation and expansion of the electric grid infrastructure.

On October 31, 2014, the initial regulations relating to the Secondary Legislation, including the Regulations to the CFE Law and the Regulations to the Electric Industry Law, were published in the Official Gazette.

### ***Electric Industry Law Amendments***

On March 9, 2021, the Electric Industry Law Amendments were published after approval by the Mexican Congress. While certain of the Electric Industry Law Amendments were the subject of numerous *amparo* suits and were deemed unconstitutional by Mexico's Supreme Court (and therefore were not implemented as part of the legal framework), the amendments related to grid access being contingent upon the technical feasibility of the interconnection and certain modifications to the CENACE's prerogatives to dispatch orders, security, reliability, quality and continuity of the national grid remain in effect. See “Risk Factors—Risk Factors Related to the Issuer and the Guarantors—Certain modifications within the Electric Industry Law Amendments were declared unconstitutional” for more information.

On December 31, 2021, the CRE published Resolution No. RES/550/2021, which sets forth the criteria for efficiency, quality, reliability, continuity, safety and sustainability of the National Electric System (“Grid Code”). The

Grid Code replaced the previous code governed by Resolution No. RES/151/2016. Among other things, the Grid Code provides (i) the technical requirements applicable to load centers that are connected, or intend to connect, to the National Electric System at medium or high voltage, in order to guarantee the efficiency, quality, reliability, continuity, safety and sustainability of the system, (ii) the obligation for renewable power plants to participate in primary frequency control, (iii) a procedure to execute root cause assessments of disturbances in the National Electric System and (iv) a new procedure to reduce the generation of electric power upon the occurrence of extraordinary conditions in the National Electric System. To ensure compliance with the requirements of the Grid Code, we continue to purchase equipment, such as measuring equipment, and supervise generators and loading sites to prevent possible violations of the Grid Code. As of the date of this offering memorandum, we estimate that we will invest an additional Ps.1,500,000 to purchase materials necessary for continued compliance with the Grid Code.

On February 5, 2024 a proposal to dissolve the CRE, the CNH, and other constitutional autonomous agencies in Mexico was presented, through a bill prepared by the Commission on Constitutional Points (*Comisión de Puntos Constitucionales*) of the Chamber of Deputies. The proposed changes aim to amend Article 28 of the Constitution to integrate the resources and responsibilities of the CRE and the CNH into SENER. As of the date of this offering memorandum such proposal has not yet been enacted, however, a change in applicable law, regulations or policies in Mexico, or the interpretation thereof, if adverse to us, could have a negative impact on our business, financial condition and results of operations. See “Risk Factors— Risk Factors Related to Mexico— Regulatory developments in Mexico could have a negative impact on our results of operations and financial condition and “Risk Factors— Risk Factors Related to Mexico— Several constitutional reforms have been proposed and are subject to approval and implementation.”

### ***Organizational Structure of CFE***

The CFE Law mandates that we create subsidiaries and undertake a vertical and horizontal legal separation of each of its key electric sector activities—electricity generation, transmission, distribution and commercialization. In addition, the Board of Directors is authorized to create additional subsidiaries and affiliates to engage in any new lines of business that we pursue without the need to obtain approval from the Mexican Congress.

### ***Guarantors***

On January 11, 2016, the Ministry of Energy published the general terms for the reorganization of CFE in the Official Gazette. These terms set forth the terms and conditions for the creation of these new subsidiaries. Accordingly, on March 29, 2016, CFE created the following new subsidiaries pursuant to the *Acuerdos de Creación de las Subsidiarias* (the Creation Resolutions of the Subsidiaries) published by CFE in the Official Gazette: (i) CFE Distribución; (ii) CFE Suministrador de Servicios Básicos; (iii) CFE Transmisión; (iv) CFE Generación I; (v) CFE Generación II; (vi) CFE Generación III; (vii) CFE Generación IV; (viii) CFE Generación V; and (ix) CFE Generación VI. Each of these subsidiaries, which is a guarantor under the notes, is wholly owned by CFE.

Our split and allocation of assets and systems to each of the guarantors became effective between January and February 2017.

On May 24, 2019, a proposal for the reorganization of all generation assets and contracts, including the Laguna Verde Nuclear Power Plant and the Mobile Emergency Units (but excluding IPP plants of CFE Generación V), was submitted to the Ministry of Energy for consideration. This reorganization, which became effective on January 1, 2020, had the following principal objectives:

- The organization of the assets of the generation subsidiaries to improve the operational and administrative efficiency of each of the five regional companies, as organized prior to the reorganization of CFE.
- The hydroelectric power plant assets were to be grouped by prioritizing operational regionalization, including by giving priority to common basins, in order to guarantee safety and optimal management of the hydraulic resources and reservoirs.
- To guarantee the reliability and security of the National Electric System, it was decided to group all the Mobile Emergency Units in the *Subdirección de Negocios No Regulados*, to ensure expeditious

decision-making and prompt asset mobilization, according to the needs of the National Electric System in the various regions of the country.

- To maintain within CFE Corporate the nuclear power generation business unit, which includes the Laguna Verde Power Plant and to maintain representation in the MEM.
- Legacy/vested contracts (*Contratos Legados para el Suministro Básico*) to be grouped in our subsidiary CFE Suministrador de Servicios Básicos (SSB).

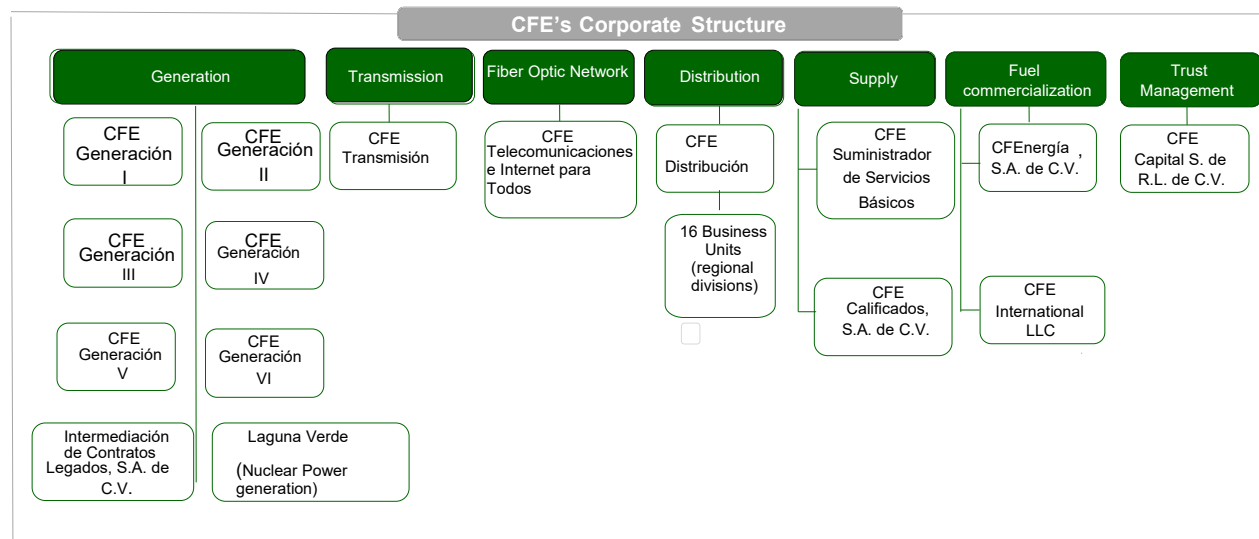
On August 2, 2019, the General Director of CFE published the creation decree of CFE Telecomunicaciones e Internet para Todos in the Official Gazette. CFE Telecomunicaciones e Internet para Todos is a subsidiary productive enterprise of CFE, whose purposes are the following: (i) to provide free telecommunication services (including internet) to guarantee access to information and communication; (ii) to form, install, operate and exploit public telecommunications networks in order to provide services to third parties; and (iii) to render and provide technological goods and services, including the development of computer and telecommunications systems.

### Affiliates

On January 20, 2015, we created CFE International LLC, a Delaware limited liability company, as an affiliate established with the purpose of increasing our presence in the international fuel market. Also, on August 11, 2015, we created CFEEnergía, S.A. de C.V., a Mexican corporation, as an affiliate with the purpose of increasing our participation in the import, export, transportation, storage and marketing of natural gas and other fuels, both in Mexico and abroad. In March 2016, we created CFE Intermediación de Contratos Legados, S.A. de C.V., a Mexican corporation, as an affiliate with the purpose of administering the legacy/grandfathered interconnection contracts (*Contratos de Interconexión Legados*) signed pursuant to the LSPEE. In May 2016, we created CFE Calificados, S.A. de C.V., a Mexican corporation, as an affiliate with the purpose of increasing our participation in the MEM in a cost-effective manner provide qualified supply services to end-users a large power demand.

In December 2017, we created CFECapital, S. de R.L. de C.V., a Mexican limited liability company with variable capital, as an affiliate established with the purpose of managing our Fibra E trust and the Master Investment Trust. We manage our Clean Energy and Conventional Power Trusts through our Corporate Finance Division.

The following chart sets forth our consolidated corporate structure:





The following table sets forth our subsidiary productive enterprises and affiliates as of June 30, 2024:

Name of Company	Jurisdiction of Organization	Percentage Owned	Business
CFE Distribución*	Mexico	100%	Distribution
CFE Suministrador de Servicios Básicos*	Mexico	100%	Supply
CFE Transmisión*	Mexico	100%	Transmission
CFE Generación I*	Mexico	100%	Generation
CFE Generación II*	Mexico	100%	Generation
CFE Generación III*	Mexico	100%	Generation
CFE Generación IV*	Mexico	100%	Generation
CFE Generación V*	Mexico	100%	Generation
CFE Generación VI*	Mexico	100%	Generation
CFE Telecomunicaciones e Internet para Todos.....	Mexico	100%	Fiber optic and telecommunications
CFEnergía, S.A. de C.V. ....	Mexico	100%	Power commercialization
Intermediación de Contratos Legados, S.A. de C.V. ....	Mexico	99%	Administration of interconnection contracts
CFE Calificados, S.A. de C.V. ....	Mexico	99%	Fuel commercialization
CFE International LLC.....	United States	99%	Fuel commercialization
CFECapital S. de R.L. de C.V.....	Mexico	100%	Trust and trust asset management

\* Guarantor.

This new organizational structure makes our operations more efficient and transparent, and allows our new subsidiary productive enterprises and affiliates to focus on maximizing our profitability along the entire energy sector value chain.

Because we continue to be a public-sector entity, the Mexican government's ownership interest in the Issuer and the guarantors is not represented by any shares of capital stock, but rather is memorialized by the CFE Law and the decrees mandating the incorporation of such subsidiaries, respectively. Therefore, we have no authorized or outstanding shares of capital stock.

The establishment of our Board of Directors and the powers, attributions and responsibilities of this body and those of our *Director General* (General Director), the *Comité de Auditoría* (Audit Committee), the *Comité de Recursos Humanos y Remuneraciones* (Human Resources and Compensation Committee), the *Comité de Estrategia e Inversiones* (Strategy and Investment Committee) and the *Comité de Adquisiciones, Arrendamientos, Obras y Servicios* (Acquisitions, Leasing, Public Works and Services Committee) are contained in the CFE Law and the Regulations to the CFE Law. Several *Secretarios de Estado* (cabinet ministers) are members of the Board of Directors and its committees. For further information on the Board of Directors and committees of the Issuer, see "Management."

Our access to financing is regulated by the CFE Law, pursuant to which new external and internal indebtedness must be authorized by the Board of Directors. The timing of our financing operations is agreed yearly with the Ministry of Finance (the "Financing Schedule"). We are authorized to carry out financing transactions additional to those included in the Financing Schedule or modify the timing thereunder, after notice in writing to the Ministry of Finance, to which the Ministry of Finance does not timely object. The Mexican Congress is still in charge of approving our net debt ceiling on an annual basis, and we must coordinate with the Ministry of Finance to establish an annual calendar to incur such indebtedness. Any indebtedness (internal or external) we incur must be registered with the *Registro de las Obligaciones Financieras* (Financial Obligations Registry) maintained by the Ministry of Finance. PIDIREGAS financings are also regulated by the CFE Law and the Federal Law of Public Debt, and as such are subject to the approval of the Ministry of Finance.

Under applicable laws and regulations, our five-year business plan and annual budget must be authorized by the Board of Directors. Our annual budget must also be submitted to the Ministry of Finance together with an estimation of our financial condition target and personal services expenditure ceiling for the relevant fiscal year. Our financial condition target and expenditure ceiling are reviewed by the Ministry of Finance and included in the Federal Budget, which is approved by the Chamber of Deputies on an annual basis.

As of January 1, 2016, we are subject to a new dividend policy that may require us to pay a dividend to the Mexican government on an annual basis, which will be approved and determined by the Ministry of Finance and approved by the Mexican Congress. In connection with this dividend, we will be required to submit a report to the Ministry of Finance each year disclosing our financial results for the previous fiscal year, investment and financing plans for the following five years and an analysis of the profitability of these plans and projections.

Our activities are also subject to Mexico's environmental laws and regulations. See "—Environmental and Sustainability Matters" for a discussion of the environmental legal framework and our compliance efforts relating thereto.

We are not subject to the Commercial Bankruptcy Act or any Mexican reorganization or bankruptcy law, and thus cannot be declared in *concurso mercantil* or bankrupt. Our liquidation and dissolution would be carried out pursuant to the Constitution and the CFE Law, which would address the applicable rules and the manner in which our outstanding obligations would be met. See "Risk Factors—Risk Factors Related to the Notes—We are not subject to the bankruptcy laws of Mexico and certain of our assets cannot be attached by creditors."

### ***Private Participation in the Electricity Sector***

Prior to the enactment of the Energy Reform Decree and the Electric Industry Law, the generation of electricity that did not qualify as a "public service" was the only sector of the Mexican electricity industry in which the private sector was permitted to participate. Private companies were permitted to make the following investments in the electricity generation sector:

- *Self-supply* – The generation of electrical energy by a private company in quantities limited to its (or its shareholders') own power consumption requirements.
- *Co-generation* – The simultaneous production of electrical energy and heat (where, for example, the resulting heat is captured and used for heating purposes), or the production of electricity from thermal energy not used in the associated industrial processes, or generation of electricity using the fuels produced as a byproduct of the industrial process, for the satisfaction of the power-related needs of the facilities associated with the cogeneration process.
- *Production for export* – The generation of electrical energy by a private producer that has obtained a permit from the CRE, which energy must be used exclusively for export.
- *Small production* – The generation of power for its sale to CFE (limited to a generation capacity of 30 MW) and, alternatively, the self-supply of small rural communities or remote areas lacking in sufficient electrical energy services from us, with a maximum total capacity of 1 MW.
- *Importation* – Obtain permits to acquire electrical energy from foreign generation plants pursuant to agreements entered into directly between the foreign supplier and such private companies.
- *IPP* – Sale of capacity and energy to CFE (not subject to a maximum generation capacity limitation) under bilateral power purchase agreements resulting from bidding processes called by CFE.

Pursuant to the Electric Industry Law, private companies are now permitted to make the following investments in the electricity sector:

- *Generation* – Obtain permits to construct, own and operate generation plants with a generation capacity greater than or equal to 0.5 MW for purposes of selling electrical energy to authorized power suppliers, energy traders or qualified users in the MEM. The importation of electrical energy from generation plants outside of Mexico, and connected exclusively to the National Electric System only requires an authorization from the CRE, and the generation of electrical energy by a private company in quantities limited to its own consumption during emergencies or interruptions of power supply does not require a permit. Export of energy under an isolated scheme also requires an authorization from the CRE. Generators with a capacity of less than 0.5 MW and which are not represented by a generator in the MEM may generate power and sell their energy output directly to end-users under a distributed generation scheme.

- *Transmission and Distribution* – Enter into partnerships or agreements with us or the Ministry of Energy for the financing, installation, maintenance, management, operation and expansion of transmission and distribution infrastructure. We continue to provide the public service of transmission and distribution of electricity and to be responsible for the National Transmission Grid and the General Distribution Grids.
- *Commercialization* – Obtain permits to supply electrical energy to end users under a regulated rate regime (basic supply or last resource) or under a free competition scheme (qualified supply) as well as to obtain authorizations to commercialize power-related products without providing power supply directly to end-users (*Comercializador No Suministrador*) in the MEM. Private generators may also sell electrical energy to qualified suppliers or qualified users participating in the MEM under freely negotiated power hedging purchase agreements, whereas, basic suppliers may execute power hedging/purchase agreements as vested contracts for basic power supply or as a result of mid-term and long-term auctions. Power hedging agreements signed by CFE Suministrador de Servicios Básicos (*i.e.*, the basic power supplier) as a result of the first and second long-term auctions, as well as the vested contracts for basic power supply signed between CFE Suministrador de Servicios Básicos and certain generation subsidiaries of the Issuer (as amended in November 2020), include the Issuer as a joint and several obligor (*obligado solidario*) of the subsidiary productive enterprises of CFE party to such power hedging agreements. The amendments to the vested contracts for basic power supply signed between CFE Suministrador de Servicios Básicos and CFE Generación I, CFE Generación II, CFE Generación III, CFE Generación IV and CFE Generación VI as of November 2020 (i) eliminate the periods for exercising or not exercising the option to acquire power under the contract (thus, allowing CFE Suministrador de Servicios Básicos to acquire energy from the generation subsidiaries for each hour on which the reference notional price is lower than the local marginal price in the spot market), which applies exclusively to thermal generation plants; (ii) allow the incorporation of new projects or additional capacity built by the generation subsidiaries so that the products from such new projects and additional capacity are captured under the contract for the benefit of CFE Suministrador de Servicios Básicos; (iii) provide for the updating of certain contractual values as well as certain components of the price formulas (to reflect values and costs offered by the power plants in the MEM); and (iv) change the performance guarantee thereunder from letter to credit to a corporate guarantee of CFE. These November 2020 amendments to the vested contracts for basic power supply have been suspended as a result of certain injunctions granted by district courts in favor of third parties under *amparo* lawsuits filed against the resolutions issued by CRE for purposes of approving such amendments.

In any case, all of such power hedging/purchase agreements should be registered with CENACE accordingly pursuant to the *Reglas del Mercado* (Market Regulations).

As of the date of this offering memorandum, most of the private sector participation in the generation of electricity continues to occur through IPPs that were awarded by the CFE to build, finance, operate and maintain electricity generation plants, provided that these plants met certain quality and technical standards promulgated by the competent government authorities in Mexico. The electricity generated by IPPs must be sold to CFE under long-term generation agreements at fixed prices. As of June 30, 2024, we were under contract to purchase electricity from 33 IPPs.

### ***National Center for Energy Control (CENACE)***

On August 28, 2014, the CENACE, a decentralized public entity of the Mexican government, was created to act as the independent operator of the National Electric System and the MEM, and ensure open and non-discriminatory access to the electric transmission grid and distribution systems. The CENACE is also responsible for submitting proposals to the Ministry of Energy to promote the expansion and upgrading of the National Transmission Grid and the General Distribution Grids. The MEM is expected to allow generators, suppliers, traders and qualified users to purchase and sell electricity through competitive processes managed by the CENACE, and the CENACE is also permitted to enter into contracts or partnerships with private companies for the provision of ancillary services related to the operation of the MEM.

## Legal Proceedings

In the ordinary course of our business, we are party to various labor related lawsuits filed against us by current and past employees. We do not believe that the resolution of these lawsuits will have a material adverse effect on our financial condition or results of operations.

Furthermore, in the ordinary course of our business, we are party to various criminal, tax, civil, commercial, administrative, environmental and agricultural lawsuits and arbitration proceedings. We believe that some of these proceedings may be significant; however, given the different stages of such proceedings, we are not yet able to assess whether they would materially adversely affect our financial condition or results of operations.

In October 2016, the Consorcio Chicoasén II (the “Consortium”) initiated a dispute against CFE relating to the construction by the Consortium of a hydroelectric power plant pursuant to an EPC contract (the “EPC Contract”) we entered into with the Consortium. The Consortium claimed that certain of CFE’s obligations under the EPC contract were not met, specifically, the granting of access to the site, as well as obtaining the necessary rights of way and certain permits. An arbitral award in respect of this dispute was issued on June 29, 2020, ordering CFE to pay U.S.\$ 226 million, which is approximately 3.4% of our cash and cash equivalents as of June 30, 2024. The Consortium requested that CFE engage in alternative dispute resolution in connection with a proposed settlement of the dispute after CFE filed a lawsuit on September 23, 2020 before Mexican courts seeking to void the arbitral award. CFE carried out a risk assessment of the legal proceedings, considering a possible deferral or adverse decision as well as other claims by the Consortium against CFE that were still pending to be determined following the arbitration, and agreed to settle the Consortium’s claim for approximately U.S.\$ 224.7 million plus applicable taxes. The claim was paid in the second quarter of 2021. As part of the settlement, CFE retained access to the site and the ability to complete the pending works of the project, and recovers the machinery, equipment and other assets of the project, in order to conclude construction and initiate operations of the hydroelectrical power plant.

On August 23, 2024, Greenfield, Terminales Portuarias del Pacífico, S.A.P.I. de C.V. TPP and Terminal Marítima de Carbón, S.A. de C.V. TMC filed a lawsuit against CFE and CFE Generación II in the Southern District of New York, seeking to recognize an arbitral award rendered against CFE and CFE Generación II on May 28, 2024 by the London Court of International Arbitration, in an amount of approximately U.S.\$ 40.4 million. The arbitral award stems from a dispute between the parties relating to a contract signed in 2016 among Greenfield, CFE and TPP for the provision of coal transportation and storage services for the Plutarco Elías Calles thermoelectric plant in Guerrero, Mexico. CFE Generación II considered that the overstay of some vessels that transported the coal caused damages and losses, and for such reason decided to execute the operational guarantee granted by Greenfield, TMC and TPP. These parties did not agree with the decision adopted by EPS CFE Generación II and initiated a commercial arbitration under the rules of the London Court of International Arbitration. CFE and EPS CFE Generación II disagree with the substantive content of the award issued by the arbitral tribunal. We learned in the press that, in September 2024, Greenfield filed a lawsuit before a New York Court in order to have the arbitration award recognized and enforceable in the United States.

As of the date of this offering memorandum, we have not yet been formally notified of this lawsuit. We intend to separately file a lawsuit to annul the arbitral award for lack of due process. Given the initial stages of this proceeding, we are not yet able to assess the potential outcome and whether it would materially adversely affect our financial condition or results of operations.

CFE International, an affiliate of CFE in the United States, is also a party to various legal and arbitration proceedings. As of the date of this offering memorandum, two arbitrations have been resolved in favor of CFE International. Other proceedings are pending to be resolved.

In July 2021, Whitewater Midstream commenced an arbitral proceeding against CFE International. The controversy relates to the obligations of the parties under natural gas purchase contracts following the severe winter storm in Texas during February 2021 that resulted in unprecedented price spikes, as well as the termination of a long-term natural gas supply contract between the parties (with an estimated net present value of over U.S.\$ 8,100 million). CFE International argued that the underlying transactions were illegal or otherwise unauthorized financial transactions. On May 13, 2024, a Houston-seated arbitration panel issued a final award, in which it found the underlying transactions to be invalid, confirmed the termination of the long-term contract, and rejected Whitewater Midstream’s claims. The tribunal also awarded CFE International related damages, fees and costs, which Whitewater Midstream paid on May 22, 2024.

We conducted an investigation in connection with potential corrupt acts related to the awarding in 2016 and 2017 of certain contracts to Whitewater Midstream. CFE also announced that at least one contract subject to investigation was for a gas pipeline that is unnecessary for the purposes of CFE, and indicated that this contract appeared to have been awarded without appropriate approvals of the appropriate CFE governing body and without a transparent and competitive bidding process. CFE disclosed two additional gas supply contracts with Whitewater Midstream which it believed contain various contractual terms that are not in line with market practice and are unfavorable to CFE, and stated that CFE's attempts to renegotiate these contracts with Whitewater Midstream had been unsuccessful. One of those contracts was the long-term natural gas supply contract terminated as explained in the preceding paragraph. In addition, CFE initiated legal actions against former CFE officials following the results of the investigation. CFE is considering taking further legal action against Whitewater Midstream as a result of this investigation.

In October 2021, CFE International initiated an arbitration against Trafigura Trading LLC before the London Court of International Arbitration. In such arbitration, CFE International made claims arising from Trafigura's breach of certain natural gas supply agreements. The arbitral tribunal rendered an award in favor of CFE on November 23, 2023. Trafigura Trading LLC has paid the award in full.

In addition, in May 2021, J. Aron commenced an arbitral proceeding against CFE International resulting from a commercial dispute for an amount of approximately U.S.\$ 400 million. The controversy relates to certain transactions that have the same structure and nature as the transactions that were the subject of the arbitration with Whitewater Midstream described above, which were found to be invalid by the arbitration tribunal in that case. CFE International does not have, and has never had, a long-term contract for the purchase of natural gas from J. Aron; therefore, our natural gas supply is not compromised by this dispute. A hearing was held from November 6 to 10, 2023, with a supplemental day of hearing on February 13, 2024. The parties await the tribunal's decision. As of the date of this offering memorandum, we have not provisioned for the claims against us by J. Aron.

For more information on our legal and administrative proceedings, see Note 21 to our 2023 annual financial statements and Note 17 to our interim financial statements.

## MANAGEMENT

The Board of Directors consists of 10 members. The President of Mexico appoints five members, including the Minister of Finance and the Minister of Energy, who serves as the Chair of the Board of Directors. Four part-time independent board members are appointed by the President and ratified by the *Cámara de Senadores* (Senate), and the remaining board member is appointed by the SUTERM, our labor union. The President of Mexico also appoints the Chief Executive Officer (General Director) of CFE. Except for the five independent members, who are appointed for a five-year term, the members of the Board of Directors are not appointed for a specific term. Board members, except for the independent members and those appointed by the SUTERM, serve at the discretion of the President of Mexico. The following charts set forth the current membership of the Board of Directors and top management structure. These members of the Board of Directors may be replaced as a result of the new administration taking office on October 1, 2024.

### Board of Directors of CFE

<b>Name</b>	<b>Position</b>	<b>Year of Appointment</b>
Ing. Miguel Ángel Maciel Torres	Minister of Energy	2023
Dr. Rogelio Ramírez de la O	Minister of Finance	2021
Mtro. Roberto Salcedo Aquino	Secretary of Public Functions	2021
Ing. Octavio Romero Oropeza	Chief Executive Officer of PEMEX	2018
Mtro. Héctor Sánchez López	Independent Board Member	2019
Lic. Tito Rubín Cruz	Independent Board Member	2023
Dra. Rosío Vargas Suárez	Independent Board Member	2020
C.P. Antonio Echavarría García	Independent Board Member	2023
Sr. Víctor Fuentes del Villar	General Secretary of SUTERM	2005

### Biographical Information of the Board of Directors

#### ***Ing. Miguel Ángel Maciel Torres – Minister of Energy***

Ing. Miguel Ángel Maciel Torres is the President of the Board of Directors and current Secretary of Energy of the Federal Government. Ing. Miguel Ángel Maciel Torres is a petroleum engineer with a degree from the National Polytechnic Institute and a masters degree in Petroleum Engineering from the National Autonomous University of Mexico. He worked for PEMEX Exploration and Production for over 30 years and held various positions, including Administrator of the Burgos Integral Project, Manager of Strategic Planning, Manager of the Lakach Development Project and Deputy Director of Field Development. While Corporate Directorate of Alliances and New Businesses, he was responsible for the New Business Development Subdirectorate for Exploration and Production.

#### ***Dr. Rogelio Ramírez de la O – Minister of Finance***

Rogelio Ramírez de la O was appointed as Minister of Finance by President Manuel Andres Lopez Obrador. He has a bachelor's degree in Economics from UNAM and a PhD in Economics from Cambridge University. He has published works on NAFTA and the Mexican automotive industry, and is president of Ecanal, S.A., a private company that provides macroeconomic analysis.

#### ***Lic. Roberto Salcedo Aquino – Secretary of Public Functions***

Roberto Salcedo Aquino is a public official, politician, teacher and writer. He was appointed by Andrés Manuel López Obrador as Secretary of Public Functions (*Secretaría de la Función Pública*). He has a bachelor's degree in Political Science and Public Administration from the UNAM. He has held several public office positions, including being the Superior Auditor at the Superior Audit of the Mexican federal government.

### ***Ing. Octavio Romero Oropeza – Chief Executive Officer of PEMEX***

Octavio Romero Oropeza is the current CEO of PEMEX and Chairman of the Board of Pemex Exploración y Producción, Pemex Transformación Industrial, Pemex Perforación y Servicios, Pemex Logística, Pemex Fertilizantes and Pemex Etileno, each, a subsidiary productive enterprise of PEMEX. He was President of the Morena Political State Council of Tabasco from January 2013 to March 2015. Mr. Oropeza was born in Jalapa, Tabasco on January 20, 1959. He graduated as an agronomist from the Colegio Superior de Agricultura Tropical of Cárdenas, Tabasco. He began his career as an academic at the College of Sciences and Humanities and at the Juárez Autonomous University of Tabasco. In addition, he had commercial and livestock activities in his home state.

### ***Mtro. Héctor Sánchez López – Independent Board Member***

Héctor Sánchez López has an electric engineering degree from Instituto Politécnico Nacional and a master's degree in constitutional law from Universidad del Suroeste. He is a founding member of the Oaxaca social and political organization *Coalición de Obreros, Campesinos y Estudiantes del Istmo* (Coalition of Workers, Rural Producers and Students of the Isthmus, COCEI). From 1989 to 1992, he was Municipal President of Juchitán. He represented the state of Oaxaca as a Senator from 1994 to 2000, during which he was Coordinator of the PRD caucus in the Senate. Afterwards, from 2000 to 2003, he served as a Federal Deputy in the LVIII Legislature. He has been a candidate for the Governor of Oaxaca twice. Currently, he is a member of the *Partido Alternativa Socialdemócrata y Campesina* (Alternative Social-Democratic and Rural Producers Party), as well as a member of its Federated Executive Committee, forming part of the Rural Producers (*Campesino*).

### ***Lic. Tito Rubín Cruz – Independent Board Member***

Filemón Flores García is a lawyer focused on the development of business, economic, industrial and commercial activities of CFE. He has also served as an advisor to the Federal Electricity Commission, as a delegate to the Federal Consumer Prosecutor's Office and the IMSS, as a special prosecutor for journalists in the state of Chiapas, and as a local legislator in the state of Chiapas and in the Chamber of Deputies of the Congress of the Union.

### ***C.P. Antonio Echavarría García – Independent Board Member***

Antonio Echavarría García is an accountant who graduated from the Autonomous University of Guadalajara. In 2013, he served as Chief Executive Officer of Grupo Álica, a diversified conglomerate with interests in media, real estate, soft drinks, and automobile dealerships. Antonio served as the Governor of Nayarit from 2017 until 2021.

### ***Dra. Rosío Vargas Suárez – Independent Board Member***

Rosío Vargas Suárez has a degree in economics from the Universidad Autónoma Metropolitana (UAM), a Ph.D. in energy engineering from the UNAM, and a master's degree in economics and international politics from the Centro de Investigación y Docencia Económicas (CIDE). She is a full-time researcher at the Centro de Investigaciones sobre América del Norte (CISAN) and professor at UNAM, and has published several energy research papers including books, articles and other various publications. She has worked as an analyst both in the Ministry of Finance and in the Directorate of Industries of the then *Secretaría de Cultura* (Ministry of Culture and Industrial Development).

### ***Víctor Fuentes del Villar – General Secretary of SUTERM***

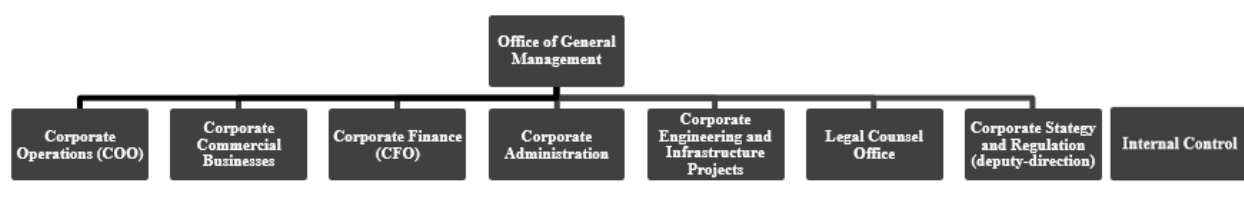
Víctor Fuentes del Villar has worked with CFE for more than 59 years, as he started working for the company from a very young age. After serving in many different positions within the company, including as Labor Secretary of the SUTERM, he was appointed as General Secretary of the SUTERM in 2005 and reappointed in 2007.

### **Compensation of Board of Directors and Employees**

For the year ended December 31, 2023, the total amount paid in staff salaries and benefits was Ps. 84.8 billion. The total amount paid to the independent members of our Board of Directors and staff was Ps. 5.5 million. The members of our Board of Directors who are government officials do not receive compensation.

### **CFE's Management Structure**

According to the *Estatuto Orgánico de la CFE* (Organizational Chart of the CFE) published in the Official Gazette on April 12, 2017, CFE's management structure is:



## CFE Board Committees

The Board of Directors appoints, on an annual basis, members to and convenes the four committees established by the CFE Law to support its work. Unless otherwise specified in the CFE Law, the memberships of these committees must consist of at least three, but no more than five, members of the Board of Directors, two of whom must be independent members of the Board of Directors. Each of the Minister of Energy, the Minister of Finance and any ministry-level secretary serving as a member of the Board of Directors may designate one or more alternates to take his or her place at committee meetings, provided that these alternates are public officials whose positions are not more than two levels below such minister's position in the Mexican government.

The committees may authorize a representative of the Chief Executive Officer (General Director) to attend their meetings as a guest with the right to participate, but not vote, when deemed advisable for the performance of their duties.

### Audit Committee

The Audit Committee of the Board of Directors is required to, among other duties set forth in the CFE Law or determined from time to time by the Board of Directors, oversee our management, evaluate our financial and operational performance, monitor the status of our internal control systems, as well as nominate our external auditors, whose appointments are approved by the Board of Directors.

The Audit Committee is chaired by an independent board member on a rotating, annual basis, as determined by the Board of Directors.

The Audit Committee currently has the following members:

- Mtro. Héctor Sánchez López, independent member of the Board of Directors and president of the Audit Committee.
- Dra. Rosío Vargas Suárez, independent member of the Board of Directors; and
- Ing. Tito Rubín Cruz, independent member of the Board of Directors.

A representative of the Chief Executive Officer, the Comptroller, the General Counsel or any other person may attend the Audit Committee's meetings as a guest with the right to participate, but not vote, when deemed advisable and appropriate given the subject matter to be discussed.

### Human Resources and Compensation Committee

The Human Resources and Compensation Committee is chaired by an independent member of the Board of Directors and includes the Minister of Finance. The duties of the Human Resources and Compensation Committee include, among others set forth in the CFE Law or determined from time to time by the Board of Directors, proposing the compensation mechanism of the Chief Executive Officer and other members of our senior management within three levels of the Chief Executive Officer, as well as proposing hiring policies, performance management guidelines and the compensation of all of our other employees.

The Human Resources and Compensation Committee consists of the following members:

- C.P. Antonio Echevarría garcía, independent member of the Board of Directors and President of the Human Resources and Compensation Committee;



- Mto. Héctor Sánchez López, independent member of the Board of Directors;
- Lic. Rogelio Ramírez de la O, member of the Board of Directors; and
- Ing. Octavio Romero Oropeza, member of the Board of Directors.

### **Strategy and Investment Committee**

The Strategy and Investment Committee is chaired by an independent member of the Board of Directors on a rotating annual basis and is required to, among other duties set forth in the CFE Law or determined from time to time by the Board of Directors, analyze our business plan and assist the Board of Directors in the approval of guidelines, priorities and general policies related to investments made by us.

The Strategy and Investment Committee consists of the following members:

- Dra. Rosío Vargas Suárez, independent member of the Board of Directors and President of the Strategy and Investment Committee;
- Lic. Tito Rubín Cruz, independent member of the Board of Directors;
- Ing. Miguel Ángel Maciel Torres, member of the Board of Directors; and
- Lic. Rogelio Ramírez de la O, member of the Board of Directors.

### **Acquisitions, Leasing, Public Works and Services Committee**

The Acquisitions, Leasing, Public Works and Services Committee is chaired by an independent member of the Board of Directors on a rotating annual basis and is required to, among other duties set forth in the CFE Law or determined from time to time by the Board of Directors, review, evaluate, monitor and develop recommendations regarding our annual programs for acquisition, construction and services contracts, and determines whether an exception to the public bidding process is applicable in specific cases.

The Acquisitions, Leasing, Public Works and Services Committee consists of the following members:

- Lic. Tito Rubín Cruz, independent member of the Board of Directors and President of the Acquisitions, Leasing, Public Works and Services Committee;
- C.P: Antonio Echevarría García, independent member of the Board of Directors;
- Mtro. Roberto Salcedo Aquino, member of the Board of Directors; and
- Sr. Víctor Fuentes del Villar, member of the Board of Directors.

### **Senior Management of CFE**

<b>Name</b>	<b>Position</b>	<b>Year of Appointment to Current Position</b>
Lic. Manuel Bartlett Díaz	Chief Executive Officer	2018
Ing. Carlos Andrés Morales Mar	Director of Operations	2018
Lic. Rubén Cuevas Plancarte	Director of Administration	2020
Dr. Edmundo Sánchez Aguilar	Director of Finance	2020
Lic. César Alejandro Hernández Mendoza	Director of Commercial Business	2018
Ing. Juan Antonio Fernández Correa	Corporate Director of Strategic Planning	2023
Dr. Raúl Armando Jiménez Vázquez	General Counsel	2018
Lic. Ricardo S. Gutiérrez Calderón	CFE Internal Auditor	2020

## **Biographical Information of our Senior Management**

### ***Manuel Bartlett Díaz – Chief Executive Officer***

Manuel Bartlett Díaz graduated as a lawyer from the UNAM and holds postgraduate degrees in Public Law from the University of Paris (France) and in Public Administration from the University of Victoria (England). He has broad experience within the Mexican Government, having served as Minister of the Interior (1982-1988), Minister of Education (1988-1992), Governor of the State of Puebla (1993-1999) and as a Senator of the Republic for two terms (2000-2006 and 2012-2018).

### ***Carlos Andrés Morales Mar – Director of Operations***

Carlos Andrés Morales Mar has a mechanical electric engineering degree from the Instituto Politécnico Nacional (IPN). During his long career at CFE, he has served as Superintendent of Operations in the CT Manzanillo, Deputy Manager of Thermoelectric Generation and Regional Manager of Production of the Southeast region. In 1995, he began an academic career teaching several seminars and courses on energy, economics, administration and finance in different countries. He has a Diploma in Electric Power Cogeneration by the Postgraduate Studies Division of the UNAM. As a speaker, he has participated in several events, including the World Energy Conference in Cannes, France.

### ***Rubén Cuevas Plancarte – Director of Administration***

Rubén Cuevas Plancarte holds a master's degree in Public Administration, by the National Institute of Public Administration (INAP). He graduated in Political Science and Public Administration from the UNAM. He has 18 years of experience as a public servant in the Federal and State Public Administration, where he held various positions from Technical Analyst to State Secretary of the Comptroller's Office. Additionally, in the last 17 years he served as General Director of the Centro de Consultoría, Auditoría y Desarrollo Profesional, S.C. where he coordinated Audit, Consulting and Training activities throughout Mexico in connection with the administration of Federal Funds transferred to States and Municipalities (Branch 33 and Federal Agreements), engaged by the Federal and State Oversight Entities, as well as by the State and Municipal governments themselves.

### ***Edmundo Sánchez Aguilar – Director of Finance***

Edmundo Sánchez Aguilar holds a Ph.D. in Finance from Harvard University, and a master's degree in Administration, with a specialty in Business Policy, from Columbia University. He has a Diploma from the International Cooperation Program-Socioeconomic Development Strategy, from the University of Uppsala, Sweden, as well as a Diploma in Industrial Engineering, by the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM) in Mexico. He has served as Director of Economic Research for the Instituto Mexicano del Desarrollo, (IMED), as Partner of the Division of Corporate Finance and Investment Banking in Servicios Integrados de México, S.C., (SINTEMEX) and as Manager in the Department of International Financial Market (responsible for the Western Hemisphere), for The First National Bank of Chicago. He is a Professor of Finance and Business Policy at the Graduate School of Business Administration of Harvard University and professor of Industrial Planning for the ITESM in Monterrey, Mexico.

### ***César Alejandro Hernández Mendoza – Director of Commercial Business***

César Alejandro Hernández Mendoza holds a B.S. in Political Science and Public Administration, a master's degree in Political Science and a Ph.D. in Social Sciences. He served as coordinator of advisors of the PT-Morena Parliamentary Group in the Senate. In the National Institute of Public Administration (INAP), he conducted the investigation "The National Governors' Conference: Origins, Development and Perspectives." He serves as Secretary and teaches at the Political and Social Sciences Department at UNAM, where he has taught since 1994.

### ***Juan Antonio Fernández Correa - Corporate Director of Strategic Planning***

Juan Antonio Fernández Correa is a mechanical and electrical engineer with a masters degree in Business Administration and a postgraduate degree in Specialization in Control Systems, Automation and Instrumentation in Industrial Processes from the National Autonomous University of Mexico. He also studied Senior Management at the Pan American Institute of Senior Business Management. He joined CFE in 2003 as Technical Supervisor of the Instrumentation and Control Department at the Valle de México thermoelectric plant. In 2004, he was appointed Head of the Instrumentation and Measurement Department, in the Generation Subdirectorate and eight years later was

assigned the position of Deputy Manager of Instrumentation and Control at the same location. He became Electrical Engineering Manager, in charge of the affairs of the Thermoelectric Generation Coordination and in that same year, the General Director of CFE appointed him General Director of the subsidiary productive company, CFE Generation IV. As Electrical Engineering Manager, he attends to activities that strengthen the Generation process.

***Raúl Armando Jiménez Vázquez – General Counsel***

Raúl Armando Jiménez Vázquez holds a B.S. of Laws from the Law School of the UNAM where he also obtained a master's degree and a Ph.D. in Law, all with honors. He is a Professor at the UNAM Law School, where he teaches Human Rights and International Criminal Law to bachelor's degree students and Legal Epistemology to Postgraduate Students. He is a Member of the National System of Researchers (SNI) of CONACYT. He is author of numerous books and essays on the topics of his academic specialty and a permanent juridical jurist for the magazine "Siempre." For more than 20 years, he served in the *Administración Pública Federal* (Federal Public Administration) occupying, among others, the following positions: Head of the Litigation Department of Income Tax of the Federal Prosecutor's Office (SHCP), Legal Director of Federal Tax Audit (SHCP), Director of "Amparos" (SHCP), General Coordinator of Regulations (SECOGEF), Boat Leasing Manager (PEMEX) and Executive Secretary of the Construction, Acquisition, Leasing and Chartering of Vessels (PEMEX).

***Lic. Ricardo S. Gutiérrez Calderón – Internal Auditor of the CFE***

Lic. Ricardo S. Gutiérrez Calderón has a bachelor's degree in Business Administration from the National Autonomous University of Mexico and a masters degree in Business Administration from the Faculty of Accounting and Administration at the National Autonomous University of Mexico. He is General Director of Audit Monitoring and Continuous Improvement at the Attorney General's Office of the Republic. Ricardo also serves as Head of the Internal Control Body of the Mexico City Airport Group.

## DESCRIPTION OF THE NOTES

*This section of this offering memorandum summarizes the material terms of the indenture (as defined under “—General—Indenture”), the notes and the guarantees. It does not, however, describe every aspect of the indenture, the notes or the guarantees. Upon request, we will provide you with a copy of the indenture.*

*See “—Certain Definitions” for certain defined terms used in this “Description of the Notes” section. References to “holders” mean those who have notes registered in their names on the books that the trustee maintains for this purpose, and not those who own beneficial interests in notes issued in book-entry form through DTC or other applicable clearing system or in notes registered in street name. Owners of beneficial interests in the notes should refer to “Form of Notes, Clearing and Settlement.”*

*The 2030 notes and the 2035 notes will constitute separate series of notes. The discussion of provisions of the notes, including the discussions set forth under “Optional Redemption,” “Redemption for Taxation Reasons,” “Defaults, Remedies and Waiver of Defaults,” “Modification and Waiver” and “Defeasance” below applies to each series separately, except as otherwise indicated.*

### General

#### Indenture

The notes will be issued under the indenture, dated as of June 16, 2015, between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the “base indenture”), as amended and supplemented by the first supplemental indenture, dated as of January 30, 2017, among the Issuer, CFE Distribución, CFE Suministrador de Servicios Básicos, CFE Transmisión, CFE Generación I, CFE Generación II, CFE Generación III, CFE Generación IV, CFE Generación V and CFE Generación VI (collectively, the “guarantors”) and the trustee (the “first supplemental indenture”) and the second supplemental indenture, dated as of July 13, 2017, between the Issuer and the trustee (the “second supplemental indenture” and, together with the base indenture and the first supplemental indenture, the “indenture”). The trustee can enforce your rights against the Issuer and the guarantors if the Issuer or the guarantors default in respect of the notes. There are some limitations on the extent to which the trustee acts on your behalf, which is described under “—Default and Acceleration of Maturity.”

#### Principal and Interest

The aggregate principal amount of the 2030 notes offered hereby will initially be U.S.\$500,000,000. The 2030 notes will mature on January 24, 2030. The 2030 notes will bear interest at a rate of 5.700% per year.

The aggregate principal amount of the 2035 notes offered hereby will initially be U.S.\$1,000,000,000. The 2035 notes will mature on January 24, 2035. The 2035 notes will bear interest at a rate of 6.450% per year.

Interest on each series of the notes will be payable on January 24 and July 24 of each year, beginning on January 24, 2025, to the holders in whose names the notes are registered at the close of business on the January 23 or July 23 (whether or not a business day) immediately preceding the related interest payment date.

The Issuer will pay interest on the notes on the interest payment dates set forth above and on the applicable maturity date. Each payment of interest due on an interest payment date or on the applicable maturity date will include interest accrued from and including the last date to which interest has been paid or made available for payment, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant payment date. The Issuer will compute interest on the notes on the basis of a 360-day year of twelve 30-day months.

#### Guarantors

On January 30, 2017, the Issuer entered into a guaranty agreement with the guarantors (the “guaranty agreement”), pursuant to which each of the guarantors unconditionally and irrevocably agreed to guarantee and become jointly and severally liable with the Issuer and each of the other guarantors for the payment in full of all obligations incurred by the Issuer under any international financial agreement, such as the indenture and the notes, designated in a certificate of designation executed by the Issuer.

The Issuer will execute a certificate of designation in respect of each of the guarantors as required under the guaranty agreement that designates the notes as benefitting from the guarantees set forth in the guaranty agreement.

Pursuant to the guaranty agreement and such certificates of designation, each guarantor will, unconditionally and irrevocably, jointly and severally, guarantee (the “guarantees”) the full and punctual payment of principal, premium, if any, interest, Additional Amounts (as defined under “—Additional Amounts”) and any other amounts due in respect of the notes (whether on the applicable maturity date, upon redemption, purchase pursuant to an offer to purchase or acceleration or otherwise). If any such payments are subject to Mexican Withholding Taxes (as defined under “—Additional Amounts”), the applicable guarantor will pay such Additional Amounts to the holders of the notes as may be necessary to ensure that the net payment made in respect of the notes after such withholding or deduction for or on account of Mexican Withholding Taxes will not be less than the amount that would have been receivable in respect of the notes in the absence of such withholding or deduction as described under, and subject to the limitations set forth under “—Additional Amounts.”

If the Issuer or any guarantor creates any additional Subsidiaries in the future, any Subsidiary or Subsidiaries (1) to which the Issuer or a guarantor transfers all or substantially all of the Issuer and the guarantors’ assets, taken as a whole, or (2) which incurs any Public External Indebtedness or provides a guarantee of any Public External Indebtedness of the Issuer or any guarantor must also become a guarantor (an “additional guarantor”) of the notes as set forth under “—Affirmative Covenants—Future Guarantors.” Any additional guarantor will be required to execute and deliver a joinder in accordance with the guaranty agreement.

Each guarantor will be released and relieved of its obligations under its guarantee if it ceases to be a Subsidiary of the Issuer.

## **Status**

The notes will constitute the Issuer’s direct, general, unconditional, unsecured and unsubordinated Public External Indebtedness. The notes will rank equally with all of the Issuer’s other unsubordinated Public External Indebtedness. It is understood that this provision shall not be construed so as to require the Issuer to make payments under the notes ratably with payments being made under any of the Issuer’s other Public External Indebtedness.

The guarantees will constitute direct, general, unconditional, unsecured and unsubordinated Public External Indebtedness of the guarantors. The payment obligations of each guarantor under the guarantees will rank equally with all of such guarantor’s other unsubordinated Public External Indebtedness. It is understood that this provision shall not be construed so as to require any guarantor to make payments under the notes ratably with payments being made under any of its other Public External Indebtedness.

The Mexican government does not guarantee or secure the Issuer’s obligations or those of the guarantors and has no obligation to pay the principal, interest or any other amounts payable on the notes in the event that the Issuer’s cash flows and/or assets or those of the guarantors are not sufficient to make any such payments. The notes do not grant in any way recourse against the Mexican government or rights over the ownership, control or assets of the Issuer or of the guarantors. The notes will not be secured by any of the assets or properties of the Issuer or the guarantors.

For the six-month period ended June 30, 2024, our non-guarantor affiliates represented approximately 11.8% of our Adjusted EBITDA and approximately 4.6% of our total assets. For the year ended December 31, 2023, our non-guarantor affiliates represented approximately 2.1% of our Adjusted EBITDA and approximately 4.9% of our total assets.

## **Form and Denominations**

The notes will be issued only in fully registered book-entry form without coupons and in denominations of U.S.\$ 200,000 and integral multiples of U.S.\$ 1,000 in excess thereof.

The notes will be issued in the form of global notes. Except in limited circumstances, the notes will not be issued in physical, certificated form. See “Form of Notes, Clearing and Settlement.”

## **Further Issues**

The Issuer reserves the right, from time to time without the consent of holders of the notes, to issue additional notes of each series having the same terms and conditions as the notes of such series in all respects, except for the issue date, issue price and, if applicable, the date of first payment of interest, the date from which interest will accrue, CUSIP and/or other securities numbers and, to the extent necessary, certain temporary securities law transfer

restrictions; *provided* that any such additional notes issued with the same CUSIP as the notes of such series offered hereby shall be (1) issued in a qualified reopening, (2) otherwise treated as part of the same “issue” of debt instruments as the notes of such series issued pursuant to this offering memorandum, or (3) issued with no more than *de minimis* original issue discount, in each case, for U.S. federal income tax purposes. Additional notes issued in this manner will increase the aggregate principal amount of, and be consolidated with and form a single series with, the previously outstanding notes of such series.

### **Payment of Principal and Interest**

Principal of, and interest on, the notes will be payable at the offices or agencies maintained by the Issuer for such purpose (which will initially be the offices of the paying agent specified on the inside back cover page of this offering memorandum).

The Issuer will arrange for payments to be made on global notes on the specified payment dates by wire transfer to DTC or other applicable clearing system, or to its nominee, as the registered owner of the notes, which will receive the funds for distribution to the holders. An indirect holder’s or beneficial owner’s right to receive any such payments will be governed by the rules and practices of DTC or other applicable clearing system. See “Form of Notes; Clearing and Settlement.”

The Issuer will arrange for payments to be made on registered certificated notes on the specified payment dates to the registered holders of the notes. The Issuer will arrange for such payments by wire transfer or by check mailed to the holders at their registered addresses.

If any payment date on the notes is not a business day, the Issuer will make the payment on the next business day. Payments postponed to the next business day in this situation will be treated under the indenture as if they were made on the original due date and no interest on the notes will accrue as a result of any such delay in payment.

For purposes of all payments of interest, principal or other amounts contemplated herein, “business day” means any day that is not a Saturday or Sunday, and that is not a day on which banking institutions in New York City or Mexico City (or in the city where the relevant paying or transfer agent is located) are required or authorized by law, regulation or executive order to close.

### **Unclaimed Payments; Prescription**

If any money that the Issuer or any guarantor pays to the trustee or any paying agent to make payments on any notes is unclaimed at the end of two years after the applicable payment was due and payable, then such money will be repaid to the Issuer or such guarantor upon request. The Issuer or such guarantor will hold such unclaimed money in trust for the relevant holders of those notes. After such repayment, neither the trustee nor any paying agent will be liable for the payment. However, the obligations of the Issuer and the guarantors, as applicable, to make payments on the notes as they become due will not be affected until the expiration of the prescription period, if any, specified in the notes.

To the extent permitted by law, claims against the Issuer or the guarantors for the payment of principal of, or interest or other amounts due on, the notes (including Additional Amounts) will become void unless made within five years of the date on which such payment first became due.

### **Redemption and Purchase**

Neither the Issuer nor the guarantors will be permitted to redeem the notes, and you will not be entitled to require the Issuer or the guarantors to purchase your notes from you, before such notes’ applicable maturity date, except as set forth below.

#### ***Optional Redemption***

Prior to the 2030 notes Par Call Date, the Issuer may redeem the 2030 notes at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(1) (a) the sum of the present values of the remaining payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the 2030 notes Par Call Date) on a semi-annual basis (assuming

a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 35 basis points, less (b) interest accrued to the date of redemption, and

(2) 100% of the principal amount of the 2030 notes to be redeemed,

plus, in either case, accrued and unpaid interest thereon to the redemption date (and Additional Amounts, if any).

On or after the 2030 notes Par Call Date, the Issuer may redeem the 2030 notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the 2030 notes being redeemed, plus accrued and unpaid interest thereon to the redemption date.

Prior to the 2035 notes Par Call Date, the Issuer may redeem the 2035 notes at its option, in whole or in part, at any time and from time to time, at a redemption price (expressed as a percentage of principal amount and rounded to three decimal places) equal to the greater of:

(1) (a) the sum of the present values of the remaining payments of principal and interest thereon discounted to the redemption date (assuming the notes matured on the 2035 notes Par Call Date) on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 45 basis points, less (b) interest accrued to the date of redemption, and

(2) 100% of the principal amount of the 2035 notes to be redeemed,

plus, in either case, accrued and unpaid interest thereon to the redemption date (and Additional Amounts, if any).

On or after the 2035 notes Par Call Date, the Issuer may redeem the 2035 notes, in whole or in part, at any time and from time to time, at a redemption price equal to 100% of the principal amount of the 2035 notes being redeemed, plus accrued and unpaid interest thereon to the redemption date.

“Par Call Date” means, in the case of the 2030 notes, December 24, 2029 (the date that is one month prior to the maturity of the 2030 notes) and, in the case of the 2035 notes, October 24, 2034 (the date that is three months prior to the maturity of the 2035 notes).

“Treasury Rate” means, with respect to any redemption date, the yield determined by the Issuer in accordance with the following two paragraphs.

The Treasury Rate shall be determined by the Issuer after 4:15 p.m. (New York City time) (or after such time as yields on U.S. government securities are posted daily by the Board of Governors of the Federal Reserve System), on the third business day preceding the redemption date based upon the yield or yields for the most recent day that appear after such time on such day in the most recent statistical release published by the Board of Governors of the Federal Reserve System designated as “Selected Interest Rates (Daily) - H.15” (or any successor designation or publication) (“H.15”) under the caption “U.S. government securities—Treasury constant maturities—Nominal” (or any successor caption or heading). In determining the Treasury Rate, the Issuer shall select, as applicable: (1) the yield for the Treasury constant maturity on H.15 exactly equal to the period from the redemption date to the applicable Par Call Date (the “Remaining Life”); or (2) if there is no such Treasury constant maturity on H.15 exactly equal to the Remaining Life, the two yields – one yield corresponding to the Treasury constant maturity on H.15 immediately shorter than and one yield corresponding to the Treasury constant maturity on H.15 immediately longer than the Remaining Life – and shall interpolate to the applicable Par Call Date on a straight-line basis (using the actual number of days) using such yields and rounding the result to three decimal places; or (3) if there is no such Treasury constant maturity on H.15 shorter than or longer than the Remaining Life, the yield for the single Treasury constant maturity on H.15 closest to the Remaining Life. For purposes of this paragraph, the applicable Treasury constant maturity or maturities on H.15 shall be deemed to have a maturity date equal to the relevant number of months or years, as applicable, of such Treasury constant maturity from the redemption date.

If on the third business day preceding the redemption date H.15 or any successor designation or publication is no longer published, the Issuer shall calculate the Treasury Rate based on the rate per annum equal to the semi-annual equivalent yield to maturity at 11:00 a.m. (New York City time) on the second business day preceding such redemption date of the United States Treasury security maturing on, or with a maturity that is closest to, the applicable Par Call Date, as applicable. If there is no United States Treasury security maturing on the applicable Par Call Date but there are two or more United States Treasury securities with a maturity date equally distant from the applicable Par Call Date, one with a maturity date preceding the applicable Par Call Date and one with a maturity date following the applicable Par Call Date, the Issuer shall select the United States Treasury security with a maturity date preceding the applicable Par Call Date. If there are two or more United States Treasury securities maturing on the applicable Par Call Date or two or more United States Treasury securities meeting the criteria of the preceding sentence, the Issuer shall select from among these two or more United States Treasury securities the United States Treasury security that

is trading closest to par based upon the average of the bid and asked prices for such United States Treasury securities at 11:00 a.m. (New York City time). In determining the Treasury Rate in accordance with the terms of this paragraph, the semi-annual yield to maturity of the applicable United States Treasury security shall be based upon the average of the bid and asked prices (expressed as a percentage of principal amount) at 11:00 a.m. (New York City time) of such United States Treasury security, and rounded to three decimal places.

The Issuer's actions and determinations in determining the redemption price shall be conclusive and binding for all purposes, absent manifest error.

Notice of any redemption under this "—Optional Redemption" section redemption will be delivered not less than 10 nor more than 60 days' to the holders of notes to be redeemed.

On and after the redemption date, interest will cease to accrue on the notes or any portion thereof called for redemption (unless the Issuer defaults in the payment of the redemption price and accrued interest and Additional Amounts, if any).

If less than all of the outstanding notes of either series are to be redeemed, the notes to be redeemed shall be selected by the trustee on a pro rata basis or by lot (and, in the case of notes in global form, in accordance with the applicable procedures of DTC).

### ***Redemption for Taxation Reasons***

The notes of each series may be redeemed at the Issuer's or any guarantor's option in whole, but not in part, at any time, at a price equal to 100% of the outstanding principal amount thereof (the "Tax Redemption Price"), plus accrued and unpaid interest thereon (and Additional Amounts, if any), to the date fixed for redemption (the "Tax Redemption Date"), on giving not less than 30 nor more than 60 days' notice to the holders (which notice shall be irrevocable), if:

- (a) The Issuer or such guarantor certifies to the trustee immediately prior to the giving of such notice that the Issuer or such guarantor has or will become obligated on the next succeeding interest payment date to pay Additional Amounts with respect to the notes of such series in excess of the Additional Amounts that the Issuer or such guarantor would be obligated to pay if payments (including payments of interest) on the notes of such series were subject to a tax at a rate of 4.9%, as a result of any change in, or amendment to, or lapse of, the laws, rules or regulations of Mexico or any political subdivision or any taxing authority thereof or therein affecting taxation, or any change in, or amendment to, an official interpretation or application of such laws, rules or regulations, which change, amendment or lapse becomes effective on or after the date of issuance of the notes of such series; and
- (b) prior to the publication of any notice of redemption, the Issuer or such guarantor delivers to the trustee
  - (i) a certificate signed by an authorized officer of the Issuer or such guarantor stating that the obligation referred to in (a) cannot be avoided by the Issuer or such guarantor, taking reasonable measures available to the Issuer or such guarantor and (ii) an opinion of independent Mexican legal counsel of recognized standing to the effect that the Issuer or such guarantor has or will become obligated to pay such Additional Amounts as a result of such change, amendment or lapse, and the trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent described in (a) in which event they shall be conclusive and binding on the holders of the notes of such series; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or such guarantor would be obligated but for such redemption to pay such Additional Amounts if a payment in respect of the notes of such series were then due and, at the time such notice is given, such obligation to pay such Additional Amounts remains in effect.

On the Tax Redemption Date fixed by the Issuer or the relevant guarantor for the notes of a series, the Tax Redemption Price will become due and payable and the Issuer or such guarantor will be obligated to pay the Tax Redemption Price, together with accrued interest, and Additional Amounts due, on the notes of such series to the Tax Redemption Date. If the notes of a series are to be redeemed pursuant to the provisions described under this caption, then the notes of such series will cease to bear interest on and after the Tax Redemption Date; *provided* that the Tax Redemption Price and such accrued interest (and Additional Amounts, if any), are duly paid or made available to a paying agent for payment to the holders. All notes redeemed by the Issuer or any guarantor under this provision will be cancelled.



### ***Purchase at the Option of Holders***

If at any time prior to maturity, the Issuer (and in the case of clause (d), the Issuer and the guarantors collectively) ceases to:

- (a) be a public-sector entity of the Mexican government;
- (b) be majority-owned by the Mexican government;
- (c) be a public entity created and appointed pursuant to the Mexican Constitution or Mexican federal laws with the right to generate, transmit, distribute and supply electricity in Mexico; or
- (d) at any time, generate, transmit and distribute at least 75% of the electricity generated, transmitted and distributed by public-sector entities, in each case within Mexico (unless, in the case of this clause (d), if permitted by Mexican law, the Mexican government shall have assumed or guaranteed the Issuer's obligations under the notes and the indenture)

(in each case, an "Optional Purchase Event"), then the Issuer will give the holders and the trustee written notice thereof not less than 60 days prior to the occurrence of such Optional Purchase Event or, if it is not possible to give 60 days' notice, then the Issuer will give the holders notice in a lesser number of days, but in no event less than 30 days, as shall be practicable given the circumstances. Such notice will contain a written, irrevocable offer (an "Optional Purchase Offer") by the Issuer to purchase, on the date specified in such Optional Purchase Offer (the "Optional Purchase Date"), the notes held by each holder in full, and not in part, at a price equal to 100% of the outstanding principal amount thereof (the "Optional Purchase Price") plus accrued interest thereon to the Optional Purchase Date (and Additional Amounts, if any). The Optional Purchase Date will be (i) not less than 30 days and not more than 60 days after the date of such notice and (ii) not later than the date of such Optional Purchase Event. The Optional Purchase Price with respect to the notes of holders accepting such Optional Purchase Offer will become due and payable on the Optional Purchase Date, upon presentation and surrender of such notes.

On the Optional Purchase Date, there will become due and payable and the Issuer will be obligated to purchase and pay the Optional Purchase Price, plus accrued and unpaid interest thereon (and Additional Amounts, if any) to the Optional Purchase Date, with respect to each note for which the holder has validly and timely elected to have the Issuer purchase that holder's notes. Any note to be purchased as provided under this provision will cease to bear interest on and after the Optional Purchase Date; *provided* that the Optional Purchase Price and such accrued interest is duly paid or made available to a paying agent for payment to the holders entitled thereto. All notes purchased by the Issuer under this provision will be cancelled.

### **Purchases of Notes**

The Issuer or any guarantor may at any time purchase notes at any price in the open market, in privately negotiated transactions or otherwise. The Issuer or any guarantor may not resell any notes that it purchases, unless the Issuer or such guarantor registers the resale under the Securities Act.

### **Affirmative Covenants**

The following affirmative covenants will apply to the Issuer and the guarantors for so long as any notes remain outstanding. These covenants do not limit the ability of the Issuer or any guarantor to incur debt nor do they require the Issuer or any guarantor to comply with financial ratios or to maintain specified levels of net worth or liquidity.

### ***Delivery of Financial Statements***

The Issuer will deliver to the trustee, and the trustee will make available to the holders, as soon as available, but not later than 180 days after the end of each of the Issuer's fiscal years, a copy in the English language of the Issuer's and its Subsidiaries' audited consolidated balance sheet as at the end of such year and the related consolidated statements of results of operations, changes in equity and changes in cash flows and notes thereto for such year, setting forth in each case in comparative form the figures for the previous fiscal year, and accompanied by the opinion of an independent public accounting firm of recognized standing in Mexico, which opinion (a) will state that such

consolidated financial statements present fairly the Issuer's and its Subsidiaries' consolidated financial position as at such dates and the consolidated results of the Issuer's and its Subsidiaries' operations, changes in equity and changes in cash flows for the respective periods then ended in accordance with IFRS, and (b) will not be qualified or limited because of a restricted or limited examination by such accounting firm of any material portion of the Issuer's and its Subsidiaries' records.

The Issuer will deliver to the trustee, and the trustee will make available to the holders, as soon as available, but not later than 90 days after the end of each of the Issuer's fiscal quarters, a copy in the English language of the Issuer's and its Subsidiaries' unaudited condensed consolidated statement of financial position and unaudited condensed consolidated statement of comprehensive income as at the end of such quarter. The trustee shall have no responsibility whatsoever for the accuracy and contents of the financial statements delivered by the Issuer.

If neither the Issuer nor the guarantors are subject to the reporting requirements of Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, at any time when the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer and the guarantors (without duplication) will furnish to any holder of notes, or to any prospective purchaser designated by such holder, financial and other information described in Rule 144A(d)(4) with respect to the Issuer and the guarantors to the extent required to permit such holder to comply with Rule 144A in connection with any resale of notes held by such holder.

The Issuer acting through any of its officers will give the trustee notice of any Event of Default relating to the Issuer or any guarantor, or of any condition or event that with notice or the lapse of time would be an Event of Default relating to the Issuer or any guarantor, within 15 days after the occurrence of such Event of Default or such other event or condition becomes known to the Issuer, and of the measures that the Issuer or such guarantor, as applicable, is taking with respect thereto.

#### ***Maintenance of Government Approvals***

Each of the Issuer and each guarantor will obtain and maintain in full force and effect any actions, orders, authorizations, consents, approvals, licenses, rulings, permits, certifications, exemptions, filings or registrations by or with any governmental authority that may be necessary under the laws of Mexico (each, a "Governmental Approval") for the performance by the Issuer and each guarantor of its respective obligations under the indenture, the notes or the guarantees, as applicable, or for the validity or enforceability thereof and duly take all necessary and appropriate governmental and administrative action in Mexico in order to make all payments to be made thereunder as required by the indenture, the notes and the guarantees, as applicable.

#### ***Compliance with Applicable Laws and Governmental Approvals***

Each of the Issuer and each guarantor will comply in all material respects with all applicable laws and all applicable Governmental Approvals, except where any failure (individually or in the aggregate) to comply could not reasonably be expected to have a material adverse effect on the ability of the Issuer or the guarantors to perform their respective obligations under the indenture, the notes or the guarantees, as applicable, or where the necessity of compliance with which is contested in good faith.

#### ***Performance of Obligations***

Each of the Issuer and each guarantor will (a) perform all of its respective covenants and comply with all of its respective obligations contained in the indenture, the notes or the guarantees, as applicable, and (b) pay, discharge or otherwise satisfy on or before maturity all of its other material payment obligations except where (i) the amount or validity thereof is being contested in good faith and by appropriate proceedings and adequate reserves are or will be maintained with respect thereto in conformity with IFRS or (ii) the failure to pay, discharge or otherwise satisfy such obligation would not have a material adverse effect on the ability of the Issuer or such guarantor to perform its respective obligations under the indenture, the notes or the guarantees, as applicable.

#### ***Future Guarantors***

Each of the Issuer and each guarantor will cause any Subsidiary or Subsidiaries:

- (1) to which the Issuer or any guarantor transfers all or substantially all of the assets of the Issuer and the guarantors, taken as a whole; or

- (2) which incurs any Public External Indebtedness or provides a guarantee of any Public External Indebtedness of the Issuer or any guarantor to promptly become a guarantor and provide for a full and unconditional guarantee of the notes as described under “—General—Guarantors.”

### **Negative Covenants**

The following negative covenants will apply to the Issuer and the guarantors for so long as any notes remain outstanding. These covenants do not limit the ability of the Issuer or any guarantor to incur debt nor do they require the Issuer or any guarantor to comply with financial ratios or to maintain specified levels of net worth or liquidity.

### ***Negative Pledge***

Neither the Issuer nor any guarantor will create or permit to subsist any mortgage, pledge, hypothecation or other charge or encumbrance, including without limitation any equivalent thereof created or arising under the laws of Mexico (a “Lien”), upon the whole or any part of its or their present or future revenues or assets to secure any of its or their Public External Indebtedness, unless the notes are secured equally and ratably with such Public External Indebtedness; *provided* that the Issuer and the guarantors may create or permit to subsist, if permitted under Mexican law:

- (a) any Lien on the property of the Issuer or any guarantor securing or providing for the payment of Public External Indebtedness incurred in connection with any Project Financing; *provided* that the properties to which any such Lien shall apply are (i) properties which are the subject of such Project Financing or (ii) revenues or claims which arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of or damage to such properties; and *provided, further*, that any such Liens shall be created within 365 days of the commencement of such Project Financing;
- (b) any Lien on the Accounts Receivable of the Issuer or any guarantor; *provided* that (i) the aggregate principal amount of the Public External Indebtedness secured by Liens referred to in this clause (b) will not exceed U.S.\$ 3,000.0 million (or its equivalent in other currencies) and (ii) the short-term portion of such indebtedness will not exceed U.S.\$ 1,000.0 million (or its equivalent in other currencies); and
- (c) any Lien on the Available Assets of the Issuer or any guarantor not permitted by any other paragraph of this “Negative Pledge” covenant; *provided* that, after giving effect to any such Lien, the aggregate amount of Public External Indebtedness secured by Liens referred to in this clause (c) will not exceed U.S.\$ 500.0 million (or its equivalent in other currencies).

### ***Merger, Consolidation or Sale of Assets***

Neither the Issuer nor any guarantor will:

- (a) consolidate or merge with or into any other Person; or
- (b) in a single transaction or a series of related transactions, sell, lease or otherwise transfer, directly or indirectly, all or substantially all of the assets of the Issuer and the guarantors, taken as a whole, to any other Person;

*provided* that, without limitation of the rights of the holders described under “—Redemption and Purchase—Purchase at the Option of the Holders,” the Issuer and any guarantor may, if permitted under Mexican law:

- i. merge with another Person if (x) the Issuer or such guarantor is the Person surviving such merger and (y) after giving effect to such merger, no Default or Event of Default shall have occurred and be continuing;
- ii. consolidate with or merge into another Person or sell, lease or otherwise transfer all or substantially all of the assets of the Issuer and the guarantors, taken as a whole, to another Person if (x) the Person formed by such consolidation or into which the Issuer or such guarantor is merged or the Person which acquires by sale, lease or transfer all or substantially all of the assets of the Issuer and the guarantors, taken as a whole, is a public entity of the Mexican

government or a corporation, partnership or trust, organized and validly existing under the laws of Mexico, (y) such Person expressly assumes the obligations of the Issuer and the guarantors under the indenture, the notes and the guaranty agreement (in respect of the indenture and the notes), as applicable, and (z) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

- iii. terminate the corporate existence of any Subsidiary of the Issuer or any guarantor if (x) such Subsidiary transfers all of the material assets of the Issuer or such guarantor, as applicable, to the Issuer, a guarantor or to another Subsidiary and (y) immediately after giving effect to such termination, no Default or Event of Default shall have occurred and be continuing; and
- iv. sell, lease or otherwise transfer all or substantially all of the assets of the Issuer and the guarantors, taken as a whole, to one or more of the Subsidiaries of the Issuer or any guarantor if (x) each such Subsidiary becomes a guarantor in accordance with the provisions set forth under “—Affirmative Covenants—Future Guarantors” and (y) immediately after giving effect to any such transaction, no Event of Default shall have occurred and be continuing.

Upon the occurrence of any event described in clause (ii) or (iv), the Issuer or such guarantor will execute and deliver, or cause any Person referred to in clause (ii) or (iv) above, as applicable, to execute and deliver, an opinion of counsel and officer’s certificate to the trustee stating that such event complies with the requirements described in this paragraph and the indenture.

#### **Default and Acceleration of Maturity**

Each of the following events is an “Event of Default” with respect to the notes of each series:

- (a) any payment of principal of the notes is not made when due or any payment of interest on the notes is not made within 30 days of the date it was due;
- (b) the Issuer or any guarantor fails to perform any material obligation contained in the notes or the guarantees or, insofar as it concerns the notes or the guarantees, the indenture (other than any obligation specified in any other Event of Default) and such failure continues for 60 days after written notice thereof has been given to the Issuer or such guarantor, as applicable, by the trustee or the holders of not less than a majority in aggregate principal amount of the notes then Outstanding;
- (c) the Issuer or any guarantor fails to make a payment of principal of or interest on any Public External Indebtedness of, or guaranteed by, the Issuer or such guarantor in an aggregate principal amount exceeding U.S.\$ 75.0 million or its equivalent when due and such failure continues for more than the period of grace, if any, originally applicable thereto;
- (d) one or more final judgments, order or decrees is rendered against the Issuer or any guarantor involving in the aggregate a liability in excess of U.S.\$ 75.0 million and such judgments, orders or decrees continues unsatisfied, unvacated, unstayed or not bonded for a period of 60 days;
- (e) an involuntary case or other proceeding is commenced against the Issuer or any guarantor seeking liquidation, reorganization or other relief with respect to the Issuer or such guarantor or any of its respective debts under any concurso mercantil, bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, interventor, síndico, custodian or other similar official of the Issuer, a guarantor or any substantial part of the property or the Issuer and the guarantors, taken as a whole, and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 days;
- (f) the Issuer or any guarantor commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to the Issuer or such guarantor or any of its respective debts under any concurso mercantil, bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, interventor, síndico, custodian or other similar official of the Issuer or such guarantor or any substantial part of the property of the Issuer and the guarantors, taken as a whole, or the Issuer consents or any guarantor consents to any such relief or to the appointment of or taking possession by any such official in any involuntary case

or other proceeding commenced against the Issuer or such guarantor, or the Issuer or any guarantor makes a general assignment for the benefit of creditors, or the Issuer or any guarantor fails generally to pay its respective debts as they become due, or the Issuer or any guarantor takes any corporate action to authorize any of the foregoing;

- (g) a decree is issued or other proceedings are commenced by a governmental authority or agency of Mexico seeking dissolution, liquidation, reorganization or other relief with respect to the Issuer or its debts or any guarantor or such guarantor's debts under applicable law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, interventor, síndico, custodian or other similar official of the Issuer, a guarantor or any substantial part of the property of the Issuer and the guarantors, taken as a whole;
- (h) a general moratorium is agreed or declared in respect of any Public External Indebtedness of the Issuer or any Public External Indebtedness of a guarantor, which moratorium does not expressly exclude the notes or the guarantees;
- (i) any action, condition or situation (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or any guarantor to lawfully perform its respective obligations under the indenture, the notes, the guarantees and the guaranty agreement (as applicable) and (ii) to ensure that those obligations are legally binding and enforceable, is not taken, fulfilled or done within 30 days of its being so required;
- (j) it is or it becomes unlawful for the Issuer or a guarantor to perform or comply with one or more of its respective obligations under the indenture, the notes, the guarantees and the guaranty agreement (as applicable);
- (k) the payment obligations of the Issuer and any guarantor under the indenture, the notes, the guarantees and the guaranty agreement (as applicable) fail to constitute the unconditional general obligations of the Issuer or such guarantor that ranks without any preference among themselves and equally with all of the other unsecured and unsubordinated Public External Indebtedness of the Issuer or such guarantor, respectively; or
- (l) any event occurs which under the laws of Mexico has an analogous effect to any of the events referred to in paragraphs (e) to (g) above.

If any of the Events of Default described above occurs and is continuing with respect to the notes of any series, holders of at least 25% of the aggregate principal amount of the notes of such series then Outstanding may declare all the notes of such series to be due and payable immediately by giving written notice to the Issuer and the guarantors, with a copy to the trustee.

Holders holding notes representing in the aggregate more than 50% of the principal amount of the then-Outstanding notes of such series may waive any existing Events of Default and their consequences on behalf of the holders of all of the notes of such series if:

- (1) following the declaration that the principal of the notes of such series has become due and payable immediately, the Issuer or any of the guarantors deposits with the trustee a sum sufficient to pay all outstanding amounts then due on the notes of such series (other than principal due by virtue of the acceleration upon the Event of Default) together with interest on such amounts through the date of the deposit as well as the reasonable fees and compensation of the holders that declared the notes due and payable, the trustee and their respective agents, attorneys and counsel; and
- (2) all Events of Default (other than non-payment of principal that became due by virtue of the acceleration upon the Event of Default) have been remedied.

#### **Suits for Enforcement and Limitations on Suits by Holders**

If an Event of Default of any series has occurred and is continuing, the trustee may, in its discretion, institute judicial action to enforce the rights of the holders of the notes of such series. With the exception of a suit brought by

a holder of the notes of such series on or after the stated maturity date to enforce its absolute right to receive payment of the principal of and interest on the notes of such series on the stated maturity date therefor (as such date may be amended or modified pursuant to the terms of the indenture and the notes, but without giving effect to any acceleration), a holder of the notes of any series has no right to bring a suit, action or proceeding with respect to the notes unless: (1) such holder has given written notice to the trustee that an Event of Default with respect to the notes of such series has occurred and is continuing; (2) holders of at least 25% of the aggregate principal amount of the Outstanding notes of such series have instructed the trustee by specific written request to institute an action or proceeding and provided an indemnity satisfactory to the trustee; and (3) 60 days have passed since the trustee received the instruction, the trustee has failed to institute an action or proceeding as directed, and no direction inconsistent with such written request shall have been given to the trustee by a majority of holders of the notes of such series. Moreover, any such action commenced by a holder of the notes must be for the equal, ratable and common benefit of all holders of the notes of such series.

### **Additional Amounts**

The Issuer or any guarantor (as applicable) will make payments of principal and interest (or amounts deemed to be interest) on the notes without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Mexico, any political subdivision thereof or any taxing authority in Mexico ("Mexican Withholding Taxes"), unless such withholding or deduction is required by law or by the official interpretation or administration thereof. If the Issuer or any guarantor is required to make any such withholding or deduction, the Issuer or such guarantor will pay such additional amounts ("Additional Amounts") as may be necessary to ensure that the net payment made in respect of the notes after such withholding or deduction for or on account of Mexican Withholding Taxes will not be less than the amount that would have been receivable in respect of the notes in the absence of such withholding or deduction; *provided* that the foregoing obligation to pay Additional Amounts will not apply to:

- (a) any Mexican Withholding Taxes that would not have been imposed or levied on a holder or beneficial owner (or fiduciary, settlor or beneficiary of, or a person holding a power over, such holder or beneficial owner, if such holder or beneficial owner is an estate or a trust, or a member or shareholder of such holder or beneficial owner, if such holder or beneficial owner is a partnership or a corporation) of notes but for the existence of any present or former connection between the holder or beneficial owner (or such fiduciary, settlor, beneficiary, person holding a power, member or shareholder) of such notes and Mexico or any political subdivision or territory or possession thereof or area subject to its jurisdiction, including, without limitation, such holder or beneficial owner (or such fiduciary, settlor, beneficiary, person holding a power, member or shareholder) (i) being or having been a citizen or resident thereof, (ii) maintaining or having maintained an office, permanent establishment, fixed base or branch therein, or (iii) being or having been present or engaged in trade or business therein, except for a connection solely arising from the mere ownership of, or receipt of payment under, such notes;
- (b) any estate, inheritance, gift, sales, transfer, or personal property or similar tax, assessment or other governmental charge;
- (c) any Mexican Withholding Taxes that are imposed or levied by reason of the failure by the holder or beneficial owner of such notes to comply with any certification, identification, information, documentation, declaration or other reporting requirement that is required or imposed by a statute, treaty, regulation, general rule or published administrative practice, as a precondition to exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Mexican Withholding Taxes; provided that at least 30 days prior to (i) the first payment date with respect to which the Issuer or such guarantor applies this clause (c) and (ii) in the event of a change in such certification, identification, information, documentation, declaration or other reporting requirement, the first payment date subsequent to such change, the Issuer or such guarantor has notified the trustee and the holders in writing that the holders or beneficial owners of notes will be required to comply with such certification, identification, information or documentation, declaration or other reporting requirement;
- (d) any Mexican Withholding Taxes that would not have been so imposed but for the presentation by the holder of such note for payment on a date more than 20 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for,

whichever occurs later, except to the extent that the holder of such note would have been entitled to the Additional Amounts on presenting such note on any date during such 20-day period;

- (e) any payment on such note to any holder who is a fiduciary or partnership or other than the sole beneficial owner of any such payment, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder of such note;
- (f) any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from payments on a note;
- (g) any tax, assessment or governmental charge that would not have been imposed but for a failure by the holder or beneficial owner (or any financial institution through which the holder or beneficial owner holds any note or through which payment on the note is made) to comply with any certification, information, identification, documentation or other reporting requirements (including entering into and complying with an agreement with the U.S. Internal Revenue Service) imposed pursuant to, or under an intergovernmental agreement entered into between the United States and the government of another country in order to implement the requirements of, Sections 1471 through 1474 of the U.S. Internal Revenue Code as in effect on the date of issuance of the notes or any successor or amended version of these provisions, to the extent such successor or amended version is not materially more onerous than these provisions as enacted on such date; or
- (h) any combination of the above.

All references in this “Description of the Notes” section to principal and interest in respect of notes will, unless the context otherwise requires, be deemed to mean and include all Additional Amounts, if any, payable in respect thereof as set forth in the first paragraph of this “Additional Amounts” section and in paragraphs (a) through (h) above.

The Issuer or any guarantor (as applicable) will also pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the notes or the guarantees, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside of Mexico other than those resulting from, or required to be paid in connection with, the enforcement of the notes following the occurrence of any Event of Default.

Notwithstanding the foregoing, the limitations on obligations of the Issuer and the guarantors to pay Additional Amounts set forth in clause (c) above will not apply if the compliance with the certification, identification, information, documentation, declaration or other reporting requirement described in such clause (c) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a holder or beneficial owner of a note (taking into account any relevant differences between United States and Mexican law, regulation or administrative practice) than comparable information or other applicable reporting requirements imposed or provided for under U.S. federal income tax law (including the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and a Protocol thereto, both signed on September 18, 1992, as amended by Additional Protocols signed on September 8, 1994 and November 26, 2002), regulations (including proposed regulations) and published administrative practice. In addition, the limitations on the obligations of the Issuer or the guarantors to pay Additional Amounts set forth in clause (c) above will not apply if Article 166, Section II, paragraph a) of the Mexican Income Tax Law (or a substantially similar provision successor to such provision) is in effect, unless (i) the compliance with the certification, identification, information, documentation, declaration or other reporting requirement described in clause (c) above is expressly required by statute, regulation, general rules or published administrative practice in order to apply Article 166, Section II, paragraph a) of the Mexican Income Tax Law (or a substantially similar successor provision to such provision), the Issuer or such guarantor cannot obtain such certification, identification, information, documentation, declaration or other evidence, or satisfy any other reporting requirements, on its own through reasonable diligence and the Issuer or such guarantor otherwise would meet the requirements for application of Article 166, Section II, paragraph a) of the Mexican Income Tax Law (or such provision successor to such provision) or (ii) in the case of a holder or beneficial owner of a note that is a pension fund or other tax-exempt organization, such holder or beneficial owner would be subject to Mexican Withholding Taxes at a rate that is below the rate that is provided by Article 166, Section II, paragraph a) of the Mexican Income Tax Law if the information, documentation or other evidence required under clause (c) above were provided. Clause

(c) above will not be construed to require that a non-Mexican pension or retirement fund, a non-Mexican tax-exempt organization or a non-Mexican financial institution or any other holder or beneficial owner of a note register with the Mexican Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) or the Mexican Tax Administration Service (*Servicio de Administración Tributaria*) for the purpose of establishing eligibility for an exemption from or reduction of Mexican Withholding Taxes.

The Issuer or the respective guarantor will provide the trustee with a duly certified or authenticated copy of an original receipt evidencing the payment of Mexican Withholding Taxes that the Issuer or such guarantor has withheld or deducted in respect of any payments made under or with respect to the notes. The Issuer or such guarantor will make copies of such documentation, and cause the trustee to make copies of such documentation, available to the holders of the notes upon request.

In the event that Additional Amounts actually paid with respect to any notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of Mexican Withholding Taxes in excess of the appropriate rate applicable to the holder of such notes, and, as a result thereof, such holder is entitled to make a claim for a refund or credit of such excess, then such holder will, by accepting such notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to the Issuer or the relevant guarantor. However, by making such assignment, the holder makes no representation or warranty that the Issuer or the relevant guarantor will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

### **Meetings, Amendments and Waivers — *Collective Action***

The Issuer may call a meeting of the holders of the notes of any series at any time regarding the indenture or the notes. The Issuer will determine the time and place of the meeting and will notify the holders of the notes of such series of the time, place and purpose of the meeting not less than 30 and not more than 60 days before the meeting.

In addition, the Issuer or the trustee will call a meeting of holders of the notes of a series if the holders of at least 10% in principal amount of all the notes of such series then Outstanding have delivered a written request to the Issuer or the trustee (with a copy to the Issuer) setting out the purpose of the meeting. Within 10 days of receipt of such written request or copy thereof, the Issuer will notify the trustee and the trustee will notify the holders of the notes of that series of the time, place and purpose of the meeting called by the holders, to take place not less than 30 and not more than 60 days after the date on which such notification is given.

Only holders of notes and their proxies are entitled to vote at a meeting of holders. The Issuer will set the procedures governing the conduct of the meeting and if additional procedures are required, the Issuer will consult with the trustee to establish such procedures as are customary in the market.

Modifications may also be approved by holders of the notes of any series pursuant to written action with the consent of the requisite percentage of holders of the notes of that series. The Issuer will solicit the consent of the relevant holders to the modification not less than 10 and not more than 30 days before the expiration date for the receipt of such consents as specified by the Issuer.

The holders of the notes of any series may generally approve any proposal by the Issuer to modify the indenture or the terms of the notes of that series with the affirmative vote (if approved at a meeting of the holders) or consent (if approved by written action) of holders of more than 50% of the Outstanding principal amount of the notes of that series.

However, holders of any series of debt securities (including the notes) issued under the indenture may approve, by vote or consent through one of three modification methods, any modification, amendment, supplement or waiver proposed by the Issuer that would do any of the following (such subjects are referred to as “reserved matters”):

- change the date on which any amount is payable on the debt securities;
- reduce the principal amount of the debt securities (other than in accordance with the express terms of the debt securities and the indenture);
- reduce the interest rate on the debt securities;



- change the method used to calculate any amount payable on the debt securities (other than in accordance with the express terms of the debt securities and the indenture);
- change the currency or place of payment of any amount payable on the debt securities;
- modify the obligation of the Issuer to make any payments on the debt securities (including any redemption price therefor);
- modify any guarantor's obligation to make any payments on the debt securities (including any redemption price therefor) under its guarantee;
- change the identity of the obligor under the debt securities;
- change the definition of "Outstanding" debt securities or the percentage of affirmative votes or written consents, as the case may be, required to make a "reserved matter modification" (as defined in the indenture);
- change the definition of "uniformly applicable" or "reserved matter modification";
- authorize the trustee, on behalf of all holders of the debt securities, to exchange or substitute all the debt securities for, or convert all the debt securities into, other obligations or securities of the Issuer or any other Person; or
- change the legal ranking, governing law, submission to jurisdiction or waiver of immunities provisions of the terms of the debt securities.

A change to a reserved matter, including the payment terms of any series of debt securities (including the notes), can be made without your consent, as long as the change is approved, pursuant to one of the three following modification methods, by vote or consent by:

- the holders of more than 75% of the aggregate principal amount of the Outstanding notes insofar as the change affects the notes (but does not modify the terms of any other series of debt securities issued under the indenture);
- where such proposed modification would affect the Outstanding notes and at least one other series of debt securities issued under the indenture, the holders of more than 75% of the aggregate principal amount of the then Outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, if certain "uniformly applicable" requirements are met (defined in the indenture as "cross-series modification with single aggregated voting"); or
- where such proposed modification would affect the Outstanding notes and at least one other series of debt securities issued under the indenture, whether or not the "uniformly applicable" requirements are met, the holders of more than 66<sup>2</sup>/<sub>3</sub>% of the aggregate principal amount of the then Outstanding debt securities of all of the series affected by the proposed modification, taken in the aggregate, *and* the holders of more than 50% of the aggregate principal amount of the then Outstanding debt securities of each series affected by the modification, taken individually.

"Uniformly applicable," as used herein, means a modification by which holders of debt securities of all series affected by that modification (including the notes, if so affected) are invited to exchange, convert or substitute their debt securities on the same terms for (x) the same new instruments or other consideration or (y) new instruments or other consideration from an identical menu of instruments or other consideration. It is understood that a modification will not be considered to be uniformly applicable if each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification (or, where a menu of instruments or other consideration is offered, each exchanging, converting or substituting holder of debt securities of any series affected by that modification is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting or substituting holder of debt securities of any series affected by that modification electing the same option under such menu of instruments).

The Issuer may select, in its discretion, any modification method for a reserved matter modification in accordance with the indenture and to designate which series of debt securities will be included for approval in the aggregate of modifications affecting two or more series of debt securities. Any selection of a modification method or designation of series to be included will be final for the purpose of that vote or consent solicitation.

For so long as any series of debt securities (collectively, the “2011 debt securities”) issued under the indenture dated as of May 26, 2011 between the Issuer and the trustee (as supplemented from time to time, the “2011 indenture”) are outstanding, if the Issuer certifies to the trustee under the indenture and to the trustee under the 2011 indenture that a proposed modification affecting more than one series of debt securities issued under the indenture (a “cross-series modification”) is being sought simultaneously with a “2011 indenture reserved matter modification,” the 2011 debt securities affected by such 2011 indenture reserved matter modification shall be treated as “series affected by that proposed modification” as that phrase is used in the indenture (as described in the preceding paragraphs); *provided* that if the Issuer seeks a cross-series modification with single aggregated voting, in determining whether such modification will be considered uniformly applicable, the holders of any series of 2011 debt securities affected by the 2011 indenture reserved matter modification shall be deemed “holders of debt securities of all series affected by that modification,” for the purpose of the uniformly applicable definition. It is the intention that in such circumstances, the votes of the holders of the affected 2011 debt securities be counted for purposes of the voting thresholds specified in the indenture for the applicable cross-series modification as though those 2011 debt securities had been affected by that cross-series modification although the holders of any notes will be deemed to have acknowledged and agreed that the effectiveness of any modification, as it relates to the 2011 debt securities, shall be governed exclusively by the terms and conditions of those 2011 debt securities and by the 2011 indenture.

“2011 indenture reserved matter modification,” for these purposes, means any modification to a reserved matter affecting the terms and conditions of one or more series of the 2011 debt securities, pursuant to the 2011 indenture.

Before soliciting any consent or vote of any holder of debt securities (including the notes) for any change to a reserved matter, the Issuer will provide the following information to the trustee for distribution to the holders of debt securities of any series that would be affected by the proposed modification:

- a description of the Issuer’s economic and financial circumstances that are in the Issuer’s opinion relevant to the request for the proposed modification and a description of the Issuer’s existing debts;
- if the Issuer shall at the time have entered into an arrangement for financial assistance with major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, (x) a description of any such arrangement or agreement and (y) where permitted under the information disclosure policies of the creditors, as applicable, a copy of the arrangement or agreement;
- a description of the Issuer’s proposed treatment of external debt instruments that are not affected by the proposed modification and the Issuer’s intentions with respect to any other major creditor groups; and
- if the Issuer is then seeking any reserved matter modification affecting any other series of debt securities, a description of that proposed modification.

The consent of the holders is not necessary under the indenture to approve the particular form of any proposed amendment, modification, supplement or waiver. It is sufficient if the consent approves the substance of the proposed amendment, modification, supplement or waiver. After an amendment, modification, supplement or waiver under the indenture becomes effective, the Issuer will mail to the affected holders a notice briefly describing the amendment, modification, supplement or waiver. However, the failure to give this notice or any defect in the notice, will not impair or affect the validity of the amendment, modification, supplement or waiver.

#### **Other Amendments**

The Issuer and the trustee may, without the vote or consent of any holder of debt securities of a series issued under the indenture (including the notes), amend the indenture or the debt securities of that series for the purpose of:

- adding to the Issuer’s or the guarantors’ covenants for the benefit of the holders of the debt securities of that series;

- surrendering any of the Issuer's or the guarantors' rights or powers with respect to the debt securities of that series;
- securing the debt securities of that series;
- curing any ambiguity or curing, correcting or supplementing any defective provision in the debt securities of that series or the indenture;
- amending the debt securities of that series or the indenture in any manner that the Issuer and the trustee may determine and that does not materially adversely affect the interests of any holders of the debt securities of that series;
- correcting a manifest error of a formal, minor or technical nature;
- reflecting the succession of another Person to the Issuer or any guarantor and the successor entity's assumption of its respective covenants and obligations under the debt securities of that series and the indenture in accordance with the provisions described under “—Negative Covenants—Merger, Consolidate or Sale of Assets”;
- providing, if permitted by Mexican law, for the guarantee of the debt securities of that series by any additional guarantor and related revisions to the indenture to reflect the terms of the covenant described under “—Affirmative Covenants—Future Guarantors”; or
- providing for a successor trustee or co-trustee in accordance with the provisions of the indenture, or adding or changing any of the provisions of the indenture as shall be necessary to provide for or facilitate the administration of the trusts by more than one trustee in accordance with the indenture.

## **Defeasance**

The Issuer may, at its option, elect to terminate (1) all of its and the guarantors' obligations with respect to the notes of any series and the guarantees (“legal defeasance”), except for certain obligations, including those regarding any trust established for defeasance and obligations relating to the transfer and exchange of the notes, the replacement of mutilated, destroyed, lost or stolen notes and the maintenance of agencies with respect to the notes or (2) the Issuer and the guarantors' obligations under the covenants in the indenture with respect to the notes of any series, so that any failure to comply with such obligations will not constitute an Event of Default (“covenant defeasance”) in respect of the notes of such series or the guarantees. In order to exercise either legal defeasance or covenant defeasance, the Issuer must irrevocably deposit with the trustee money or U.S. government obligations, or any combination thereof, in such amounts as will be sufficient (in the case of U.S. government obligations as determined by a nationally recognized firm of independent public accountants) to pay the principal, premium, if any, and interest (including Additional Amounts) in respect of the notes of such series then Outstanding on the maturity date of the notes, and comply with certain other conditions, including, without limitation, the delivery of an officer's certificate stating the Issuer's election and an opinion of counsel as to specified tax and other matters.

If the Issuer elects either legal defeasance or covenant defeasance with respect to any notes of any series, the Issuer must so elect it with respect to all of the notes of that series.

## **Listing**

Application will be made to admit the notes for listing on the Official List of the Luxembourg Stock Exchange. There can be no assurance that the notes will be listed on the Luxembourg Stock Exchange or, if the notes are listed on such exchange, that such listing will be maintained until the maturity of the notes.

## **Certain Definitions**

The following are certain defined terms used in the indenture and in the notes.

“Accounts Receivable” means, as to any Person, amounts payable to such Person in respect of the sale, lease or other provision of goods, energy, services or the like, whether or not yet earned by performance.

“Available Assets” means, as to any Person, assets of such Person consisting of cash on hand or on deposit in banks, certificates of deposit and bankers’ acceptances, debt securities and intangible assets (other than equity securities and Accounts Receivable).

“Default” means any event or circumstance that, with the giving of notice, the lapse of time, or both, would (if not cured, waived or otherwise remedied during such time) constitute an Event of Default.

“IFRS” means *Normas Internacionales de Información Financiera* (International Financial Reporting Standards) as issued by the International Accounting Standards Board, as in effect from time to time.

“Outstanding” means, as of any date of determination, in respect of the debt securities of any series issued under the indenture, the debt securities of such series authenticated and delivered pursuant to the indenture *except* for:

- (1) debt securities of that series theretofore canceled by the trustee or delivered to the trustee for cancellation or held by the trustee for reissuance but not reissued by the trustee;
- (2) debt securities of that series that have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof (and premium, if any) and any interest thereon shall have been made available to the trustee; provided that, if such debt securities are to be redeemed, notice of such redemption has been duly given pursuant to the indenture or provision therefor satisfactory to the trustee has been made; or
- (3) debt securities of that series in lieu of or in substitution for which other debt securities shall have been authenticated pursuant to the indenture;

*provided, however,* that, in determining whether the holders of the requisite principal amount of debt securities Outstanding have taken any action or instruction under the indenture or the debt securities, a debt security will be disregarded and deemed not to be outstanding, and may not be counted in a vote or consent solicitation for or against a proposed modification, if on the record date for the proposed modification or other action or instruction hereunder, the debt security is held by Mexico or by a Public Sector Instrumentality, or by a corporation, trust or other legal entity that is controlled by Mexico (including the Issuer or any of its Subsidiaries) or a Public Sector Instrumentality, except that (x) debt securities held by Mexico or any Public Sector Instrumentality or any corporation, trust or other legal entity controlled by Mexico or by a Public Sector Instrumentality that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the trustee the pledgee’s right so to act with respect to such debt securities and that the pledgee is not Mexico or a Public Sector Instrumentality (including the Issuer or any of its Subsidiaries), and in case of a dispute concerning such right, the advice of counsel shall be full protection in respect of any decision made by the trustee in accordance with such advice, and any certificate, statement or opinion of counsel may be based, insofar as it relates to factual matters or information that is in the possession of the trustee, upon the certificate, statement or opinion of or representations by the trustee; and (y) in determining whether the trustee will be protected in relying upon any such action or instructions hereunder, or any notice from holders, only debt securities that a responsible officer of the trustee knows to be so owned or controlled will be so disregarded.

As used in this definition, “Public Sector Instrumentality” means any department, secretary, ministry or agency of the Mexican government, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests, by contract or otherwise, to direct the management of or to elect or to appoint a majority of the board of directors or other Persons performing similar functions in lieu of, or in addition to, the board of directors of that legal entity.

“Person” means an individual, a corporation, a partnership, a limited liability company, a limited liability partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“Project Financing” means any financing of the acquisition, construction or development of any properties in connection with a project if the Person or Persons providing such financing expressly agree to look to the properties financed and the revenues to be generated by the operation of, loss of or damage to, such properties as the principal source of repayment for the moneys advanced (with limited recourse, if any, to the Issuer or the guarantors) and have been provided with a feasibility study prepared by competent independent experts on the basis of which it was

reasonable to conclude that such project would generate sufficient foreign currency income to repay substantially all of the principal of and interest on all Public External Indebtedness incurred in connection therewith.

“Public External Indebtedness” means, with respect to any Person, any Public Indebtedness of such Person that is payable by its terms or at the option of its holder in any currency other than the currency of Mexico (other than any such Public Indebtedness that is originally issued or incurred within Mexico).

“Public Indebtedness” means, with respect to any Person, any payment obligation, including any contingent liability, of such Person arising from bonds, debentures, notes or other securities that (a) are, or were intended at the time of issuance to be, quoted, listed or traded on any securities exchange or other securities market or were issued in a private placement to institutional investors (including, without limitation, securities issued pursuant to Section 4(2) of, or eligible for resale pursuant to Rule 144A under, the Securities Act (or any successor law or regulation of similar effect)) and (b) have an original maturity of more than one year or are combined with a commitment so that the original maturity of one year or less may be extended at such Person’s option to a period in excess of one year.

“Stated maturity date” means, when used with respect to any debt security or any installment of principal thereof or interest thereon, the date expressed in such debt security (as such debt security may be amended or modified pursuant to the indenture) as the fixed date on which the principal of such debt securities or interest thereon is due and payable, without giving effect to any acceleration of any payment dates pursuant to the terms of such debt securities or otherwise.

“Subsidiary” means, in relation to any entity, any other entity (whether or not now existing) which is controlled directly or indirectly, or more than 50% of whose issued equity share capital (or equivalent) is then held or beneficially owned by, the first Person and/or any one or more of the first Person’s Subsidiaries, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other Persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

## **Trustee**

The indenture establishes the obligations and duties of the trustee, the right to indemnification of the trustee and the liability and responsibility, including limitations, for actions that the trustee takes. The trustee is entitled to enter into business transactions with the Issuer or any of its affiliates without accounting for any profit resulting from these transactions.

## **Paying Agent; Transfer Agent; Registrar**

Until the notes are paid, the Issuer will maintain a principal paying agent, a transfer agent and a registrar in New York City. We have initially designated the corporate trust office of the trustee as the agency for each such purpose and as the place where the register will be maintained. In addition, from and after the date the notes are listed on the Luxembourg Stock Exchange we will maintain a transfer agent in Luxembourg so long as the rules of the Luxembourg Stock Exchange so require. We will give prompt notice to all holders of notes of any future appointment or any resignation or removal of any paying agent, transfer agent or registrar or of any change by any paying agent, transfer agent or registrar in any of its specified offices.

## **Notices**

So long as DTC, or its nominee, is the registered holder of a global note, each owner of a beneficial interest in a global note must rely on the procedures of DTC to receive notices provided to DTC. Each owner of a beneficial interest in a global note that is not a participant in DTC must rely on the procedures of the participant through which such owner owns its interest to receive notices provided to DTC.

If the notes are issued in certificated form, the Issuer will mail notices to the holders of notes at their registered addresses, as reflected in the books and records of the trustee.

From and after the date the notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, we will also publish all notices to the holders of the notes either in a newspaper with general circulation in Luxembourg, which is expected to be the Luxemburger Wort, or on the website

of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu) or, if we determine that this is not practicable, in another manner permitted by the rules of the Luxembourg Stock Exchange.

## **Governing Law**

The indenture, the notes, the guarantees and the guaranty agreement (in respect of the indenture and the notes) will be governed by, and construed in accordance with, the laws of the State of New York, except that matters relating to the authorization and execution of the indenture, the notes, the guarantees and the guaranty agreement by the Issuer and the guarantors, as applicable, will be governed by, and construed in accordance with, the laws of Mexico.

## **Consent to Service, Jurisdiction and Waiver of Immunity**

In the indenture and the guaranty agreement, respectively, the Issuer and each of the guarantors have irrevocably designated, appointed and empowered the Consul General of Mexico (New York office), currently located at 27 East 39th Street, New York, New York 10016 (the “Authorized Agent”) as the authorized agent of the Issuer and each of the guarantors to accept and acknowledge on behalf of the Issuer and each guarantor service of any and all process which may be served in any suit, action or proceeding arising out of or based upon the notes, the guarantees or the indenture that may be instituted by the trustee or any holder in any U.S. federal or New York state court in the Borough of Manhattan, The City of New York. The Issuer and each of the guarantors have consented to process being served in any such action or proceeding by service of process upon the Authorized Agent. The Issuer, the guarantors and the trustee have each (i) irrevocably submitted to the jurisdiction of any such court in respect of any such action or proceeding, (ii) irrevocably waived any objection which any of them may now or hereafter have to the laying of venue of any such action or proceeding in any such court and (iii) irrevocably waived their right to any other jurisdiction to which they may be entitled by virtue of law, place of residence or domicile or for any other reason.

To the extent that the Issuer or any of the guarantors have or hereafter may acquire any immunity from jurisdiction of any of the courts referred to above or from any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) with respect to the Issuer, any of the guarantors or its or their property, in each case in respect of any action, claim or proceeding brought in respect of the indenture, the notes or the guarantees, the Issuer and each of the guarantors will irrevocably waive such immunity in respect of the Issuer and such guarantor’s obligations under the indenture, the notes and the guarantees to the fullest extent permitted by law, subject to certain restrictions pursuant to applicable Mexican law, including (i) the adoption of the CFE Law, the Electric Industry Law and any other new Mexican law or regulation or (ii) any amendment to, or change in the interpretation or administration of, any existing law or regulation, in each case, pursuant to or in connection with the Energy Reform Decree and the Secondary Legislation, by any governmental authority in Mexico with oversight or authority over the Issuer or the guarantors. Such restrictions include (a) under article 90 of the CFE Law, real property owned by the Issuer and the guarantors shall be deemed to be property of the public domain and, under Articles 4 and 6 of the General Law of Public Property (*Ley General de Bienes Nacionales*), neither attachment prior to judgment nor attachment in aid of execution will be ordered by Mexican courts against the Issuer or the guarantors’ real property, and (b) under the Electric Industry Law (*Ley de la Industria Eléctrica*) the transmission and distribution of electric energy as a public service are reserved to the Mexican government, through the Issuer and the guarantors and, to that extent, the assets related thereto are subject to immunity. Without limiting the generality of the foregoing, the Issuer and each of the guarantors will agree that the waivers set forth in this paragraph will have force and effect to the fullest extent permitted under the U.S. Foreign Sovereign Immunities Act of 1976, as amended, and will be irrevocable for purposes of such Act; *provided, however*, that the Issuer and each guarantor will reserve the right to plead immunity under such Act in actions brought against the Issuer or any guarantor under the U.S. federal securities laws or any state securities laws.

## **Currency Indemnity**

The obligations of the Issuer and the guarantors to any holder of notes that has obtained a court judgment affecting those notes or the related guarantees will be discharged, to the greatest extent permissible under applicable law, only to the extent that the relevant holder is able to purchase U.S. dollars (referred to as the “agreement currency”) with any other currency paid to that holder in accordance with the judgment currency. If the holder cannot purchase the agreement currency in the amount originally to be paid, the Issuer and the guarantors have agreed to pay the difference. The holder, however, agrees that, if the amount of the agreement currency purchased exceeds the amount originally to be paid to such holder, the holder will reimburse the excess to the Issuer or the respective guarantor. The holder will not be obligated to make this reimbursement if the Issuer or such guarantor is in default in respect of its obligations under the notes or the guarantees.

**Our Relationship with the trustee**

Deutsche Bank Trust Company Americas is initially serving as the trustee for the notes. Deutsche Bank Trust Company Americas and its affiliates may have other business relationships with the Issuer and/or the guarantors from time to time.

## TAXATION

The following summary of certain Mexican federal and U.S. federal income tax considerations is based on the advice of Creel, García-Cuellar, Aiza y Enriquez, S.C., with respect to Mexican federal taxes, and on the advice of Cleary Gottlieb Steen & Hamilton LLP, New York, New York, with respect to U.S. federal income taxes. This summary contains a description of certain Mexican federal and U.S. federal income tax consequences of the purchase, ownership and disposition of the notes, but does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, municipality, locality or taxing jurisdiction other than the federal laws of Mexico and the federal laws of the United States.

This summary is based on the federal tax laws of Mexico and the United States as in effect on the date of this offering memorandum. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Mexico has also entered into tax treaties with several countries (including the United States) and is negotiating tax treaties with various other countries. These tax treaties may have effects on holders of notes. This summary does not discuss the consequences (if any) of such treaties.

**Prospective purchasers of notes should consult their own tax advisors as to the Mexican, United States or other tax consequences of the purchase, ownership and disposition of the notes, including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.**

### **Mexican Tax Considerations**

This summary of certain Mexican federal tax considerations refers only to prospective holders of notes that are not residents of Mexico for Mexican tax purposes and that will not hold the notes or a beneficial interest therein through a permanent establishment for tax purposes in Mexico to which income under the notes is attributable (any such non-resident holder a “Foreign Holder”). For purposes of Mexican taxation, an individual is a resident of Mexico if he/she has established his/her primary residence (*casa habitación*) in Mexico, unless he/she has a primary residence (*casa habitación*) in another country, in which case such individual will be considered a resident of Mexico for tax purposes, if such individual has his/her center of vital interest in Mexico; an individual would be deemed to maintain his/her center of vital interest in Mexico if, among other things, (i) more than 50% of his/her total income for the calendar year results from Mexican sources, or (ii) his/her principal center of professional activities is located in Mexico. A legal entity is a resident of Mexico if it maintains its main place of management in Mexico or has established its place of effective management in Mexico. A Mexican citizen is presumed to be a resident of Mexico unless such person can demonstrate the contrary. If a legal entity or individual has a permanent establishment for tax purposes in Mexico, such legal entity or individual shall be required to pay taxes in Mexico on any and all income attributable to such permanent establishment in accordance with Mexican federal tax law.

### ***Taxation of Interest and Principal***

Under the Mexican Income Tax Law, payments of principal under the notes, made by CFE to a Foreign Holder, will not be subject to any withholding or similar taxes imposed by Mexico.

Pursuant to the Mexican Federal Income Tax Law, payments of interest (or amounts deemed to be interest) made by CFE in respect of the notes to a Foreign Holder will be subject to a withholding tax imposed at a rate of 4.9% if, as expected: (i) the notes are placed outside of Mexico by a bank or broker dealer in a country with which Mexico has a tax treaty in effect, (ii) notice relating to the offering of the notes is given to the CNBV as required under Article 7, second paragraph of the Securities Market Law and evidence of such notice is timely filed with the Tax Administration Service, and (iii) CFE timely files with the Tax Administration Service (a) certain information related to the notes and this offering memorandum and (b) information representing that no party related to CFE, directly or indirectly, is the beneficial owner of five percent (5%) or more of the aggregate amount of each such interest payment, and (iv) CFE maintains records that evidence compliance with (iii)(b) above.

If any of the above mentioned requirements are not met, the Mexican withholding tax rate applicable to interest payments made to Foreign Holders will be 10.0% or higher. If the beneficial owner of the interest, whether acting directly or indirectly, individually or jointly with related persons, receives more than 5% of the interest paid



under the notes and such beneficial owner is (i) a person who owns, directly or indirectly, individually or with related persons, 10% or more of our voting stock or (ii) a corporation or other entity, of which 20% or more of its voting stock is owned, directly or indirectly, by the Issuer or persons related to the Issuer, then the 4.9% Mexican withholding tax rate should not apply, on a holder by holder basis, and withholding should be applied at substantially higher rates.

Payments of interest made by CFE in respect of the notes to a non-Mexican pension or retirement fund will be exempt from Mexican withholding taxes, if any such fund: (i) is duly established pursuant to the laws of its country of establishment and is the beneficial owner of the interest paid; (ii) is exempt from income tax in respect of such payments in such country; and (iii) delivers to us certain information required by Mexican regulations, which we may in turn provide to the Tax Administration Service.

The Mexican Federal Income Tax Law provides that for a Foreign Holder to be entitled to the benefits under a tax treaty that Mexico has in effect, it is necessary for the Foreign Holder to meet the procedural requirements set forth in such laws.

### ***Additional Amounts***

CFE has agreed, subject to specified exceptions and limitations, to pay Additional Amounts to the holders of the notes in respect of the Mexican withholding taxes mentioned above. If CFE pays Additional Amounts in respect of such Mexican withholding taxes, any refunds received with respect to such Additional Amounts will be for the account of CFE, but holders of notes will not be required to take any action in respect of such refunds. See “Description of the Notes—Additional Amounts.”

Holders or beneficial owners of notes may be requested to provide certain information or documentation necessary to enable CFE to establish the appropriate Mexican withholding tax rate applicable to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not provided on a timely basis, the obligation of CFE to pay Additional Amounts will be limited. See “Description of the Notes—Additional Amounts.”

### ***Taxation of Dispositions and Further Acquisitions of the Notes***

Under the Mexican Federal Income Tax Law, gains resulting from the sale or other disposition of the notes by a Foreign Holder to another Foreign Holder are not subject to income or other tax in Mexico. Gains resulting from the sale of the notes by a Foreign Holder to a purchaser who is a Mexican resident for tax purposes, or to a Foreign Holder deemed to have a permanent establishment in Mexico for tax purposes, will be subject to Mexican federal income or other taxes pursuant to the rules described above in respect of interest payments (or amounts deemed to be interest), unless an applicable income tax treaty provides otherwise. The acquisition of the notes at a discount by a Foreign Holder will be deemed interest income, and subject to Mexican withholding taxes if the seller is a Mexican resident or foreign resident deemed to have a permanent establishment in Mexico.

### ***Transfer and Other Taxes***

Under current Mexican tax laws, there are no Mexican stamp, issue, registration, or similar federal taxes payable by CFE or a Foreign Holder in connection with the issuance, purchase, ownership or disposition of the notes. A Foreign Holder of notes will not be liable for Mexican estate, gift, inheritance or similar tax with respect to the notes.

### **United States Tax Considerations**

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a U.S. Holder’s (defined below) investment in the notes. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular investor’s decision to invest in the notes. This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local or non-U.S. laws, estate or gift tax laws, any alternative minimum tax or the Medicare tax on net investment income, nor does it address the special timing rules prescribed under section 451(b) of the Code (as defined below). Investors should consult their own tax advisors in determining the tax consequences to them of holding notes under such tax

laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

In addition, this summary deals only with U.S. Holders who acquire the notes as part of the initial offering (and at their initial offering price), who will own the notes as capital assets, and whose functional currency is the U.S. dollar. It does not address U.S. federal income tax considerations applicable to investors who may be subject to special tax rules, including, but not limited to, banks or other financial institutions, insurance companies, tax-exempt entities, partnerships or other pass-through entities (or persons that hold the notes through such entities), traders in securities that elect to use the mark-to-market method of accounting for their securities, regulated investment companies, real estate investment trusts, dealers or brokers in securities or currencies, certain short-term holders of the notes, persons that hedge their exposure in the notes or will hold the notes as a position in a “straddle” or “conversion” transaction or as part of a “synthetic security” or other integrated financial transaction for U.S. federal income tax purposes, persons that purchase or sell notes as part of a wash sale for tax purposes, U.S. expatriates, or nonresident alien individuals present in the United States for more than 182 days in a taxable year. Investors should be aware that the U.S. federal income tax consequences of holding the notes may be materially different for investors described in the previous sentence.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), U.S. Treasury regulations and judicial and administrative interpretations thereof, in each case as in effect or available on the date of this offering memorandum. All of the foregoing are subject to change, and any such change may apply retroactively and could affect the tax consequences described below. In addition, we have not sought any rulings from the U.S. Internal Revenue Service (“IRS”) regarding the matters discussed below, and there can be no assurance that the IRS will not take positions concerning the tax consequences of the purchase, ownership or disposition of the notes that are different from those discussed below.

As used herein, a “U.S. Holder” is a beneficial owner of a note that is an individual who is a citizen or resident of the United States or a U.S. domestic corporation or a person that otherwise will be subject to U.S. federal income taxation on a net income basis in respect of the note.

### ***Payments of Interest and Additional Amounts***

Payments of the gross amount of stated interest and Additional Amounts (as defined in “Description of the Notes—Additional Amounts”), including amounts withheld in respect of Mexican withholding taxes, with respect to a note will be taxable to a U.S. Holder as ordinary interest income at the time that such payments are accrued or are actually or constructively received, in accordance with the U.S. Holder’s method of tax accounting. It is expected, and this discussion assumes, that the notes will be issued without original issue discount (“OID”) for U.S. federal income tax purposes. In general, however, if the notes are issued with OID at or above a de minimis threshold, a U.S. Holder will be required to include OID in gross income, as ordinary income, under a “constant-yield method” before the receipt of cash attributable to such income, regardless of the U.S. Holder’s regular method of tax accounting.

Subject to generally applicable limitations and conditions, Mexican interest withholding tax paid at the appropriate rate applicable to the U.S. Holder may be eligible for credit against such U.S. Holder’s U.S. federal income tax liability. These generally applicable limitations and conditions include new requirements adopted by the IRS in regulations promulgated in December 2021 and any Mexican tax will need to satisfy these requirements in order to be eligible to be a creditable tax for a U.S. Holder. In the case of a U.S. Holder that either (i) is eligible for, and properly elects to claim, the benefits of the tax treaty between the United States and Mexico, or (ii) consistently elects to apply a modified version of these rules under recently issued temporary guidance and complies with specific requirements set forth in such guidance, the Mexican tax on interest generally will be treated as meeting the new requirements and therefore as a creditable tax. In the case of all other U.S. Holders, the application of these requirements to the Mexican tax on interest is uncertain and we have not determined whether these requirements have been met. If the Mexican interest withholding tax is not a creditable tax for a U.S. Holder or the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued in the same taxable year, the U.S. Holder may be able to deduct the Mexican tax in computing such U.S. Holder’s taxable income for U.S. federal income tax purposes. Interest and Additional Amounts will constitute income from sources without the United States and, for U.S. Holders that elect to claim foreign tax credits, generally will constitute “passive category income” for foreign tax credit purposes.

The availability and calculation of foreign tax credits and deductions for foreign taxes depend on a U.S. Holder’s particular circumstances and involve the application of complex rules to those circumstances. The temporary guidance discussed above also indicates that the Treasury and the IRS are considering proposing amendments to the

December 2021 regulations and that the temporary guidance can be relied upon until additional guidance is issued that withdraws or modifies the temporary guidance. U.S. Holders should consult their own tax advisors regarding the application of these rules to their particular situations.

### ***Disposition of Notes***

A U.S. Holder generally will recognize gain or loss on the sale, redemption or other disposition of the notes in an amount equal to the difference between the amount realized on such sale, redemption or other disposition (less any amounts attributable to accrued but unpaid interest, which will be taxable as such to the extent not previously included in income) and the U.S. Holder's adjusted tax basis in the notes. A U.S. Holder's adjusted tax basis in a note generally will equal its cost for that note. Gain or loss recognized by a U.S. Holder on such sale, redemption or other disposition generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the notes have been held by such holder for more than one year. Long-term capital gains of non-corporate U.S. Holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

A U.S. Holder generally will not be entitled to credit any Mexican tax imposed on the sale or other disposition of the notes against such U.S. Holder's U.S. federal income tax liability, except in the case of either (i) a U.S. Holder that is eligible for, and properly elects to claim, the benefits of the tax treaty between the United States and Mexico, or (ii) a U.S. Holder that consistently elects to apply a modified version of the U.S. foreign tax credit rules that is permitted under recently issued temporary guidance and complies with the specific requirements set forth in such guidance. Additionally, capital gain or loss recognized by a U.S. Holder on the sale or other disposition of the notes generally will be U.S. source gain or loss for U.S. foreign tax credit purposes (except to the extent that the U.S. Holder establishes the right to treat gain as foreign-source income under the tax treaty between the United States and Mexico). Consequently, even if the Mexican tax qualifies as a creditable tax, a U.S. Holder may not be able to credit the tax against its U.S. federal income tax liability unless such credit can be applied (subject to generally applicable conditions and limitations) against tax due on other income treated as derived from foreign sources. If the Mexican tax is not a creditable tax, the tax would generally reduce the amount realized on the sale or other disposition of the notes even if the U.S. Holder has elected to claim a foreign tax credit for other taxes in the same year. The temporary guidance discussed above also indicates that the Treasury and the IRS are considering proposing amendments to the December 2021 regulations and that the temporary guidance can be relied upon until additional guidance is issued that withdraws or modifies the temporary guidance. U.S. Holders should consult their own tax advisors regarding the application of the foreign tax credit rules to a sale or other disposition of the notes and any Mexican tax imposed on such sale or disposition.

### ***Specified Foreign Financial Assets***

Individual U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of U.S.\$ 50,000 on the last day of the taxable year or U.S.\$ 75,000 at any time during the taxable year are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the notes, including the application of the rules to their particular circumstances.

### ***Information Reporting and Backup Withholding***

Information returns will be filed with the IRS in connection with payments on the notes made to, and the proceeds of dispositions of notes effected by, certain U.S. Holders. In addition, certain U.S. Holders may be subject to backup withholding in respect of such amounts unless they provide their correct taxpayer identification numbers to the person from whom they receive payments, report in full dividend and interest income, and otherwise comply with applicable requirements of the backup withholding rules. Certain holders may be required to comply with applicable certification procedures to establish that they are not United States persons (as defined in the Code) in order to avoid the application of such information reporting requirements and backup withholding. Any amounts withheld under

these rules will generally be allowed as a credit against a holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS.

## FORM OF NOTES, CLEARING AND SETTLEMENT

### Global Notes

The notes of each series will be issued in the form of one or more registered notes in global form, without interest coupons (the “global notes”), as follows:

- notes sold to qualified institutional buyers under Rule 144A will be represented by one or more Restricted global notes; and
- notes sold in offshore transactions to non-U.S. persons in reliance on Regulation S will be represented by one or more Regulation S global notes.

Upon issuance, each of the global notes will be deposited with the trustee as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

Ownership of beneficial interests in each global note will be limited to persons who have accounts with DTC (“DTC participants”), including Euroclear and Clearstream, or persons who hold interests through DTC participants. We expect that under procedures established by DTC:

- upon deposit of each global note with DTC’s custodian, DTC will credit portions of the principal amount of the global note to the accounts of the DTC participants designated by the initial purchasers; and
- ownership of beneficial interests in each global note will be shown on, and transfer of ownership of those interests will be effected only through, records maintained by DTC (with respect to interests of DTC participants) and the records of DTC participants (with respect to other owners of beneficial interests in the global note).

Beneficial interests in a Regulation S global note will initially be credited within DTC to Euroclear and Clearstream on behalf of the owners of such interests.

Investors may hold their interests in the global notes directly through DTC, Euroclear or Clearstream, if they are participants in those systems, or indirectly through organizations that are participants in those systems.

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form except in the limited circumstances described below.

Each global note and beneficial interests in each global note will be subject to restrictions on transfer as described under “Transfer Restrictions.”

### Exchanges Between the Global Notes

Beneficial interests in a Regulation S global note may be transferred to a person who takes delivery in the form of a beneficial interest in the related Restricted global note only if the transfer is made pursuant to Rule 144A and the transferor first delivers to the trustee a certificate (in the form provided in the indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Restricted global note may be transferred to a person who takes delivery in the form of a beneficial interest in a related Regulation S global note only upon receipt by the trustee of a written certification (in the form provided in the indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Transfers of beneficial interests within a global note may be made without delivery of any written certification or other documentation from the transferor or the transferee. Transfers of beneficial interests in a Regulation S global note for beneficial interests in a Restricted global note or vice versa will be effected by DTC by means of an instruction originated by the trustee through the DTC Deposit/Withdraw at Custodian system. Accordingly, in connection with any transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of a Regulation S global note and a corresponding increase in the principal amount of a Restricted global note or vice versa, as applicable. Any beneficial interest in one of the global notes that is transferred to a person

who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for so long as it remains such an interest. Such transfer shall be made on a delivery free of payment basis and the buyer and seller will need to arrange for payment outside the applicable clearing system.

### **Book-Entry Procedures for the Global Notes**

All interests in the global notes will be subject to the operations and procedures of DTC, Euroclear and Clearstream. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None of us, the trustee or the initial purchasers are responsible for those operations or procedures.

DTC has advised that it is:

- a limited purpose trust company organized under the New York State Banking Law;
- a “banking organization” within the meaning of the New York State Banking Law;
- a member of the U.S. Federal Reserve System;
- a “clearing corporation” within the meaning of the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the U.S. Securities Exchange Act of 1934, as amended.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between its participants through electronic book-entry changes to the accounts of its participants. DTC’s participants include securities brokers and dealers, including the initial purchasers; banks and trust companies; clearing corporations; and certain other organizations. Indirect access to DTC’s system is also available to others such as banks, brokers, dealers and trust companies; these indirect participants clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. Investors who are not DTC participants may beneficially own securities held by or on behalf of DTC only through DTC participants or indirect participants in DTC (including Euroclear or Clearstream).

So long as DTC or its nominee is the registered owner of a global note, DTC or its nominee will be considered the sole owner or holder of the notes represented by that global note for all purposes under the indenture. Except as provided below, owners of beneficial interests in a global note:

- will not be entitled to have notes represented by the global note registered in their names;
- will not receive or be entitled to receive physical, certificated notes; and
- will not be considered the registered owners or holders of the notes under the indenture for any purpose, including with respect to the giving of any direction, instruction or approval to the trustee under the indenture.

As a result, each investor who owns a beneficial interest in a global note must rely on the procedures of DTC to exercise any rights of a holder of notes under the indenture (and, if the investor is not a participant or an indirect participant in DTC, on the procedures of the DTC participant through which the investor owns its interest).

Payments of principal, premium, if any, and interest with respect to the notes represented by a global note will be made by the trustee to DTC’s nominee as the registered holder of the global note. Neither we nor the trustee will have any responsibility or liability for the payment of amounts to owners of beneficial interests in a global note, for any aspect of the records relating to or payments made on account of those interests by DTC, or for maintaining, supervising or reviewing any records of DTC relating to those interests.

Payments by participants and indirect participants in DTC to the owners of beneficial interests in a global note will be governed by standing instructions and customary practices and will be the responsibility of those participants or indirect participants and not of DTC, its nominee or us.

Transfers between participants in DTC will be effected under DTC's procedures and will be settled in same-day funds. Transfers between participants in Euroclear or Clearstream will be effected in the ordinary way under the rules and operating procedures of those systems.

Cross-market transfers between DTC participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected within DTC through the DTC participants that are acting as depositaries for Euroclear and Clearstream. To deliver or receive an interest in a global note held in a Euroclear or Clearstream account, an investor must send transfer instructions to Euroclear or Clearstream, as the case may be, under the rules and procedures of that system and within the established deadlines of that system. If the transaction meets its settlement requirements, Euroclear or Clearstream, as the case may be, will send instructions to its DTC depositary to take action to effect final settlement by delivering or receiving interests in the relevant global notes in DTC, and making or receiving payment under normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the DTC depositaries that are acting for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant that purchases an interest in a global note from a DTC participant will be credited on the business day for Euroclear or Clearstream immediately following the DTC settlement date. Cash received in Euroclear or Clearstream from the sale of an interest in a global note to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account as of the business day for Euroclear or Clearstream following the DTC settlement date.

DTC, Euroclear and Clearstream have agreed to the above procedures to facilitate transfers of interests in the global notes among participants in those settlement systems. However, the settlement systems are not obligated to perform these procedures and may discontinue or change these procedures at any time. Neither we nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their participants or indirect participants of their obligations under the rules and procedures governing their operations.

### **Certificated Notes**

Beneficial interests in the global notes may not be exchanged for notes in physical, certificated form unless:

- DTC notifies us at any time that it is unwilling or unable to continue as depositary for the global notes and a successor depositary is not appointed within 90 days;
- DTC ceases to be registered as a clearing agency under the U.S. Securities Exchange Act of 1934, as amended, and a successor depositary is not appointed within 90 days;
- we, at our option, notify the trustee that we elect to cause the issuance of certificated notes; or
- certain other events provided in the indenture occur, including the occurrence and continuance of an event of default with respect to the notes.

In all cases, certificated notes delivered in exchange for any global note will be registered in the names, and issued in any approved denominations, requested by the depositary and will bear a legend indicating the transfer restrictions of that particular global note.

For information concerning paying agents and transfer agents for any notes issued in certificated form, see "Description of the Notes—General—Payment of Principal and Interest."

## TRANSFER RESTRICTIONS

The notes have not been registered, and will not be registered, under the Securities Act or any other securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act.

Accordingly, the notes are being offered and sold only:

- (1) in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and
- (2) outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

The notes have not been and will not be registered with the *Registro Nacional de Valores* (Mexican National of Securities Registry) maintained by the CNBV, and, therefore, the notes may not be publicly offered or sold in Mexico. The notes may be offered in Mexico to investors that satisfy the requirements to be considered institutional or qualified investors under Mexican law, pursuant to the private placement exemption set forth in Article 8 of the Securities Market Law.

The notes are subject to restrictions on transfer as summarized below. By purchasing notes, you will be deemed to have made the following acknowledgements, representations to and agreements with us and the initial purchasers:

- (1) You acknowledge that:
  - the notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
  - the notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
- (2) You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:
  - you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing the notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the notes to you in reliance on Rule 144A; or
  - you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person and you are purchasing notes in an offshore transaction in accordance with Regulation S.
- (3) You acknowledge that neither we nor the initial purchasers nor any person representing us or the initial purchasers has made any representation to you with respect to us or the offering of the notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the notes. You agree that you have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase notes, including an opportunity to ask questions of and request information from us.
- (4) If you are a purchaser of notes pursuant to Rule 144A, you represent that you are purchasing notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their



control and subject to your or their ability to resell the notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act.

- (5) You agree, and each subsequent holder of the notes by its acceptance of the notes will agree, that the notes may be offered, sold or otherwise transferred only:
- to a person who the seller reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer or buyers in a transaction meeting the requirements of Rule 144A;
  - in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act; or
  - pursuant to an exemption from registration under the Securities Act (if available).

As a condition to registration of transfer of the notes pursuant to the exemption referred to in clause (iii) above, we or the trustee may require delivery of any documents or other evidence that we or the trustee each, in our or its discretion, deems necessary or appropriate to evidence compliance with such exemption, and, in each case, in accordance with the applicable securities laws of the states of the United States and other jurisdictions.

- (6) You also acknowledge that:

- the above restrictions on resale are expected to apply from the issue date until the issuer decides to remove the below legend (in the case of Restricted global notes) or 40 days (in the case of Regulation S global notes) after the later of the issue date and the last date that we or any of our affiliates was the owner of the notes or any predecessor of the notes (the “resale restriction period”), and will not apply after the applicable resale restriction period ends; and
- each Restricted global note will contain a legend substantially to the following effect:

NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER OR BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT (IF AVAILABLE) AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS. AS A CONDITION TO REGISTRATION OF TRANSFER OF THIS GLOBAL NOTE PURSUANT TO CLAUSE (3) ABOVE, COMISIÓN FEDERAL DE ELECTRICIDAD OR THE TRUSTEE MAY REQUIRE DELIVERY OF ANY DOCUMENTS OR OTHER EVIDENCE THAT IT, IN ITS DISCRETION, DEEMS NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH THE EXEMPTION REFERRED TO IN CLAUSE (3). THIS LEGEND MAY BE REMOVED SOLELY IN THE DISCRETION AND AT THE DIRECTION OF COMISIÓN FEDERAL DE ELECTRICIDAD.

- each Regulation S global note will contain a legend substantially to the following effect:

NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN MAY BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, UNLESS THIS GLOBAL NOTE IS REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE. THIS LEGEND MAY BE REMOVED SOLELY IN THE DISCRETION AND AT THE DIRECTION OF COMISIÓN FEDERAL DE ELECTRICIDAD.

The above legend may be removed solely in our discretion and at our direction.

- (7) You understand that the notes will be represented by one or more Restricted global notes and one or more Regulation S global notes, and that certification requirements may apply before an interest in one global note may be transferred to a person who takes delivery in the form of an interest in the other global note. See “Form of Notes, Clearing and Settlement—Exchanges Between Global Notes.”
- (8) You acknowledge that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of notes is no longer accurate, you will promptly notify us and the initial purchasers. If you are purchasing any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

## PLAN OF DISTRIBUTION

BBVA Securities Inc., BofA Securities, Inc., Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and Mizuho Securities USA LLC are acting as global coordinators and joint book-running managers of the offering (the “global coordinators”). BNP Paribas Securities Corp., Santander US Capital Markets LLC, Scotia Capital (USA) Inc and SMBC Nikko Securities America, Inc. are acting as joint book-running managers of the offering (together with the global coordinators, the “initial purchasers”). Subject to the terms and conditions set forth in a purchase agreement among us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has agreed, severally and not jointly, to purchase from us, the principal amount of notes set forth opposite its name below:

<b><u>Initial Purchasers</u></b>	<b>Principal Amount of the 2030 notes (in U.S.\$)</b>	<b>Principal Amount of the 2035 notes (in U.S.\$)</b>
BBVA Securities, Inc.....	U.S.\$ 66,600,000	U.S.\$ 133,200,000
BofA Securities, Inc. ....	U.S.\$ 66,600,000	U.S.\$ 133,200,000
Citigroup Global Markets Inc.....	U.S.\$ 66,600,000	U.S.\$ 133,200,000
HSBC Securities (USA) Inc. ....	U.S.\$ 66,600,000	U.S.\$ 133,200,000
Mizuho Securities USA LLC .....	U.S.\$ 66,600,000	U.S.\$ 133,200,000
BNP Paribas Securities Corp.....	U.S.\$ 41,750,000	U.S.\$ 83,500,000
Santander US Capital Markets LLC.....	U.S.\$ 41,750,000	U.S.\$ 83,500,000
Scotia Capital (USA) Inc.....	U.S.\$ 41,750,000	U.S.\$ 83,500,000
SMBC Nikko Securities America, Inc. ....	U.S.\$ 41,750,000	U.S.\$ 83,500,000
<b>Total .....</b>	<b><u>U.S.\$ 500,000,000</u></b>	<b><u>U.S.\$ 1,000,000,000</u></b>

Subject to the terms and conditions set forth in the purchase agreement, the initial purchasers have agreed, severally and not jointly, to purchase all of the notes sold under the purchase agreement, if any of these notes are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the several initial purchasers and their controlling persons against certain liabilities in connection with this offering, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer’s certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. The initial purchasers may offer and sell the notes through certain of their affiliates.

The initial purchasers have advised us that they propose initially to offer the notes at the offering price set forth on the cover page of this offering memorandum. After the initial offering, the offering price or any other term of the offering may be changed.

We have agreed that, for a period of 30 days from the date of delivery of the notes, we will not, without the prior written consent of the initial purchasers, offer, sell, pledge, contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any U.S. dollar-denominated debt securities issued or guaranteed by us or any of our subsidiaries (other than the notes).

### **Notes Are Not Being Registered**

The notes have not been registered under the Securities Act or any U.S. state or other securities laws. The initial purchasers propose to offer the notes for resale in transactions not requiring registration under the Securities

Act or applicable state securities laws, including sales pursuant to Rule 144A and Regulation S. The initial purchasers will not offer or sell the notes except to persons they reasonably believe to be qualified institutional buyers or pursuant to offers and sales to non-U.S. persons that occur outside of the United States within the meaning of Regulation S. In addition, until 40 days following the commencement of this offering, an offer or sale of notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgments, representations and agreements as described under “Transfer Restrictions.”

The information contained in this offering memorandum is exclusively our responsibility and has not been reviewed or authorized by the CNBV. The notes have not been nor will be registered with the *Registro Nacional de Valores* (Mexican National Securities Registry) maintained by the CNBV and therefore the notes may not be publicly offered or sold in Mexico. The notes may only be offered in Mexico to investors that satisfy the requirements to be considered institutional or qualified investors under Mexican law, pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law. As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the notes outside of Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for information purposes only, and the delivery of such notice to, and the receipt of such notice by, the CNBV, does not imply any certification as to the investment quality of the notes, our solvency, liquidity or credit quality or the accuracy or completeness of the information set forth herein. This offering memorandum may not be publicly distributed in Mexico.

### **New Issue of Notes**

Each series of the notes is a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any national securities exchange or for inclusion of the notes on any automated dealer quotation system other than the Euro MTF Market of the Luxembourg Stock Exchange. We have been advised by the initial purchasers that they presently intend to make a market in the notes after completion of the offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. We cannot assure the liquidity of the trading market for the notes. If an active trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected. If the notes are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our operating performance and financial condition, general economic conditions and other factors.

### **Short Positions**

In connection with the offering, the initial purchasers may purchase and sell the notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the initial purchasers of a greater principal amount of notes than they are required to purchase in the offering. The initial purchasers must close out any short position by purchasing notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the initial purchasers’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the notes or preventing or retarding a decline in the market price of the notes. As a result, the price of the notes may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the notes. In addition, neither we nor any of the initial purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

### **Settlement**

Delivery of the notes is expected on or about September 24, 2024, which will be the fifth business day following the date of pricing of the notes (“T+5”) against payment for the notes. Under Rule 15c6-1 of the U.S. Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in one

business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to one business day before the delivery of the notes will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to one business day before their delivery date should consult their own advisors.

## **Other Relationships**

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Some of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us for which they received or will receive customary fees and expenses. In addition, the initial purchasers and/or their affiliates may be lenders, and in some cases agents or managers for the lenders, under credit facilities granted to us and that may be repaid with proceeds from this offering. In addition, certain of the initial purchasers or their affiliates may hold positions in any outstanding debt securities that we may elect to repurchase. See “Use of Proceeds.”

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The initial purchasers and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **Sales Outside the United States**

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

### ***European Economic Area***

**Prohibition of sales to EEA Retail Investors** – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “Insurance Distribution Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## ***United Kingdom***

**Prohibition of sales to UK Retail Investors** – The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In the UK, this offering memorandum and any other material in relation to the notes described herein are being distributed only to, and are directed only at, persons who are “qualified investors” (as defined in the Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the UK Prospectus Regulation who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Order”), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute them, all such persons together being referred to as “Relevant Persons.” In the UK, the notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the notes will be engaged in only with, Relevant Persons. This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the UK. Any person in the UK that is not a Relevant Person should not act or rely on this offering memorandum or its contents.

## ***Mexico***

The notes have not been and will not be registered with the Registro Nacional de Valores (Mexican National Securities Registry) maintained by the CNBV and, therefore, the notes may not be publicly offered or sold in Mexico. The notes may be only offered in Mexico to investors that satisfy the requirements to be considered institutional or qualified investors under Mexican law, pursuant to the private placement exemption set forth in Article 8 of the Securities Market Law. The Issuer will notify the CNBV of the terms and conditions of this offering of the Notes outside of Mexico. Such notice will be submitted to the CNBV to comply with the Mexican Securities Market Law and for statistical and informational purposes only. The delivery to, and receipt by, the CNBV of such notice does not and will not constitute or imply a certification as to the investment quality of the Notes, the Issuer’s solvency, liquidity or credit quality or the accuracy or completeness of the information set forth in this Offering Memorandum and does not ratify or validate any actions or omissions, if any, in contravention of applicable law. The acquisition of the Notes by an investor who is a resident of Mexico will be made under such investor’s own responsibility.

## ***Switzerland***

This offering memorandum is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, directly or indirectly, in, into or from Switzerland within the meaning of the Swiss Financial Services Act (“FinSA”) and no application has or will be made to admit the notes to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes constitutes a prospectus pursuant to FinSA, and neither this offering memorandum nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering memorandum nor any other offering or marketing material relating to the offering nor the notes have been or will be filed with or approved by any Swiss regulatory authority. The notes are not subject to the supervision by any Swiss regulatory authority (e.g., the Swiss Financial Markets Supervisory Authority FINMA), and investors in the notes will not benefit from protection or supervision by any such authority.

## **Chile**

The notes being offered will not be registered under the Securities Market Law (*Ley de Mercado de Valores*) in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Financial Markets Commission (*Comisión para el Mercado Financiero*, or the “CMF”) and, therefore, the notes are not subject to the supervision of the CMF. As unregistered securities in Chile, we are not required to disclose public information about the notes in Chile. Accordingly, the notes cannot and will not be publicly offered to persons in Chile unless they are registered in the corresponding Securities Registry. The notes may only be offered in Chile in circumstances that do not constitute a public offering under Chilean law or in compliance with General Rule (*Norma de Carácter General*) No. 336 of the CMF, dated June 27, 2012 (“CMF Rule 336”). Pursuant to the Securities Market Law, a public offering of securities is an offering that is addressed to the general public or to certain specific categories or groups thereof. Considering that the definition of public offering is quite broad, even an offering addressed to a small group of investors may be considered to be addressed to a certain specific category or group of the public and therefore be considered public under applicable law. However, pursuant to Rule 336, the notes may be privately offered in Chile to certain “qualified investors” (*Inversionistas Calificados*) identified as such therein (which in turn are further described in General Rule No. 216 of the CMF, dated June 12, 2008).

CMF Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: September 17, 2024. The offer of the notes is subject to CMF Rule 336;
2. The subject matter of this offer are securities not registered with the Securities Registry (*Registro de Valores*) of the CMF, nor with the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the CMF, due to the notes not being subject to the oversight of the CMF;
3. Since the notes are not registered in Chile there is no obligation by the issuer to make publicly available information about the notes in Chile; and
4. The notes shall not be subject to public offering in Chile unless registered with the corresponding Securities Registry of the CMF.

## **Canada**

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment hereto) contains a misrepresentation; *provided* that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 *Underwriting Conflicts* (“NI 33-105”), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

## **Hong Kong**

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The notes will not be offered or sold in Hong Kong other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not

constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong or elsewhere other than with respect to securities which are or are intended to be disposed of only to persons outside of Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### ***Japan***

The notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the notes nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

### ***Singapore***

Each initial purchaser has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each initial purchaser has represented and agreed that it has not offered or sold any notes or caused the notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any notes or cause the notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA;
- (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA and in accordance with the conditions specified in Section 275 of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

- i. to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 276(4)(i)(B) of the SFA;
- ii. where no consideration is or will be given for the transfer;
- iii. where the transfer is by operation of law;



- iv. as specified in Section 276(7) of the SFA; or
- v. as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore Securities and Futures Act Product Classification – Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### ***Colombia***

The notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 to offer privately the notes to their Colombian clients.

### ***Dubai International Financial Centre***

This offering memorandum relates to an exempt offer in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (“DFSA”). This offering memorandum is intended for distribution only to persons of a type specified in the Markets Rules 2012 of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with exempt offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for this document. The notes offered hereby may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the notes offered should conduct their own due diligence in respect of the notes and the Issuer. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

In relation to its use in the Dubai International Financial Centre, this offering memorandum is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. Interests in the notes may not be offered or sold directly or indirectly to the public in the Dubai International Financial Centre.

### ***Peru***

The notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the notes and therefore, the disclosure obligations set forth therein will not be applicable to the Issuer or the sellers of the notes before or after their acquisition by prospective investors. The notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the *Superintendencia del Mercado de Valores* (Peruvian capital market regulator, the “SMV”) nor have they been registered with the SMV’s *Registro Público del Mercado de Valores* (Securities Market Public Registry). Accordingly, the notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian law and regulations and complies with the provisions on private offerings set forth therein.

### ***Italy***

The offering of the notes has not been registered pursuant to Italian securities legislation and, therefore, no notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*) as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the “*Financial Services Act*”) and Article 34-ter, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (“Regulation No. 11971”); or

- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other document relating to the notes in the Republic of Italy under (a) or (b) above must be:

- i. made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the “Banking Act”); and
- ii. in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- iii. in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

In accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

#### ***Taiwan***

The notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the notes in Taiwan.

## **LEGAL MATTERS**

The validity of the notes will be passed upon for us by Cleary Gottlieb Steen & Hamilton LLP, New York, New York. The validity of the notes will be passed upon for the initial purchasers by Simpson Thacher & Bartlett LLP. Certain matters of Mexican law relating to the notes will be passed upon for us by our General Counsel (*Abogado General*) and by Creel, García-Cuellar, Aiza y Enríquez, S.C. Certain matters of Mexican law relating to the notes will be passed upon for the initial purchasers by Ritch Mueller y Nicolau, S.C.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of Comisión Federal de Electricidad, Productive State Enterprise, as of and for the years ended December 31, 2022 and 2021, and as of and for the years ended December 31, 2023 and 2022, included herein, have been audited by Gossler, S.C., an independent auditor, as stated in its reports appearing herein.

Our condensed consolidated interim financial information as of June 30, 2024 and for the six-month periods ended June 30, 2024 and 2023 have been subject to a limited review by Gossler, S.C., an independent auditor.

## LISTING AND GENERAL INFORMATION

1. The Issuer will apply to have the notes admitted for listing on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market of the Luxembourg Stock Exchange.

2. The notes have been accepted for clearance through DTC, Euroclear and Clearstream. The CUSIP numbers, ISIN numbers and Common Codes for the notes are as follows:

	<u>CUSIP Number</u>	<u>ISIN Number</u>	<u>Common Code</u>
Restricted Global Note (2030 notes). Regulation S Global Note (2030 notes).....	200447 AN0 P30179 CQ9	US200447AN00 USP30179CQ94	290864640 290864607
Restricted Global Note (2035 notes). Regulation S Global Note (2035 notes).....	200447 AP5 P30179 CR7	US200447AP57 USP30179CR77	290864615 290869048

3. The Issuer will have obtained all necessary consents, approvals and authorizations in Mexico in connection with the issuance of, and performance of our rights and obligations under, the notes, including the registration of the indenture and the form of notes attached to the indenture; provided that in connection with each issuance of notes under the indenture, the Issuer will register the notes and other necessary documentation with the Ministry of Finance. The Mexican Congress approved our total net indebtedness for 2024 under the *Ley de Ingresos de la Federación para el Ejercicio Fiscal de 2024* (Federal Revenue Law for 2024), published in the Official Gazette on November 10, 2023.

4. Except as disclosed in this offering memorandum, there are no pending actions, suits or proceedings against or affecting us or any of our properties, which, if determined adversely to us would individually or in the aggregate have an adverse effect on our financial condition or would adversely affect our ability to perform our obligations under the notes or which are otherwise material in the context of the issue of the notes, and, to the best of our knowledge, no such actions, suits or proceedings are threatened.

5. Except as disclosed in this offering memorandum, since December 31, 2023, there has been no change (or any development or event involving a prospective change of which we are or might reasonably be expected to be aware) which is materially adverse to our financial condition.

6. Gossler, S.C., an independent auditor, has agreed to the inclusion of its audit reports in this offering memorandum in the form and context in which they are included.

7. For so long as any of the notes are outstanding and admitted for listing on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market of the Luxembourg Stock Exchange, copies of the following items in English will be available free of charge from Deutsche Bank Luxembourg S.A., our Luxembourg listing agent, at its office at 2, Boulevard Konrad Adenauer, L-1115 Luxembourg:

- our annual audited financial statements as of and for the years ended December 31, 2023 and 2022;
- our annual audited financial statements as of and for the years ended December 31, 2022 and 2021;
- our interim financial information as of June 30, 2024 and for the six-month periods ended June 30, 2024 and 2023;
- our annual audited consolidated financial statements as of future dates and for future years; and
- any related notes to the items listed above.

8. For so long as any of the notes are outstanding, the indenture, our by-laws, the *Acuerdo de Creación de las Subsidiarias* (the Creation Resolution of Subsidiaries) and a copy of the CFE Law which provides for the regulatory framework of CFE will be available for inspection at the offices of the trustee.

9. We currently publish unaudited condensed consolidated interim financial information on a quarterly basis. These financial statements are available on our website ([www.cfe.mx](http://www.cfe.mx)). Information on our website is not a part of this offering memorandum.

10. This offering memorandum will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

11. The Issuer was created in 1937 by presidential decree, and then converted by the Mexican Congress in 1949 into an *organismo descentralizado de la Administración Pública Federal* (decentralized public entity of the Mexican government). Pursuant to the CFE Law, in accordance with the Energy Reform Decree and Secondary Legislation, the Issuer was converted into a productive state enterprise on October 7, 2014. Our principal executive office is located at Paseo de la Reforma 164, Col. Juárez, 06600 Ciudad de México, México. Our telephone number at that address is +1(5255) 5229-4400. The Issuer's LEI code is 4469000001BFPONMPF32.

12. The addresses of the registered offices of the guarantors are: (i) CFE Distribución: Río Ródano no. 14, tercer piso, sala 303, Colonia Cuauhtémoc C.P. 06598, Ciudad de México, México, (ii) CFE Suministrador de Servicios Básicos: Río Ródano no. 14, quinto piso, sala 501, Colonia Cuauhtémoc C.P. 06598, Ciudad de México, México, (iii) CFE Transmisión: Don Manuelito No. 32, Colonia Olivar de los Padres, Alcaldía Álvaro Obregón, C.P. 01780, Ciudad de México, México, (iv) CFE Generación I: Av. Real de los Reyes no. 265, Colonia Los Reyes Coyoacán, C.P. 04330, Ciudad de México, México, (v) CFE Generación II: Calle Gabrielle D'Annunzio no. 5001, Colonia Prados Vallarta, Zapopan, C.P. 45020, Jalisco, México, (vi) CFE Generación III: Calle Matamoros 24 sur, Colonia Centro, Hermosillo, C.P. 83000, Sonora, México, (vii) CFE Generación IV: Ave. Pablo A. González no. 650 Poniente, Colonia San Jerónimo, C.P. 64640, Monterrey, México, (viii) CFE Generación V: Don Manuelito no. 11 PB, Colonia Olivar de los Padres, Alcaldía Álvaro Obregón, C.P. 01780, Ciudad de México, México, and (ix) CFE Generación VI: Km. 7.5 Carretera Veracruz-Medellín, Dos Bocas, C.P. 94271, Veracruz, México.

13. The trustee for the notes is Deutsche Bank Trust Company Americas, having its office at 1 Columbus Circle, 17th Floor, New York, New York, 10019, United States. The terms and conditions of our appointment of Deutsche Bank Trust Company Americas as trustee, including the terms and conditions under which Deutsche Bank Trust Company Americas may be replaced as trustee, are contained in the indenture available for inspection at the offices of Deutsche Bank Trust Company Americas.

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

Condensed Consolidated Financial

Statements as of June 30, 2024  
and December 31, 2023

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

Condensed consolidated statements of financial position

As of June 30, 2024 and December 31, 2023

(Thousands of pesos)

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

Assets	2024	2023	Liabilities and equity	2024	2023
Current assets:			Current liabilities:		
Cash and cash equivalents (note 5)	\$ 119,757,757	67,487,561	Short-term maturities of:		
Accounts receivable, net (note 6)	116,937,925	99,065,943	Short-term debt (note 12)	\$ 129,011,556	100,709,305
Inventory of materials for operation, net (note 7)	22,286,811	26,368,237	Lease liabilities (note 13)	21,736,096	26,939,919
Total current assets	258,982,493	192,921,741	Derivative financial instruments (note 10)	11,678,149	19,134,064
Loans to employees	25,337,874	23,778,504	Other payables and accrued liabilities (note 14)	153,115,085	136,852,638
Plants, facilities and equipment, net (note 8)	1,509,876,093	1,491,858,464	Income tax	14,346,227	13,516,947
Right-of-use assets, net (note 9)	777,459,964	475,740,387	Total current liabilities	329,887,113	297,152,873
Derivative financial instruments (note 10)	3,550,407	1,395,816	Non-current liabilities:		
Intangibles and other assets (note 11)	40,211,538	43,639,911	Long-term debt (note 12)	331,691,020	311,236,845
Deferred tax assets	104,301,738	95,675,192	Lease liabilities (note 13)	850,863,329	500,660,140
			Other long-term liabilities (note 15)	35,226,488	33,009,411
			Employees benefits (note 16)	421,390,494	424,388,155
			Total non-current liabilities	1,639,171,331	1,269,294,551
			Total liabilities	1,969,058,444	1,566,447,424
			Equity (note 18):		
			Contributions received from the Federal Government	23,089,028	10,005,251
			Contributions in kind received from the Federal Government	95,111,382	95,111,382
			Retained earnings	(14,864,189)	40,688,311
			Other comprehensive income	630,075,584	594,740,741
			Total equity holders of the parent	733,411,805	740,545,685
			Non-controlling interests	17,249,858	18,016,906
			Contingencies and commitments (note 17)		
	\$ 2,719,720,107	2,325,010,015		\$ 2,719,720,107	2,325,010,015

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



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

Condensed consolidated statements of comprehensive income  
For the six-month and three-month periods ended June 30, 2024 and 2023  
(Thousands of pesos)

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

	For the six-month periods ended June 30		For the three-month periods ended June 30	
	2024	2023	2024	2023
Revenues:				
Electricity supply service revenue (note 19)	\$ 240,598,395	229,757,828	128,477,742	121,143,557
Subsidy income	48,948,840	45,974,880	24,474,420	22,987,440
Third party fuel revenue	6,080,290	9,874,433	2,304,816	4,249,203
Freight revenue	9,983,438	11,427,490	6,793,102	6,416,450
Other income, net	17,292,530	16,872,845	13,103,115	10,343,907
		-		
Total revenue	<b>322,903,493</b>	<b>313,907,476</b>	<b>175,153,195</b>	<b>165,140,557</b>
Costs:				
Energy and other fuel supplies	105,497,606	113,368,076	61,099,155	54,235,803
Energy and other fuel supplies - Third party	8,086,263	10,385,863	2,941,335	4,668,091
Salaries and related costs	42,764,165	37,647,913	21,951,359	19,149,331
Maintenance, materials and general services	18,050,804	16,105,666	10,808,371	9,676,444
Taxes and duties	1,826,415	1,650,879	740,802	617,391
Wholesale Electricity Market costs (WEM)	1,302,322	1,263,899	717,921	668,867
Employee benefits costs	25,213,079	22,835,827	13,130,543	11,775,625
Depreciation	43,806,958	36,770,750	21,825,798	18,370,105
Other expenses	4,291,196	6,145,091	3,401,992	3,961,170
		-		
Total costs	<b>250,838,808</b>	<b>246,173,964</b>	<b>136,617,276</b>	<b>123,122,827</b>
Operating results	<b>72,064,685</b>	<b>67,733,512</b>	<b>38,535,919</b>	<b>42,017,730</b>
Comprehensive financing result, net:				
Interest expense	24,037,518	19,044,281	11,763,708	14,926,146
Finance expenses, net	23,951,320	36,996,918	7,493,833	9,768,915
Foreign exchange loss (gain), net	102,883,572	(76,516,338)	103,933,288	(36,011,934)
Total comprehensive financing results, net	<b>150,872,410</b>	<b>(20,475,139)</b>	<b>123,190,829</b>	<b>(11,316,873)</b>
Income before income tax	<b>(78,807,725)</b>	<b>88,208,651</b>	<b>(84,654,910)</b>	<b>53,334,603</b>
Income tax	720,471	7,129,981	111,861	4,369,883
Net (loss) income	<b>\$ (79,528,196)</b>	<b>81,078,670</b>	<b>(84,766,771)</b>	<b>48,964,720</b>
Net (loss) income attributable to:				
Controlling interests	(79,806,473)	82,869,823	(84,968,074)	50,443,952
Non-controlling interests	278,277	(1,791,153)	201,301	(1,479,230)
	(79,528,196)	81,078,670	(84,766,773)	48,964,722
Other comprehensive income:	35,334,843	26,685,370	23,382,669	7,211,347
Comprehensive (loss) income	<b>\$ (44,193,353)</b>	<b>107,764,040</b>	<b>(61,384,104)</b>	<b>56,176,069</b>

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

**Comision Federal de Electricidad**  
**Productive State Enterprise and Subsidiaries**

Condensed consolidated statements of changes in equity

For the six-month periods ended June 30, 2024 and 2023

(Thousands of pesos)

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

	Contributions received from the Federal Government	Contributions in kind from the Federal Government	Accumulated results	Other comprehensive income	Total equity holders of the parent	Total equity non-controlling interest	Total
<b>Balances at December 31, 2022</b>	<b>\$ 5,251</b>	<b>95,111,382</b>	<b>(56,529,227)</b>	<b>577,108,649</b>	<b>615,696,055</b>	<b>21,612,779</b>	<b>637,308,834</b>
Comprehensive income of the period	-	-	82,869,823	26,685,370	109,555,193	(1,791,153)	<b>107,764,040</b>
Federal Government Contributions	6,715,888	-	-	-	6,715,888	-	<b>6,715,888</b>
Patrimony refund (Fibra E)	-	-	-	-	-	(329,104)	<b>(329,104)</b>
Dividend decree (Fibra E)	-	-	-	-	-	(747,108)	<b>(747,108)</b>
<b>Balances At June 30, 2023</b>	<b>6,721,139</b>	<b>95,111,382</b>	<b>26,340,596</b>	<b>603,794,019</b>	<b>731,967,136</b>	<b>18,745,414</b>	<b>750,712,550</b>
<b>Balances at December 31, 2023</b>	<b>\$ 10,005,251</b>	<b>95,111,382</b>	<b>40,688,311</b>	<b>594,740,741</b>	<b>740,545,685</b>	<b>18,016,906</b>	<b>758,562,591</b>
Comprehensive income of the period	-	-	(79,806,473)	35,334,843	(44,471,630)	278,277	(44,193,353)
Federal Government Contributions	13,083,777	-	-	-	13,083,777	-	13,083,777
Effect of recognition of assets for rights of use (note 9)	-	-	24,253,973	-	24,253,973	-	24,253,973
Patrimony refund (Fibra E)	-	-	-	-	-	(484,752)	(484,752)
Dividend decree (Fibra E)	-	-	-	-	-	(560,573)	(560,573)
<b>Balances at June 30, 2024</b>	<b>\$ 23,089,028</b>	<b>95,111,382</b>	<b>(14,864,189)</b>	<b>630,075,584</b>	<b>733,411,805</b>	<b>17,249,858</b>	<b>750,661,663</b>

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

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

Condensed consolidated statements of cash flows

For the six-month periods ended June 30, 2024 and 2023

(Thousands of pesos)

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

	<b>2024</b>	<b>2023</b>
Cash flows from operating activities:		
Net (loss) income	\$ (79,528,196)	81,078,670
Operating activities:		
Employee benefits costs	25,213,079	22,835,827
Increase in provisions of deferred and current income tax	720,471	7,129,981
Investing activities:		
Depreciation of plants, facilities and equipment and right-of-use assets	43,806,958	36,770,750
Disposals of plants, facilities and equipment	12,366,053	
Foreign exchange loss, interest expense and changes in fair value financial and non-financial assets	147,759,318	(16,267,268)
Changes in operating assets and liabilities:		
Accounts receivable and loans to employees	(19,431,352)	35,735,600
Inventory of materials of operation	4,081,426	(2,331,187)
Other assets	3,428,373	(1,545,919)
Other payables and accrued liabilities	7,476,038	(11,727,581)
Payments to employees benefits	(25,724,991)	(24,639,092)
Net cash flows from operating activities	<u>120,167,177</u>	<u>127,039,781</u>
Cash flows from investing activities:		
Acquisition of plants, facilities and equipment	<u>(45,271,710)</u>	<u>(30,057,883)</u>
Excess cash to apply to financing activities	<u>74,895,467</u>	<u>96,981,898</u>
Net cash flows from financing activities		
Proceeds from debt	133,497,152	87,212,736
Dividend decree and patrimony refund Fibra E	(1,045,325)	(1,076,208)
Contributions received from the Federal Government	13,083,777	6,715,888
Payment of debt	(112,707,013)	(99,954,958)
Interest paid	(24,037,518)	(19,044,281)
Payment of lease obligations	(25,641,078)	(23,721,082)
Payments of financial instruments	(18,980,855)	(32,914,691)
Collections from financial instruments	<u>13,205,589</u>	<u>7,893,913</u>
Net cash flow from financing activities	<u>(22,625,271)</u>	<u>(74,888,683)</u>
Net increase in cash and cash equivalents	52,270,196	22,093,215
Cash and cash equivalents:		
At beginning of period	<u>67,487,561</u>	<u>56,759,212</u>
At end of period	<u><b>\$ 119,757,757</b></u>	<u><b>78,852,427</b></u>

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

**Comision Federal de Electricidad,  
Productive State Enterprise and Subsidiaries  
Notes to the condensed consolidated financial statements  
for the six-month periods ended as of June 30, 2024 and December 31, 2023  
(Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)**

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**1. Incorporation, business purpose and relevant events**

• **Incorporation and business purpose**

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

The Comision Federal de Electricidad Law (CFE Law) was published on August 11, 2014, and became effective on October 7, 2014. The CFE Law mandated the transformation of CFE into a Productive State Enterprise.

CFE's business purpose is to provide public transmission and distribution of electricity services on behalf of the Mexican State. CFE also engages in activities related to the generation and commercialization of electricity, as well as activities related to the import, export, transportation, storage and trading of natural gas, among others.

• **Relevant Events**

*i. Climate emergency*

On October 24, 2023, Hurricane "Otis" struck the Pacific coast, causing damage to electrical substations. In response to the climate emergency, CFE incurred expenses for equipment purchases, infrastructure restoration, supply and installation of fiber optics, maneuvers, personnel movement, among other necessities, these efforts amounted to an approximate cost of \$5,909 million pesos.

*ii. Asset reorganization*

On January 1, 2024, the Federal Income Law came into force. In accordance with its Twenty-Sixth Transitory Article, it mentions the validity of the Terms for the Reassignment of Assets and Contracts:

"Property transfer operations, rights, and obligations carried out by the State's productive companies in accordance with the terms for the reallocation of assets and contracts published in the Official Gazette of the Federation on November 25, 2019, to reorganize their Subsidiary Productive Companies and Affiliated Companies, do not constitute an alienation for tax purposes. Instead, it is an internal redistribution of an administrative nature that is an integral part of the process of creation and organization of said companies. These actions must maintain the same legal effects granted to the original assignment of said assets."

In compliance with this disposition, the accounting recognition of the administrative redistributions has been made in May 2024, maintaining the legal effects granted in the original assignment of the assets.

**iii. Stabilization of fuel prices**

In 2024, prices have stabilized, which has reduced the production costs of plants that use natural gas, diesel, fuel oil and coal. In comparison to June 2023, where there was a 33% upward fluctuation due to speculation in fuel prices caused by the war between Russia and Ukraine.

At the end of the second quarter, the average natural gas price index was 39.1 pesos/GJ (Gigajoules).

**2. Basis of preparation of the condensed consolidated financial statements**

**a) Basis of accounting**

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

**b) Basis of preparation**

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

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

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

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

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

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

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

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

**a) Consolidation basis**

The condensed consolidated financial statements include the subsidiaries, affiliates and trusts over which the Enterprise exercises control. The financial statements of the subsidiaries (Subsidiary Productive Companies, Affiliate and Trust) were prepared for the same reporting period and using the same accounting policies as those of the Enterprise. The Enterprise controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and the ability to affect those returns through its power over the entity.

**b) Cash and cash equivalents**

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

Cash equivalents include short-term highly liquid investments and are valued at fair value, and the risk of changes in their value is insignificant.

**c) Financial instruments**

**I. Initial recognition and measurement**

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

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

**II. Classification and subsequent measurement - Financial assets**

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

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

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

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

1. The financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows.
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding amount.

All the financial assets not classified as measured at amortized cost or at fair value with changes through other comprehensive income as described above are measured at fair value with changes through profit or loss. This includes all derivative financial instruments (see note 4).

On initial recognition, the Enterprise may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value with changes through other comprehensive income as at fair value with changes through profit or loss if doing so eliminates or significantly reduces a measurement or recognition mismatch that would otherwise arise.

### **III. Derivative financial instruments and hedge accounting**

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

Additionally, in recent years, fuel prices have seen volatility. In order to reduce price risk, the Enterprise has contracted derivative financial instruments on natural gas that seek to reduce volatility. The hedging strategy in the case of natural gas derivatives was designed to mitigate the impact of potential price increases.

The policies include formal documentation of all the transactions between the hedging instrument and the hedged item, the risk management objective, and strategy for undertaking the hedge.

The effectiveness of derivative financial instruments designated as hedges is assessed prior to their designation, as well as over the hedging period, which depends on the features of the hedge. When it is determined that a derivative is not highly effective as a hedge, the Enterprise discontinues hedge accounting prospectively.

The Enterprise discontinues cash flow hedge accounting when the derivative expires, is terminated or exercised, when the derivative is not highly effective in achieving offsetting changes in the fair value or cash flows attributable to the hedged item, or when the Enterprise decides to cancel the hedging designation. The gains or losses recognized in other comprehensive income and accumulated in Equity, remain in Equity and are recognized when the forecast transaction is ultimately recognized in profit or loss.

The effective portion of the changes in the fair value of derivative financial instruments designated as cash flow hedges is recognized in equity under other comprehensive income items, while the ineffective portion is recognized in results. The effective portion recognized in equity is recycled to results at the time in which the hedged item affects the result and is presented in the same item of said statement where the corresponding primary position is presented.

Hedging policies establish that those derivative financial instruments that do not qualify to be treated as hedges are classified as instruments held for trading purposes, so changes in fair value are immediately recognized in results.

**d) Plants, facilities and equipment**

**I. Recognition and Initial measurement**

Plants, facilities and equipment are initially measured at acquisition cost.

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

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

Borrowing costs incurred in both direct and general financing in construction in progress over a period of more than 6 months are capitalized as part of the cost of the asset.

In addition to the purchase price and costs directly attributable to the process of preparing the asset, in terms of physical location and condition so that it can operate in the manner intended by our technicians; the cost also includes estimated costs for the dismantling and removal of the asset, as well as for the restoration of the location of such assets, where such an obligation exists.

The fair value of the long-term assets of the Generation, Transmission and Distribution Plants is determined through the income approach using the discounted cash flow method, this technique reflects current market expectations about future income and expenses.

For the measurement at fair value of plants, installations and equipment, the income and expenses (in the case of generation, the Plexus Simulation Model is used), taking into account the capacity of the Power Plants to generate economic benefits through the utilization of the asset in its maximum and best use, by eliminating or incorporating the variable costs that the purchaser of the Power Plants would or would not incur, such as the elimination of legacy contracts and labor obligations of retired workers, and the incorporation of hydraulic concessions, among other variables.

**II. Depreciation**

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

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



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

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

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

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

### **III. Property and assets for offices and general services**

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

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

Land is not depreciated.

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

### **IV. Subsequent expenditure**

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

**e) Leases**

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

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

As a lessee

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

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

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

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

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

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

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

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

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

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

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

#### Short-term leases and leases of low-value assets

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

#### **f) Employee benefits**

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

#### Short-term direct employee benefits

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

#### Direct employee benefits

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

#### Pension benefits and other benefits

The Enterprise provides retirement pensions to its employees.

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

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

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

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

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

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

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

#### Defined benefit plans

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

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

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

#### Termination benefits

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

#### **g) Revenue recognition**

The Enterprise's revenue recognition policies are as follows:

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

**Revenue from subsidies** - revenue from subsidies received from the Ministry of Finance and Public Credit (SHCP acronym in Spanish) it is recognized at a point in time when the subsidies are received by the Enterprise.

**Fuel revenue** - are recognized at a point in time that is the moment fuels are delivered to customers.

**Revenue from energy transport services**- revenue is recognized at a point in time when fuels are delivered to customers.

**Other income** - revenue from the contributions received from customers to connect them to the national transmission and distribution network is recorded in the statement of comprehensive income at a point in time after the Enterprise has completed the customer's connection to the network. Customers have the option to choose either the Enterprise or another company to supply them electricity. Revenues are presented as part of the Other Income caption.

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

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

#### **h) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

#### 4. Financial Instruments - Fair value and risk management

##### Fair values

Set out below are the carrying amounts of financial instruments recognized as of June 30, 2024, and as of December 31, 2023:

		<u>2024</u>	<u>2023</u>
<u>Financial assets</u>			
Cash and cash equivalents <sup>(2)</sup>	\$	119,757,757	67,487,561
Accounts receivable <sup>(2)</sup>		116,937,925	99,065,043
Loans to employees <sup>(2)</sup>		25,337,874	23,778,504
Derivative financial instruments <sup>(1)</sup>		<u>3,550,407</u>	<u>1,395,816</u>
		<u>2024</u>	<u>2023</u>
<u>Financial liabilities</u>			
Short-term debt <sup>(2)</sup>	\$	129,011,556	100,709,305
Long-term debt <sup>(2)</sup>		331,691,020	311,236,845
Short-term lease liability <sup>(1)</sup>		21,736,096	26,939,919
Long-term lease liability <sup>(1)</sup>		850,863,329	500,660,140
Derivative financial instruments <sup>(1)</sup>		11,678,149	19,134,064
Suppliers and contractors <sup>(2)</sup>		78,547,595	65,236,192
Deposits from customers and contractors <sup>(2)</sup>		<u>37,239,704</u>	<u>40,959,357</u>

<sup>(1)</sup> Fair value

<sup>(2)</sup> Amortized cost

##### Objectives of financial risk management

The Enterprise's Financial Officer's functions include, among others, implementing strategies, coordinating access to domestic and international financial markets, and monitoring and managing financial risks related to the Enterprise's operations through internal and market risk reports that analyze the degree and magnitude of the Enterprise's exposure to financial risks. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

To mitigate the effect of its debt related risks, the Enterprise uses derivative financial instruments to hedge such risk.

The Treasury Department is bound by the SHCP cash management policies that establish that investments must be made in low-risk short-term instruments. Monthly status reports are issued to the Treasury Investment Committee.

### **Credit risk**

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

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

The carrying amounts of the Enterprise's financial assets represent the maximum credit risk exposure. For credit risk management purposes, the Enterprise considers that the credit risk on loans and accounts receivable from consumers is limited. The Enterprise determines the allowance for doubtful accounts based on the incurred loss model.

### **Liquidity risk**

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

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

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

The following table provides information about the contractual maturities of the Enterprise's financial liabilities based on the payment terms: An analysis of the contractual maturities of the derivative financial instruments is included in notes 12 and 13.

<b>As of June 30, 2024</b>	<b>Less than one year</b>	<b>More than 1 year and less than 3 years</b>	<b>More than 3 years and less than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Documented debt	\$ 39,881,272	58,714,325	50,602,181	138,761,211	287,958,989
Interest payable on documented debt	16,895,260	26,827,748	18,782,356	64,951,384	127,456,748
PIDIREGAS debt	13,814,729	20,334,298	11,164,312	52,114,693	97,428,032
Interest payable on PIDIREGAS debt	6,437,019	9,472,450	6,972,869	22,243,745	45,126,083
Trust investment financing	75,315,555	-	-	-	75,315,555
Lease liabilities	21,736,096	46,439,753	46,266,577	758,156,999	872,599,425
Interest payable on lease liabilities	33,221,080	64,316,734	60,474,309	365,590,122	523,602,245
Suppliers and contractors	78,547,595	-	-	-	78,547,595
Other liabilities	8,515,473	-	-	-	8,515,473
<b>Total</b>	<b>\$ 294,364,079</b>	<b>226,105,308</b>	<b>194,262,604</b>	<b>1,401,818,154</b>	<b>2,116,550,145</b>

<b>As of December 31, 2023</b>	<b>Less than one year</b>	<b>More than 1 year and less than 3 years</b>	<b>More than 3 years and less than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Documented debt	\$ 39,383,063	35,647,967	36,943,836	153,718,566	265,693,432
Interest payable on documented debt	15,909,805	25,681,013	19,046,492	65,044,398	125,681,708
PIDIREGAS debt	13,095,590	22,752,103	11,134,727	51,039,646	98,022,066
Interest payable on PIDIREGAS debt	6,734,882	10,083,748	7,033,151	22,443,310	46,295,091
Trust investment financing	48,230,652	-	-	-	48,230,652
Lease liabilities	26,939,919	33,669,295	34,802,427	432,188,418	527,600,059
Interest payable on lease liabilities	17,947,885	33,844,320	30,978,507	140,254,532	223,025,244
Suppliers and contractors	65,236,192	-	-	-	65,236,192
Other liabilities	3,825,430	-	-	-	3,825,430
<b>Total</b>	<b>\$ 237,303,418</b>	<b>161,678,446</b>	<b>139,939,140</b>	<b>864,688,870</b>	<b>1,403,609,874</b>

### **Market risk**

Due to its activities, the Enterprise has exposure to foreign currency and interest rate financial risks as well as fuel price changes.

### **Foreign currency exchange risk management**

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

	<b>Total debt as of June 30, 2024 (amounts in millions of pesos)</b>	<b>Total debt as of December 31, 2023 (amounts in millions of pesos)</b>
Local currency	\$190,392	\$184,432
Foreign currency	\$266,128	\$225,626
Interest payable	\$ 4,183	\$ 1,888



The Enterprise mainly uses interest rate and currency “swaps” and currency “forward” contracts to manage its exposure to interest rate and foreign currency fluctuations and options to manage the risk of fuel to prices, in accordance with its internal policies.

### **Fair value of financial instruments**

#### **Measurement of fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Enterprise has access at that date. The fair value of a liability reflects its non-performance risk.

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

If there is no quoted price in an active market, then the Enterprise uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price the fair value of the consideration given or received. If the Enterprise determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

#### **Fair value of financial instruments recognized at amortized cost**

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

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>				
Cash and cash equivalents	\$ 119,757,757	119,757,757	67,487,561	67,487,561
Accounts receivable	116,937,925	116,937,925	99,065,943	99,065,943
Loans to employees	25,337,874	25,337,874	23,778,504	23,778,504
<u>Financial liabilities</u>				
Suppliers and contractors	\$ 78,547,595	78,547,595	65,236,192	65,236,192
Lease liabilities	872,599,425	872,599,425	527,600,059	527,600,059
Documented debt	287,958,989	272,327,963	265,693,432	283,260,860
PIDIREGAS debt	97,428,032	98,791,297	98,022,066	100,749,592
Trust investment financing	75,315,555	75,315,555	48,230,653	48,230,653

Valuation techniques and assumptions applied for determining fair value

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

- The fair values of financial assets and financial liabilities with standard terms and conditions that are traded on active liquid markets are determined by references to quoted market prices.
- The fair value of other financial assets and liabilities (excluding derivative financial instruments) is determined in accordance with generally accepted pricing models, which are based on an analysis of discounted cash flows using current transaction prices observable in active markets and quoted prices for similar instruments.
- In conformity with the terms of the ISDA (International Swaps and Derivatives Association) contracts that were entered into, the counterparties or banking institutions are the appraisers, and they calculate and send the Mark-to-Market (which is the monetary valuation of breaking agreed-upon transaction at any given time) on a monthly basis. CFE monitors this value and if there is any doubt or abnormal variance in the market value, CFE requests the counterparty provides a new valuation.

Valuations at fair value recognized in the statement of financial position

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

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

The levels referred to above are considered as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. For the fair values of the Documented Debt, the observed changes are obtained from the Enterprise's price provider, which furnishes the dirty price valuations reflected in the stock exchange certificates listed on the Mexican Stock Exchange.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from unobservable inputs for the asset or liability, for the fair values of the Documented Debt and Pidiregas Debt, the reasonably possible changes at the Balance Sheet date are determined by measuring the present value of the maturities in the source currency of the lines of credit discounted using CFE's yield curve. For this purpose, the Enterprise's price provider furnishes the curves and risk factors related to the interest rates, exchange rates and inflation to which the debt is exposed.

## 5. Cash and cash equivalents

An analysis of cash and cash equivalents as of June 30, 2024, and as of December 31, 2023, is as follows:

	<b>2024</b>	<b>2023</b>
Cash on hand and cash in banks	\$ 119,748,936	67,478,740
Stock certificates	8,821	8,821
<b>Total</b>	<b>\$ 119,757,757</b>	<b>67,487,561</b>

## 6. Accounts receivable, net

An analysis of accounts receivable as of June 30, 2024, and as of December 31, 2023, is as follows:

	<b>2024</b>	<b>2023</b>
Public consumers (*)	\$ 86,111,553	76,365,474
Government agency consumers (*)	38,772,389	35,157,894
	124,883,942	111,523,369
Impairment of receivables	(76,251,876)	(70,801,558)
Subtotal	<b>48,632,066</b>	<b>40,721,811</b>
Other accounts receivable (**)	46,441,817	36,898,134
Impairment of other receivables	(6,847,334)	(6,411,406)
Value added tax	28,711,376	27,857,404
<b>Total</b>	<b>\$ 116,937,925</b>	<b>99,065,943</b>

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

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

An analysis of balances and changes in the impairment of receivables as of June 30, 2024, and as of December 31, 2023, is as follows:

		<u>2024</u>	<u>2023</u>
Opening balance	\$	(70,801,558)	(67,904,540)
Increase		(6,133,593)	(4,547,474)
Charges		683,275	1,650,456
<b>Ending balance</b>	<b>\$</b>	<b><u>(76,251,876)</u></b>	<b><u>(70,801,558)</u></b>

## 7. Inventory of materials for operation

An analysis of the inventory of operating materials as of June 30, 2024, and as of December 31, 2023, is as follows:

		<u>2024</u>	<u>2023</u>
Fuel and lubricants	\$	16,063,026	19,765,669
Nuclear fuel		2,736,884	2,988,879
Spare parts and equipment		5,062,361	5,071,785
		23,862,271	27,826,333
Allowance for obsolescence		(1,575,460)	(1,458,096)
<b>Total</b>	<b>\$</b>	<b><u>22,286,811</u></b>	<b><u>26,368,237</u></b>

## 8. Plants, facilities and equipment, net

An analysis of plants, facilities and equipment, net as of June 30, 2024, and as of December 31, 2023, is as follows:

<u>Plants, facilities and equipment, net</u>						
	<u>December 31, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Depreciation</u>	<u>Transfer</u>	<u>June 30, 2024</u>
Plants, facilities and equipment in operation	\$ 2,149,673,250	17,092,110	(4,499,382)	-	2,651,799	2,164,917,777
Capitalized spare parts	10,204,130	11,796	-	-	(376,754)	9,839,172
Construction in progress	152,629,742	28,167,804	-	-	(1,433,911)	179,363,635
Materials for construction	30,025,592	-	-	-	(841,134)	29,184,458
Subtotal	2,342,532,714	45,271,710	(4,499,382)	-	-	2,383,305,042
Accumulated depreciation	(778,418,121)	-	1,830,805	(24,585,504)	-	(801,172,820)
Impairment	(72,256,129)	-	-	-	-	(72,256,129)
<b>Total</b>	<b>\$ <u>1,491,858,464</u></b>	<b><u>45,271,710</u></b>	<b><u>(2,668,577)</u></b>	<b><u>(24,585,504)</u></b>	<b><u>-</u></b>	<b><u>1,509,876,093</u></b>

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	Plants, facilities and equipment, net					December 2023
	December 2022	Additions	Retirements	Depreciation	Impairment	
Plants, facilities and equipment in operation	\$ 2,108,145,146	46,152,046	(4,623,942)	-	-	2,149,673,250
Capitalized spare parts	7,974,763	2,229,367	-	-	-	10,204,130
Construction in progress	109,309,328	43,320,414	-	-	-	152,629,742
Materials for construction	25,048,776	4,976,816	-	-	-	30,025,592
Subtotal	2,250,478,013	96,678,643	(4,623,942)	-	-	2,342,532,714
Accumulated depreciation	(729,013,168)	(836,421)	-	(48,568,532)	-	(778,418,121)
Impairment	(71,531,177)	-	-	-	(724,952)	(72,256,129)
<b>Total</b>	<b>\$ 1,449,933,668</b>	<b>95,842,223</b>	<b>(4,623,942)</b>	<b>(48,568,532)</b>	<b>(724,952)</b>	<b>1,491,858,464</b>

During fiscal year 2023, an analysis was carried out to update the fair value of the generation plants, the transmission and distribution lines, in accordance with the Enterprise's policies and IFRS, considering as a basis the "Study to determine the fair value of the long-lived assets of the generation plants of the Comision Federal de Electricidad" with figures as of December 31, 2023. The analysis concluded that there was a deterioration of plants for an amount of \$724,952. As of December 31, 2023, there was an impact on results of (\$468,463).

The level of the fair value hierarchy within which the fair value measurement of assets is classified assets is the Level 3 input data, in accordance with IFRS 13.

As of June 30, 2024, the useful lives of the plants with modern technology are as follows:

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

**Construction in progress** - the construction in progress balances as of June 30, 2024, and December 31, 2023, are as follows:

Plant:	2024	2023
Turbo gas and combined cycle plants	\$ 102,070,729	68,943,349
Transmission lines, networks and substations	31,123,522	46,253,691
Hydroelectric power plants	18,593,345	13,396,321
Internal combustion	16,680,430	22,955,488
Photovoltaic	9,219,987	-
Offices and general facilities	1,062,951	355,585
Geothermal power plants	153,761	153,761
Steam power plants	224,236	223,641
Nuclear power	333	124,265
Construction advances	234,341	223,641
<b>Total</b>	<b>\$ 179,363,635</b>	<b>152,629,742</b>

Fair value measurement

i. Fair value hierarchy

The fair value of plants, facilities and equipment in operation was determined by independent external appraisers with a recognized professional capacity and experience in terms of the property, plant and equipment that underwent the appraisal.

ii. Valuation technique and relevant unobservable inputs

The following table shows the valuation technique used to measure the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Interrelationship between the key unobservable inputs and the measurement of fair value
Discounted cash flows: The valuation model used the present value of the net cash flows that will be generated by the plants, facilities and equipment, considering the expected income growth rate.	<b>Generation</b> Useful life of the assets (30-60 years) Discount rate 8.80%-10.55%  <b>Transmission</b> Useful life of the assets (30 years) Discount rate 7.67%	The estimated fair value would increase (decrease) if:  - Income growth is higher (lower) - The useful life is higher (lower) - The risk-adjusted discount rate is lower (higher)
Net expected cash flows are discounted using risk-adjusted discount rates.	<b>Distribution</b> Useful life of the assets (30 years) Discount rate 7.67%	

CFE performs impairment tests on the value of its long-lived assets when circumstances indicate a probable impairment in value.

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

**9. Right-of-use asset, net.**

The net balances of right-of-use assets as of June 30, 2024, and as of December 31, 2023, are as follows:

	December 2023	Additions	Retirements	Effect from translation	Depreciation for the year	June 2024
Property	\$ 891,950	30,876	-	1,734	-	924,560
Infrastructure	158,982,981	9,905,167	-	-	-	168,888,148
Vehicles	6,497,605	-	-	-	-	6,497,605
Gas pipelines	517,632,147	315,597,401	(9,697,476)	7,517,228	-	831,049,300
Subtotal	\$ 684,004,683	325,533,444	(9,697,476)	7,518,962	-	1,007,359,613
Property	(779,994)	-	-	(2,651)	(38,485)	(821,130)
Infrastructure	(79,996,396)	-	-	-	(4,017,665)	(84,014,061)
Vehicles	(4,267,441)	-	-	-	(680,853)	(4,948,294)
Gas pipelines	(123,220,465)	-	-	(2,411,248)	(14,484,451)	(140,116,164)
Total						
depreciation	(208,264,296)	-	-	(2,413,899)	(19,221,454)	(229,899,649)
	\$ 475,740,387	\$ 325,533,444	(9,697,476)	\$ 5,105,063	\$ (19,221,454)	\$ 777,459,964

	December 2022	Additions	Effect from translation	Depreciation for the year	December 2023
Property	\$ 852,377	\$ 42,457	\$ (2,884)	\$ -	\$ 891,950
Infrastructure	158,891,975	91,006	-	-	158,982,981
Vehicles	4,168,263	2,329,342	-	-	6,497,605
Gas pipelines	529,069,222	1,134,813	(12,571,888)	-	517,632,147
Subtotal	\$ 692,981,837	3,597,618	(12,574,772)	-	684,004,683
Property	(719,109)	-	2,535	(63,420)	(779,994)
Infrastructure	(72,423,306)	-	-	(7,573,090)	(79,996,396)
Vehicles	(2,890,036)	-	-	(1,377,405)	(4,267,441)
Gas pipelines	(107,026,114)	-	3,592,904	(19,787,255)	(123,220,465)
Total depreciation	(183,058,565)	-	3,595,439	(28,801,170)	(208,264,296)
	\$ 509,923,272	\$ 3,597,618	\$ (8,979,333)	\$ (28,801,170)	\$ 475,740,387

The unified contract between CFE and Transportadora de Gas Natural de la Huasteca, S. de R.L. de C.V. was acknowledged, wherein the trajectories of the gas pipelines were extended in the segments Naranjos – Tamazunchale - El Sauz. The accounting recognition had a favorable effect on the accumulated results at the end of 2023, composed of amortization, interest, and exchange rate gains, after discounting the payments made. As a result of the above, the Tamazunchale tranche was retired and integrated into the unified contract.

## 10. Derivative financial instruments

### a. Accounting classifications and fair values

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

In addition, for the six-month period ended June 30, 2024, and December 31, 2023, the derivative financial instruments have been designated as and qualify mainly as cash flow hedges since they are referenced to the contracted debt. The effective portion of gains or losses on cash flow derivatives is recognized in equity in the “Effects on the fair value of derivatives” line item, and the ineffective portion is charged to profit or loss of the period.

The fair value of the Enterprise's financial instrument position as of June 30, 2024, and as of December 31, 2023, amounted (\$8,127,742) and (\$17,738,248), respectively.

### Derivative Financial Instruments Held for Trading

As of June 30, 2024, and December 31, 2023, CFE had derivatives designated as held for trading whose fair value represented a liability of (\$1,376,878) and (\$3,166,342) respectively.

Instrument	Underlying	Maturity	Fair value 2024	Fair value 2023
FWD JPY/USD (1)	Exchange rate and interest	2036	\$ (1,475,843)	(1,058,970)
CCS	CFE 2024 repurchase hedge	2024	-	(1,741,728)
CCS	CFE 2027 repurchase hedge	2027	98,965	(365,644)
<b>Hedging</b>			<b>\$ (1,376,878)</b>	<b>(3,166,342)</b>

- 1) On September 17, 2002, CFE placed in the Japanese market a bond for 32 billion Japanese yen at an annual interest rate of 3.83% and maturing in September 2032. At the same time, CFE carried out a hedging operation for which received an amount of 269,474,000 US dollars, equivalent to 32 billion yen at the spot exchange rate on the date of the operation of 118.7499 yen per US dollar. This transaction consists of a series of currency forwards that allow the Enterprise to lock in a JPY/USD exchange rate of 54.0157 JPY per USD over the established term of the transaction. As part of this transaction, CFE pays annual interest in U.S. dollars at a rate of 8.42%.

In addition to the series of forwards, the instrument derivative considers two options, a long call with which CFE has the right to buy Japanese yen at the maturity, in the spot market, in the case the yen/dollar exchange rate is quoted by below 118.75 yen per dollar. In addition, a short call with a strike price of 27.80, if the exchange rate prevailing on the settlement date is above this level.

- 2) The coverage of the CFE 2027 Bond, resulting from the repurchase of International Bonds carried out in fiscal year 2023, maintains a remaining balance of 489.3 million dollars with an exchange rate and interest rate financial coverage of 712.6 million dollars, of which 223 million dollars they remain temporarily classified as negotiation.

These instruments have not been designated as hedges under the requirements of the accounting standard, for which, its valuation effect is recorded in the financial cost; a gain (loss) on that security offsets a loss (gain) on the underlying liability.

The Enterprise suspends cash flow hedge accounting when the derivative expires, is not effective enough to offset the changes in the fair value or cash flows of the hedged item, or when The Enterprise decides to cancel the hedging designation. Any gain or loss recognized in other comprehensive income and accumulated in capital is recognized when the projection of the transaction is finally recorded in profit or loss.

### Hedging instruments

As of June 30, 2024, and as of December 31, 2023, CFE maintains its hedging derivative position on exchange rates and interest rates, as the next page.



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Instrument	Underlying	Type of hedge	Maturity	Primary position (Lines/Bonds)	Hedge Ratio	Fair value 2024	Fair value 2023
CCS	(1)	Cash flow	2024	1100002956	100%	\$ -	(944,467)
CCS	(1)	Cash flow	2027	1100003606	100%	117,794	(699,503)
CCS	(1)	Cash flow	2032	1200002801	100%	688,090	(552,684)
				1200000551			
CCS-options	(1)	Cash flow	2036	Pidiregas line	100%	1,598,266	926,006
CCS	(1)	Cash flow	2042	2042 bond	100%	(271,274)	(111,010)
CCS	(1)	Cash flow	2047	Formosa 1 bond	100%	(936,129)	211,444
CCS	(1)	Cash flow	2048	Formosa 2 bond	100%	(766,670)	(232,658)
Participating							
Swap	(1)	Cash flow	2027	2027 bond	100%	(104,536)	(101,354)
CCS	(1)	Cash flow	2045	2045 bond	100%	(71,552)	258,366
CCS	(1)	Cash flow	2030	Formosa 4 bond	33%	(2,353,620)	(1,173,445)
CCS	(1)	Cash flow	2029	Formosa 3 bond	30%	(412,354)	(708,505)
CCS	(1)	Cash flow	2029	SACE line	100%	(829,656)	(964,744)
CCS-options	(1)	Cash flow	2031	2031 bond	100%	(2,335,921)	(2,962,583)
CCS-options	(1)	Cash flow	2033	2033 bond	100%	(981,362)	(4,509,460)
P.Only	(1)	Cash flow	2051	2051 bond	100%	(314,454)	(64,457)
P.Only	(1)	Cash flow	2052	2052 bond	100%	1,047,291	(549,163)
CCS	(2)	Cash flow	2022-2025	Energy sale	N/A	(489,810)	(534,688)
Options	(3)	Cash flow	2023-2024	Energy sale	42.5%	(325,614)	(1,859,001)
Fowards	(3)	Cash flow	2024	Trust	100%	(9,353)	-
				<b>Total</b>		<b>\$ (6,750,864)</b>	<b>(14,571,906)</b>

(1) Exchange rate and interest rate

(2) Exchange rate

(3) Commodities

	2024	2023
<b><u>Assets</u></b>		
Hedge	\$ 3,451,442	1,395,816
Negotiation	98,965	-
<b>Total</b>	<b>3,550,407</b>	<b>1,395,816</b>
<b><u>Liabilities</u></b>		
Hedge	(10,202,306)	(15,967,722)
Negotiation	(1,475,843)	(3,166,342)
<b>Total</b>	<b>(11,678,149)</b>	<b>(19,134,064)</b>
<b>Net</b>	<b>\$ (8,127,742)</b>	<b>\$ (17,738,248)</b>

The table above includes the Mark to Market of the hedging derivatives. As of June 30, 2024, and as of December 31, 2023, the total Mark to Market value of the hedging and trading derivatives amounts to (\$8,127,742) y (\$17,738,248) respectively, based on their carrying amount.

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

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

### **Natural Gas Hedges Proprietary Position**

At the 56th ordinary session of the Board of Directors held on July 13, 2023, the Comision Federal de Electricidad's Strategy on Currency Exposure, Interest Rate and Fuel Price for 2024-2025 was authorized.

Level strike options	May 24 - Oct 24	Nov 24 - Apr 25	Jun 24 - Oct 25	Total
3.0 Call	35	4	-	39
3.5 Call	39	76	-	115
3.75 Call	45	-	-	45
3.25 Call	11	-	-	11
3.0 Call	3	-	-	3
2.5 Call	-	-	20	20
2.25 Call	-	-	37	37
2.5 Call	-	-	2	2
<b>Total contracts</b>	<b>133</b>	<b>80</b>	<b>59</b>	<b>272</b>

The classification of the natural gas hedge position remains in CFE Corporate with a hedge of 42.48% cumulatively until Apr 2025.

The market value as of June 30, 2024, of the own position was (\$325,614) recorded as a liability corresponding to the price of the NYMEX option including the base risk and the Index to cover the primary position of consumption of the Houston Ship Channel daily.

### **b. Fair value measurement**

The valuation techniques for estimating the fair value of derivative instruments are described in the accounting policy mentioned above, depending on the derivative instrument for which the fair value is estimated. CFE uses the corresponding technique to estimate such value.

### **Adjustment of fair value or Mark to Market by credit risk**

To reflect counterparty risk, the valuation is adjusted based on the probability of default and recovery rate with the counterparties of the derivative positions.

The net fair value of derivative financial instruments (Mark-To-Market) effective as of June 30, 2024, and as of December 31, 2023, before considering credit risk, amounts to (\$7,782,257) and (\$17,497,742), respectively which is included in the balance sheet and represents the amount in favor of the Enterprise with the counterparties.

CFE applies a Credit valuation adjustment (CVA) to reflect the creditworthiness of the counterparty of the derivative financial instrument. The CVA is the market value of the counterparty credit risk and reflects the estimated fair value of the hedging required to cover the counterparty credit risk included in such instruments.

### Method for adjusting Fair Value

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

As of June 30, 2024, the adjustments to fair values based on the CVA (Credit Valuation Adjustment) are shown below:

Counterparty		Fair value MTM subject to CVA	Adjusted fair value MTM	Adjustment as of June 30, 2024
Deutsche Bank	\$ \$	1,947,947	1,824,221	123,726
Citibanamex		489,579	398,777	90,802
Monex		20,721	17,580	3,141
BNP Paribas		(453,072)	(455,632)	2,560
Scotiabank		(466,670)	(466,670)	-
BBVA		(521,435)	(521,435)	-
Santander		(654,942)	(654,942)	-
JP Morgan		(1,157,836)	(1,157,836)	-
Barclays Bank		(1,158,021)	(1,220,638)	62,617
MUFG		(1,213,951)	(1,214,837)	886
Bank of America		(1,462,196)	(1,476,017)	13,821
Morgan Stanley		(1,555,669)	(1,557,315)	1,646
Goldman Sachs		(1,596,712)	(1,642,998)	46,286
	\$	<b>(7,782,257)</b>	<b>(8,127,742)</b>	<b>345,485</b>

As of December 31, 2023, fair values adjustments based on the CVA (Credit Valuation Adjustment) are shown below:

Counterparty		Fair value MTM subject to CVA	Adjusted fair value MTM	Adjustment as of December 31, 2023
Deutsche Bank	\$	1,475,281	1,360,916	114,365
Scotiabank		(489,335)	(489,335)	-
MUFG		(894,670)	(897,567)	2,897
BBVA Bancomer		(1,132,051)	(1,132,051)	-
BNP Paribas		(1,252,584)	(1,256,314)	3,730
Santander		(1,328,728)	(1,328,728)	-
Bank of America		(1,963,449)	(1,975,667)	12,218
Goldman Sachs		(2,230,516)	(2,276,598)	46,082
Citibanamex		(2,272,756)	(2,319,374)	46,618
Barclays Bank		(2,402,944)	(2,402,977)	33
JP Morgan		(2,462,443)	(2,463,084)	641
Morgan Stanley		(2,543,547)	(2,557,468)	13,921
	\$	<b>(17,497,742)</b>	<b>(17,738,247)</b>	<b>240,505</b>

### Fair Value hierarchy or Mark-to-Market

To increase consistency and comparability in fair value measurements and related disclosures, IFRS sets out a fair value hierarchy that categorizes into three levels the inputs used in valuation techniques. This hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for assets and liabilities (Level 1 and the lowest priority to unobservable inputs Level 3).

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques. However, the fair value hierarchy prioritizes the inputs to valuation techniques.

### **Level 2 inputs**

As explained above, based on the terms of the ISDA contracts, the counterparties or banking institutions are the valuation agents, and they calculate and send the Mark-to-Market monthly.

Therefore, the hierarchy level of The Enterprise's Mark-to-Market for derivative financial instruments as of June 30, 2024, is level 2 due to the following:

- a) Inputs are other than quoted prices and include inputs within Level 1 that are observable, either directly or indirectly.
- b) Quoted prices for similar assets or liabilities in active markets.
- c) Inputs other than quoted prices that are observable for the assets or liabilities.
- d) Financial risk management.

The Enterprise has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### **Credit risk**

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

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

The carrying amount of the derivative financial assets represents the maximum exposure to credit risk. As of June 30, 2024, and as of December 31, 2023, this amounted to (\$7,782,256) and (\$17,497,742) respectively.

### **Liquidity risk**

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

To manage credit risk, the Enterprise monitors the market value of the derivative and the use by the operating lines (threshold).

Exposure to liquidity risk for holding derivative financial instruments arises from the carrying amount of the financial liabilities corresponding to these instruments. As of June 30, 2024, and as of December 31, 2023, this amounted to \$14,411,425 and \$21,154,102, respectively.

## Market risk

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

The Enterprise uses derivative financial instruments to manage market risk, generally seeking access to hedge accounting to control or immunize the volatility that could arise in the results.

### a) *Currency exchange risk*

57.8% of CFE's debt is denominated in foreign currency, mainly in US dollars, whereas most of CFE's assets and revenues are denominated in pesos. As a result, CFE is exposed to devaluation risks of the peso against the dollar. In conformity with its risk management policy, CFE has contracted currency swaps to reduce the impact of currency fluctuations. The effect of this instrument is to replace the obligation to pay fixed interest rates in dollars for an obligation to pay a fixed rate in pesos. As of June 30, 2024, and as of December 31, 2023, CFE maintained foreign exchange swaps to hedge its foreign currency debt of \$164,276 and \$171,959 million pesos, respectively.

To cover the exchange risks of the \$32 billion debt in yens, CFE uses a series of exchange rate forwards under which it purchases Japanese yens. The market value of this transaction as of June 30, 2024, and as of December 31, 2023, was (\$1,475,842) and (\$1,058,970), respectively. These derivative instruments were not designated as hedges.

### b) *Interest rate risk*

29.1% of CFE's debt bears interest at variable interest rates, which are determined by reference to the TIIE rate for debt denominated in pesos. As of June 30, 2024, no interest rate swap coverages were executed.

## 11. Intangible assets and other assets

An analysis of intangibles and other assets as of June 30, 2024, and as of December 31, 2023, is as follows:

	<b>2024</b>	<b>2023</b>
Rights of way <sup>(1)</sup>	\$ 30,865,801	32,329,107
Deposits and advances	9,345,737	11,310,804
<b>Total</b>	<b>\$ 40,211,538</b>	<b>43,639,911</b>

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

## 12. Short-term and long-term debt

As of June 30, 2024, and as of December 31, 2023, the debt consists of:

	2024	2023
Documented debt	\$ 39,881,272	39,383,063
PIDIREGAS debt	13,814,729	13,095,590
Trust Investment Financing	75,315,555	48,230,652
<b>Total short-term debt</b>	<b>129,011,556</b>	<b>100,709,305</b>
Documented debt	248,077,717	226,310,370
PIDIREGAS debt	83,613,303	84,926,475
<b>Total long-term debt</b>	<b>331,691,020</b>	<b>311,236,845</b>
<b>Total debt</b>	<b>\$ 460,702,576</b>	<b>411,946,150</b>

An analysis of the debt by item is as follows:

Type of debt	Balances as of December 2023	Drawdowns	Payments	Foreign currency exchange and interest rate differences	Balances as of June 2024
Documented debt	\$ 265,693,432	99,732,400	(90,973,766)	13,506,923	287,958,989
Pidiregas debt	98,022,065	-	(5,191,476)	4,597,443	97,428,032
Trust Investment Financing	48,230,653	33,764,752	(16,541,771)	9,861,921	75,315,555
<b>Total</b>	<b>\$ 411,946,150</b>	<b>133,497,152</b>	<b>(112,707,013)</b>	<b>27,966,287</b>	<b>460,702,576</b>

Type of debt	Balance as of December 2022	Drawdowns	Payments	Foreign currency exchange and interest rate differences	Balance as of December 2023
Documented debt	\$ 269,003,202	154,363,224	(137,148,950)	(20,524,044)	265,693,432
Pidiregas debt	117,478,967	536,685	(10,485,843)	(9,507,743)	98,022,066
Trust Investment Financing	64,018,455	53,338,732	(62,905,711)	(6,220,824)	48,230,652
<b>Total</b>	<b>\$ 450,500,624</b>	<b>208,238,641</b>	<b>(210,540,504)</b>	<b>(36,252,611)</b>	<b>411,946,150</b>

### Documented debt

An analysis of drawdowns against loans as of June 30, 2024, and as of December 31, 2023, is as shown in the following page:

#### a) Foreign debt

On June 27, 2024, the Enterprise drew down \$150 million dollars (MUSD hereinafter), from a simple credit line with Mizuho Bank, LTD signed, at a rate TERM SOFR plus an adjustment of 1.11488% for a one-month interest period and 0.26161% for a three-month interest period plus a margin of 1.00% and maturity on December 15, 2024.

On June 14, 2024, the Enterprise drew down MUS\$ 300, from the syndicated revolving credit line with Credit Agricole, CIB, signed on December 20, 2022, for an amount of MUS\$ 1,540, at a rate TERM SOFR plus 0.10% plus a margin of 1.15% with maturity in December 2025.

On March 13, 2024, the Enterprise drew down MUS\$ 100, from a credit line with Credit Agricole, CIB, signed on December 20, 2022, for an amount of MUS\$ 1,540, at a rate TERM SOFR plus 0.10% plus a margin of 1.15% with maturity in December 2025.

On January 31, 2024, the Enterprise drew down MUS\$ 100, from a revolving commercial credit signed on January 31, 2023, in the amount of MUS\$ 100 with Sumitomo Mitsui Banking Corporation, was made available at a rate of TERM SOFR at a USD term plus 1.0% with maturity in January 2025.

On January 26, 2024, the Enterprise drew down MUS\$ 200 from a revolving credit with the Andean Development Corporation (CAF) signed on November 29, 2022, for an amount of MUS\$ 200, at the TERM SOFR rate (6 months) plus 0.50%. with maturity on June 28, 2024.

On January 5, 8 and 9, 2024, the Enterprise drew down MUS\$ 400 from a credit line with Credit Agricole, CIB, signed on December 20, 2022, for an amount of MUS\$ 1,540, at a rate TERM SOFR plus 0.10% plus a margin of 1.15% with maturity in December 2025.

On December 4 and 18, 2023, the Enterprise drew down \$14.9 million euros (MEUR hereinafter), from a loan contracted with the Agence Francaise de Developpement (AFD) signed on October 14, 2021, for an amount of MEUR \$200 at a rate of EURIBOR plus 2.10% with maturity in April 2041.

On November 21, 2023, the Enterprise drew down MUS\$ 18.4, from a credit line with Banamex, S.A. to finance enriched uranium for the Laguna Verde Nuclear Power Plant, with a term of one year, amortizations and annual interest payments, and at a rate of SOFR (Guaranteed permanent financing rate, managed by Group Benchmark Administration, Ltd – CME) SOFR hereinafter, 12 months USD plus a margin of 130 base points.

On October 12, 27 and November 30, 2023, the Enterprise drew down MUS\$ 400, from a syndicated revolving credit line contracted with Credit Agricole CIB, signed on December 20, 2022, for an amount of MUS\$ 1,540, at a rate TERM SOFR plus 0.10% plus a margin of 1.15% with maturity in December 2025.

On October 30, 2023, the Enterprise drew down MUS\$ 200 from a revolving credit with the Andean Development Corporation (CAF) signed on November 29, 2022, for an amount of MUS\$ 200, at the TERM SOFR rate (6 months) plus 0.45%. and maturity on December 29, 2023.

On June 21, 2023, the Enterprise drew down MUS\$ 98.7, from a loan contracted with the Agence Francaise de Developpement (AFD) signed on July 19, 2019, for an amount of MUS\$ 150 at a rate of Term SOFR (6 months) plus 3.078% with maturity in 20 years.

On April 21, 2023, the Enterprise drew down MUS\$ 200, from a revolving credit with the Andean Development Corporation (CAF) signed on November 29, 2022, for an amount of MUS\$ 200, at a rate of Term SOFR (6 months) plus 0.50% with maturity on October 23, 2023.

In the period January - June 2023, the Enterprise drew down MUS\$ 800 from a revolving credit line were disbursed signed with Credit Agricole, CIB, dated December 20, 2022, for an amount of MUS\$ 1,540, at a TERM SOFR rate plus 0.10% plus a margin of 1.15% and a term of 3 years.

On February 15, 2023, the Enterprise drew down MEUR \$29.4, from a loan contracted with the Agence Francaise de Developpement (AFD) signed on October 14, 2021, for an amount of MEUR \$200, at a rate of EURIBOR plus 2.10% with maturity in April 2041.

On February 10, 2023, the Enterprise drew down MUSD \$100, from a revolving commercial credit signed on January 31, 2023, in the amount of MUSD \$100 with Sumitomo Mitsui Banking Corporation, was made available at a rate of TERM SOFR at a USD term plus 0.95% with maturity in January 2024.

On January 6, 2023, the Enterprise drew down MUSD \$200, from a revolving credit contracted with the Andean Development Corporation (CAF) signed on November 29, 2022, for an amount of MUSD \$200, at a rate of TERM SOFR plus the margin established in the disbursement request with maturity on June 31, 2023.



**Comisión Federal De Electricidad**  
**Productive State Enterprise and Subsidiaries**

Foreign debt	Credit Type	Interest rate	Maturates	2024		2023	
				Local currency	Foreign currency	Local currency	Foreign currency
IN US DOLLARS: at the exchange rate							
US dollar of \$18.2215 as of June 2024 and \$16.922 as of December 2023	BILATERAL	Fixed and variable - 6.92%	Various through 2030	\$ 9,943,891	545,723	7,333,934	433,396
	BONDS	Fixed and variable - 4.71%	Various through 2052	113,079,060	6,205,804	105,316,432	6,223,640
	REVOLVING	Fixed and variable - 6.53%	Various through 2026	1,852,252	101,652	1,744,901	103,114
	SYNDICATED	Fixed and variable - 6.58%	2026	19,132,575	1,050,000	4,230,500	250,000
TOTAL US DOLLARS:				144,007,778	7,903,179	118,625,767	7,010,150
IN EUROS: at the exchange rate							
Euros of \$19.5579 as of June 2024 and \$18.6929 as of December 2023	BILATERAL	Fixed and variable – 6.22%	Various through 2041	2,401,459	122,787	2,295,248	122,787
TOTAL EUROS:				2,401.459	122,787	2,295,248	122,787
IN JAPAN YENS: at the Exchange rate							
Yen of \$0.1135 as of June 2024 and \$0.1199 as of December 2023	BILATERAL	Fixed - 3.83%	2032	3,632,000	32,000,000	3,836,800	32,000,000
Assets received for financial instruments, net				1,278,220	-	723,239	-
TOTAL JAPANESE YENS:				4,910,220	32,000,000	4,560,039	32,000,000
TOTAL FOREIGN DEBT				\$ 151,319,457		125,481,054	

**b) Domestic debt**

On June 24, 2024, the Enterprise drew down \$6,400 million of pesos (MMXP hereinafter) from an unsecured promissory with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on July 24, 2024.

On June 18, 2024, the Enterprise drew down MMXP \$1,000 from the short-term revolving credit obtained with Banco Santander (México), S.A dated November 18, 2022, and amending agreement dated November 15, 2023, at the TIIE 28d rate plus 0.90% with maturing on July 12, 2024.

On June 13, 2024, the Enterprise drew down MMXP \$2,000 from an unsecured promissory obtained with BBVA Mexico, S.A., at the TIIE 28d rate plus 0.95%, with maturing on September 11, 2024.

On June 12, 2024, the Enterprise drew down MMXP \$3,000 from an unsecured promissory obtained with BBVA Mexico, S.A., at the TIIE 28d rate plus 0.95%, with maturing on September 10, 2024.

On June 10, 2024, the Enterprise drew down MMXP \$1,500 from an unsecured promissory obtained with BBVA Mexico, S.A., at the TIIE 28d rate plus 0.95%, with maturing on September 6, 2024.

On May 31, 2024, the Enterprise drew down MMXP \$1,200 from an unsecured promissory note signed with MUFG Bank México, S.A., at TIIE 28d rate plus 1.00%, with maturing on November 29, 2024.

On May 27 and 9, 2024, the Enterprise drew down MMXP \$1,000 a short-term revolving credit of up to 200 MUSD or its equivalent in local currency, contracted with Banorte on November 23, 2023, at the TIIE 91d rate plus 1.30%, with maturing on October 24, 2024.

On May 24, 2024, the Enterprise drew down MMXP \$6,400 from an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on June 24, 2024.

On May 23, 2024, the Enterprise drew down MMXP \$500 from an unsecured promissory obtained with BBVA Mexico, S.A., at the TIIE 28d rate plus 0.95%, with maturing on August 21, 2024.

On May 17, 2024, the Enterprise drew down MMXP \$1,500 from an unsecured promissory obtained with BBVA Mexico, S.A., at the TIIE 28d rate plus 0.95%, with maturing on August 15, 2024.

On May 15, 2024, the Enterprise drew down MMXP \$1,500 from an unsecured promissory obtained with BBVA Mexico, S.A., at the TIIE 28d rate plus 0.95%, with maturing on August 13, 2024.

On May 7 and 9, 2024, the Enterprise drew down MMXP \$1,500 and \$500 from a short-term revolving credit of up to 200 MUSD or its equivalent in local currency, contracted with Banorte on November 23, 2023, at the TIIE 91d rate plus 1.20%, with maturing on July 5, 2024.

On April 3 and 10, 2024, the Enterprise drew down MMXP \$1,000 and \$1,500 from a short-term revolving credit of up to 200 MUSD or its equivalent in local currency, contracted with Banorte on November 23, 2023, at the TIIE 28d rate plus 1.20% and 1.25%, with maturing respectively on May 7 and 9, 2024, respectively.

On March 27, 2024, the Enterprise drew down MMXP \$6,400 from an unsecured promissory with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on May 24, 2024.

On March 20, 2024, the Enterprise drew down MMXP \$6,000 from an unsecured promissory obtained with Banco Santander (México), S.A dated November 18, 2022, and amending agreement dated November 15, 2023, at the TIIE 28d rate plus 0.90% with maturing on June 18, 2024.

On March 15, 2024, the Enterprise drew down MMXP \$2,000 from an unsecured promissory obtained with BBVA Mexico, S.A., at the TIIE 28d rate plus 0.95%, with maturing on June 13, 2024.

On March 14, 2024, the Enterprise drew down MMXP \$3,000 from an unsecured promissory obtained with BBVA México, S.A., at the TIIE 28d rate plus 0.95%, with maturing on June 12, 2024.

On March 13, 2024, the Enterprise drew down MMXP \$2,750 from a simple loan signed on March 8, 2024 with Mizuho Bank México, S.A., at the TIIE 28d rate plus 1.25%, with maturing on March 8, 2025.

On March 12, 2024, the Enterprise drew down MMXP \$1,500 from an unsecured promissory signed with BBVA México, S.A., at the TIIE 28d rate plus 0.95%, with maturing on June 10, 2024.

On March 8, 2024, the Enterprise drew down MMXP \$1,000 from a short-term revolving credit of up to 200 MUSD or its equivalent in local currency, contracted with Banorte on November 23, 2023, at the TIIE 28d rate plus 1.25%, with maturing on April 5, 2024.

On March 6, 2024, the Enterprise drew down MMXP \$2,000 from a short-term revolving credit of up to 200 MUSD or its equivalent in local currency, contracted with Banorte on November 23, 2023, at the TIIE 28d rate plus 1.25%, with maturing on April 3, 2024.

On February 29, 2024, the Enterprise drew down MMXP \$7,200 from an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on March 27, 2024.

On February 23, 2024, the Enterprise drew down MMXP \$500 from an unsecured promissory note signed with BBVA México, S.A., at the TIIE 28d rate plus 0.90%, with maturing on May 23, 2024.

On February 19, 2024, the Enterprise drew down MMXP \$1,500 from an unsecured promissory note signed with BBVA México, S.A., at the TIIE 28d rate plus 0.90%, with maturing on May 17, 2024.

On February 15, 2024, the Enterprise drew down MMXP \$1,200 from an unsecured promissory note signed with MUFG Bank México, S.A., at a fixed rate of 12.6%, with maturing on May 31, 2024.

On February 15, 2024, the Enterprise drew down MMXP \$1,500 from an unsecured promissory note signed with BBVA México, S.A., at the TIIE 28d rate plus 0.90%, with maturing on May 15, 2024.

On January 31, 2024, the Enterprise drew down MMXP \$4,000 from an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on February 29, 2024.

On January 31, 2024, the Enterprise drew down MMXP \$2,400 from an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on February 29, 2024.

On January 29, 2024, the Enterprise drew down MMXP \$1,000 from a short-term revolving credit of up to \$200 MUSD or its equivalent in local currency, contracted with Banorte on November 23, 2023, at the TIIE 91d rate plus 1.35%, with maturing on April 29, 2024.

On January 24, 2024, the Enterprise drew down MMXP \$500 from a short-term revolving credit contracted with Banco Santander (Mexico), S.A. dated November 18, 2022 and modifying agreement dated November 15, 2023, at the TIIE 28d rate plus 1.0% with maturity on April 23, 2024.

On January 24, 2024, the Enterprise drew down MMXP \$1,000 from a short-term revolving credit of up to 200 MUSD or its equivalent in local currency, contracted with Banorte on November 23, 2023, at the TIIE 91d rate plus 1.35%, with maturing on March 25, 2024.

On January 22, 2024, the Enterprise drew down MMXP \$800 from an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on February 29, 2024.

On January 4, 2024, the Enterprise drew down MMXP \$1,000 from a short-term revolving credit of up to 200 MUSD or its equivalent in local currency, contracted with Banorte on November 23, 2023, at the TIIE 28d rate plus 1.30%, with maturing on February 2, 2024.

On December 29, 2023, the Enterprise drew down MMXP \$6,400 from unsecured promissory with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on January 31, 2024.

On December 27, 2023, the Enterprise drew down MUSD \$20 from an unsecured promissory note signed with Banco Monex, S.A., at the SOFR rate plus 1.50% with maturing on March 27, 2024.

On December 20, 2023, the Enterprise drew down MMXP \$800 from an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on January 22, 2024.

On December 18, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured promissory note contracted with BBVA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on March 15, 2024.

On December 15, 2023, the Enterprise drew down MMXP \$3,000 from a short-term unsecured promissory note contracted with BBVA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on March 14, 2024.

On December 13, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory note contracted with BBVA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on March 12, 2024.

On December 11, 2023, the Enterprise issued Stock Certificates with code CFE 23UX was carried out in the national markets for an amount of UDIS 582,350,700, which will pay semiannual interest at a fixed rate of 6.10% with maturity in November 2035.

On December 11, 2023, the Enterprise issued Stock Certificates with code CFE 23 3X was carried out in the national markets for an amount of MMXP 2,512, which will pay semiannual interest at a fixed rate of 10.88% with maturity in March 2030.

On December 11, 2023, the Enterprise issued Stock Certificates with code CFE 23 2X was carried out in the national markets for an amount of MMXP 2,844, which will pay monthly interest at a variable rate of TIIE 28 days plus 0.56%, with maturity on December 7, 2026.

On November 28, 2023, the Enterprise drew down MMXP \$2,750 from a short-term revolving credit of up to MUSD \$200 or its equivalent in national currency, obtained with Banco Mercantil del Norte, S.A. (Banorte), dated on November 23, 2023, in two tranches, as follows: one for an amount of MMXP \$1,500 at a rate of TIIE 91 days plus 1.25% with maturity on February 27, 2024 and the second for an amount of MMXP \$1,250 at a rate of TIIE 91 days plus 1.30%, with maturity on March 27, 2024.

On November 28, 2023, the Enterprise drew down MMXP \$1,000 from a short-term revolving credit contracted with Banco Santander (México), S.A., dated on November 18, 2022, at a rate of TIIE 28d plus 0.90% with maturity on December 28, 2023.

On November 27, 2023, the Enterprise drew down MMXP \$500 from a short-term unsecured promissory note contracted with BBA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on February 23, 2024.

On November 21, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory note contracted with BBA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on February 19, 2024.

On November 21, 2023, the Enterprise drew down MMXP \$5,000 from a short-term revolving credit contracted with Banco Santander (México), S.A., dated on November 18, 2022, at a rate of TIIE 28d plus 0.90% with maturity on December 28, 2023.

On November 17, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory note contracted with BBA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on February 15, 2024, to refinance the unsecured promissory note dated on August 18, 2023.

On November 10, 2023, the Enterprise drew down MMXP \$2,400 from through an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on December 29, 2023.

On November 3, 2023, the Enterprise drew down MMXP \$4,000 from an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on December 29, 2023.

On October 3, 2023, the Enterprise drew down MMXP \$4,000 from two unsecured promissory notes signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on October 31, 2023.

On September 6, 2023, the Enterprise drew down MMXP \$4,000 from two short-term unsecured loans obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28d plus 0.80% with maturity on September 29, 2023.

On July 20, 2023, the Enterprise drew down MMXP \$1,000 from a short-term revolving credit contracted with Banorte on January 20, 2023, at the TIIE 28d rate plus 1%, with maturing on August 21, 2023.

On July 3, 2023, CFE 22-2S, Stock Certificates were issues in the national markets for an amount of MMXP \$3,153.8, and half-yearly interest payments, and at a fixed rate 10.82% with maturity in November 2030.

On July 3, 2023, CFE 22UV, Stock Certificates were issues in the national markets for an amount of UDIS \$446,476,000, and half-yearly interest payments, and at a fixed rate 6.3% with maturity in March 2033.

On September 19, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured loan obtained with BBVA Mexico, S.A., at a rate of TIIE 28d plus 0.90% with maturity on December 18, 2023, to refinance on June 21, 2023.

On September 18, 2023, the Enterprise drew down MMXP \$3,000, from a short-term unsecured loan obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.90% with maturity on December 15, 2023, to refinance on June 20, 2023.

On September 13, 2023, the Enterprise drew down MMXP \$1,500 million of pesos from a short-term unsecured loan obtained with BBVA Mexico, S.A., at a rate of TIIE 28d plus 0.85% with maturity on December 12, 2023.

On August 18, 2023, the Enterprise drew down MMXP \$1,500 from short-term unsecured loans obtained from BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.90% with maturity on November 17, 2023.

On August 3, 2023, the Enterprise drew down MMXP \$2,400 from short-term unsecured loans obtained from Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturity on October 31, 2023.

On July 13, 2023, the Enterprise drew down MMXP \$1,200 from short-term unsecured loan obtained from MUFG Bank Mexico, S.A., at a flat interest rate 12.70% with maturity on December 27, 2023.

On July 3, 2023, CFE 23X, Stock Certificates were issues in the national markets for a total amount of MMXP \$3,378.30, at a rate of TIIE 28 days plus 0.35% with maturity in December 2024.

On June 30, 2023, the Enterprise drew down MMXP \$4,000 through three short-term unsecured loans obtained from Scotiabank Inverlat, S.A., at a rate of TIIE 28d plus 0.80% and maturity on September 28, 2023, to refinance on April 17, May 3 and 17, 2023.

On June 21, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured loan obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.8% with maturity in 3 months, to refinance on March 23, 2023.

On June 20, 2023, the Enterprise drew down MMXP \$3,000 from a short-term unsecured loan obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.8% and maturity in 3 months to refinance on March 22, 2023.

On May 19, 2023, the Enterprise drew down MMXP \$2,000 from a short-term revolving credit obtained with Banco Mercantil del Norte, S.A. (Banorte), dated on January 20, 2023, disbursed in two tranches, as follows: one for an amount of MMXP \$1,000 at a rate of TIIE 91 days plus 0.95% and the second for an amount of MMXP \$1,000 at a rate of TIIE 91 days plus 0.90%, with maturity on June 30, 2023.

On May 17, 2023, the Enterprise drew down MMXP \$1,000 from a short-term unsecured loan obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturity on June 30, 2023.

On May 3, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturity on June 30, 2023.

On May 3, 2023, the Enterprise drew down MMXP \$2,500 from a short-term revolving credit obtained with Banco Santander (Mexico), S.A. dated November 18, 2022, at a rate of TIIE 28 days plus 0.90% with maturity in 12 months, and renewable every 90 days.

On April 17, 2023, the Enterprise drew down MMXP \$1,000 from a short-term unsecured promissory contracted with Scotiabank Inverlat, S.A., at a rate of TIIE 28d plus 0.80% with maturing on June 30, 2023, to refinance the unsecured promissory dated February 16, 2023.

On March 23, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured promissory obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 3 months.

On March 22, 2023, the Enterprise drew down MMXP \$3,000 from a short-term unsecured promissory obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.80% with maturing 3 months.

On March 17, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 14 days, to refinance on February 16, 2023.

On March 3, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured promissory obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 3 months, to refinance on December 5, 2022.

On February 28, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 1 month, to refinance on January 27, 2023.

On February 16, 2023, the Enterprise drew down MMXP \$3,000 from a short-term unsecured loan obtained with Banco Mercantil del Norte, S. A., (Banorte), S. A., at a rate of TIIE 91 days plus 1.3% with maturing in 1 month, renewable every 90 days.

On February 16, 2023, the Enterprise drew down MMXP \$1,000 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of 28 days TIIE plus 0.80% with maturing in 2 months.

On February 16, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 1 month, to refinance on January 16, 2022.

On January 27, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 1 month, to refinance on December 31, 2022.

On January 20, 2023, the Enterprise drew down MMXP \$4,000 from a short-term revolving credit obtained with Banco Mercantill del Norte, S. A. (Banorte) dated January 20, 2023, at a rate of 91 days TIIE plus 1%, with maturing in 8 months, renewable every 90 days.

On January 16, 2023, the Enterprise drew down MMXP \$1,500 from a unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of 28ds TIIE plus 0.80%, with maturing in 1 month.

On January 4, 2023, the Enterprise drew down MMXP \$3,000 from a revolving short-term loan obtained with Banco Santander Mexico, S.A. dated November 18, 2022, at a rate of TIIE 28 days plus 0.95%, with maturing in 12 months, renewable every 90 days.

**Comisión Federal De Electricidad**  
**Productive State Enterprise and Subsidiaries**

Domestic debt	Credit type	Interest rate	Maturates	2024		2023	
				Local currency	UDIS	Local currency	UDIS
NATIONAL CURRENCY	Bank contracts	Fixed and variable – 12.39%	Various through 2027	\$ 26,683,333	-	33,200,000	
	Stock market	Fixed and variable – 9.37%	Various through 2030	54,060,746	-	54,060,746	
<b>FOREIGN CURRENCY</b>	Bank contracts	Fixed and variable – 0%	June 2024	-	-	338,440	20,000
<b>IN US DOLLAR:</b> exchange rate of \$18.2215 per dollar as of June 30, 2024-							
<b>TOTAL NATIONAL AND FOREIGN CURRENCY</b>				<b>80,744,079</b>	<b>-</b>	<b>87,599,186</b>	<b>20,000</b>
UDIS at the exchange rate of \$8.1259 as of June 30, 2024, and \$7.9764 as of December 31, 2023.							
	Stock market	Fixed and variable - 5.14%	Various through 2042	53,157,120	6,541,690	52,179,138	6,541,690
<b>TOTAL UDIS</b>				<b>53,157,120</b>	<b>6,541,690</b>	<b>52,179,138</b>	<b>6,541,690</b>
<b>TOTAL DOMESTIC DEBT</b>				<b>\$ 133,901,199</b>		<b>139,778,324</b>	
<b>Summary</b>							
Total foreign debt				\$ 151,319,457		125,481,054	
Total domestic debt				133,901,199		139,778,324	
Interest payable				3,023,974		2,858,715	
Unamortized debt expenses				(285,641)		(2,424,661)	
<b>Total documented debt</b>				<b>\$ 287,958,989</b>		<b>265,693,432</b>	
Short-term debt				\$ 36,857,298		36,524,347	
Interest payable				3,023,974		2,858,715	
<b>Total Short-term</b>				<b>39,881,272</b>		<b>39,383,062</b>	
Long-term debt				248,363,358		228,735,031	
Unamortized debt expenses				(285,641)		(2,424,661)	
<b>Total long-term</b>				<b>248,077,717</b>		<b>226,310,370</b>	
<b>Total short-term and long-term debt</b>				<b>\$ 287,958,989</b>		<b>265,693,432</b>	

Notes to the unaudited condensed consolidated financial statements



As of June 30, 2024, the maturities of the documented debt are integrated as follows:

Year	Amount
2024	39,881,272
2025	24,892,916
2026	32,845,372
2027	31,839,890
2028	6,150,357
2029	27,309,300
2030	7,673,960
Subsequent years	117,365,922
<b>Total</b>	<b>\$ 287,958,989</b>

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

An analysis of the balances and maturities of the PIDIREGAS (direct investment) debt and capital lease liabilities is as follows:

				Balances as of June 30, 2024				Balances as of December 31, 2023				
Foreign debt		Contract maturity	(Thousands of units)						(Thousands of units)			
			Local currency		Foreign currency		Local currency		Foreign currency			
			Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term		
14	millions of dollars	2026	\$	82,457	123,686	4,525	6,788	\$	76,577	153,153	4,525	9,051
157	millions of dollars	2029		497,687	2,106,415	27,313	115,601		462,194	2,187,289	27,313	129,257
152	millions of dollars	2032		325,077	2,275,536	17,840	124,882		301,893	2,264,199	17,840	133,802
604	millions of dollars	2036		800,860	10,020,937	43,951	549,951		743,745	9,478,569	43,951	560,133
425	millions of dollars	2047		888,099	6,528,620	48,739	358,292		824,763	6,363,171	48,739	376,029
909	millions of dollars	2048		764,368	15,393,011	41,949	844,772		709,855	14,665,380	41,949	866,646
678	millions of dollars	2049		535,382	11,654,390	29,382	639,596		497,200	10,983,074	29,382	649,041
664	millions of dollars	2050		1,054,366	10,663,668	57,865	585,224		979,172	10,265,211	57,865	606,619
Total Foreign debt				4,948,296	58,766,263	271,564	3,225,106	4,595,399	56,360,046	271,564	3,330,578	
Domestic debt												
323	millions of pesos	2024		135,094	-	-		323,378	-			
12,309	millions of pesos	2026		4,300,602	6,251,291			3,866,099	8,443,145			
2,791	millions of pesos	2028		637,862	1,862,970			605,855	2,185,268			
10,146	millions of pesos	2033		1,690,155	7,665,346			1,612,793	8,533,153			
1,088	millions of pesos	2036		83,664	962,140			83,664	1,003,973			
8,963	millions of pesos	2042		583,231	8,096,472			571,125	8,392,069			
Total Domestic debt				7,430,608	24,838,219			7,062,914	28,557,608			
Interest payable				1,435,825	-			1,437,277	-			
CEBURES				-	8,821			-	8,821			
Total PIDIREGAS debt				\$ 13,814,729	83,613,303			\$ 13,095,590	84,926,475			

As of June 30, 2024, and as of December 31, 2023, minimum payment commitments on PIDIREGAS are as follows:

	<b>2024</b>	<b>2023</b>
PIDIREGAS	\$ 141,109,470	142,871,058
less:		
Unaccrued interest	(45,126,084)	(46,295,091)
Interest payable	1,435,825	1,437,277
Present value of obligations	97,419,211	98,013,244
less:		
Current portion of obligations	13,814,729	13,095,590
Long-term portion of PIDIREGAS	83,604,482	84,917,654
CEBURES	8,821	8,821
<b>Total CEBURES and PIDIREGAS</b>	<b>\$ 83,613,303</b>	<b>84,926,475</b>

#### **Investment of funds-in-trust**

On June 27, 2024, the Enterprise drew down MMXP \$6,000 from a revolving credit obtained with MULTIVA, with interest payable monthly, calculated at a variable rate that results from adding 1.50 percentage points to the TIIE (Interbank Equilibrium Interest Rate, TIIE hereinafter), rate, payable until maturity on June 26, 2025.

On June 21, 2024, the Enterprise drew down MMXP \$1,000 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.80 percentage points to the TIIE, rate, payable until maturity on September 19, 2024

On June 19, 2024, the Enterprise drew down MUSD \$25 from a revolving credit obtained with MONEX, with interest payable monthly, calculated at a variable rate that results from adding 1.15 percentage points to the SOFR (Guaranteed Permanent Financing Rate, administered by Group Benchmark Administration, Ltd – CME, SOFR hereinafter) rate, payable until maturity on December 16, 2024.

On June 18, 2024, the Enterprise drew down MUSD \$80 from a revolving credit obtained with SANTANDER with interest payable monthly, calculated at a variable rate result from adding 1.20 percentage points to the SOFR rate, payable until September 13, 2024.

On June 13, 2024, the Enterprise drew down MMXP \$1,020 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.90 percentage points to the TIIE rate, payable until maturity on September 11, 2024

On June 12, 2024, the Enterprise drew down MUSD \$100 from a revolving credit obtained with BANAMEX, S.A. with interest payable quarterly, calculated at a variable rate resulting from adding 1.30 percentage points to the SOFR rate, payable until November 12, 2024.

On June 11, 2024, the Enterprise drew down MUSD \$150 from a revolving credit obtained with BANAMEX, S.A. with interest payable quarterly, calculated at a variable rate resulting from adding 1.37 percentage points to the SOFR rate, payable until November 11, 2024.

On May 24, 2024, the Enterprise drew down MMXP \$6,000 from a revolving credit obtained with MULTIVA, with interest payable monthly, calculated at a variable rate that results from adding 1.50 percentage points to the TIIE rate, payable until maturity on May 23, 2025.

On May 20, 2024, the Enterprise drew down MUSD \$3,000 from a revolving credit obtained with BANORTE with interest payable quarterly, with 3 provisions of \$100 MUSD each, calculated at a variable rate resulting from adding 1.30 percentage points at a TIIE rate, payable until May 20, 2024, and each provision of MUSD \$100 are available.

On May 20, 2024, the Enterprise drew down MUSD \$3,000 from a revolving credit obtained with BANORTE with interest payable quarterly, with 3 provisions of \$100 MUSD each, calculated at a variable rate resulting from adding 1.35 percentage points at a TIIE rate, payable until May 20, 2024, and each provision of MUSD \$100 are available.

On May 17, 2024, the Enterprise drew down MMXP \$420 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.80 percentage points to the TIIE rate, payable until maturity on August 15, 2024

On May 17, 2024, the Enterprise drew down MMXP \$8,500 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 1.00 percentage points to the TIIE rate, payable until maturity on November 13, 2024.

On March 27, 2024, the Enterprise drew down MUSD \$200 from a revolving credit obtained with Bank of America S.A., with interest payable monthly, calculated at a variable rate that results from adding 1.25 percentage points to the SOFR rate, payable until maturity on September 29, 2024.

On March 25, 2024, the Enterprise drew down MMXP \$1,000 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.80 percentage points to the TIIE rate, payable until maturity on June 21, 2024

On March 21, 2024, the Enterprise drew down MUSD \$80 from a revolving credit obtained with SANTANDER with interest payable monthly, calculated at a variable rate result from adding 1.20 percentage points to the SOFR rate, payable until June 19, 2024.

On March 15, 2024, the Enterprise drew down MMXP \$1,020 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.85 percentage points to the TIIE rate, payable until maturity on June 13, 2024

On March 11, 2024, the Enterprise drew down MUSD \$28 from a revolving credit obtained with SANTANDER with interest payable semiannually, with a provision of \$72 MUSD, calculated at a variable rate resulting from adding 0.85 percentage points at a SOFR rate, payable until 27 October 2042.

On March 7, 2024, the Enterprise drew down MUSD \$2,500 from a revolving credit obtained with BANORTE with interest payable quarterly, with a provision of \$200 MUSD, calculated at a variable rate resulting from adding 1.30 percentage points at a TIIE rate, payable until 5 June 2024.

On February 28, 2024, the Enterprise drew down MUSD \$75 from a revolving credit obtained with HSBC with interest payable monthly, calculated at a variable rate result from adding 1.25 percentage points to the SOFR rate, payable until May 28, 2024.

On February 19, 2024, the Enterprise drew down MMXP \$3,060 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.90 percentage points to the TIIE rate, payable until maturity on May 17, 2024

On February 19, 2024, the Enterprise drew down MMXP \$420 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.80 percentage points to the TIIE rate, payable until maturity on May 17, 2024.

On February 12, 2024, the Enterprise drew down MUSD \$11 from a revolving credit obtained with MONEX with interest payable monthly, calculated at a variable rate that results from adding 1.10 percentage point to the SOFR rate, payable until on August 12, 2024.

On February 9, 2024, the Enterprise drew down MUSD \$150 from a revolving credit obtained with SUMIMOTO with interest payable quarterly, calculated at a variable rate resulting from adding 0.90 percentage points to the SOFR rate, payable until June 09, 2024.

On January 12, 2024, the Enterprise drew down MUSD \$100 from a revolving credit obtained with BANAMEX, S.A. with interest payable quarterly, calculated at a variable rate resulting from adding 1.25 percentage points to the SOFR rate, payable until April 12, 2024.

On January 11, 2024, the Enterprise drew down MUSD \$150 from a revolving credit obtained with BANAMEX, S.A. with interest payable quarterly, calculated at a variable rate resulting from adding 1.30 percentage points to the SOFR rate, payable until April 11, 2024.

On December 28, 2023, the Enterprise drew down MUSD \$75 from a revolving credit obtained with HSBC with interest payable monthly, calculated at a variable rate result from adding 1.25 percentage points to the SOFR rate, payable until February 28, 2024.

On December 26, 2023, the Enterprise drew down MMXP \$1,000 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.80 percentage points to the TIIE rate, payable until maturity on March 25, 2024.

On December 22, 2023, the Enterprise drew down MUSD \$25 from a revolving credit obtained with MONEX with interest payable monthly, calculated at a variable rate that results from adding 1.05 percentage point to the SOFR rate, payable until June 19, 2024.

On December 22, 2023, the Enterprise drew down MMXP \$650 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.90 percentage points to the TIIE rate, payable until maturity on March 21, 2024.

On December 18, 2023, the Enterprise drew down MMXP \$1,020 from a revolving credit obtained with BBVA México, S.A. with interest payable monthly, calculated at a variable rate that results from adding 0.80 percentage points to the TIIE rate, payable until maturity on March 15, 2024.

On December 15, 2023, the Enterprise drew down MUSD \$400 from a revolving credit obtained with SANTANDER with interest payable monthly, calculated at a variable rate that results from adding 1.10 percentage point to the SOFR Rate for the CCC EL SAUZ II, CCC projects. SAN LUIS POTOSI, CCC SALAMANCA, payable until June 15, 2024.

On December 14, 2023, the Enterprise MUSD \$100 from a revolving credit obtained with SCOTIABANK with interest payable monthly, with interest payable monthly, adding 1.20 percentage points to the SOFR rate, payable until December 13, 2024.

On December 13, 2023, the Enterprise drew down MUSD \$300 from a revolving credit obtained with BNP PARIBAS with interest payable monthly, calculated at a variable rate that results from subtracting 2,665 percentage points from the TIIE rate, payable until June 29, 2024.

On November 21, 2023, the Enterprise drew down MMXP \$420 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.80 percentage points to the TIIE rate, payable until February 19, 2024.

On November 21, 2023, the Enterprise drew down MMXP \$3,060 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.90 percentage points to the TIIE rate, payable until February 19, 2024.

On October 12, 2023, the Enterprise drew down MUSD \$100 from a revolving credit obtained with BANAMEX, S.A. with interest payable quarterly, calculated at a variable rate resulting from adding 1.25 percentage points to the SOFR rate, payable until April 12, 2024.

On October 11, 2023, the Enterprise drew down MUSD \$150 from a revolving credit obtained with BANAMEX, S.A. with interest payable quarterly, calculated at a variable rate that results from adding 1.30 percentage points to the SOFR rate, payable until April 11, 2024.

On September 29, 2023, the Enterprise drew down MUSD \$200 from a revolving credit obtained with Bank of America, S.A., with interest payable monthly, calculated at a variable rate that results from adding 1.25 percentage points to the SOFR rate, payable until March 29, 2024.

On August 14, 2023, the Enterprise drew down MUSD \$11 from a revolving credit obtained from Banco Monex S.A., with interest payable monthly, calculated at variable rate of SOFR plus 1.10% rate and payable until February 12, 2024.

On June 30, 2023, the Enterprise drew down MUSD \$334 from a revolving credit obtained with JPMORGAN, S.A. and HSBC, S.A. (MIGA) with 5 annual provisions (2023 to 2028) and with interest payable semiannually, calculated at the variable rate that results from adding 0.85 percentage points to the SOFR rate, payable until June 30, 2038. The draw down of this year it was for \$229. MUSD.

On June 23, 2023, the Enterprise drew down MUSD \$300 from a revolving credit obtained with BANORTE for up to with interest payable quarterly, with three drawdowns of \$100 MUSD each, calculated at a variable rate that results from adding 1.20 or 1.35 percentage points at a rate. SOFR, payable until June 22, 2024. All three drawdowns of MUSD \$100 are in effect.

On June 23, 2023, the Enterprise drew down MUSD \$500 from a revolving credit obtained with BANORTE with interest payable quarterly, with three provisions of \$100 MUSD, calculated at a variable rate resulting from adding 1.20, 1.40 or 1.45 percentage points at a SOFR rate, payable until June 22, 2024.

On June 23, 2023, the Enterprise drew down MUSD \$500 from a revolving credit with BANORTE with interest payable quarterly, with two provisions of 1,000 MMXP, calculated at a variable rate resulting from adding 1.20 or 1.40 percentage points to the TIIE rate, payable until June 22, 2024.

On January 25, 2023, the Enterprise drew down MUSD \$80 from a revolving credit with SANTANDER with interest payable monthly, calculated at a variable rate that results from adding 1.20 percentage point to the SOFR rate, payable until March 27, 2024.

### 13. Lease liabilities

An analysis of lease liabilities as of June 30, 2024, and as of December 31, 2023, is as follows:

	<b>2024</b>	<b>2023</b>
January 1 <sup>st</sup>	\$ 527,600,059	624,716,357
Additions	292,482,479	3,597,618
Retirements	(14,373,940)	-
Interest	15,902,719	23,780,464
Payments	(25,641,078)	(46,269,658)
Exchange difference	76,629,186	(78,224,722)
Total liabilities	872,599,425	527,600,059
Less portion of short-term liabilities	21,736,096	26,939,919
<b>Total long-term liabilities</b>	<b>\$ 850,863,329</b>	<b>500,660,140</b>

Lease payments as of June 30, 2024, and as of December 31, 2023, is as follows:

	<b>2024</b>	<b>2023</b>
Less than one year	\$ 21,736,096	26,939,919
More than 1 year and less than 3 years	46,439,753	33,669,295
More than 3 years and less than 5 years	46,266,577	34,802,427
More than 5 years	758,156,999	432,188,418
<b>Total lease liabilities</b>	<b>\$ 872,599,425</b>	<b>527,600,059</b>

#### 14. Other accounts payable and accrued liabilities

Other accounts payable and accrued liabilities as of June 30 , 2024, and as of December 31, 2023, is as follows:

	<b>2024</b>	<b>2023</b>
Suppliers and contractors	\$ 78,547,595	65,236,192
Deposits from users and contractors	37,239,704	40,959,357
Third-party contributions	12,554,480	10,256,110
Employees	7,236,510	3,881,093
Other taxes and duties	6,691,311	3,825,430
Value added tax	2,330,012	7,421,139
Other liabilities	8,515,473	5,273,317
<b>Total</b>	<b>\$ 153,115,085</b>	<b>136,852,638</b>

#### 15. Other long-term liabilities

An analysis of other long-term liabilities as of June 30, 2024, and as of December 31, 2023, is as follows:

	<b>2024</b>	<b>2023</b>
Decommissioning provision <sup>(a)</sup>	\$ 13,388,359	13,854,116
Other provisions <sup>(b)</sup>	21,838,129	19,155,295
<b>Total</b>	<b>\$ 35,226,448</b>	<b>33,009,411</b>

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

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

#### 16. Employee benefits

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

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

In the first semester of 2024, CFE conducted a review of the terms of the Collective Labor Agreement (CCT, Spanish acronym) for the 2024-2026 biennium, without any significant changes in salary and post-salary benefits.

The value of employee benefits from this transaction was \$421,390,494 as of June 30, 2024, and \$424,388,155 as of December 31, 2023.

## **17. Contingencies and Commitments**

### **a. International arbitration**

The Enterprise is involved in several lawsuits and claims, derived from the normal course of its operations, lawsuits and claims of a contentious nature, as well as arbitrations with the international court of London and with the international court, as a result of disputes with various suppliers and at different stages. At the date of these financial statements, we cannot reasonably determine whether an adverse result in these procedures and consequently a positive or negative effect that generates movements in the provision for litigation.

### **b. Amendments to the Collective Labor Agreement**

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

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

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

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



In compliance with the Ninth Provision, second paragraph of the "Agreement by which the provisions of a general character are issued relative to the assumption by the Federal Government of obligations to pay pensions and retirements in charge of the CFE" ("Agreement"), published in the DOF on November 14, 2016, the CFE communicated to the Public Credit Unit of the SHCP, through official letter DCF / 0202/2020 dated on September 2, 2020, the modification before indicated to the CCT and through official letter DCF/0274/2020, referred the document which includes the financial impact regarding the modification of retirement requirements for employees.

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

There is a contingent liability derived from employee benefits.

The Enterprise is involved in various lawsuits and claims, arising from the normal course of its operations, which are expected not to have a material effect on its financial condition and future results.

## **Commitments**

### **a. Natural gas supply contracts**

The Enterprise has entered into contracts for services related to the reception, storage, transportation, regasification and supply of liquefied natural gas. The contractual commitments consist of acquiring, during the supply period, daily base amounts of natural gas as set forth in the respective contracts.

### **b. Financed public work contracts**

As of June 30, 2024, CFE has entered into several financed public work contracts and the payment commitments will begin on the dates on which the private investors complete the construction of each of the investment projects and deliver the related assets to CFE for their operation. The estimated amounts of the financed public work contracts and the estimated dates of construction completion and startup of operations are shown in the table below:

#### **Transmission lines and substations:**

Capacity		Estimated amount of the contract expressed in millions of:	
Kmc	MVA	Dollars	Mexican pesos
198.30	1,180	130.3	2,375

#### **Generation:**

Capacity	Estimated amount of the contract expressed in millions of:	
MVA	Dollars	Mexican pesos
913	1,038	18,912

## Renovation and/or modernization

Estimated amount of the contract expressed in millions of:	
Dollars	Mexican pesos
380	6,924

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

## c. Trusts

### Infrastructure investment trust

On February 7, 2018, CFE placed an issue for the first Energy and Infrastructure Investment Trust or Fibra E, (Fiduciary Stock Certificates [CBFEs] for investment in energy and infrastructure) through the Mexican Stock Exchange. The total placement was for a total amount of \$16,388 million pesos and it is the first Fibra E in which domestic and foreign investors participated, highlighting the participation of institutional investors, private banks and investment funds from Mexico, United States, Canada, Australia and Europe.

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

A detailed description of the activities of each of these Trusts and CFE Capital Trusts is as follows:

### Promoted Trust

The irrevocable Trust of Administration and Source of Payment No. 80757 was incorporated on January 22, 2018 to acquire the collection rights derived from the Agreement for the Technical and Commercial Operation of Electricity Transmission entered into with the National Energy Control Center (CENACE, Spanish acronym) on March 28, 2016.

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

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

The main activities of the Promoted Trust include:

1. Receiving, managing, and maintaining the contributed collection rights;
2. Opening, managing, and maintaining fiduciary bank accounts;
3. Making the transfers and payments established in the trust agreement;
4. Evaluating any reimbursements of unbudgeted expenditures requested by CFE Transmission;
5. Receiving payments made against the collection rights and any other rights derived from the agreement with CENACE;
6. Exercising any other rights arising from the agreement with CENACE;
7. Complying with the instructions provided by the Trustor, the Technical Committee, or the beneficiaries to the extent that they are authorized to do so in accordance with the terms of the trust agreement.

#### Issuing Trust (Fibra E)

The Fibra E trust entered into by CI Banco, S. A., Institucion de Banca Multiple, Monex Casa de Bolsa, S.A. de C.V. and Monex Grupo Financiero (FIBRA E) was created on January 22, 2018, as a trust for the issuance of Fiduciary Stock Certificates (CBFEs).

The primary purpose of the Trust is to invest in eligible entities, whose exclusive activity consists of:

1. Investing in assets and projects related to Generation, Transmission and Distribution of Electricity, and Infrastructure Projects.
2. Investing in or performing any other activity provided for in the FIBRA E tax regulations, as well as in Rule 3.21.3.9. of the Miscellaneous Tax Resolutions or any other tax law that replaces such.

The initial asset of the Trust consists of Beneficiary Rights that have an economic ownership interest in the Promoted Trust.

#### CFE Capital

The primary purpose of this entity is to manage all types of trusts and their property, including the Fibra E and the Promoted energy and infrastructure investment trusts created in conformity with current tax legislation, including but not limited to, all the activities and acts deemed necessary or suitable for such purpose, and to provide all types of administration, operation, development and regulatory compliance services.

#### Master Investment Trust CIB/3602 FMI

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

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

#### Clean Energy Trust 10670

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

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

#### Trust for Conventional Generation Projects 10673

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

### Trust Banco Azteca 1320

On April 28, 2022, the CFE formalized with Banco Azteca S.A., Trust number 1320 the primary objective is to promote investment projects and celebrate contracts complying with the instructions provided by the Technical Committee.

### Revocable Trust for Administration, Investment and Source of Payment Number F/9485

On July 26, 2022, the CFE formalized with Banco Monex, S.A., Institución De Banca Múltiple, Monex Grupo Financiero, Trust number 9485, the primary objective is the payment of financing, celebration of commercial commissions and celebration of service contracts agreements and/or documents in general that are necessary for the acquisition of goods and/or contracting of services required for the operation of the Investment Projects; in accordance with the instructions received by the Technical Committee.

### Other trusts

#### 1 Scope of action

1.1. CFE currently participates as Trustor or Beneficiary in 9 (nine) Trust Funds, of which 3 (three) are in the process of termination.

1.2. In conformity with its purpose and operating characteristics, the trust funds can be classified in the following groups:

- a. Energy saving
- b. Prior expenses
- c. Construction Works contract management
- d. Indirect participation trust funds

#### **a. Energy saving**

Trust funds to promote energy saving programs.

Trust fund	Role of CFE		
	Trustor	Trustee	Trust Beneficiary
Trust Fund for Energy Savings (FIDE), created on August 14, 1990	Creation of Trust: Confederación de Cámaras Industriales (CONCAMIN), Cámara Nacional de la Industria de Transformación (CANACINTRA), Cámara Nacional de Manufacturas Eléctricas (CANAME), Cámara Nacional de la Industria de la Construcción (CNIC), Cámara Nacional de Empresas de Consultoría (CNEC) and Sindicato Único de Trabajadores Electricistas de la República (SUTERM)	Nacional Financiera, S.N.C.	<p><b>a.</b> Electric energy consumers who are beneficiaries of the services rendered by the Trust fund.</p> <p><b>b.</b> CFE, only for the materials that will form part of the public energy services infrastructure.</p>

Trust fund	Role of CFE		
	Trustor	Trustee	Trust Beneficiary
Mexicali Housing Thermal Isolation Trust (FIPATERM), created on October 19, 1990	CFE Suministro Básico	Banco Nacional de Obras y Servicios Públicos, S.N.C.	CFE

As of June 30, 2024, and as of December 31, 2023, the Housing Thermal Isolation Program (FIPATERM) Trust has assets of \$2,045,576 y \$1,977,316 and liabilities of \$119,755 y \$112,898, respectively.

#### b. Prior expenses

Those created for financing and covering expenses prior to the execution of projects which are subsequently recovered and charged to the entity that incurred in such expense to comply with the regulations applicable to the type of project.

Trust fund	Role of CFE			Type of project
	Trustor	Trust Beneficiary	Trustee	
CPTT prepaid expense management, created on August 11, 2003	CFE	CFE	Banco Nacional de Comercio Exterior, S.N.C.	Direct investment

Through an extraordinary session held on August 2, 2023, members of the Prior Expenses Management Trust (FAGP) committee approved the termination of the Trust; as part of this closure on August 4, 2023, the contracted credits that the Trust had in force were settled as of June 30, 2024, this Trust does not present balances in its Statement of Financial Position.

The agreement of extinction is currently being drafted.

Trust fund	Role of CFE			Type of project
	Trustor	Trust Beneficiary	Trustee	
Management and transfer of ownership 2030, created on September 30, 2000	CFE	<b>Primary beneficiary:</b> Contract winners <b>Second beneficiary:</b> CFE	Banobras, S.N.C.	Conditioned investment

As of June 30, 2024, and as of December 31, 2023, the Administration and Transfer of Ownership Trust 2030 has assets of \$652,520 and \$618,834, respectively.

#### c. Construction Works contract management

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

- Turnkey Projects (1990)
- Building, Leasing and Transferring Projects (1996)

**Turnkey Projects.** Under this scheme, works were carried out for the construction of power generation plants and installation of transmission lines, through an irrevocable management and transfer of ownership trust, linked to a lease agreement. Under this modality, the trustee is responsible for the following:

Contracting credits, managing the trust property (assets), receiving the lease payments from CFE, and transferring the asset at no cost to CFE after the leases have been paid in an amount sufficient to pay the contracted credits.

CFE participates in the payment of the leases to the trustee, based on the credits contracted by the trust, instructing the trustee to pay the contractors receiving, in exchange, invoices approved by the construction area, payment of taxes and other charges, including trustee fees.

The trusts for managing and transferring ownership were carried out in accordance with the Guidelines for the performance of thermoelectric projects with off-budget funds, as well as with the Guidelines for the performance of transmission lines and substations with off-budget funds issued by the Ministry of Public Administration (formerly known as the Ministry of Comptrollership and Administrative Development).

The Trust shown below has completed its payment commitments; therefore, it is in process of termination by EPS Generacion III.

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Topolobampo II (Electrolyser, S. A. de C. V.), created on November 14, 1991	Bufete Industrial Construcciones, S. A. de C. V. and Electrolyser, S. A. de C. V., with respect to its contribution to the Trust	<b>Primary beneficiary:</b> Electrolyser, S. A. de C. V., with respect to its contribution to the Trust and <b>Second beneficiary:</b> CFE	Santander, S. A.

**Building, Leasing and Transferring Projects (“CAT”, Spanish acronym).** The transition stage to carry out the CAT trusts began in 1996, whereby the trustee manages the trust property (assets) and transfers it to CFE after the lease payments have been covered. Credits are contracted directly with a consortium that is a special purpose entity, for which there is an irrevocable management and transfer of ownership trust contract.

In these types of trusts, CFE participates in making the lease payments based on quarterly amortization tables presented by the consortiums in their bids. Most of these tables include forty quarterly payments.

The only project under this mode that has settled its financial obligations and is in the process of termination is the CC Samalayuca II project; therefore, it is in the process of being terminated by EPS Generacion IV.

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
C.T. Samalayuca II, created on May 2, 1996	Compañía Samalayuca II, S.A. de C.V.	<b>Primary beneficiary:</b> The foreign bank that is the common representative of the creditors; <b>Second beneficiary:</b> Compañía Samalayuca II, S.A. de C.V. <b>Third beneficiary:</b> CFE	Banco Nacional de México, S. A.

As of June 30, 2024, and as of December 31, 2023, CFE has fixed assets amounting to \$21,995,856 respectively, related to the CAT trusts referred to above.

Coal Terminal of the Thermoelectric Power Station Presidente Plutarco Elias Calles:

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Coal Terminal of the Thermoelectric Power Station Presidente Plutarco Elias Calles (Petacalco) was created on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and Techint Compagnia Tecnica Internazionale S.P.A.	<b>Primary beneficiary:</b> Carbonser, S.A. de C.V <b>Second beneficiary:</b> CFE	Banco Nacional de México, S. A. (Banamex)

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

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

Facility	Fixed charge for capacity for Jan-Jun 2024
Petacalco Coal	\$53,457

#### d. Indirect participation trust funds

Additionally, CFE maintains an indirect relationship since it is not a Trustor, but it participates as a beneficiary in two guarantee and loan payment Trusts, created by Financial Institutions as Trustors and Trust Beneficiaries for the issue of securities linked to credits granted to CFE. CFE is named as Second Beneficiary of the Trust, due to the specific possibility that it may acquire some of the certificates issued and it maintains representation in its Technical Committees in conformity with the contractual provisions.

CFE is required to reimburse to the Trust in the terms of the "Indemnity Contract" that forms part of the Trust Contract, the expenses incurred by the Trust for the issue of securities and their management.

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Trust No. 232246 created on November 3, 2006	Banco Nacional de Mexico, S.A., a member entity of Grupo Financiero Banamex	<b>Primary beneficiary:</b> Each of the preferred holders of each issue. <b>Second beneficiary:</b> CFE	HSBC México, S.A., Grupo Financiero HSBC
Trust No. 411 created on August 6, 2009	Banco Nacional de Mexico, S.A., a member entity of Grupo Financiero Banamex	<b>Primary beneficiary:</b> Each of the preferred holders of each issue. <b>Second beneficiary:</b> CFE	Banamex

As of June 30, 2024, and as of December 31, 2023, available funds in trust No. 232246 amount to \$8,821.

## 2 Legal nature

2.1 In conformity with the Federal Public Administration Act, none of the trusts are considered Public Trusts with the status of an "entity", pursuant to the following:

- a. In 6 of the Trusts, CFE is not a Trustor in their creation.
- b. The 4 remaining trusts do not have an organic structure similar to the state-owned entities that comprise them as "entities" in terms of the Law.

2.2 The SHCP has maintained a record for purposes of the Federal Budget and Financial Responsibility Law, of 4 (four) of the Trusts, due to the allocation of federal funds or the contribution of land owned by CFE where the works will be carried out.

Registration of Trusts with SHCP		
No.	Trusts	Record
1	Mexicali Housing Thermal Isolation Trust (FIPATERM)	700018TOQ058
2	Prior Expense Trust	200318TOQ01345
3	Trust Management and Transfer of Ownership 2030	200318TOQ01050
4	Trust for Power Savings (FIDE)	700018TOQ149

## 18. Equity

### Contributions from the Federal Government

For the 6-month period ended June 30, 2024, CFE received patrimonial contributions for \$13,083,777 from the Federal Government. The resources for Strengthening the Finances of the Comisión Federal de Electricidad (CFE) and its Subsidiary Productive Companies that have been provided for in the Expenditure Budget of the Federation for fiscal year 2024.



## 19. Segment information

### Information regarding the operating segments

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

### Information by type of services:

<b>Income</b>	<b>June 30,2024</b>	<b>June 30,2023</b>
Domestic services	\$ 51,985,497	48,016,066
Commercial services	29,395,457	27,749,512
Services	7,215,049	7,203,113
Agricultural services	6,424,686	5,939,481
Industrial services	144,208,152	138,212,203
<b>Total sales</b>	<b>239,228,841</b>	<b>227,120,375</b>
Block for resale	24,449	715,071
<b>Total electricity supply revenue</b>	<b>239,253,290</b>	<b>227,835,446</b>
 Billing process	 308,031	 -
Illegal uses	836,258	717,753
Measurement failure	130,833	911,575
Billing error	69,983	293,054
Total income obtained from other programs	1,345,106	1,922,382
<b>Total revenue from the sale of electricity</b>	<b>\$ 240,598,395</b>	<b>229,757,828</b>

## 20. Standards issued not yet in force.

a) Following are listed the recent changes to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), which became effective as of January 1, 2024:

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

The amendment specifies the requirements to classify liabilities as current or non-current. IAS 1 indicates that a current liability is the liability where there is no right to defer the settlement during the following twelve months. The amendments become effective on January 1, 2024 and they must be applied retroactively.

### *-Leasehold liabilities in a sale operation with upsell lease (Amendment NIIF 16)*

The amendments to IAS 16 establishes the subsequently measure requirements for sales operation with upsell leasehold. The amendments become effective on January 1, 2024

### *-Suppliers financing agreements (Amendments IAS 7 and IFRS 7)*

The amendment to IAS 7 and NIIF 7 establishes the disclosure agreements for loans and suppliers financing. The amendments become effective on January 1, 2024

*-Asset sale in a joint business or related investors (Amendments to IFRS 10 and IASB 28)*

The amendment to IAS 28 and IFRS 10 establishes the recognition of lost of control over the subsidiaries realated of profits or losses that are not envolved to the business activity. There is no any specific date to this amendment become effective but it can be early applied.

*-Presentation and disclosures in the financial statements (IFRS 18)*

Amendments to IFRS 18 have the purpose to improve three new requirements to support the amounts and disclosures in the financial statement to provide a better basis for decision-making to investors.

Improved comparability of the income statement - there is currently no specific structure for the income statement. Companies choose which subtotals to include. Often companies report an operating profit or loss, but the way it is calculated varies from company to company, reducing comparability. IFRS 18 introduces three defined categories of income and expense (operating, investing and financing) to improve the structure of the income statement, and requires all companies to present new defined subtotals, including operating profit or loss. The improved structure and new subtotals will provide investors with a consistent starting point for analyzing company performance and facilitate comparisons between companies.

Increased transparency of management-defined performance metrics - many companies provide company-specific metrics, often referred to as alternative performance metrics. Investors find this information useful. However, most companies do not provide sufficient information for investors to understand how these measures are calculated and how they relate to subtotals in the income statement. As a result, IFRS 18 requires companies to disclose explanations of company-specific measures related to the income statement, called management-defined performance measures. The new requirements will improve the discipline and transparency of these management-defined performance measures and, if the financial statements are subject to audit, these measures will also be subject to audit.

A more useful grouping of information in the financial statements - investors' analysis of company performance is hampered if the information disclosed by companies is too summarized or too detailed. IFRS 18 sets out more detailed guidance on how to organize the information and whether it should be provided in the main financial statements<sup>2</sup> or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires companies to be more transparent about operating expenses, to help investors find and understand the information they need.

*-General Requirements for Disclosure of Sustainability (IFRS S1 and IFRS S2)*

In March 2022, the International Sustainability Standards Board (ISSB) published its global sustainability reporting standards: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, these standards require companies to disclose information about their sustainability-related risks and opportunities to investors, lenders, and other creditors. The amendments become effective on January 1, 2024.

The amendment to IFRS S1 establishes the general requirements for entities to disclose sustainability information that impacts investors and the market. The disclosed information must include identified risks and opportunities related to the financial situation, cash flow, and financial returns. IFRS S1 mandates that the information be clear, comprehensible, consistent, and comparable over time and across entities.

On the other hand, IFRS S2 specifically addresses climate-related disclosures. This standard mandates that entities provide comprehensive information on how climate change impacts their strategy, business model, and financial position. Disclosures required under IFRS S2 include details on greenhouse gas emissions, climate risk management, and the climate-related goals and objectives set by the entity.

IFRS 18 is effective for annual accounting periods beginning on or after January 1, 2027.

As of June 30, 2024, these amendments have had no impact on the Company's condensed consolidated financial statements.

## **21. Issuance of the consolidated financial information**

The consolidated financial statements and notes will be approved by the Board of Directors. The Board of Directors has the power to amend the accompanying consolidated financial information.

**COMISIÓN FEDERAL DE ELECTRICIDAD,  
PRODUCTIVE STATE ENTERPRISE AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023 AND 2022**

**(WITH THE INDEPENDENT AUDITORS' REPORT)**

**COMISIÓN FEDERAL DE ELECTRICIDAD,  
PRODUCTIVE STATE ENTERPRISE AND SUBSIDIARIES**

**INDEPENDENT AUDITORS' REPORT  
AND CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2023 AND 2022**

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## INDEPENDENT AUDITORS' REPORT

### Board of Directors

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

### Opinion

We have audited the consolidated financial statements of Comisión Federal de Electricidad, Productive State Enterprise and Subsidiaries (CFE or "the Group"), which comprise the consolidated statement of financial position as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, as well as the notes to the consolidated financial statements that include material information on accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Comisión Federal de Electricidad, Productive State Enterprise and Subsidiaries**, as of December 31, 2023 and 2022, and its consolidated results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the Professional Ethics Code of the Instituto Mexicano de Contadores Públicos, A.C. (the Mexican Institute of Public Accountants), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(Continued)

***Impairment Testing of Power Generation Plants.***

Based on the requirements established by International Financial Reporting Standards, the Group is required to perform impairment tests only when such indications exist. During the year, a series of impairment indicators in the long-lived assets which comprise the totality of the assets of each one of the Power Generation Plants of the Group have emerged. With the support of external experts, the Group carried out a study with the purpose of reviewing the cash flows of the financial models that were used to determine the fair value of the long-lived assets of CFE as of December 2023 and performed an analysis of the discount rate. The impairment exists when the carrying value of an asset or of a cash-generating unit exceeds their recoverable value, which is the greater between the fair value minus the sales costs and the usage value. The impairment study of the Power Generation Plants was complex and involved significant judgment from Management to estimate the universe to value, the discount rate and the expected cash flow projections.

*Our audit procedures to cover this matter were:*

We obtained an understanding and we assessed the significant judgements made by Management and external specialists, we reviewed the source of information of the financial models and performed recalculations. In addition, we assessed the reasonableness of the discount rate applied, the useful life of the assets and the disclosures in the consolidated financial statements. We also involved our specialists to participate in the assessment of the significant assumptions and the methodology used by the Group.

***Estimation for Expected Credit Losses***

The Group estimates expected credit losses taking into account the probability of default, the severity of the loss and macroeconomic events. The estimation of provisions involves significant judgement and technical difficulty; these assessments are based on automated processes that incorporate large databases linked to complex estimation models.

*Our audit procedures to cover this matter were:*

We held discussions with Management regarding the assumptions, we assessed the relevant controls linked to the estimation processes, we reviewed the integrity of the database and the aging of the receivables portfolio; we verified the probability of default calculation with the roll rates methodology, the methodology used to calculate the severity of the loss and the macroeconomic and historical information.

**Other Information**

Management is responsible for the “other information”. The other information comprises the Annual Report corresponding to the annual period ended on December 31, 2023, that shall be filed to the National Banking and Securities Commission and the Mexican Stock Exchange (Annual Report), but does not include the consolidated financial statements and our auditors’ report thereon. It is estimated that the Annual Report will be available to us after the date of this independent auditors’ report.

(Continued)

Our opinion on the consolidated financial statements does not cover the “other information” and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it is available and, in doing so, consider whether the “other information” is materially inconsistent with the consolidated financial statements or with our knowledge obtained in the audit, or whether it appears to be materially misstated.

If when reading the Annual Report, we conclude that there is a material misstatement in the “other information”, we are required to report that fact to those charged with governance of the Group.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as Management determined was necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

### **Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, we design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(Continued)



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate to those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement expressing that we have complied with relevant ethical requirements regarding independence, and we have communicated them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

(Continued)

From the matters communicated to those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**GOSSLER, S. C.**



Víctor Manuel González Cano  
Partner

Mexico City, March 18, 2024.

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

Consolidated statements of financial position

As of December 31, 2023 and 2022

(Thousands of pesos)

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

Assets	2023	2022	Liabilities and equity	2023	2022
Current assets:			Current liabilities:		
Cash and cash equivalents (note 6)	\$ 67,487,561	56,759,212	Short-term maturities of:		
Accounts receivable, net (note 7)	99,065,943	132,959,505	Short-term debt (note 13)	\$ 100,709,305	95,148,044
Inventory of materials for operation, net (note 8)	26,368,237	18,214,461	Lease liabilities (note 14)	26,939,919	26,436,648
Total current assets	192,921,741	207,933,178	Derivative financial instruments (note 11)	19,134,064	18,483,899
Loans to employees	23,778,504	19,521,739	Other payables and accrued liabilities (note 15)	136,852,638	142,319,045
Plants, facilities and equipment, net (note 9)	1,491,858,464	1,449,933,668	Income tax (note 18)	13,516,947	7,268,795
Right-of-use assets, net (note 10)	475,740,387	509,923,272	Total current liabilities	297,152,873	289,656,431
Derivative financial instruments (note 11)	1,395,816	9,072,051	Non-current liabilities:		
Intangibles and other assets (note 12)	43,639,911	45,979,507	Long-term debt (note 13)	311,236,845	355,352,580
Deferred tax assets (note 18)	95,675,192	101,461,322	Lease liabilities (note 14)	500,660,140	598,279,709
			Other long-term liabilities (note 16)	33,009,411	31,978,389
			Employees benefits (note 17)	424,388,155	431,248,794
			Total non-current liabilities	1,269,294,551	1,416,859,472
			Total liabilities	1,566,447,424	1,706,515,903
			Equity (note 19):		
			Contributions received from the Federal Government	10,005,251	5,251
			Contributions in kind received from the Federal Government	95,111,382	95,111,382
			Retained earnings	40,688,311	(56,529,227)
			Other comprehensive income (note 19)	594,740,741	577,108,649
			Total equity holders of the parent	740,545,685	615,696,055
			Non-controlling interests	18,016,906	21,612,779
			Contingencies and commitments (note 22)		
	\$ 2,325,010,015	2,343,824,737		\$ 2,325,010,015	2,343,824,737

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

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

Consolidated statements of comprehensive income

Years ended December 31, 2023 and 2022

(Thousands of pesos)

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

	<b>2023</b>	<b>2022</b>
Revenues:		
Electricity supply service revenue (note 23)	\$ 490,756,145	\$ 442,544,475
Subsidy income	76,624,800	82,186,721
Third party fuel revenue	18,380,263	37,826,342
Freight revenue	13,392,449	18,513,419
Other income, net	40,690,370	39,776,767
Total revenue	<b>639,844,027</b>	<b>620,847,724</b>
Costs:		
Energy and other fuel supplies	216,039,146	305,791,314
Energy and other fuel supplies - Third party	21,338,933	43,833,135
Salaries and related costs	84,807,572	74,912,560
Maintenance, materials and general services	33,257,607	26,762,417
Taxes and duties	4,582,913	2,656,843
Wholesale Electricity Market costs (WEM)	2,648,163	3,006,255
Employee benefits costs	49,122,891	38,173,003
Depreciation	77,369,702	74,956,852
Other expenses (note 24)	24,416,811	41,685,529
Total costs	<b>513,583,738</b>	<b>611,777,908</b>
Operating results	<b>126,260,289</b>	<b>9,069,816</b>
Comprehensive financing result, net:		
Interest expense	41,431,274	39,261,680
Finance expenses, net	37,996,272	20,861,172
Foreign exchange gain, net	(73,851,971)	(42,471,483)
Total comprehensive financing results, net	<b>5,575,575</b>	<b>17,651,369</b>
Income (loss) before income tax	<b>120,684,714</b>	<b>(8,581,553)</b>
Income tax (note 18)	24,492,839	7,085,143
Net income (loss)	<b>\$ 96,191,875</b>	<b>\$ (15,666,696)</b>
Net loss attributable to:		
Controlling interests	97,217,538	(20,365,831)
Non-controlling interests	(1,025,663)	4,699,135
	96,191,875	(15,666,696)
Other comprehensive income (note 19):	17,632,092	(44,921,620)
Comprehensive income (loss)	<b>\$ 113,823,967</b>	<b>\$ (60,588,316)</b>

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

**Comision Federal de Electricidad**  
**Productive State Enterprise and Subsidiaries**

Consolidated statements of changes in equity  
For the years ended December 31, 2023 and 2022

(Thousands of pesos)

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

	Contributions received from the Federal Government	Contributions in kind from the Federal Government	Accumulated results	Other comprehensive income (loss)	Total equity holders of the parent	Total equity non-controlling interest	Total
<b>Balances at December 31, 2021</b>	\$ 5,251	95,111,382	(36,163,396)	622,030,269	680,983,506	19,707,988	700,691,494
Comprehensive income of the period	-	-	(20,365,831)	(44,921,620)	(65,287,451)	4,699,135	(60,588,316)
Issue of shares (Fibra E)	-	-	-	-	-	(1,652,460)	(1,652,460)
Dividend decree (Fibra E)	-	-	-	-	-	(1,141,884)	(1,141,884)
<b>Balances at December 31, 2022</b>	<u>\$ 5,251</u>	<u>95,111,382</u>	<u>(56,529,227)</u>	<u>577,108,649</u>	<u>615,696,055</u>	<u>21,612,779</u>	<u>637,308,834</u>
Comprehensive income of the period	-	-	97,217,538	17,632,092	114,849,630	(1,025,663)	113,823,967
Federal Government contributions	10,000,000	-	-	-	10,000,000	-	10,000,000
Patrimony refund (Fibra E)	-	-	-	-	-	(1,553,941)	(1,553,941)
Dividend decree (Fibra E)	-	-	-	-	-	(1,016,269)	(1,016,269)
<b>Balances at December 31, 2023</b>	<u>\$ 10,005,251</u>	<u>95,111,382</u>	<u>40,688,311</u>	<u>594,740,741</u>	<u>740,545,685</u>	<u>18,016,906</u>	<u>758,562,591</u>

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

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

Consolidated statements of cash flows

For the years ended 31 December 2023 and 2022

(Thousands of pesos)

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

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Net income (loss)	\$ 96,191,875	(15,666,696)
Operating activities:		
Employee benefits costs	49,122,891	38,448,904
Increase in provisions of deferred and current income tax	24,492,839	7,085,143
Investing activities:		
Depreciation and right-of-use assets and impairment of plants, facilities and equipment	77,369,702	74,956,852
Disposal of plants, facilities and equipment	4,623,942	8,970,774
Foreign exchange loss, interest expense and changes in financial derivative instruments fair value of financial instruments	6,189,736	47,815,441
Changes in operating assets and liabilities:		
Accounts receivable and loans to employees	29,636,797	(24,635,458)
Inventory of materials of operation	(8,153,776)	(4,194,923)
Other assets	2,339,596	1,993,896
Other payables and accrued liabilities	(16,688,282)	29,771,387
Payments to employees benefits	(52,536,049)	(48,957,327)
Disposition of plan assets	-	20,178,868
Net cash flows from operating activities	<u>212,589,271</u>	<u>135,766,861</u>
Cash flows from investing activities:		
Acquisition of plants, facilities and equipment	<u>(95,117,994)</u>	<u>(129,212,592)</u>
Net cash flows from financing activities	<u>117,471,277</u>	<u>6,554,269</u>
Net cash flows from financing activities		
Proceeds from debt	208,238,641	191,236,617
Dividend decree and patrimony refund Fibra E	(2,570,210)	(2,794,344)
Federal Government contributions	10,000,000	-
Payment of debt	(210,540,504)	(118,487,520)
Interest paid	(41,431,274)	(39,261,680)
Payment of lease obligations	(46,269,658)	(50,544,701)
Payments of financial instruments	(51,440,147)	(20,232,445)
Collections from financial instruments	<u>27,270,224</u>	<u>13,088,822</u>
Net cash flow from financing activities	<u>(106,742,928)</u>	<u>(26,995,251)</u>
Net increase (loss) in cash and cash equivalents	10,728,349	(20,440,982)
Cash and cash equivalents:		
At beginning of period	<u>56,759,212</u>	<u>77,200,194</u>
At end of period	<u>\$ 67,487,561</u>	<u>\$ 56,759,212</u>

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

**Comision Federal de Electricidad,  
Productive State Enterprise and Subsidiaries  
Notes to the consolidated financial statements  
As of December 31, 2023 and 2022**

(Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

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**1. Incorporation, business purpose and relevant events for the Comision Federal de Electricidad**

- **Incorporation and business purpose**

Comision Federal de Electricidad, Productive State Enterprise, its subsidiaries, affiliates and trusts (CFE or The Enterprise) is a Mexican entity that was incorporated by Decree as a Decentralized Public Entity of the Federal Government on August 14, 1937 and published in the Official Gazette (DOF Spanish acronym) on August 24, 1937. The consolidated financial statements accompanying these notes include Comision Federal de Electricidad, Productive State Enterprise (as the ultimate controlling entity of the economic group to which it belongs) and its subsidiaries, affiliates and trusts over which it exercises control (see note 3(a)).

The Comision Federal de Electricidad Law (CFE Law) was published on August 11, 2014 and became effective on October 7, 2014. The CFE Law mandated the transformation of CFE into a Productive State Enterprise.

CFE's business purpose is to provide public transmission and distribution of electricity services on behalf of the Mexican State. CFE also engages in activities related to the generation and commercialization of electricity, as well as activities related to the import, export, transportation, storage and trading of natural gas, among others.

- **Relevant Events**

- i. **Climate emergency**

On October 24, 2023, hurricane "Otis" struck the Pacific coast, causing damage to electrical substations. In response to the climate emergency, CFE incurred expenses for equipment purchases, infrastructure restoration, supply and installation of fiber optics, maneuvers, personnel displacement, among other necessities, which represented an approximate cost of \$3,465 million pesos.

- ii. **Asset reorganization**

On January 1, 2024, the Federal Income Law came into force, which according to its Twenty-Sixth Transitory Article, it mentions the validity of the Terms for the Reassignment of Assets and Contracts:

"Property transfer operations, rights and obligations carried out by the State's productive companies in accordance with the terms for the reallocation of assets and contracts published in the Official Gazette of the Federation on November 25, 2019, to reorganize their subsidiary productive companies and affiliated companies, do not constitute a disposal for tax purposes. Since, it is an internal redistribution of an administrative nature that is an integral part of the process of creation and organization such companies. These actions must maintain the same legal effects granted to the original assignment of said assets".

These effects will be reflected in 2024, in coordination with the entry into force of the General Income Law."

***iii. Revaluation and/or possible signs of impairment of plants, facilities and equipment***

In accordance with International Financial Reporting Standards, the Enterprise conducts assessments every 5 years and/or upon the occurrence of changes in external and internal factors. Significant among these are shifts in the market, legal landscape, economics, and technological advancements, along with fluctuations in interest rates, market performance metrics, obsolescence, physical impairment, and inflation. These evaluations aim to ensure that the recorded book value closely aligns with fair values calculated at the reporting period's conclusion, mitigating material discrepancies.

Pursuant to the constant variations in exchange rates and interest rates, the Enterprise performed a fair value study of the plants, facilities, and equipment due to the ongoing fluctuations in interest rates and currency rates. As a result, a net impairment of \$12,267,070 in 2022 and \$724,952 in 2023 was recognized by the Enterprise. There has been an impact on results as of December 31, 2023 and 2022, of (\$468,463) and (\$4,834,347), respectively. In 2023 and 2022, the amounts in Other Comprehensive Income were (\$256,489) and (\$7,432,723), respectively.

***iv. Stabilization of fuel prices***

Due to Russia's position as one of the world's top producers of coal, gas, and crude oil, the price of these resources increased as a result of the war between Russia and Ukraine in 2022. This situation had an impact on a number of industries, most notably the electrical sector.

Plants that use coal, natural gas, diesel, and fuel oil have now lower production costs that prices have stabilized in 2023. The average natural gas price index at year's end was 49 pesos/GJ (Gigajoules), compared to 125 pesos/GJ in 2022.

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

**a) Basis of accounting**

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

**b) Basis of preparation**

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

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

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



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

The following disclosure addresses only those estimates that are considered significant based on the degree of uncertainty and the likelihood of a material impact if a different estimate were used. There are many other areas in which estimates are used regarding uncertain matters, but in which the reasonably likely effect of using different estimates is not material with respect to the financial presentation for these areas.

**d) Judgments and estimates use.**

In preparing these consolidated financial statements, estimates have been made for certain items, some of which are highly uncertain, and their estimation involves judgments made based on the information available.

The following discussion includes some of the matters that could materially affect the consolidated financial statements if (1) *the estimates that are used are different than the ones that could reasonably have been used*, or (2) *the estimates change in the future in response to changes that are likely to occur*.

**1) Judgments**

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 3 a) - Consolidation: whether the Enterprise has de facto control over an investee.
- Note 3 n) - Revenue recognition: whether revenue from unbilled electricity delivered is recognized over time or at a specific moment; and.
- Note 3 i) - Leases: whether an arrangement contains a lease and classification thereof.

**2) Estimates assumptions and uncertainties**

Information about assumptions and estimation uncertainties on December 31, 2023 and 2022 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the notes as follows:

- Note 3 e) - Measurement of the expected credit losses for trade receivables: key assumptions in determining the weighted-average loss rate;
- Notes 3 h) and 9) - Impairment test of property, plant and equipment: key assumptions underlying recoverable amounts, including the recoverability and magnitude of an outflow of economic resources and key assumptions in determining their useful lives;

- Notes 3 j) and 12) - Impairment test of intangible assets and capital gains key assumptions underlying recoverable amounts, including the recoverability and magnitude of an outflow of economic resources and key assumptions in determining their useful lives;
- Note 3 k) and 17) - Measurement of defined benefit obligations: key actuarial assumptions;
- Note 3 l) and 18) - Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized;
- Note 3 m) and 22) - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 3 n) - Revenue recognition: estimate of revenue from unbilled electricity delivered; and

### **3) Measurement of fair values**

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

The Enterprise has an established control with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Enterprise uses observable market data as often as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Enterprise recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

#### **e) Consolidated statements of comprehensive income**

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

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

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

The Enterprise has consistently used the accounting policies listed below in the preparation of the consolidated financial statements that are being presented:

#### **a) Consolidation basis**

The consolidated financial statements include the subsidiaries, affiliates and trusts over which the Enterprise exercises control. The financial statements of the subsidiaries were prepared for the same reporting period and using the same accounting policies as those of the Enterprise. The Enterprise controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and the ability to affect those returns through its power over the entity.

CFE reassesses whether it controls an entity and if facts and circumstances indicate that there are changes in one or more of control elements.

The subsidiaries are consolidated on an item-by-item basis as of the date on which CFE obtained control. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated. Unrealized gains arising from transactions with equity method investees are eliminated proportionally to the Enterprise's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The equity interest in the main subsidiaries (productive subsidiary companies, affiliated entities and trusts), over which CFE retains control as of December 31, 2023 and 2022 is as follow:

### Subsidiary Companies

- CFE Distribución, EPS; CFE Transmisión, EPS; CFE Generación I, EPS; CFE Generación II, EPS; CFE Generación III, EPS; CFE Generación IV, EPS; CFE Generación V, EPS; CFE Generación VI, EPS, and CFE Suministrador de Servicios Básicos, EPS and CFE Telecomunicaciones e Internet Para Todos, EPS.

### Affiliated Entities

- CFE Suministro Calificados, S. A. de C. V., CFE International, LLC., CFenergía, S. A. de C. V., CFE Intermediación de Contratos Legados, S. A. de C. V., and CFE Capital, S. de R. L. de C. V.

The entities listed above were incorporated and their main place of business is in Mexico, except for CFE International LLC, which is located in the United States.

The Enterprise's equity interest in the entities mentioned above is 100%.

### Trust Funds

The trust funds controlled by CFE are as follows:

Trust fund	Role of CFE			Type of project
	Trustor	Trust Beneficiary	Trustee	
Trust Management and Transfer of Ownership 2030	CFE	Primary beneficiary: contract awardees. Second beneficiary: CFE	BANOBRAS, S. N. C.	Conditioned investment
Trust for the establishment of a Revolving Financing Fund for the Housing Thermal Isolation Program of the Valley of Mexicali, B.C.	CFE	CFE	BANOBRAS, S. N. C.	Energy saving
Clean Energy Trust 10670	CFE	CFE	BANCOMEXT, S. N. C.	Clean Energy
Trust for Conventional Generation Projects 10673	CFE	CFE	BANCOMEXT, S. N. C.	Direct investment
Trust 1320	CFE	CFE	Banco Azteca, S.A. Multiple Banking Institution	Investment Project
Master Investment Trust CIB/3602 FMI <sup>(1)</sup>	CFE, CFenergía and CFE Transmission	CFE, CFenergía and CFE Transmission	CIBANCO, S.A. de C.V.	Direct investment
Managment and Investment Revocable Trust F/9485	CFE	Creditors first as trust beneficiary, CFE as second	Banco Monex S.A., Multiple Banking Institution	Investment Project

(1) The Master Trust constituted Sub-Trusts for each Infrastructure Project, which will be the owners of Infrastructure Projects and, in that capacity, will celebrate, among others, contracts by which they grant the use and commercial exploitation of such Infrastructure Projects to the Counterparties as determined in terms of the contract.

The sub-trusts constituted are the following:

- i) Trust Cib/3655 Sub-Trust of the Central Turbo Gas project "Gonzalez Ortega".
- ii) Trust Cib/3765 Sub-Trust of the Central Combined Cycle project "Gonzalez Ortega".
- iii) Trust Cib/3766 Sub-Trust of the Central Combined Cycle project "Rivera Maya/Valladolid".
- iv) Trust Cib/3767 Sub-Trust of the Central Combined Cycle project "Merida".
- v) Trust Cib/3768 Sub-Trust of the Central Combined Cycle project "San Luis Rio Colorado".
- vi) Trust Cib/3769 Sub-Trust of the Central Combined Cycle project "Baja California Sur La Paz".
- vii) Trust Cib/3770 Sub-Trust of the Central Combined Cycle project "Tuxpan Phase One".

### **Non-controlling interest**

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

### **b) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of CFE's companies at the exchange rates effective at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognized in other comprehensive income:

- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

The financial statements of foreign operations are translated into the reporting currency, initially determining whether the functional currency and reporting currency of the foreign operation are different and, subsequently, the functional currency is translated into the reporting currency using the historical exchange rate and/or the closing exchange rate at the end of the year.

Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are valued in local currency at the closing exchange rate prevailing at the date of the consolidated financial statements and at the historical or average exchange rate in profit or loss; exchange differences between the transaction date and the payment or collection date are recognized in profit or loss and presented within finance costs.

**c) Cash and cash equivalents**

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

Cash equivalents include short-term highly liquid investments and are valued at fair value, and the risk of changes in their value is insignificant.

**d) Financial instruments**

**i) Initial recognition and measurement**

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

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

**ii) Classification and subsequent measurement - Financial assets**

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

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

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

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

1. The financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows;
2. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding amount.

All the financial assets not classified as measured at amortized cost or at fair value with changes through other comprehensive income as described above are measured at fair value with changes through profit or loss. This includes all derivative financial instruments (see note 4).

On initial recognition, the Enterprise may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value with changes through other comprehensive income as at fair value with changes through profit or loss if doing so eliminates or significantly reduces a measurement or recognition mismatch that would otherwise arise.

Business model assessment:

The Enterprise makes an assessment of the objective of the business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Enterprise's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, value and timing of sales of financial assets in prior periods, the reasons for such sales and its expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Enterprise's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Enterprise considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Enterprise considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features;
- Terms that limit the Enterprise's claim to cash flows from specified assets (e.g. non-recourse asset features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, if a financial asset is acquired at a discount or premium to its contractual face amount and includes a feature that allows or requires prepayment of an amount substantially representing the contractual face amount plus contractual interest accrued (but not paid, and which may also include reasonable additional compensation for early termination), it is considered consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial Assets - Subsequent measurement and gains and losses:

*Financial assets at fair value through profit or loss*

- These assets are subsequently measured at fair value. Net gains and losses, including any interest income, are recognized in profit or loss. However, for derivatives designated as hedging instruments (see note 11).

*Financial assets at amortized cost*

- These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses:

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest income and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.



**iii) Derecognition**

Financial assets

The Enterprise derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Enterprise neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

Financial liabilities

The Enterprise derecognizes a financial liability when its contractual rights are paid or canceled, or expire. The Enterprise also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In which case, a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**iv) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Enterprise currently has a legally enforceable right to set off the recognized amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

**v) Derivative financial instruments and hedge accounting**

Derivative financial instruments are recognized at fair value in the statement of financial position. The fair value of derivative financial instruments is determined using generally accepted valuation techniques. Consistent with the risk strategy, the Enterprise enters derivative financial instruments contracts to mitigate foreign exchange and interest rate risks, through Interest-Rate Swaps, Cross-Currency Swaps and Foreign Exchange Forwards.

Additionally, in recent years, fuel prices have seen volatility. To reduce price risk the Enterprise has contracted derivative financial instruments on natural gas that seek to reduce volatility. The hedging strategy in the case of natural gas derivatives was designed to mitigate the impact of potential price increases.

The policies include formal documentation of all the transactions between the hedging instrument and the hedged item, the risk management objective, and strategy for undertaking the hedge.

The effectiveness of derivative financial instruments designated as hedges is assessed prior to their designation, as well as over the hedging period, which depends on the features of the hedge. When it is determined that a derivative is not highly effective as a hedge, the Enterprise discontinues hedge accounting prospectively.

The Enterprise discontinues cash flow hedge accounting when the derivative expires, is terminated or exercised, when the derivative is not highly effective in achieving offsetting changes in the fair value or cash flows attributable to the hedged item, or when the Enterprise decides to cancel the hedging designation. The gains or losses recognized in other comprehensive income and accumulated in Equity, remain in Equity and are recognized when the forecast transaction is ultimately recognized in profit or loss.

Under other comprehensive income items, the effective part of changes in the fair value of financial instruments designated as cash flow hedges are reported in equity, while the ineffective part is recorded in results. The effective part of the equity recognized is recycled to the results at the point in the statement where the matching primary position is presented, and it is presented in the same item as the hedged item that influences the result. Hedging policies establish that those derivative financial instruments that do not qualify to be treated as hedges are classified as instruments held for trading purposes, so changes in fair value are immediately recognized in results.

#### ***Fair value of financial instruments***

The Enterprise holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Enterprise designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Enterprise documents the risk management objective and strategy for undertaking the hedge. The Enterprise also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and the hedging instrument are expected to offset each other.

The hedged portion of derivative financial instruments is documented in the Hedge File, which includes assessments of economic relationship criteria designed to identify the relationship between the notional amount of the hedging instrument and the notional amount of the hedged item.

### ***Cash flow hedges***

When a derivative instrument is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Enterprise designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognized in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

For all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss.

### ***e) Impairment in value***

#### ***i) Non-derivative financial assets***

##### ***Financial instruments and contract assets***

The Enterprise recognizes loss allowances for expected credit losses for:

- Financial assets measured at amortized cost;
- Debt investments measured at fair value with changes in other comprehensive income; and
- Contract assets.

The Enterprise also recognizes the loss allowance for expected credit losses from lease receivables, which are disclosed as part of trade receivables and other accounts receivable.

The Enterprise measures the loss allowance at an amount equal to lifetime expected credit losses, except for the those included in the page below, which are measured at an amount equal to 12-month expected credit losses.

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (in other words, the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets and contract assets are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Enterprise considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Enterprise's historical experience and informed credit assessment and including forward-looking information.

The Enterprise assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due.

The Enterprise considers a financial asset to be in default when:

- The borrower is unlikely to pay their credit obligations to the Enterprise in full; or
- The financial asset is more than 90 days past due.

The Enterprise considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

#### Measurement of expected credit losses

Measurement of lifetime ECLs is applied if the credit risk of the financial asset at the reporting date has increased significantly since initial recognition and measurement of 12-month ECLs is applied if the credit risk has not increased. The Enterprise may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date.

However, the measurement of lifetime expected credit losses always applies for trade receivables or contract assets that do not contain a significant financing component. The Enterprise has elected to apply this policy for trade receivables and contract assets with a significant financing component.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses. Additionally, the Enterprise also considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Enterprise's historical experience and informed credit assessment and including forward-looking information.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Enterprise expects to receive).

Expected credit losses are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

At each reporting date, the Enterprise assesses whether financial assets carried at amortized cost and debt securities at fair value through other comprehensive income are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Enterprise considers the following observable data as evidence that a financial asset is credit-impaired:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract such as a default or being more than 90 days past due;
- Restructuring of a loan or advance by the Enterprise on terms that the Enterprise would not consider otherwise;
- It is becoming probable that the debtor will enter bankruptcy or financial reorganization; or
- The disappearance of an active market for financial assets because of financial difficulties.

#### Presentation of allowance for expected credit losses in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

All financial assets not classified as measured at fair value through profit or loss were assessed at each reporting date to determine if there was objective evidence of impairment losses.

### Write-off

The gross carrying amount of a financial asset is written off when the Enterprise has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, The Enterprise has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Enterprise individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Enterprise's procedures for recovery of amounts due.

#### *ii) Non-financial assets*

At each reporting date, the Enterprise reviews the carrying amounts of its financial assets (other than operating materials and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **f) *Finance income and finance costs***

The Enterprise's finance income and finance costs include. Financial income and expenses are integrated by the following:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortized cost or fair value through other comprehensive income;
- interest expense on lease liabilities;
- hedge ineffectiveness recognized in profit or loss; and
- the reclassification of net gains and losses previously recognized in other comprehensive income on cash flow hedges of interest rate risk and foreign currency risk for borrowings.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Enterprise's right to receive payment is established.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

#### ***g) Inventory of operating materials***

Inventory of operating materials is recognized at the lower acquisition cost or net realizable value. The unit costs of the operating materials inventory are calculated using the average cost method.

When required, the Enterprise records provisions to recognize write downs in the value of its inventories due to impairment, obsolescence, low turnover and other circumstances that indicate that the recoverable amounts of inventories are less than their carrying amounts.

#### **h) Plants, facilities and equipment**

##### **i) Recognition and measurement**

Plants, facilities and equipment are initially measured at acquisition cost.

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

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

The borrowing costs incurred in both direct and general financing for construction in progress over a period of more than 6 months are capitalized as part of the cost of the asset.

The cost of the asset also includes estimated costs for dismantling and removal, as well as for restoring the location of such assets, where such an obligation exists, in addition to the purchase price and costs directly attributable to the process of preparing the asset, in terms of physical location and condition so that it can operate in the intended manner..

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

For the measurement at fair value of plants, installations and equipment, the income and expenses (in the case of generation, the Plexus Simulation Model is used), taking into account the capacity of the Power Plants to generate economic benefits through the utilization of the asset in its maximum and best use, by eliminating or incorporating the variable costs that the purchaser of the Power Plants would or would not incur, such as the elimination of legacy contracts and labor obligations of retired workers, and the incorporation of hydraulic concessions, among other variables.

## **ii) Depreciation**

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

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



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

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

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

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

**iii) Property and assets for offices and general services**

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

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

Land is not depreciated.

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

**iv) Subsequent expenditure**

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

**i) Leases**

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

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

As a lessee

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

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

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

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

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

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

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

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

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

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

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

#### Short-term leases and leases of low-value assets

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

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

#### **j) Intangibles and other assets**

Intangible assets acquired separately are recognized at their acquisition cost and we estimate the useful life of each intangible. In those cases, in which there is not defined useful life, we classify them as indefinite intangible assets; the Enterprise mainly has rights of way with indefinite useful life.

The other assets line item is largely comprised of security deposits provided under real estate leases, as well as guarantees provided to third parties under agreements for goods and/or services provided.

**k) Employee benefits**

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

Short-term direct employee benefits

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

Direct employee benefits

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

Pension benefits and other benefits

The Enterprise provides retirement pensions to its employees.

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

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

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

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

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

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

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

#### Defined benefit plans

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

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

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

#### Termination benefits

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

### **l) Income tax**

Income tax expense comprises current and deferred tax.

#### *i) Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

It is measured using tax rates enacted or substantively enacted at the reporting date

Current tax assets and liabilities are offset only if certain criteria are met.

*ii) Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the individual subsidiaries of CFE. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

At the end of each reporting period, the Enterprise reassesses its unrecognized deferred tax assets and records deferred tax assets when it is determined that the Enterprise will have sufficient taxable earnings in the future against which to apply its tax losses.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred taxes are recognized in profit or loss except for the items related to other comprehensive income (OCI).

**m) Provisions and contingent liabilities**

Provisions are recognized when the Enterprise has a present obligation, legal or constructive as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is uncertainty about the timing or amount, but a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are based on the best estimate of the disbursements that would be required to settle the related obligation. Provisions are discounted using a pre-tax rate that reflects the current market conditions at the date of the statement of financial position and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision is recognized as a finance cost.

Provisions for contingent liabilities are recognized only when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

**n) Revenue recognition**

The Enterprise's revenue recognition policies are as follows:

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

**Revenue from subsidies** - revenue from subsidies received from the Ministry of Finance and Public Credit (SHCP acronym in Spanish) it is recognized at a point in time when the subsidies are received by the Enterprise.

**Fuel revenue** - are recognized at a point in time that is the moment fuels are delivered to customers.

**Revenue from energy transport services**- revenue is recognized at a point in time when fuels are delivered to customers.

**Other income** - revenue from the contributions received from customers to connect them to the national transmission and distribution network is recorded in the statement of comprehensive income at a point in time after the Enterprise has completed the customer's connection to the network. Customers have the option to choose either the Enterprise or another company to supply them electricity. Revenues are presented as part of the Other Income caption.

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

In view of the above, the deferred income liability was recognized as Third party contributions in the "Other payables and accrued liabilities".

**o) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

#### 4. Reclassifications.

Some of the figures in the financial statements as of January 1, 2023, have been reclassified for greater understanding. The effects of these reclassifications are shown below:

Statement of Financial Position	Previously reported figures	Reclassification	Reclassified figures
<b>Total asset</b>	<b>\$ 2,343,824,737</b>	<b>-</b>	<b>2,343,824,737</b>
Other payables and accrued liabilities	133,008,866	9,310,179	142,319,045
Total current liabilities	280,346,252	9,310,179	289,656,431
Other long-term liabilities	41,288,568	(9,310,179)	31,978,389
Total non-current liabilities	1,426,169,651	(9,310,179)	1,416,859,472
<b>Total liabilities</b>	<b>1,706,515,903</b>	<b>-</b>	<b>1,706,515,903</b>
<b>Total equity</b>	<b>\$ 637,308,834</b>	<b>-</b>	<b>637,308,834</b>

Balances of other long-term liabilities and other payables and accrued short-term liabilities in the 2022 consolidated financial statements have been reclassified based on their enforceability to align their presentation with the format used in 2023.

#### 5. Financial Instruments - Fair value and risk management

##### Fair values

Set out below are the carrying amounts of financial instruments recognized as of December 31, 2023 and 2022, are included as following



	2023	2022
<b>Financial assets</b>		
Cash and cash equivalents <sup>(2)</sup>	\$ 67,487,561	\$ 56,759,212
Accounts receivable <sup>(2)</sup>	99,065,943	132,959,505
Loans to employees <sup>(2)</sup>	23,778,504	19,521,739
Derivative financial instruments <sup>(1)</sup>	1,395,816	9,072,051

	2023	2022
<b>Financial liabilities</b>		
Short-term debt <sup>(2)</sup>	\$ 100,709,305	\$ 95,148,044
Long-term debt <sup>(2)</sup>	311,236,845	355,352,580
Short-term lease liability <sup>(1)</sup>	26,939,919	26,436,648
Long-term lease liability <sup>(1)</sup>	500,660,140	598,279,709
Derivative financial instruments <sup>(1)</sup>	19,134,064	18,483,899
Suppliers and contractors <sup>(2)</sup>	65,236,192	71,226,692
Deposits from customers and contractors <sup>(2)</sup>	40,959,357	34,270,671

(1) Fair value

(2) Amortized cost

### **Objectives of financial risk management**

The Enterprise's Financial Officer's functions include, among others, implementing strategies, coordinating access to domestic and international financial markets, and monitoring and managing financial risks related to the Enterprise's operations through internal and market risk reports that analyze the degree and magnitude of the Enterprise's exposure to financial risks. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

To mitigate the effect of its debt related risks, the Enterprise uses derivative financial instruments to hedge such risk.

The Treasury Department is bound by the SHCP cash management policies that establish that investments must be made in low-risk short-term instruments. Monthly status reports are issued to the Treasury Investment Committee.

### **Credit risk**

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

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

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

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

The Enterprise's maximum exposure to credit risk for trade receivables by item as of December 31, 2023 and 2022, is as follows:

	<b>2023</b>	<b>2022</b>
Cash count	\$ 44,348,234	\$ 30,549,931
Bad debts	2,040,226	2,002,836
Agreement	1,544,386	1,642,807
Government	22,868,777	18,794,849
<b>Total</b>	<b>\$ 70,801,558</b>	<b>\$ 52,990,424</b>

An analysis of the Enterprise's exposure to credit risk from its trade receivables and contract assets is as follows:

	2023		2022	
	Non credit-impaired	Credit-impaired	Non credit-impaired	Credit-impaired
Other customers:				
History of transactions with the Enterprise	\$ 40,934,614	\$ 70,588,755	\$ 47,183,344	\$ 46,920,567
Total				
Allowance for credit losses	\$ 2,817,365	\$ 67,984,193	\$ 6,832,508	\$ 46,157,916

#### **Comparative information under IAS 39**

An analysis of the credit quality of the trade receivables that were neither past due nor impaired, and the aging of the trade receivables that were past due, but not impaired as of December 31, 2023 and 2022 is as follows:

<b>As of December, 31 2023</b>	<b>Probability of default</b>	<b>Severity of Loss</b>	<b>Gross amount</b>	<b>Estimate</b>	<b>With impaired</b>
Unexpired current	2%	95%	36,120,016	896,765	No
Past due between 1 y 30 days	31%	95%	1,969,561	582,266	No
Past due between 31 y 60 days	44%	95%	1,567,626	657,890	No
Past due between 61 y 90 days	55%	95%	1,277,411	680,444	No
Past due between 91 y 120 days	63%	95%	1,122,889	677,928	Yes
Past due between 121 y 150 days	69%	95%	918,812	613,244	Yes
Past due between 151 y 180 days	75%	95%	799,004	573,917	Yes
Past due between 181 y 210 days	80%	95%	728,736	557,966	Yes
Past due between 211 y 240 days	84%	95%	708,591	572,111	Yes
Past due between 241 y 270 days	88%	95%	602,666	509,967	Yes
Past due between 271 y 300 days	92%	95%	565,772	499,413	Yes
Past due between 301 y 330 days	95%	95%	524,133	479,805	Yes
Past due between 331 y 360 days	98%	95%	543,932	514,682	Yes
Expired +360 days	100%	100%	64,074,220	62,985,160	Yes
<b>Total</b>	<b>\$</b>		<b>111,523,369</b>	<b>70,801,558</b>	

As of December, 31 2022	Probability of default	Severity of Loss	Gross amount	Estimate	With impaired
Unexpired current	\$ 2%	95%	35,401,173	915,933	No
Past due between 1 y 30 days	31%	95%	1,703,531	486,429	No
Past due between 31 y 60 days	44%	95%	1,220,710	492,247	No
Past due between 61 y 90 days	55%	95%	992,461	510,761	No
Past due between 91 y 120 days	63%	95%	907,273	530,783	Yes
Past due between 121 y 150 days	69%	95%	810,546	528,324	Yes
Past due between 151 y 180 days	75%	95%	732,305	516,995	Yes
Past due between 181 y 210 days	80%	95%	666,812	505,479	Yes
Past due between 211 y 240 days	84%	95%	626,042	502,236	Yes
Past due between 241 y 270 days	88%	95%	548,618	462,900	Yes
Past due between 271 y 300 days	92%	95%	503,960	444,503	Yes
Past due between 301 y 330 days	95%	95%	485,216	446,397	Yes
Past due between 331 y 360 days	98%	95%	514,000	489,521	Yes
Expired +360 days	100%	100%	46,920,566	46,157,915	Yes
<b>Total</b>	<b>\$</b>		<b>94,103,909</b>	<b>52,990,423</b>	

Default probabilities and loss severity are determined based on the actual credit loss experience over the past three years. These factors are then multiplied by scaling factors to account for variations in economic conditions during the historical data collection period, current conditions, and the Company's outlook on economic conditions for the expected life of accounts receivable.

The increase in the allowance for losses primarily results from the overall rise in the gross carrying amounts of accounts receivable and contract assets. The increase in both the proportion of customers and the gross carrying amount of accounts more than 90 days past due contributed to the higher estimate for losses. The methodology for calculating PCE remains consistent with that described in the latest annual financial statements.

### Liquidity risk

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

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

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

The following table provides information about the contractual maturities of the Enterprise's financial liabilities based on the payment terms: An analysis of the contractual maturities of the derivative financial instruments is included in notes 13 and 14.

<b>As of December 31, 2023</b>	<b>Less than one year</b>	<b>More than 1 year and less than 3 years</b>	<b>More than 3 years and less than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Documented debt	\$ 39,383,063	35,647,967	36,943,836	153,718,566	265,693,432
Interest payable on documented debt	15,909,805	25,681,013	19,046,492	65,044,398	125,681,708
PIDIREGAS debt	13,095,590	22,752,103	11,134,727	51,039,646	98,022,066
Interest payable on PIDIREGAS debt	6,734,882	10,083,748	7,033,151	22,443,310	46,295,091
Trust investment financing	48,230,652	-	-	-	48,230,652
Lease liabilities	26,939,919	33,669,295	34,802,427	432,188,418	527,600,059
Interest payable on lease liabilities	17,947,885	33,844,320	30,978,507	140,254,532	223,025,244
Suppliers and contractors	65,236,192	-	-	-	65,236,192
Other liabilities	3,825,430	-	-	-	3,825,430
<b>Total</b>	<b>\$ 237,303,418</b>	<b>161,678,446</b>	<b>139,939,140</b>	<b>864,688,870</b>	<b>1,403,609,874</b>

<b>As of December 31, 2022</b>	<b>Less than one year</b>	<b>More than 1 year and less than 3 years</b>	<b>More than 3 years and less than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Documented debt	\$ 18,037,363	\$ 45,507,664	\$ 49,626,924	\$ 155,831,251	\$ 269,003,202
Interest payable on documented debt	15,046,175	26,249,241	20,889,464	73,901,141	136,086,021
PIDIREGAS debt	13,092,226	23,959,893	17,657,017	62,769,831	117,478,967
Interest payable on PIDIREGAS debt	7,073,534	11,635,360	8,072,309	27,344,274	54,125,477
Trust investment financing	64,018,455	-	-	-	64,018,455
Lease liabilities	26,436,648	33,461,866	39,426,164	525,391,679	624,716,357
Interest payable on lease liabilities	20,684,599	39,459,137	36,573,917	175,252,128	271,969,781
Suppliers and contractors	71,226,692	-	-	-	71,226,692
Other liabilities	16,209,112	-	-	-	16,209,112
<b>Total</b>	<b>\$ 251,824,804</b>	<b>\$ 180,273,161</b>	<b>\$ 172,245,795</b>	<b>\$ 1,020,490,304</b>	<b>\$ 1,624,834,064</b>

### **Market risk**

Due to its activities, the Enterprise has exposure to foreign currency and interest rate financial risks as well as fuel price changes.

### **Foreign currency exchange risk management**

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

	<b>Total debt as of December 31, 2023</b> <b>(amounts in millions of pesos)</b>	<b>Total debt as of December 31, 2022</b> <b>(amounts in millions of pesos)</b>
Local currency	\$184,432	\$164,357
Foreign currency	\$225,626	\$283,322
Interest payable	\$ 1,888	\$ 2,821

The Enterprise mainly uses interest rate and currency “swaps” and currency “forward” contracts to manage its exposure to interest rate and foreign currency fluctuations and options to manage the risk of fuel to prices, in accordance with its internal policies.

The carrying amounts of the Enterprise’s foreign currency denominated monetary assets and monetary liabilities at the end of the period are presented in note 20.

### **Foreign currency sensitivity analysis**

The Enterprise is mainly exposed to exchange rate differences between the Mexican peso, the US dollar and the Japanese yen.

The Enterprise's sensitivity analysis considers a 5% increase and decrease in the Mexican peso exchange rate against the other relevant foreign currencies. This 5% is the sensitivity rate used internally when the exchange risk is reported to key management personnel and represents Management's assessment of a reasonably possible change in exchange rates.

The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

The sensitivity analysis includes foreign loans as well as loans from the foreign operations within the Enterprise, where the loan is denominated in a currency other than the currency of the loaner or borrower. A positive figure indicates an increase in profit where the Mexican peso strengthens 5% against the relevant currency. If there is a 5% weakening of the Mexican peso against the relevant currency, there would be a comparable impact on profit, and the balances on the following page would be negative. The sensitivity analysis of the derivative financial instruments is described in note 11.

<b>As of December 31, 2023</b>	<b>Documented</b>		<b>Pidiregas</b>		<b>Total</b>
EUR	\$	144,744	\$	- -	\$ 144,744
USD		7,279,825		2,596,930	9,876,755
<b>Total</b>	<b>\$</b>	<b>7,424,569</b>	<b>\$</b>	<b>2,596,930</b>	<b>\$ 10,021,499</b>

As of December 31, 2023	Documented	Pidiregas	Total
EUR	\$ 99,283	\$ -	\$ 99,283
USD	8,816,604	3,901,715	12,718,319
<b>Total</b>	<b>\$ 8,915,887</b>	<b>\$ 3,901,715</b>	<b>\$ 12,817,602</b>

The sensitivity analysis was estimated based on the fair value of the loans denominated in foreign currency.

Management believes that the impact of the inherent exchange risk is reflected in the electricity rates in the long-term through inflation adjustments and the peso to dollar exchange rate.

### **Interest rate risk management**

The Enterprise is exposed to interest rate risks for loans borrowed at variable interest rates. The Enterprise manages this risk by maintaining an appropriate mix of fixed and variable rate loans and by contracting derivative financial instruments designated as interest rate hedges.

	<b>Total debt as of December 31, 2023 (amounts in millions of pesos)</b>	<b>Total debt as of December 31, 2022 (amounts in millions of pesos)</b>
Fixed rate	\$ 258,985	\$ 302,202
Variable rate	\$ 102,851	\$ 81,966

### **Interest rate sensitivity analysis**

The sensitivity analyses have been determined based on the exposure to interest rates for derivative and non-derivative financial instruments at the end of the reporting period.

For floating-rate liabilities, the analysis is prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. When reporting interest rate risk internally to key management personnel, a 0.50 point increase or decrease is used for the Mexican Weighted Interbank Interest Rate (EIIR or TIIE, Spanish acronym) and a 0.01 point increase or decrease for the LIBOR (London Inter Bank Offered Rate). These changes represent Management's assessment of reasonably possible change in interest rates.

<b><u>2023</u></b>	<b>Documented</b>	<b>Pidiregas</b>	<b>Total</b>
Fixed rate	\$ 221,542,582	\$ 61,924,439	\$ 283,467,021
Variable rate	61,718,278	38,825,153	100,543,431
	<u>\$ 283,260,860</u>	<u>\$ 100,749,592</u>	<u>\$ 384,010,452</u>
<b><u>2022</u></b>	<b>Documented</b>	<b>Pidiregas</b>	<b>Total</b>
Fixed rate	\$ 243,815,930	\$ 72,452,480	\$ 316,268,410
Variable rate	31,446,950	43,750,162	75,197,112
	<u>\$ 275,262,880</u>	<u>\$ 116,202,642</u>	<u>\$ 391,465,522</u>

The sensitivity analysis of the debt without considering the derivative financial instruments was estimated based on the fair value of the loans.

The sensitivity analysis of the derivative financial instruments is described in note 11.

Therefore, the hierarchy level of the Enterprise's *Mark-to-Market* for derivative financial instruments as of December 31, 2023 and 2022 is level 2 due to the following:

- a) Inputs are other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- b) Quoted prices for similar assets or liabilities in active markets.
- c) Inputs other than quoted prices that are observable for the assets or liabilities.

### **Fair value of financial instruments**

#### **Measurement of fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Enterprise has access at that date. The fair value of a liability reflects its non-performance risk.

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

If there is no quoted price in an active market, then the Enterprise uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price the fair value of the consideration given or received. If the Enterprise determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Fair value of financial instruments recognized at amortized cost

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

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>				
Cash and cash equivalents	\$ 67,487,561	\$ 67,487,561	\$ 56,759,212	\$ 56,759,212
Accounts receivable	99,065,943	99,065,943	132,959,505	132,959,505
Loans to employees	23,778,504	23,778,504	19,521,739	19,521,739
<u>Financial liabilities</u>				
Suppliers and contractors	\$ 65,236,192	65,236,192	71,226,692	71,226,692
Lease liabilities	527,600,059	527,600,059	624,716,357	624,716,357
Documented debt	265,693,432	283,260,860	269,003,202	275,262,879
PIDIREGAS debt	98,022,066	100,749,592	117,478,967	116,202,643
Trust investment financing	48,230,653	48,230,653	64,018,455	64,018,455

Valuation techniques and assumptions applied for determining fair value

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

- The fair values of financial assets and financial liabilities with standard terms and conditions that are traded on active liquid markets are determined by references to quoted market prices.
- The fair value of other financial assets and liabilities (excluding derivative financial instruments) is determined in accordance with generally accepted pricing models, which are based on an analysis of discounted cash flows using current transaction prices observable in active markets and quoted prices for similar instruments.
- In conformity with the terms of the ISDA (International Swaps and Derivatives Association) contracts that were entered into, the counterparties or banking institutions are the appraisers, and they calculate and send the Mark-to-Market (which is the monetary valuation of breaking agreed-upon transaction at any given time) on a monthly basis. CFE monitors this value and if there is any doubt or abnormal variance in the market value, CFE requests the counterparty provides a new valuation.

Valuations at fair value recognized in the statement of financial position

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



Fair value measurement as of December 31, 2023				
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Plan assets	\$ -	230,297,990	-	230,297,990
Derivative financial instruments	-	1,395,816	-	1,395,816
<b>Total</b>	<b>\$ -</b>	<b>231,693,806</b>	<b>-</b>	<b>231,693,806</b>
<u>Liabilities</u>				
Derivative financial instruments	-	19,134,064	-	19,134,064
Debt	\$ 125,094,393	-	286,851,757	411,946,150
<b>Total</b>	<b>\$ 125,094,393</b>	<b>19,134,064</b>	<b>286,851,757</b>	<b>431,080,214</b>

Fair value measurement as of December 31, 2022				
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Plan assets	\$ -	210,966,752	-	210,966,752
Derivative financial instruments	-	9,072,051	-	9,072,051
<b>Total</b>	<b>\$ -</b>	<b>220,038,803</b>	<b>-</b>	<b>220,038,803</b>
<u>Liabilities</u>				
Debt	\$ 145,241,459	18,483,899	305,259,165	468,984,523
<b>Total</b>	<b>\$ 145,241,459</b>	<b>18,483,899</b>	<b>305,259,165</b>	<b>468,984,523</b>

An analysis of the fair value of the derivative financial assets grouped into level 1, based on the degree to which the inputs to estimate their fair value are observable, is included in note 11, 13 and 17.

The levels referred to above are considered as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. For the fair values of the Documented Debt, the observed changes are obtained from the Enterprise's price provider, which furnishes the dirty price valuations reflected in the stock exchange certificates listed on the Mexican Stock Exchange.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from unobservable inputs for the asset or liability, for the fair values of the Documented Debt and Pidiregas Debt, the reasonably possible changes at the Balance Sheet date are determined by measuring the present value of the maturities in the source currency of the lines of credit discounted using CFE's yield curve. For this purpose, the Enterprise's price provider furnishes the curves and risk factors related to the interest rates, exchange rates and inflation to which the debt is exposed.

### Sensitivity analyses

To test the fair values of CFE's debt, the reasonably possible changes at the balance sheet date in one of the significant unobservable inputs would have the following effects if all other input remained constant.

	+ 5%	- 5%
Expected cash flow change of 5% in exchange rates in original currency	13,365	(13,365)
Expected cash flow change of 5% in interest rate	9,489	(9,489)

## 6. Cash and cash equivalents

An analysis of cash and cash equivalents as of December 31, 2023 and 2022 is as follows:

	2023	2022
Cash on hand and cash in banks	\$ 67,478,740	\$ 56,750,391
Stock certificates	8,821	8,821
<b>Total</b>	<b>\$ 67,487,561</b>	<b>\$ 56,759,212</b>

## 7. Accounts receivable, net

An analysis of accounts receivable as of December 31, 2023 and 2022 is as follows:

	2023	2022
Public consumers (*)	\$ 76,365,474	\$ 62,908,873
Government agency consumers (*)	35,157,894	29,124,340
	<b>111,523,369</b>	<b>92,033,213</b>
Impairment of receivables	(70,801,558)	(67,904,540)
Subtotal	40,721,811	24,128,673
Other accounts receivable (**)	36,898,134	58,381,519
Impairment of receivable accounts	(6,411,406)	-
Value added tax	27,857,404	50,449,313
<b>Total</b>	<b>\$ 99,065,943</b>	<b>\$ 132,959,505</b>

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

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

An analysis of balances and changes in the impairment of receivables as of December 31, 2023 and 2022, is as follows:

	2023	2022
Opening balance	\$ (67,904,540)	\$ (55,631,593)
Increase	(4,547,474)	(13,143,932)
Charges	1,650,456	870,985
<b>Ending balance</b>	<b>\$ (70,801,558)</b>	<b>\$ (67,904,540)</b>

## 8. Inventory of materials for operation

An analysis of the inventory of operating materials as of December 31, 2023 and 2022 is as follows:

	2023	2022
Spare parts and equipment	\$ 19,765,669	\$ 15,398,595
Fuel and lubricants	2,988,879	3,512,326
Nuclear fuel	5,071,785	3,289,856
	27,826,333	22,200,777
Allowance for obsolescence	(1,458,096)	(3,986,316)
<b>Total</b>	<b>\$ 26,368,237</b>	<b>\$ 18,214,461</b>

## 9. Plants, facilities and equipment, net

An analysis of plants, facilities and equipment, net as of December 31, 2023 and 2022 is as follows:

Plants, facilities and equipment, net						
	December 2022	Additions	Retirements	Depreciation	Impairment	December 2023
Plants, facilities and equipment in operation	\$ 2,108,145,146	46,152,046	(4,623,942)	\$ -	-	2,149,673,250
Capitalized spare parts	7,974,763	2,229,367	-	-	-	10,204,130
Construction in progress	109,309,328	43,320,414	-	-	-	152,629,742
Materials for construction	25,048,776	4,976,816	-	-	-	30,025,592
Subtotal	2,250,478,013	96,678,643	(4,623,942)	-	-	2,342,532,714
Accumulated depreciation	(729,013,168)	(836,421)	-	(48,568,532)	-	(778,418,121)
Impairment	(71,531,177)	-	-	-	(724,952)	(72,256,129)
Total	\$ 1,449,933,668	95,842,223	(4,623,942)	\$ (48,568,532)	(724,952)	1,491,858,464

Plants, facilities and equipment, net							
	December 2021	Additions	Retirements	Depreciation	Impairment	Capitalization	December 2022
Plants, facilities and equipment in operation	\$ 2,074,911,958	36,568,479	(4,136,427)	-	-	801,136	2,108,145,146
Capitalized spare parts	8,775,899	-	-	-	-	(801,136)	7,974,763
Construction in progress	21,622,317	87,687,011	-	-	-	-	109,309,328
Materials for construction	20,090,113	4,958,663	-	-	-	-	25,048,776
Subtotal	2,125,400,287	129,214,153	(4,136,427)	-	-	-	2,250,478,013
Accumulated depreciation	(682,744,022)	-	-	(46,269,146)	-	-	(729,013,168)
Impairment	(59,264,107)	-	-	-	(12,267,070)	-	(71,531,177)
Total	\$ 1,383,392,158	129,214,153	(4,136,427)	(46,269,146)	(12,267,070)	-	1,449,933,668

The Ukraine-Russia war, the US-China trade war, has generated that the economies worldwide and especially in Latin America have experienced an increase in the inflation rate in the region of 8.1% in April 2022, additional to that an increase in interest rates was observed. Derived from these effects, identified the need to evaluate that the value of the assets is reasonable in 2023 and 2022, considering the change in the economic environment in which the Enterprise operated in recent years and, therefore, the inputs that were used in the projections of the results of the entities.

During fiscal year 2023 and 2022, an analysis was carried out to update the fair value of the generation plants, the transmission and distribution lines, in accordance with the Enterprise's policies and IFRS, considering as a basis the "Study to determine the fair value of the long-lived assets of the generation plants of the Comision Federal de Electricidad" with figures as of December 31, 2023. The aforementioned analysis concludes that there is a revaluation, impairment and reversal of impairment in the plants for a net amount of \$724,952 and \$12,267,070. As of December 31, 2023 and 2022, there was an impact on results of (\$468,463) and (\$4,834,347), respectively. The amount in other comprehensive income in 2023 and 2022 was (\$256,489) and (\$7,432,723), respectively.

The results of the analysis for the fair value update of assets as of 31 December 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Impairment of property, plant and equipment	\$ (468,463)	\$ (4,919,297)
Reversal of impairment of property, plant and equipment	-	84,950
Recorded in the statement of profit or loss	(468,463)	(4,834,347)
Revaluation of property, plant and equipment no operational	-	34,848
Reversal of revaluation of property, plant and equipment	(256,489)	(7,467,571)
Recorded in OCI	(256,489)	(7,432,723)
<b>Total (impairment) or revaluation</b>	<b>\$ (724,952)</b>	<b>\$ (12,267,070)</b>

The main effects by type of technology as of 31 December 2023 and 2022 are shown in the following table.

As of December 31, 2023			
Technology	No. of Power Stations	Revaluation	Impairment
Eoelectric	2	-	-
Geothermal	4	-	(112,104)
Hydroelectric	60	-	(2,537)
Thermoelectric	21	-	(168,484)
Turbo-gas	40	-	(169,481)
Combined cycle	20	(256,489)	(14,674)
Internal combustion	5	-	(1,183)
<b>Total</b>	<b>152</b>	<b>\$ (256,489)</b>	<b>\$ (468,463)</b>

**Comision Federal de Electricidad**  
**Productive State Enterprise and Subsidiaries**

As of December 31, 2022					
Technology	No. of Power Stations	Revaluation	Impairment	Revaluation reversal	Impairment reversal
Coal-Fired	3	\$	\$ (40,730)	\$ (135,644)	\$ -
Eoelectric	2	29,675	-	-	84,210
Photovoltaic	2	5,173	-	-	-
Geothermal	4	-	(83,460)	(29,788)	-
Hydroelectric	60	-	(2,791,013)	(6,127,678)	-
Nuclear power	1	-	-	(41,616)	-
Thermoelectric	21	-	(137,579)	-	-
Turbo-gas	40	-	(231,511)	(183,574)	-
Combined cycle	20	-	(1,532,407)	(575,648)	-
Internal combustion	5	-	(102,597)	(3,623)	740
<b>Total</b>	<b>158</b>	<b>\$ 34,848</b>	<b>\$ (4,919,297)</b>	<b>\$ (7,467,571)</b>	<b>\$ 84,950</b>

For the asset valuation study, the Enterprise considered the same aggregation to identify the cash-generating unit, both for the recoverable amount estimated in past valuations as in the current one for recognition in 2023 and 2022.

The recoverable amount of the cash generating units was considered the fair value of the asset less costs of disposal.

The level of the fair value hierarchy within which the fair value measurement of assets is classified assets is the Level 3 input data, in accordance with IFRS 13.

As of December 31, 2023, the useful lives of the plants with modern technology are as follows:

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

**Construction in progress** - the construction in progress balances as of December 31 2023 and 2022 are as follows:

Plant:	2023	2022
Steam power plants	\$ 223,641	257,439
Hydroelectric power plants	13,396,321	12,562,764
Nuclear power plant	124,265	205,157
Turbo gas and combined cycle plants	68,943,349	68,045,808
Geothermal power plants	153,761	164,504
Internal combustion	22,955,488	15,157,938
Transmission lines, networks and substations	46,253,691	11,915,108
Offices and general facilities	355,585	334,911
Construction advances	223,641	665,699
<b>Total</b>	<b>\$ 152,629,742</b>	<b>109,309,328</b>

As of December 31, 2023 and 2022 the Master Investment Trust approved projects related to build investment projects for the development acquisition covered from settlor resources during the next 3 years.

PROJECT	PRICE (MUSD)
C.C.C. Riviera Maya	762,000
C.C.C. Mérida	754,000
C.C.C. Tuxpan Fase I	737,000
C.C.C. San Luis Río Colorado	798,000
C.C.C. González Ortega	624,940
C.C.C. Baja California Sur	646,557
	249,942
	290,000

As of December 31, 2023 and 2022 the Master Investment Trust outlay \$51,331,582 y \$ 43,104,936 respectively. During 2022, a contribution in kind was received from the work in progress CTG González Ortega for \$2,838,948,522.

#### Fair value measurement

##### i) Fair value hierarchy

The fair value of plants, facilities and equipment in operation was determined by independent external appraisers with a recognized professional capacity and experience in terms of the property, plant and equipment that underwent the appraisal.

##### ii) Valuation technique and relevant unobservable inputs

The following table shows the valuation technique used to measure the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Interrelationship between the key unobservable inputs and the measurement of fair value
Discounted cash flows: The valuation model used the present value of the net cash flows that will be generated by the plants, facilities and equipment, considering the expected income growth rate.	<b>Generation</b> Useful life of the assets (30-60 years) Discount rate 8.80%-10.55%  <b>Transmission</b> Useful life of the assets (30 years) Discount rate 7.67%	The estimated fair value would increase (decrease) if:  - Income growth is higher (lower) - The useful life is higher (lower) - The risk-adjusted discount rate is lower (higher)
Net expected cash flows are discounted using risk-adjusted discount rates.	<b>Distribution</b> Useful life of the assets (30 years) Discount rate 7.67%	

As mentioned in notes 3h and 9), CFE performs impairment tests on the value of its long-lived assets when circumstances indicate a probable impairment in value.

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

## 10. Right-of-use asset

The net balances of right-of-use assets as of December 31, 2023 and 2022 are as follows:

	December 2022	Additions	Retirements	Effect from translation	Depreciation for the year	December 2023
Property	\$ 852,377	42,457	-	(2,884)	-	891,950
Infrastructure	158,891,975	91,006	-	-	-	158,982,981
Vehicles	4,168,263	2,329,342	-	-	-	6,497,605
Gas pipelines	529,069,222	1,134,813	-	(12,571,888)	-	517,632,147
Subtotal	\$ 692,981,837	3,597,618	-	(12,574,772)	-	684,004,683
Property	(719,109)	-	-	2,535	(63,420)	(779,994)
Infrastructure	(72,423,306)	-	-	-	(7,573,090)	(79,996,396)
Vehicles	(2,890,036)	-	-	-	(1,377,405)	(4,267,441)
Gas pipelines	(107,026,114)	-	-	3,592,904	(19,787,255)	(123,220,465)
Total depreciation	(183,058,565)	-	-	3,595,439	(28,801,170)	(208,264,296)
	<b>\$ 509,923,272</b>	<b>3,597,618</b>	<b>-</b>	<b>(8,979,333)</b>	<b>(28,801,170)</b>	<b>475,740,387</b>

	December 2021	Additions	Retirements	Effect from translation	Depreciation for the year	December 2022
Property	\$ 788,956	64,849	-	(1,428)	-	852,377
Infrastructure	158,891,975	-	-	-	-	158,891,975
Vehicles	4,173,989	-	(5,726)	-	-	4,168,263
Gas pipelines	503,228,838	32,048,582	-	(6,208,198)	-	529,069,222
Subtotal	667,083,758	32,113,431	(5,726)	(6,209,626)	-	692,981,837
Property	(630,310)	-	-	1,369	(90,168)	(719,109)
Infrastructure	(64,850,216)	-	-	-	(7,573,090)	(72,423,306)
Vehicles	(1,852,979)	-	-	-	(1,037,057)	(2,890,036)
Gas pipelines	(88,382,530)	-	-	1,343,807	(19,987,391)	(107,026,114)
Total depreciation	(155,716,035)	-	-	1,345,176	(28,687,706)	(183,058,565)
	<b>\$ 511,367,723</b>	<b>32,113,431</b>	<b>(5,726)</b>	<b>(4,864,450)</b>	<b>(28,687,706)</b>	<b>509,923,272</b>

The reconciliation of lease rights payable is as follows:

	2023	2022
Closing balance	\$ 624,716,357	\$ 661,408,622
Additions	3,557,618	31,435,557
Interest	23,780,464	26,653,658
Payments	(46,269,658)	(50,544,701)
Exchange difference	(78,224,722)	(44,236,779)
<b>Total liabilities</b>	<b>\$ 527,600,059</b>	<b>\$ 624,716,357</b>

The Enterprise has entered leasing contracts for the rental of real estate, vehicles and infrastructure. These leases shall commence over the course of 2023. The lease agreements will require CFE to recognize lease assets and liabilities in accordance with IFRS 16.

## 11. Derivative financial instruments

### a. Accounting classifications and fair values

CFE is exposed to interest rate and foreign currency translation risks which it tries to mitigate through a hedging program that includes using derivative financial instruments. The Enterprise mainly uses foreign exchange "Cross Currency Swaps" and "Forwards" to mitigate its foreign currency risk. To reduce the risks generated by interest rate fluctuations, "interest rate swaps" are used and "options" are used for fuel price risks.

In addition, for the period ended December 31, 2023, and 2022, the derivative financial instruments have been designated as and qualify mainly as cash flow hedges since they are referenced to the contracted debt. The effective portion of gains or losses on cash flow derivatives is recognized in equity in the "Effects on the fair value of derivatives" line item, and the ineffective portion is charged to profit or loss of the period.

The fair value of the Enterprise's financial instrument position as of December 31, 2023 and 2022 amounted (\$17,738,24) and (\$9,411,948), respectively.

### Derivative Financial Instruments Held for Trading

As of December 31, 2023 and 2022, CFE had derivatives designated as held for trading whose fair value represented a liability of (\$3,166,342) and (\$13,749,124) respectively.

Instrument	Underlying	Maturity	December 2023	December 2022
FWD JPY/USD (1)	Exchange rate and interest	2032	\$ (1,058,970)	\$ (960,810)
CCS	Mizuho line	2023	-	(235,104)
P. Only	P.O 2033	2023	-	(1,668,132)
P. Only	P.O 2052	2023	-	(3,889,939)
IRS	ISDA Credit Suisse	2023	-	(6,995,139)
CCS (2)	CFE 2024 repurchase hedge	2024	(1,741,728)	-
CCS (3)	CFE 2027 repurchase hedge	2027	(365,644)	-
<b>Hedging</b>			<b>\$ (3,166,342)</b>	<b>\$ (13,749,124)</b>



- 1) On September 17, 2002, CFE placed in the Japanese market a bond for 32 billion Japanese yen at an annual interest rate of 3.83% and maturing in September 2032. At the same time, CFE carried out a hedging operation for which received an amount of 269,474,000 USD, equivalent to 32 billion yen at the spot exchange rate on the date of the operation of 118.7499 yen per US dollar. This transaction consists of a series of currency forwards that allow the Enterprise to lock in a JPY/USD exchange rate of 54.0157 JPY per USD over the established term of the transaction. As part of this transaction, CFE pays annual interest in U.S. dollars at a rate of 8.42%.
- 2) On September 26, 2023, the company successfully completed its second Liability E operation (bond repurchase) in international financial markets under the 144A/RegS format. This operation involved the voluntary repurchase of four international bonds previously issued by the CFE in foreign currency. The repurchase prioritized bonds based on their maturity period, with the short-term bond having the highest interest rate and the long-term bonds being less preferred.

<i>Bonus primary position</i>	<i>Expiration day</i>	<i>Amount in circulation before repurchase</i>	<i>Notional amount of repurchase</i>	<i>Notional amount after repurchase</i>
4.875% Bono CFE 2024	16/01/2024	869.7	482.6	387.1
4.750% Bono CFE 2027	23/02/2027	815.0	325.7	489.3
6.125% Bono CFE 2045	16/06/2045	618.3	16.0	602.3
6.125% Bono CFE 2042	14/02/2042	563.5	53.2	510.3
<b>Total</b>		<b>2,866.50</b>	<b>877.50</b>	<b>1,989.00</b>

- 3) On December 29, 2023, the liquidation of the primary position was completed, with the remaining amount corresponding to the CFE 2024 Bond totaling USD \$387.1 million. As a result, the coverage was reclassified for temporary negotiation, and the liquidation date for coverage was finalized on January 11, 2024.
- 4) The coverage for the CFE 2027 Bond at the end of fiscal year 2023 maintains a remaining balance of USD \$489.3 million, with financial coverage for exchange rate and interest rate risks totaling USD \$712.6 million. A portion of this, specifically USD \$223 million, will be transferred to another primary position during fiscal year 2024.

The Enterprise suspends cash flow hedge accounting when the derivative expires, is not effective enough to offset the changes in the fair value or cash flows of the hedged item, or when The Enterprise decides to cancel the hedging designation. Any gain or loss recognized in other comprehensive income and accumulated in capital is recognized when the projection of the transaction is finally recorded in profit or loss.

### Hedging instruments

As of December 31, 2023 and 2022, CFE maintains its hedging derivative position on exchange rates and interest rates, as follows:

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Instrument	Underlying	Type of hedge	Maturity	Primary position (Lines/Bonds)	Hedge Ratio	Fair value 2023	Fair value 2022
CCS	(1)	Cash flow	2023	1100000080	100%	\$ -	\$ 219,149
CCS	(1)	Cash flow	2024	1100002956	100%	(944,467)	459,169
CCS	(1)	Cash flow	2027	1100003606	100%	(699,503)	493,544
CCS	(1)	Cash flow	2032	1200002801	100%	(552,684)	123,039
				1200000551			
CCS	(1)	Cash flow	2036	Pidiregas line	100%	926,006	3,356,850
CCS	(1)	Cash flow	2042	2042 bond	55%	(111,010)	171,766
CCS	(1)	Cash flow	2047	Formosa 1 bond	100%	211,444	250,098
CCS	(1)	Cash flow	2048	Formosa 2 bond	100%	(232,658)	472,243
Participating							
Swap	(1)	Cash flow	2027	2027 bond	100%	(101,354)	105,144
CCS	(1)	Cash flow	2045	2045 bond	100%	258,366	575,357
CCS	(1)	Cash flow	2030	Formosa 4 bond	33%	(1,173,445)	(340,659)
CCS	(1)	Cash flow	2029	Formosa 3 bond	30%	(708,505)	1,788,274
CCS	(1)	Cash flow	2029	SACE line	100%	(964,744)	443,547
CCS	(1)	Cash flow	2031	CFE 2031	100%	(2,962,583)	(828,480)
CCS	(1)	Cash flow	2033	CFE 2033	100%	(4,509,460)	266,372
P.Only	(1)	Cash flow	2052	2051 bond	100%	(64,457)	-
P.Only	(1)	Cash flow	2052	2052 bond	100%	(549,163)	347,499
CCS	(2)	Cash flow	2022-2025	Energy sale	N/A	(534,688)	(340,861)
Options	(3)	Cash flow	2023-2024	Energy sale	38.5%	(1,859,001)	(3,224,775)
<b>Total</b>						<b>\$ (14,571,906)</b>	<b>\$ 4,337,276</b>

(1) Exchange rate and interest rate

(2) Exchange rate

(3) Commodities

	2023	2022
<b><u>Assets</u></b>		
Hedge	\$ 1,395,816	9,072,051
<b><u>Liabilities</u></b>		
Hedge	(15,967,722)	(4,734,775)
Negotiation	(3,166,342)	(13,749,124)
Total	\$ (19,134,064)	(18,483,899)
<b>Net</b>	<b>\$ (17,738,248)</b>	<b>(9,411,848)</b>

The table above includes the Mark to Market of the hedging derivatives. As of December 31, 2023 and 2022, the total Mark to Market value of the hedging and trading derivatives amounts to (\$17,738,248) y (\$9,411,848) respectively, based on their carrying amount.

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

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

### Natural Gas Hedges Proprietary Position

At the 56th ordinary session of the Board of Directors held on July 13, 2023, the Federal Electricity Commission's Strategy on Currency Exposure, Interest Rate and Fuel Price for 2024-2025 was authorized.

Level strike options	Apr 23 - Apr 24	Apr 23 - Dec 23	Apr 23 - Feb 24	Aug 23 - Apr 24	Jan 24 - May 24	Jun 23- Apr 24	May 23 - Apr 24	May 23 - Mar 24	Jan 24 - Mar 24	May 24 - Oct 24	Nov24- Apr 25	Total
3.0 Call	-	-	-	2	-	-	-	-	-	38	2	42
3.5 Call	3	-	-	-	25	17	6	3	-	39	4	97
3.75 Call	-	-	-	-	33	-	-	-	12	45	-	90
4.0 Call	40	-	3	-	-	2	4	-	-	-	-	49
5.5 Call	-	62	-	-	-	-	-	-	-	-	-	62
3.25 Call	-	-	-	-	-	-	-	-	-	11	-	11
<b>Total contracts</b>	<b>43</b>	<b>62</b>	<b>3</b>	<b>2</b>	<b>58</b>	<b>19</b>	<b>10</b>	<b>3</b>	<b>12</b>	<b>133</b>	<b>6</b>	<b>351</b>

The classification of the natural gas hedge position remains in CFE Corporate with a hedge of 46.96% cumulatively until Apr 2025.

The market value as of December 31, 2023 of the own position was \$(1,859,001) recorded as a liability corresponding to the price of the NYMEX option including the base risk and the Index to cover the primary position of consumption of the Houston Ship Channel daily.

As of December 31, 2023, the effects of OCI in the upcoming years (current portfolio) are as follows

Year	MTM	OCI	Results (Interest and exchange rate)
2024	(13,162)	(26,597)	13,435
2025	(11,761)	(24,187)	12,426
2026	(9,691)	(21,552)	11,862
2027	(7,087)	(18,508)	11,421
2028	(3,887)	(16,567)	12,680

### b. Fair value measurement

The valuation techniques for estimating the fair value of derivative instruments are described in the accounting policy mentioned above, depending on the derivative instrument for which the fair value is estimated. CFE uses the corresponding technique to estimate such value.

### Adjustment of fair value or Mark to Market by credit risk

To reflect counterparty risk, the valuation is adjusted based on the probability of default and recovery rate with the counterparties of the derivative positions.

The net fair value of derivative financial instruments (Mark-To-Market) effective as of December 31, 2023 and 2022, before considering credit risk, amounts to (\$17,497,742) and (\$9,062,201), respectively which is included in the balance sheet and represents the amount in favor of the Enterprise with the counterparties.

CFE applies a Credit valuation adjustment (CVA) to reflect the creditworthiness of the counterparty of the derivative financial instrument. The CVA is the market value of the counterparty credit risk and reflects the estimated fair value of the hedging required to cover the counterparty credit risk included in such instruments.

### Method for adjusting Fair Value

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

As of December 31, 2023 fair values adjustments based on the CVA (Credit Valuation Adjustment) are shown below:

Counterparty	Fair value MTM subject to CVA	Adjusted fair value MTM	Adjustment as of December 31, 2023
Deutsche Bank	\$ 1,475,281	1,360,916	114,365
Scotiabank	(489,335)	(489,335)	-
MUFG	(894,670)	(897,567)	2,897
BBVA Bancomer	(1,132,051)	(1,132,051)	-
BNP Paribas	(1,252,584)	(1,256,314)	3,730
Santander	(1,328,728)	(1,328,728)	-
Bank of America	(1,963,449)	(1,975,667)	12,218
Goldman Sachs	(2,230,516)	(2,276,598)	46,082
Citibanamex	(2,272,756)	(2,319,374)	46,618
Barclays Bank	(2,402,944)	(2,402,977)	33
JP Morgan	(2,462,443)	(2,463,084)	641
Morgan Stanley	(2,543,547)	(2,557,468)	13,921
	<b>\$ (17,497,742)</b>	<b>(17,738,247)</b>	<b>240,505</b>

As of December 31, 2022 the adjustments to fair values based on the CVA (Credit Valuation Adjustment) are shown below:

Counterparty	Fair value MTM subject to CVA	Adjusted fair value MTM	Adjustment as of December 31, 2022
Deutsche Bank	\$ 2,095,269	1,885,146	210,123
Goldman Sachs	1,017,303	856,694	160,609
Morgan Stanley	458,787	391,201	67,586
BBVA Bancomer	296,527	275,172	21,355
Santander	146,579	133,864	12,715
MUFG	(153,053)	(153,053)	-
Scotiabank	(447,374)	(447,374)	-
Bank of America	(613,276)	(626,330)	13,054
BNP PARIBAS	(620,985)	(628,316)	7,331
Barclays Bank	(868,130)	(955,932)	87,802
JP Morgan	(962,487)	(1,484,495)	522,008
Citibanamex	(3,005,583)	(3,133,191)	127,608
Credit Suisse	(6,405,778)	(5,525,234)	(880,544)
<b>\$</b>	<b>(9,062,201)</b>	<b>(9,411,848)</b>	<b>349,647</b>

### Fair Value hierarchy or Mark-to-Market

To increase consistency and comparability in fair value measurements and related disclosures, IFRS sets out a fair value hierarchy that categorizes into three levels the inputs used in valuation techniques. This hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques. However, the fair value hierarchy prioritizes the inputs to valuation techniques.

### Level 2 inputs

As explained above, based on the terms of the ISDA contracts, the counterparties or banking institutions are the valuation agents, and they calculate and send the Mark-to-Market monthly.

Therefore, the hierarchy level of The Enterprise's Mark-to-Market for derivative financial instruments as of December 31, 2023 is level 2 due to the following:

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

The Enterprise has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### Credit risk

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

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

The carrying amount of the derivative financial assets represents the maximum exposure to credit risk. As of December 31, 2023 and 2022, this amounted to (\$17,497,742) and (\$9,062,201) respectively.

### Liquidity risk

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

To manage credit risk, the Enterprise monitors the market value of the derivative and the use by the operating lines (threshold).

Exposure to liquidity risk for holding derivative financial instruments arises from the carrying amount of the financial liabilities corresponding to these instruments. As of December 31, 2023 and 2022, this amounted to \$19,134,064 and \$18,936,921, respectively.

The table below lists the contractual maturities of the derivative financial instruments based on payments terms.

	Less than one year	More than 1 year and less than 5 years	Total
<b>December 31, 2023</b>			
CCS	\$ 32,271	64,892	97,163
<b>Total payable</b>	<b>\$ 32,271</b>	<b>64,892</b>	<b>97,163</b>
CCS	\$ 23,872	51,889	75,761
<b>Total receivable</b>	<b>\$ 23,872</b>	<b>51,889</b>	<b>75,761</b>
	Less than one year	More than 1 year and less than 5 years	Total
<b>December 31, 2022</b>			
CCS	\$ 29,195	81,940	111,135
<b>Total payable</b>	<b>\$ 29,195</b>	<b>81,940</b>	<b>111,135</b>
CCS	\$ 25,795	87,497	113,292
<b>Total receivable</b>	<b>\$ 25,795</b>	<b>87,497</b>	<b>113,292</b>

## Market risk

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

The Enterprise uses derivative financial instruments to manage market risk, generally seeking access to hedge accounting to control or immunize the volatility that could arise in the results.

### a) *Currency exchange risk*

55% of CFE's debt is denominated in foreign currency, mainly in US dollars, whereas most of CFE's assets and revenues are denominated in pesos. As a result, CFE is exposed to devaluation risks of the peso against the dollar. In conformity with its risk management policy, CFE has contracted currency swaps to reduce the impact of currency fluctuations. The effect of this instrument is to replace the obligation to pay fixed interest rates in dollars for an obligation to pay a fixed rate in pesos. As of December 31, 2023 and 2022, CFE maintained foreign exchange swaps to hedge its foreign currency debt of \$171,959 and \$145,318 million pesos, respectively.

To cover the exchange risks of the \$32 billion debt in yens, CFE uses a series of exchange rate forwards under which it purchases Japanese yens. The market value of this transaction as of December 31, 2023 and 2022 was (\$1,058,970) and (\$960,810), respectively. These derivative instruments were not designated as hedges.

### *Sensitivity analysis of the effect on exchange rates*

A possible and reasonable strengthening (weakening) of the MXN/USD and JPY/USD exchange rate as of December 31, 2023 would have affected the fair value of the total position of the derivative financial instruments in foreign currency, and thus, profit and loss of the period and other comprehensive income (since some of them are designated as hedges), as shown in the following table:

Instrument	Effect on profit or loss		Effect on equity	
	+100 pips	-100 pips	+100 pips	-100 pips
Cross Currency JPY/USD	98,923	(98,923)		
Hedge excess 2024			2,694	(2,694)
Hedge excess 2027			8,697	(8,697)
			2,234	(2,234)
<b>Total</b>	<b>98,923</b>	<b>(98,923)</b>	<b>13,625</b>	<b>(13,625)</b>

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

### b) *Interest rate risk*

28% of CFE's debt bears interest at variable interest rates, which are determined by reference to the TIIE rate for debt denominated in pesos. As of December 31, 2023 and 2022 there is any hedges.

### Interest rate sensitivity analysis

A potential and reasonable strengthening (weakening) of interest rates as of December 31, 2023 would have affected the fair value of the total position of derivative financial instruments associated with variable interest rates, and thus, profit and loss of the period and other comprehensive income (since some of them are designated as hedges), as shown in the following table:

31/12/23	Effect on equity	
	+ 100 basis points	- 100 basis points
Interest rate swaps	\$ 1,369	\$ (1,369)

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

## 12. Intangible assets and other assets

An analysis of intangibles and other assets as of December 31, 2023 and 2022 is as follows:

	2023	2022
Rights of way <sup>(1)</sup>	\$ 32,329,107	\$ 33,789,096
Deposits and advances	11,310,804	12,190,411
<b>Total</b>	<b>\$ 43,639,911</b>	<b>\$ 45,979,507</b>

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

As of December 31, 2023 and 2022, the Enterprise has right-of-way assets, which represent a legal right-of-way for the Enterprise to access and inspect transmission lines by air or underground in order to verify the continued transmission of electricity over the power lines. An analysis of these right-of-way assets is shown below:

Right of way	Opening balance	Increase	Charges and others	Ending balance
2023	\$ 33,789,096	-	(1,459,989)	32,329,107
2022	\$ 32,080,318	1,708,778	-	33,789,096

Intangible assets with indefinite useful lives mainly include rights of way. These assets are considered to have indefinite useful lives due to the fact that they are subject to no legal, regulatory or contractual restrictions that would limit how long they may be used. The assets are tested annually for impairment whenever there is evidence of impairment.



### 13. Short-term and long-term debt

As of December 31, 2023 and 2022, the debt consists of:

		<b>2023</b>		<b>2022</b>
Documented debt	\$	39,383,063	\$	18,037,363
PIDIREGAS debt		13,095,590		13,092,226
Trust Investment Financing		48,230,652		64,018,455
<b>Total short-term debt</b>		<b>100,709,305</b>		<b>95,148,044</b>
Documented debt		226,310,370		250,965,839
PIDIREGAS debt		84,926,475		104,386,741
<b>Total long-term debt</b>		<b>311,236,845</b>		<b>355,352,580</b>
<b>Total debt</b>	\$	<b>411,946,150</b>	\$	<b>450,500,624</b>

An analysis of the debt by item is as follows:

Type of debt	Balance as of December 2022	Drawdowns	Payments	Foreign currency exchange and interest rate	Balance as of December 2023
Documented debt	\$ 269,003,202	154,363,224	(137,148,950)	(20,524,044)	265,693,432
Pidiregas debt	117,478,967	536,685	(10,485,843)	(9,507,743)	98,022,066
Trust Investment Financing	64,018,455	53,338,732	(62,905,711)	(6,220,824)	48,230,652
<b>Total</b>	<b>\$ 450,500,624</b>	<b>208,238,641</b>	<b>(210,540,504)</b>	<b>(36,252,611)</b>	<b>411,946,150</b>

Type of debt	Balances as of December 2021	Drawdowns	Payments	Foreign currency exchange and interest rate	Balances as of December 2022
Documented debt	\$ 258,339,513	119,888,208	(99,813,569)	\$ (9,410,950)	\$ 269,003,202
Pidiregas debt	123,513,259	8,768,567	(10,568,699)	(4,234,160)	117,478,967
Trust Investment Financing	12,068,130	62,579,842	(8,105,252)	(2,524,265)	64,018,455
<b>Total</b>	<b>\$ 393,920,902</b>	<b>191,236,617</b>	<b>(118,487,520)</b>	<b>\$ (16,169,375)</b>	<b>\$ 450,500,624</b>

#### Documented debt

An analysis of drawdowns against loans as of December 31, 2023 and 2022 is as follows:

#### a) Foreign debt

On December 4 and 18, 2023, the Enterprise drew down million euros (MEUR hereinafter) \$14.9, from a loan contracted with the Agence Francaise de Developpement (AFD) signed on October 14, 2021 for an amount of MEUR \$200 at a rate of EURIBOR plus 2.10% and maturity in April 2041.

On November 21, 2023, the Enterprise drew down \$18.4 million dollars (MUSD hereinafter), from a credit line with Banamex, S.A. to finance enriched uranium for the Laguna Verde Nuclear Power Plant, with a term of one year, amortizations and annual interest payments, and at a rate of SOFR (Guaranteed permanent financing rate, managed by Group Benchmark Administration, Ltd – CME) SOFR hereinafter, 12 months USD + a margin of 130 base points.

On October 12, 27 and November 30, 2023, the Enterprise drew down MUSD \$400, from a syndicated revolving credit line contracted with Credit Agricole CIB, signed on December 20, 2022, for an amount of MUSD \$1,540, at a rate TERM SOFR + 0.10% plus a margin of 1.15% and maturity in December 2025.

On October 30, 2023, the Enterprise drew down MUSD \$200 from a revolving credit with the Andean Development Corporation (CAF) signed on November 29, 2022 for an amount of MUSD \$200, at the TERM SOFR rate (6 months) plus 0.45%. and maturity on December 29, 2023.

On June 21, 2023, the Enterprise drew down MUSD \$98.7, from a loan contracted with the Agence Francaise de Developpement (AFD) signed on July 19, 2019 for an amount of MUSD \$150 at a rate of Term SOFR (6 months) plus 3.078% with maturity in 20 years.

On April 21, 2023, the Enterprise drew down MUSD \$200, from a revolving credit with the Andean Development Corporation (CAF) signed on November 29, 2022 for an amount of MUSD \$200, at a rate of Term SOFR (6 months) plus 0.50% with maturity on October 23, 2023.

In the period January - March 2023, the Enterprise drew down MUSD \$800 from a revolving credit line were disbursed signed with Credit Agricole, CIB, dated December 20, 2022, for an amount of MUSD \$1,540, at a TERM SOFR rate plus 0.10% plus a margin of 1.15% and a term of 3 years.

On February 15, 2023, the Enterprise drew down MEUR \$29.4, from a loan contracted with the Agence Francaise de Developpement (AFD) signed on October 14, 2021 for an amount of MEUR \$200, at a rate of EURIBOR plus 2.10% with maturity in April 2041.

On February 10, 2023, the Enterprise drew down MUSD \$100, from a revolving commercial credit signed on January 31, 2023 in the amount of MUSD \$100 with Sumitomo Mitsui Banking Corporation, was made available at a rate of TERM SOFR at a USD term plus 0.95% with maturity in January 2024.

On January 6, 2023, the Enterprise drew down MUSD \$200, from a revolving credit contracted with the Andean Development Corporation (CAF) signed on November 29, 2022, for an amount of MUSD \$200, at a rate of TERM SOFR plus the margin established in the disbursement request with maturity on March 31, 2023.

On December 21, 2022, the Enterprise drew down MEUR \$15.9, from a loan contracted with the Agence Francaise de Developpement (AFD) signed on October 14, 2021 for an amount of MEUR \$200, at a rate of EURIBOR plus 2.10.0% with maturity in April 2041.

On December 9, 2022, the Enterprise drew down MUSD \$21.1, from a credit line signed with Banamex, S.A. to finance enriched uranium for the Laguna Verde Nuclear Power Plant, with a term of three years, amortizations and half-yearly interest payments, and at a rate of LIBOR 6m USD + 0.85%.

On December 6, 2022, the Enterprise drew down MUSD \$80.0, from a short-term unsecured promissory note contracted with Banco Mercantil del Norte, S.A. (Banorte), at a rate of SOFR plus 1.5% and maturity in 22 days.

On December 2, 2022, the Enterprise drew down MUSD \$200, from a loan contracted with the Corporacion Andina de Fomento (CAF) signed on November 29, 2022 for an amount of MUSD \$200.0, at a rate of TERM SOFR plus the margin to be set in the disbursement request with maturity in July 2026.

On November 25, 2022, the Enterprise drew down MEUR \$62.2, from a loan contracted with the Agence Francaise de Developpement (AFD) signed on October 14, 2021 for an amount of MEUR \$200, at a rate of EURIBOR plus 2.1% with maturity in April 2041.

During October 2022, the Enterprise drew down MUSD \$200.0, from a revolving syndicated loan signed on July 31, 2018 for an amount of MUSD \$1,260 with Mizuho Bank, LTD., as administrative agent, at a rate of LIBOR USD plus 0.95% with maturity in July 2023.

On August 10, 2022, the Enterprise drew down MUSD \$100.0, from a commercial credit signed on December 31, 2021 for an amount of MUSD \$350 with Sumitomo Mitsui Banking Corporation, at a rate of LIBOR USD plus 0.5% with maturity in January 2023.

On August 10, 2022, the Enterprise drew down MUSD \$100 from a revolving syndicated credit signed on July 31, 2018 for an amount of MUSD \$1,260 with Mizuho Bank, LTD., as administrative agent, at a rate of LIBOR USD plus 0.95% with maturity in July 2023.

On July 22, 2022, the Enterprise drew down MUSD \$100, from a commercial credit signed on December 31, 2021 for an amount of MUSD \$350 with Sumitomo Mitsui Banking Corporation, at a rate of LIBOR USD plus 0.50% with maturity in January 2023.

On July 14, 2022, the Enterprise drew down MUSD \$300 from a revolving syndicated loan signed on July 31, 2018 for an amount of MUSD \$1,260 with Mizuho Bank, LTD., as administrative agent, at a rate of LIBOR USD plus 0.95% with maturity in July 2023.

On May 13, 2022, the Enterprise drew down MUSD \$28.2 from a credit line signed with Banamex, S.A. to finance enriched uranium for the Laguna Verde Nuclear Power Plant, with a term of three years, amortizations and half-yearly interest payments, and at a rate of LIBOR 6m USD + 0.9%.

On April 8, 2022, the Enterprise drew down MUSD \$50 from a commercial credit signed on December 31, 2021 for an amount of MUSD \$350 with Sumitomo Mitsui Banking Corporation, at a rate of LIBOR USD plus 0.5% and maturity in January 2023.

On February 5, 2022, the Enterprise drew down USD \$1,750 derived from the external public issuance of fixed-rate bonds under Rule 144 A and Regulation S with Deutsche Bank Trust Company Americas as the main paying agent, in two tranches:

- a) The first identified as "4.7% Notes due 2029" for MUSD \$1,250, fixed rate of 4.7% and maturity in May 2029, intended for the financing of investment projects and activities contemplated in the Sustainable Financing Framework and of various activities authorized by the CFE Law.
- b) The second identified as "6.3% Notes due 2052" for MUSD \$500, fixed rate of 6.3% and term of 30 years, intended for the financing of investment projects and activities contemplated in the Sustainable Financing Framework and of various activities authorized by the CFE Law.

During February 2022, the Enterprise drew down MUSD \$300 from a syndicated revolving loan signed on July 31, 2018 for an amount of MUSD \$1,260.0 with Mizuho Bank, LTD., as administrative agent, at a rate of USD LIBOR plus 0.95% with maturity in July 2023.

On January 11, 2022, the Enterprise drew down MUSD \$300.0 from a syndicated revolving loan signed on July 31, 2018 for an amount of MUSD \$1,260 with Mizuho Bank, LTD., as administrative agent, at a rate of LIBOR USD plus 0.95% with maturity in July 2023.

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Foreign debt	Credit Type	Interest rate	Maturates	2023		2022	
				Local currency	Foreign currency	Local currency	Foreign currency
IN US DOLLARS: at the exchange rate							
US dollar of \$16.922 as of December 2023							
and \$19.4143 as of December 2022	BILATERAL	Fixed and variable - 6.84%	Various through 2030	\$ 7,333,934	433,396	7,486,131	385,599
	BONDS	Fixed and variable - 4.7%	Various through 2052	105,316,432	6,223,640	146,740,491	7,558,371
	REVOLVING	Fixed and variable - 6.31%	Various through 2026	1,744,901	103,114	117,810	6,068
	SYNDICATED	Fixed and variable - 6.59%	2026	4,230,500	250,000	-	-
TOTAL US DOLLARS:				118,625,767	7,010,150	154,344,432	7,950,038
IN EUROS: at the exchange rate							
Euros of \$18.6929 as of December 2023 and							
\$20.7692 as of December 2022	BILATERAL	Fixed and variable - 5.59%	Various through 2041	2,295,248	122,787	1,629,342	78,450
TOTAL EUROS:				2,295,248	122,787	1,629,342	78,450
IN JAPAN YENS: at the Exchange rate							
Yen of \$0.1199 as of December 2023 and							
\$0.1474 as of December 2022	BILATERAL	Fixed - 3.83%	2032	3,836,800	32,000,000	4,716,800	32,000,000
Assets received for financial instruments, net				723,239	-	514,849	-
TOTAL JAPANESE YENS:				4,560,039	32,000,000	5,231,649	32,000,000
TOTAL FOREIGN DEBT				\$ 125,481,054		\$161,205,423	

### **Reference Interest Rates changes (RFR)**

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

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

Differences between IBORs and RFRs:

1. RFRs are available overnight. On the contrary, IBORs are published for different time frames;
2. RFRs are retrospective, as they report the fees paid the day before in the relevant transactions. Rather, IBORs report the rate at which funds are available today for the corresponding term.
3. RFRs are designed to be almost risk-free rates. Consequently, they do not incorporate a credit or liquidity premium. Rather, most IBORs are designed to provide an indication of the average rates at which participating banks could obtain unsecured wholesale financing during set periods and incorporate both a credit premium.

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

### **Domestic debt**

During the period from January 1 to December 31, 2023 and 2022, CFE carried out the following significant domestic debt financing operations.

On December 29, 2023, the Enterprise drew down \$6,400 million of pesos (MMXP hereinafter) from unsecured promissory with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on January 31, 2024.

On December 27, 2023, the Enterprise drew down MUSD \$20 from an unsecured promissory note signed with Banco Monex, S.A., at the SOFR rate plus 1.50% with maturing on March 27, 2024.

On December 20, 2023, the Enterprise drew down MMXP \$800 from an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on January 22, 2024.

On December 18, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured promissory note contracted with BBVA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on March 15, 2024.

On December 15, 2023, the Enterprise drew down MMXP \$3,000 from a short-term unsecured promissory note contracted with BBVA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on March 14, 2024.

On December 13, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory note contracted with BBVA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on March 12, 2024.

On December 11, 2023, the Enterprise issued Stock Certificates with code CFE 23UX was carried out in the national markets for an amount of UDIS 582,350,700, which will pay semiannual interest at a fixed rate of 6.10% with maturity in November 2035.

On December 11, 2023, the Enterprise issued Stock Certificates with code CFE 23 3X was carried out in the national markets for an amount of MMXP 2,512, which will pay semiannual interest at a fixed rate of 10.88% with maturity in March 2030.

On December 11, 2023, the Enterprise issued Stock Certificates with code CFE 23 3X was carried out in the national markets for an amount of MMXP 2,844, which will pay monthly interest at a variable rate of TIIE 28 days plus 0.56%, with maturity on December 07, 2026.

On November 28, 2023, the Enterprise drew down MMXP \$2,750 from a short-term revolving credit of up to MUSD \$200 or its equivalent in national currency, obtained with Banco Mercantil del Norte, S.A. (Banorte hereinafter), dated on November 23, 2023, in two tranches, as follows: one for an amount of MMXP \$1,500 at a rate of TIIE 91 days plus 1.25% with maturity on February 27, 2024 and the second for an amount of MMXP \$1,250 at a rate of TIIE 91 days plus 1.30%, with maturity on March 27, 2024.

On November 28, 2023, the Enterprise drew down MMXP \$1,000 from a short-term revolving credit contracted with Banco Santander (México), S.A., dated on November 18, 2022, at a rate of TIIE 28d plus 0.90% with maturity on December 28, 2023.

On November 27, 2023, the Enterprise drew down MMXP \$500 from a short-term unsecured promissory note contracted with BBVA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on February 23, 2024.

On November 21, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory note contracted with BBVA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on February 19, 2024.

On November 21, 2023, the Enterprise drew down MMXP \$5,000 from a short-term revolving credit contracted with Banco Santander (México), S.A., dated on November 18, 2022, at a rate of TIIE 28d plus 0.90% with maturity on December 28, 2023.

On November 17, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory note contracted with BBVA México, S.A., at a rate of TIIE 28d plus 0.90% with maturing on February 15, 2024, to refinance the unsecured promissory note dated on August 18, 2023.

On November 10, 2023, the Enterprise drew down MMXP \$2,400 from through an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on December 29, 2023.

On November 3, 2023, the Enterprise drew down MMXP \$4,000 from an unsecured promissory note signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on December 29, 2023.

On October 3, 2023, the Enterprise drew down MMXP \$4,000 from two unsecured promissory notes signed with Scotiabank Inverlat, S.A., at the TIIE 28d rate plus 0.80% with maturing on October 31, 2023.

On September 6, 2023, the Enterprise drew down MMXP \$4,000 from two short-term unsecured loans obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28d plus 0.80% with maturity on September 29, 2023.

On July 20, 2023, the Enterprise drew down MMXP \$1,000 from a short-term revolving credit contracted with Banorte on January 20, 2023, at the TIIE 28d rate plus 1%, with maturing on August 21, 2023.

On July 3, 2023, CFE 22-2S, Stock Certificates were issues in the national markets for an amount of MMXP \$3,153.8, and half-yearly interest payments, and at a fixed rate 10.82% with maturity in November, 2030.

On July 3, 2023, CFE 22UV, Stock Certificates were issues in the national markets for an amount of UDIS \$446,476,400, and half-yearly interest payments, and at a fixed rate 6.3% with maturity in March 2033.

On September 19, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured loan obtained with BBVA Mexico, S.A., at a rate of TIIE 28d plus 0.90% with maturity on December 18, 2023, to refinance on June 21, 2023.

On September 18, 2023, the Enterprise drew down MMXP \$3,000, from a short-term unsecured loan obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.90% with maturity on December 15, 2023, to refinance on June 20, 2023.

On September 13, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured loan obtained with BBVA Mexico, S.A., at a rate of TIIE 28d plus 0.85% with maturity on December 12, 2023.

On August 18, 2023, the Enterprise drew down MMXP \$1,500 from short-term unsecured loans obtained from BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.90% with maturity on November 17, 2023.

On August 3, 2023, the Enterprise drew down MMXP \$2,400 from short-term unsecured loans obtained from Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturity on October 31, 2023.

On July 13, 2023, the Enterprise drew down MMXP \$1,200 from short-term unsecured loan obtained from MUFG Bank Mexico, S.A., at a flat interest rate 12.70% with maturity on December 27, 2023.

On July 3, 2023, CFE 23X, Stock Certificates were issues in the national markets for a total amount of MMXP \$3,378.30, at a rate of TIIE 28 days plus 0.35% with maturity in December, 2024.

On June 30, 2023, the Enterprise drew down MMXP \$4,000 through three short-term unsecured loans obtained from Scotiabank Inverlat, S.A., at a rate of TIIE 28d plus 0.80% and maturity on September 28, 2023, to refinance on April 17, May 3 and 17, 2023.

On June 21, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured loan obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.80% with maturity in 3 months, to refinance on March 23, 2023.

On June 20, 2023, the Enterprise drew down MMXP \$3,000 from a short-term unsecured loan obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.80% and maturity in 3 months to refinance on March 22, 2023.

On May 19, 2023, the Enterprise drew down MMXP \$2,000 from a short-term revolving credit obtained with Banorte, dated on January 20, 2023, disbursed in two tranches, as follows: one for an amount of MMXP \$1,000 at a rate of TIIE 91 days plus 0.95% and the second for an amount of MMXP \$1,000 at a rate of TIIE 91 days plus 0.90%, with maturity on June 30, 2023.

On May 17, 2023, the Enterprise drew down MMXP \$1,000 from a short-term unsecured loan obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturity on June 30, 2023.

On May 3, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturity on June 30, 2023.

On May 3, 2023, the Enterprise drew down MMXP \$2,500 from a short-term revolving credit obtained with Banco Santander (Mexico), S.A. dated November 18, 2022, at a rate of TIIE 28 days plus 0.90% with maturity in 12 months, and renewable every 90 days.

On April 17, 2023, the Enterprise drew down MMXP \$1,000 from a short-term unsecured promissory contracted with Scotiabank Inverlat, S.A., at a rate of TIIE 28d plus 0.80% with maturing on June 30, 2023, to refinance the unsecured promissory dated February 16, 2023.

On March 23, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured promissory obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 3 months.

On March 22, 2023, the Enterprise drew down MMXP \$3,000 from a short-term unsecured promissory obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.80% with maturing 3 months.

On March 17, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 14 days, to refinance on February 16, 2023.

On March 3, 2023, the Enterprise drew down MMXP \$2,000 from a short-term unsecured promissory obtained with BBVA Mexico, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 3 months, to refinance on December 5, 2022.

On February 28, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 1 month, to refinance on January 27, 2023.

On February 16, 2023, the Enterprise drew down MMXP \$3,000 from a short-term unsecured loan obtained with Banco Mercantil del Norte, S. A., (Banorte), S. A., at a rate of TIIE 91 days plus 1.3% with maturing in 1 month, renewable every 90 days.

On February 16, 2023, the Enterprise drew down MMXP \$1,000 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of 28 days TIIE plus 0.80% with maturing in 2 months.



On February 16, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 1 month, to refinance on January 16, 2022.

On January 27, 2023, the Enterprise drew down MMXP \$1,500 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.80% with maturing in 1 month, to refinance on December 31, 2022.

On January 20, 2023, the Enterprise drew down MMXP \$4,000 from a short-term revolving credit obtained with Banorte dated January 20, 2023, at a rate of 91 days TIIE plus 1%, with maturing in 8 months, renewable every 90 days.

On January 16, 2023, the Enterprise drew down MMXP \$1,500 from a unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of 28ds TIIE plus 0.80%, with maturing in 1 month.

On January 4, 2023, the Enterprise drew down MMXP \$3,000 from a revolving short-term loan obtained with Banco Santander Mexico, S.A. dated November 18, 2022, at a rate of TIIE 28 days plus 0.95%, with maturing in 12 months, renewable every 90 days.

On December 30, 2022, the Enterprise drew down MMXP \$1,500.0 derived from a short term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.8% with maturing on January 27, 2023.

On December 16, 2022, the Enterprise drew down MMXP \$2,000.0 from a short-term revolving credit obtained with Banco Santander (Mexico), S.A. dated November 18, 2022, at a rate of TIIE 28 days plus 0.9% with maturing in 12 months, renewable every 90 days.

On December 5, 2022, the Enterprise drew down MMXP \$2,000.0 from a short term unsecured promissory obtained with BBVA Bancomer, S.A., at a rate of TIIE 28 days plus 0.8% with maturing in 90 days.

On October 18, 2022, three Stock Certificates were issues in the national markets for a total amount of MMXP \$10,000.

a) CFE 22S for an amount of MMXP \$2,907.8, which will pay monthly interest at a variable rate of TIIE 28 days plus 0.5%, maturing in May 2026.

b) CFE 22-2S for an amount of MMXP \$1,333.2, which will pay half-yearly interest at a fixed rate of 10.8%, maturing in November 2030.

c) CFE 22UV for an amount of UDIS 323,633,300 equivalent to MMXP \$2,458.2, which will pay half-yearly interest at a fixed rate of 6.3% and maturing in March 2033.

d) CFE 22UV for an amount of UDIS 434,472,700. equivalent to MMXP \$3,300.5, which will pay half-yearly interest at a fixed rate of 6.7% and maturing in October 2042.

On October 18, 2022, the Enterprise drew down MMXP \$3,000 from a short-term unsecured promissory obtained with BBVA Bancomer, S.A., at a rate of TIIE 28 days plus 0.8% with maturing in 58 days.

On October 4, 2022, the Enterprise drew down MMXP \$2,000.0 from a short-term unsecured loan obtained with Banorte, at a rate of TIIE 28 days plus 0.8% with maturing in 88 days.

On July 21, 2022, the Enterprise drew down MMXP \$2,000.0 from a short-term unsecured loan obtained with BBVA Bancomer, S.A., at a rate of TIIE 28 days plus 0.8% with maturing in 32 days.

On July 20, 2022, the Enterprise drew down MMXP \$3,000.0 from a short-term unsecured loan obtained with BBVA Bancomer, S.A., at a rate of TIIE 28 days plus 0.8% with maturing in 90 days.

On June 13, 2022, the Enterprise drew down MMXP \$2,000.0 from a short-term unsecured loan obtained with Banorte at a rate of TIIE 28 days plus 0.8% with maturing in 179 days.

On June 8, 2022, the Enterprise drew down MMXP \$2,000.0 from a short-term unsecured loan obtained with Banorte, at a rate of TIIE 28 days plus 0.8% with maturing in 180 days.

On April 22, 2022, the Enterprise drew down MMXP \$2,000.0 from a short-term unsecured promissory obtained with BBVA Bancomer, S.A., at a rate of TIIE 28 days plus 0.8% with maturing in 3 months.

On April 21, 2022, the Enterprise drew down MMXP \$3,000.0 from a short-term unsecured promissory obtained with BBVA Bancomer, S.A., at a rate of TIIE 28 days plus 0.8% with maturing in 3 months.

On April 21, 2022, the Enterprise drew down MMXP \$4,500.0 from a short-term revolving credit obtained with Banco Santander (Mexico), S.A. dated December 21, 2020, at a rate of TIIE 28 days plus 0.9% with maturing in 12 months, renewable every 90 days.

On March 1, 2022, the Enterprise drew down MMXP \$10,000 from a long-term unsecured loan obtained with Nacional Financiera, SNC in two tranches, as follows:

- a. The first for MMXP \$5,000, maturing in February 2025 and a rate of TIIE 182 + 1.2%.
- b. The second for MMXP \$5,000, maturing in March 2027 and a rate of TIIE 182 + 1.4%.

On February 23, 2022, the Enterprise drew down MMXP \$4,000 from a short-term unsecured promissory obtained with Scotiabank Inverlat, S.A., at a rate of TIIE 28 days plus 0.9% with maturing on December 30, 2022.

On January 18, 2022, the Enterprise drew down MMXP \$2,000 from a short-term unsecured promissory obtained with BBVA Bancomer, S.A., at a rate of TIIE 28 days plus 0.8% with maturing in 3 months.

On January 17, 2022, the Enterprise drew down MMXP \$3,000 from a short-term unsecured promissory obtained with BBVA Bancomer, S.A., at a rate of TIIE 28 days plus 0.8% with maturity in 3 months.

On January 6, 2022, the Enterprise drew down MMXP \$9,000 from a short-term revolving credit obtained with Banco Santander (México), S.A. dated December 21, 2020, at a rate of TIIE 28 days plus 0.9% with maturing in 12 months, renewable every 90 days.

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Domestic debt	Credit type	Interest rate	Maturates	2023		2022	
				Local currency	UDIS	Local currency	UDIS
NATIONAL CURRENCY	Bank contracts	Fixed and variable – 12.55%	Various through 2027	\$ 33,200,000		\$ 16,000,000	
	Stock market	Fixed and variable – 9.13%	Various through 2030	54,060,746		48,922,541	
<b>FOREIGN CURRENCY</b>	Bank contracts	Fixed and variable – 6.86%	March 2024	338,440	20,000	\$ -	
<b>IN US DOLLAR:</b> exchange rate of \$16.922 per dollar as of December 2023-							
<b>TOTAL NATIONAL AND FOREIGN CURRENCY</b>				<b>87,599,186</b>	<b>20,000</b>	<b>64,922,541</b>	
UDIS at the exchange rate of \$7.9764 and \$7.6449 as of December 2023 and 2022, respectively							
	Stock market	Fixed and variable - 5.14%	Various through 2042	52,179,138	6,541,690	42,145,287	5,512,863
<b>TOTAL UDIS</b>				<b>52,179,138</b>	<b>6,541,690</b>	<b>42,145,287</b>	<b>5,512,863</b>
<b>TOTAL DOMESTIC DEBT</b>				<b>\$ 139,778,324</b>		<b>\$ 107,067,828</b>	
<b>Summary</b>							
Total foreign debt				\$ 125,481,054		\$ 161,205,423	
Total domestic debt				139,778,324		107,067,828	
Interest payable				2,858,715		3,154,612	
Unamortized debt expenses				(2,424,661)		(2,424,661)	
<b>Total documented debt</b>				<b>\$ 265,693,432</b>		<b>\$ 269,003,202</b>	
Short-term debt				\$ 36,524,347		14,882,751	
Interest payable				2,858,715		3,154,612	
<b>Total Short-term</b>				<b>39,383,062</b>		<b>18,037,363</b>	
Long-term debt				228,735,031		253,390,500	
Unamortized debt expenses				(2,424,661)		(2,424,661)	
<b>Total long-term</b>				<b>226,310,370</b>		<b>250,965,839</b>	
<b>Total short-term and long-term debt</b>				<b>\$ 265,693,432</b>		<b>\$ 269,003,202</b>	

Notes to the unaudited condensed consolidated financial statements

As of December 31, 2023, the maturities of the documented debt are integrated as follows:

Year	Amount
2024	39,383,063
2025	24,449,300
2026	13,623,329
2027	28,546,766
2028	5,972,407
2029	25,591,936
2030	7,642,124
Subsequent years	120,484,507
<b>Total</b>	<b>\$ 265,693,432</b>

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

The balances of the PIDIREGAS debt (direct investment as of December 31, 2023 and 2022) are integrated and mature as follows:

	2023	2022
2023	-	1,583,760
2024	13,095,590	508,390
2025	11,721,850	-
2026	11,030,253	15,760,681
2027	5,559,275	-
2028	5,575,452	-
Subsequent years	51,039,646	99,626,136
<b>Total deuda</b>	<b>\$ 98,022,066</b>	<b>\$ 117,478,967</b>

*Direct investment (PIDIREGAS):*

An analysis of the balances and maturities of the PIDIREGAS (direct investment) debt and capital lease liabilities as of December 31, 2023 and 2022 is as follows:

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Foreign debt	Contract maturity	Balances as of December 31, 2023						Balances as of December 31, 2022			
		(Thousands of units)						(Thousands of units)			
		Local currency		Foreign currency		Local currency		Foreign currency		Local currency	
		Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
14	millions of dollars	2026	\$ 76,577	153,153	4,525	9,051	\$ 87,855	263,565	4,525	13,576	
157	millions of dollars	2029	462,194	2,187,289	27,313	129,257	530,266	3,039,703	27,313	156,570	
152	millions of dollars	2032	301,893	2,264,199	17,840	133,802	757,940	2,944,030	39,040	151,642	
604	millions of dollars	2036	743,745	9,478,569	43,951	560,133	853,285	11,727,874	43,951	604,084	
425	millions of dollars	2047	824,763	6,363,171	48,739	376,029	946,235	8,246,584	48,739	424,769	
909	millions of dollars	2048	709,855	14,665,380	41,949	866,646	814,404	17,639,725	41,949	908,594	
678	millions of dollars	2049	497,200	10,983,074	29,382	649,041	585,775	13,561,211	30,172	698,517	
664	millions of dollars	2050	979,172	10,265,211	57,865	606,619	973,093	11,348,147	50,122	584,525	
<b>Total Foreign debt</b>			<b>4,595,399</b>	<b>56,360,046</b>	<b>271,564</b>	<b>3,330,578</b>	<b>5,548,853</b>	<b>68,770,839</b>	<b>285,811</b>	<b>3,542,277</b>	
<b>Domestic debt</b>											
323	millions of pesos	2024	323,378	-			254,195	254,195			
12,309	millions of pesos	2026	3,866,099	8,443,145			3,044,274	12,364,987			
2,791	millions of pesos	2028	605,855	2,185,268			543,314	2,791,123			
10,146	millions of pesos	2033	1,612,793	8,533,153			1,491,330	10,145,946			
1,088	millions of pesos	2036	83,664	1,003,973			83,664	1,087,637			
8,963	millions of pesos	2042	571,125	8,392,069			551,656	8,963,193			
<b>Total Domestic debt</b>			<b>7,062,914</b>	<b>28,557,608</b>			<b>5,968,433</b>	<b>35,607,081</b>			
Interest payable			1,437,277	-			1,574,939	-			
<b>CEBURES</b>			-	8,821			-	8,821			
<b>Total PIDIREGAS debt</b>			<b>\$ 13,095,590</b>	<b>84,926,475</b>			<b>\$ 13,092,225</b>	<b>104,386,741</b>			

As of December 31, 2023 and 2022, minimum payment commitments on PIDIREGAS are as follows:

	<b>2023</b>	<b>2022</b>
PIDIREGAS	\$ 142,871,058	\$ 170,020,682
less:		
Unaccrued interest	46,295,091	54,125,476
Interest payable	1,437,277	1,574,939
Present value of obligations	98,013,244	117,470,145
less:		
Current portion of obligations	13,095,590	13,092,225
Long-term portion of PIDIREGAS	84,917,654	104,377,920
CEBURES	8,821	8,821
<b>Total CEBURES and PIDIREGAS</b>	<b>\$ 84,926,475</b>	<b>\$ 104,386,741</b>

### **Investment of funds-in-trust**

On December 28, 2023, the Enterprise drew down MUSD \$75 from a revolving credit obtained with HSBC with interest payable monthly, calculated at a variable rate results from adding 1.25 percentage points to the SOFR rate (Guaranteed Permanent Financing Rate, administered by Group Benchmark Administration, Ltd – CME, SOFR hereinafter), payable until February 28, 2024.

On December 26, 2023, the Enterprise drew down MMXP \$1,000 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.80 percentage points to the TIIE rate (Interbank Equilibrium Interest Rate, TIIE hereinafter), payable until maturity March 25, 2024.

On December 22, 2023, the Enterprise drew down MUSD \$25 from a revolving credit obtained with MONEX with interest payable monthly, calculated at a variable rate that results from adding 1.05 percentage point to the SOFR rate, payable until June 19, 2024.

On December 22, 2023, the Enterprise drew down MMXP \$650 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.90 percentage points to the TIIE rate, payable until maturity on March 21, 2024.

On December 18, 2023, the Enterprise drew down MMXP \$1,020 from a revolving credit obtained with BBVA México, S.A. with interest payable monthly, calculated at a variable rate that results from adding 0.80 percentage points to the TIIE rate, payable until maturity on March 15, 2024.

On December 15, 2023, the Enterprise drew down MUSD \$400 from a revolving credit obtained with SANTANDER with interest payable monthly, calculated at a variable rate that results from adding 1.10 percentage point to the SOFR Rate for the CCC EL SAUZ II, CCC projects. SAN LUIS POTOSI, CCC SALAMANCA, payable until June 15, 2024.

On December 14, 2023, the Enterprise MUSD \$100 from a revolving credit obtained with SCOTIABANK with interest payable monthly, with interest payable monthly, adding 1.20 percentage points to the SOFR rate, payable until December 13, 2024.

On December 13, 2023, the Enterprise drew down MUSD \$300 from a revolving credit obtained with BNP PARIBAS with interest payable monthly, calculated at a variable rate that results from subtracting 2.665 percentage points from the TIIE rate, payable until June 29, 2024.

On November 21, 2023, the Enterprise drew down MMXP \$420 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.80 percentage points to the TIIE rate, payable until February 19, 2024.

On November 21, 2023, the Enterprise drew down MMXP \$3,060 from a revolving credit obtained with BBVA México, S.A., with interest payable monthly, calculated at a variable rate that results from adding 0.90 percentage points to the TIIE rate, payable until February 19, 2024.

On October 12, 2023, the Enterprise drew down MUSD \$100 from a revolving credit obtained with BANAMEX, S.A. with interest payable quarterly, calculated at a variable rate resulting from adding 1.25 percentage points to the SOFR rate, payable until April 12, 2024.

On October 11, 2023, the Enterprise drew down MUSD \$150 from a revolving credit obtained with BANAMEX, S.A. with interest payable quarterly, calculated at a variable rate that results from adding 1.30 percentage points to the SOFR rate, payable until April 11, 2024.

On September 29, 2023, the Enterprise drew down MUSD \$200 from a revolving credit obtained with Bank of America, S.A., with interest payable monthly, calculated at a variable rate that results from adding 1.25 percentage points to the SOFR rate, payable until March 29, 2024.

On August 14, 2023, the Enterprise drew down MUSD \$11 from a revolving credit obtained from Banco Monex S.A., with interest payable monthly, calculated at variable rate of SOFR plus 1.10% rate and payable until February 12, 2024.

On June 30, 2023, the Enterprise drew down MUSD \$333.6 from a revolving credit obtained with JPMORGAN, S.A. and HSBC, S.A. (MIGA) with 5 annual provisions (2023 to 2028) and with interest payable semiannually, calculated at the variable rate that results from adding 0.85 percentage points to the SOFR rate, payable until June 30, 2038. The draw down of this year it was for \$229.8 MUSD.

On June 23, 2023, the Enterprise drew down MUSD \$300 from a revolving credit obtained with BANORTE for up to with interest payable quarterly, with three drawdowns of \$100 MUSD each, calculated at a variable rate that results from adding 1.20 or 1.35 percentage points at a rate. SOFR, payable until June 22, 2024. All three drawdowns of MUSD \$100 are in effect.

On June 23, 2023, the Enterprise drew down MUSD \$500 from a revolving credit obtained with BANORTE with interest payable quarterly, with three provisions of \$100 MUSD, calculated at a variable rate resulting from adding 1.20, 1.40 or 1.45 percentage points at a SOFR rate, payable until 22 June 2024.

On June 23, 2023, the Enterprise drew down MUSD \$500 from a revolving credit with BANORTE with interest payable quarterly, with two provisions of MMXP \$1,000, calculated at a variable rate resulting from adding 1.20 or 1.40 percentage points to the TIIE rate, payable until 22 June 2024.

On January 25, 2023, the Enterprise drew down MUSD \$80 from a revolving credit with SANTANDER with interest payable monthly, calculated at a variable rate that results from adding 1.20 percentage point to the SOFR rate, payable until March 27, 2024.

On December 30, 2022, the Enterprise drew down MMXP \$1,000 derived from a revolving credit obtained from BBVA México S.A., monthly payable at variable rate of TIIE plus 0.75% rate and maturing on March 30, 2023.

On December 29, 2022, the Enterprise drew down MUSD \$75 derived from a revolving credit obtained from Sumitomo Mitsui Banking Corporation, monthly payable at variable rate plus 0.70% and adjustment rate of SORF plus 0.26161% rate and maturing on March 24, 2023.

On December 27, 2022, the Enterprise drew down MUSD \$50 derived from a revolving credit obtained from Banco J. P. Morgan, S. A. quarterly payable at variable rate of SORF plus 1.10% rate and maturing on June 23, 2023.

On December 26, 2022, the Enterprise drew down MMXP \$1,020 derived from a revolving credit obtained from BBVA México S.A., monthly payable at variable rate of TIIE plus 0.75% rate and maturing on March 24, 2023.

On December 26, 2022, the Enterprise drew down MUSD \$300 derived from a revolving credit obtained from Banco Mercantil del Norte, S. A., quarterly payable at variable rate of SORF plus 1% rate and maturing on June 23, 2023.

On December 20, 2022, the Enterprise drew down MMXP \$5,000 derived from a revolving credit obtained from BBVA México S. A., monthly payable at variable rate of TIIE plus 0.80% rate and maturing on March 20, 2023.

On December 16, 2022, the Enterprise drew down MUSD \$200 derived from a revolving credit obtained from Scotiabank Inverlat, S. A. monthly payable at variable rate of SORF plus 1% rate and maturing on December 15, 2023.

On December 13, 2022, the Enterprise drew down MUSD \$100 derived from a revolving credit obtained from Banco Mercantil del Norte, S. A., quarterly payable at variable rate of SORF plus 1.30% rate and maturing on June 30, 2023

On November 15, 2022, the Enterprise drew down MUSD \$250 derived from a revolving credit obtained from DEUTSCHE BANK, monthly payable at variable rate of SORF plus 1% rate and maturing on May 3, 2023.



On October 13, 2022, the Enterprise drew down MUSD \$100 derived from a revolving credit obtained from HSBC S.A, quarterly payable at variable rate of SORF plus 1% rate and maturing on April 13, 2023.

On October 3, 2022, the Enterprise drew down MMXP \$1,000 derived from a revolving credit obtained from BBVA Mexico S.A., payable monthly at a rate of TIIE plus 0.75% and maturing on December 30, 2022.

On September 14, 2022, the Enterprise drew down MUSD \$100 derived from a revolving credit obtained from Banco Paribas NY, S.A, quarterly payable at variable rate of SORF plus 0.95% rate and maturing on August 31, 2023.

On August 19, 2022, the Enterprise drew down MUSD \$11 derived from a revolving credit obtained from Banco Monex S. A., monthly payable at variable rate of SORF plus 1.10% and maturing on February 15, 2023.

On July 29, 2022, the Enterprise drew down MUSD \$200 derived from a revolving credit obtained from Banco Mizhuo S.A, monthly payable at a variable rate plus 0.65% and at a SORF plus 0.11448% rate and maturing on January 20, 2023.

On July 29, 2022, the Enterprise drew down MUSD \$80 derived from a revolving credit obtained from Banco Santander Mexico S.A, monthly payable at variable rate of SORF plus 1.0% rate and maturing on March 29, 2023.

On July 22, 2022, the Enterprise drew down MUSD \$120 derived from a revolving credit obtained from Banco Santander S.A., payable monthly at a variable rate at a LIBOR (London Interbank Offered Rate, which corresponds to the rate published on the BBAM page of the Bloomberg screen), rate plus 1% and maturing on March 22, 2023.

On July 11, 2022, a revolving credit facility was arranged with Banco Nacional de México, S. A. for MUSD \$150 with interest payable quarterly, calculated at an annual rate equal to 4.6955% percentage points, payable until maturity on January 11, 2023.

On June 29, 2022, the Enterprise drew down MUSD \$25 derived from a loan obtained from Banco Monex S.A, monthly payable at a variable rate of SORF plus 1.05% rate and maturing in December 2022.

On June 29, 2022, the Enterprise drew down MMXP \$1,020 derived from a loan obtained from BBVA Mexico S.A., payable monthly at a rate of TIIE plus 0.75% and maturing in September 2022.

On June 27, 2022, the Enterprise drew down MUSD \$100 derived from a loan obtained from Banco Mercantil del Norte S.A, payable semi-annual at a SORF plus 1.20% rate and maturing in December 2022.

On June 27, 2022, the Enterprise drew down MUSD \$100 derived from a loan obtained from Banco Mercantil del Norte S.A, payable semi-annual at a SORF plus 1.20% rate and maturing in December 2022.

On May 31, 2022, the Enterprise drew down MMXP \$420 derived from a loan obtained from BBVA Mexico S.A., payable monthly at a rate of TIIE plus 0.75% and maturing in August 2022.

On May 31, 2022, the Enterprise drew down MMXP \$3,600 derived from a loan obtained from BBVA Mexico S.A., payable monthly at a rate of TIIE plus 0.8% and maturing in June 2022.

On April 1, 2022, the Enterprise drew down MUSD \$200 derived from a loan obtained from Banco Mercantil de Norte S.A., payable semi-annual at a variable rate depending the contract term (1.00%, 1.50% and 2.0%) at a LIBOR rate and maturing in December 2022.

On April 1, 2022, the Enterprise drew down MUSD \$100 derived from a loan obtained from Banco Mercantil de Norte S.A., payable monthly at a variable rate depending the contract term (1.00%, 1.50% and 2.0%) at a LIBOR rate and maturing in December 2022.

#### 14. Lease liabilities

An analysis of lease liabilities as of December 31, 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
January 1 <sup>st</sup>	\$ 624,716,357	\$ 661,408,622
Additions	3,597,618	31,435,557
Interest	23,780,464	26,653,658
Payments	(46,269,658)	(50,544,701)
Exchange difference	(78,224,722)	(44,236,779)
Total liabilities	527,600,059	624,716,357
Less portion of short-term liabilities	26,939,919	26,436,648
<b>Total long-term liabilities</b>	<b>\$ 500,660,140</b>	<b>\$ 598,279,709</b>

Lease payments as of December 31, 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
Less than one year	\$ 26,939,919	26,436,648
More than 1 year and less than 3 years	33,669,295	33,461,866
More than 3 years and less than 5 years	34,802,427	39,426,164
More than 5 years	432,188,418	525,391,679
<b>Total lease liabilities</b>	<b>\$ 527,600,059</b>	<b>624,716,357</b>

#### 15. Other accounts payable and accrued liabilities

Other accounts payable and accrued liabilities as of December 31, 2023 and 2022 is, as follows:

	<b>2023</b>	<b>2022</b>
Suppliers and contractors	\$ 65,236,192	71,226,692
Deposits from users and contractors	40,959,357	34,270,671
Other taxes and duties	7,421,139	4,698,032
Third-party contributions	10,256,110	9,310,179
Value added tax	5,273,317	2,374,773
Employees	3,881,093	4,229,586
Other liabilities	3,825,430	16,209,112
<b>Total</b>	<b>\$ 136,852,638</b>	<b>142,319,045</b>

#### 16. Other long-term liabilities

An analysis of other long-term liabilities as of December 31, 2023 and 2022 is, as follows:

	<b>2023</b>	<b>2022</b>
Decommissioning provision <sup>(a)</sup>	\$ 13,854,116	12,818,744
Other provisions <sup>(b)</sup>	19,155,295	19,159,645
<b>Total</b>	<b>\$ 33,009,411</b>	<b>31,978,389</b>

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

<b>Year</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Reversals</b>	<b>Ending balance</b>
2023	\$ 12,818,744	1,035,372	-	13,854,116
2022	\$ 12,297,103	521,641	-	12,818,744

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

## 17. Employee benefits

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

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

Due to review of the terms of the Collective Labor Agreement for the 2020-2022 biennium, some modifications made in 2016 were reversed, the main modifications were that workers are restored the years to access their retirement right, from the signing of this revision for the collective bargaining agreement and within a period not exceeding 180 days.

- a. The economic assumptions in nominal and real terms used in the years ended December 31, 2023 and 2022, are as follows:

	2023	2022
Discount rate	9.25%	9.25%
Expected return rate on plan assets	9.25%	9.25%
Salary increase rate	4.02%	4.02%

- b. The net cost of the period for each of the years ended December 31, 2023 and 2022, is as follows:

	2023	2022
Service cost	\$ 10,896,882	9,478,351
Interest cost	56,900,850	47,703,617
Interest on the Plan Assets	(19,514,425)	(19,985,965)
Recognition of past service	839,584	977,000
<b>Net period cost</b>	<b>\$ 49,122,891</b>	<b>38,173,003</b>

The net actuarial gains or losses derive from changes in the assumptions used by the actuary to calculate the labor liabilities, as a result of the increase in the average wage rate and the increase in pensions. The net gains and losses recognized in the years ended December 31, 2023 and 2022 are disclosed in paragraph d.

The amount included as a liability in the Statement of Financial Position for each of the years ended December 31, 2023 and 2022 with respect to the Enterprise's liability for its defined benefit plan

	<b>2023</b>	<b>2022</b>
Defined Benefit obligation	\$ 654,663,673	642,215,546
Fair value of the Plan Assets and promissory notes issued by the Ministry of Finance and Public Credit ( SHCP, Spanish acronym)	(230,275,518)	(210,966,752)
<b>Net projected obligation</b>	<b>\$ 424,388,155</b>	<b>431,248,794</b>

- c. A reconciliation from the opening to the ending balances for the present value of the defined benefits obligation for the three years ended December 31, 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
Opening balance (nominal amount)	\$ 642,215,546	619,744,724
Current service cost	10,896,882	9,478,351
Interest cost	56,900,850	47,703,617
Past service cost	839,584	977,000
Actuarial (gain) loss	(3,653,140)	13,269,181
Benefit paid	(52,536,049)	(48,957,327)
<b>Defined Benefit obligation</b>	<b>\$ 654,663,673</b>	<b>642,215,546</b>

- d. A reconciliation from the opening to the ending balances for the fair value of the plan assets for the three years ended December 31, 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
Opening balance (nominal amount)	\$ 210,966,752	249,824,559
Return on Plan Assets	(205,659)	(38,664,904)
Plan Assets disposition	-	(20,178,868)
Expected returns	19,514,425	19,985,965
	<b>\$ 230,275,518</b>	<b>210,966,752</b>

***Trust to manage the Pension and Retirement Reserve funds.***

CFE has created the Trust called Scotiabank Inverlat S.A. FID 11040961, which manages the resources of the Pension and Retirement Reserve funds. As of December 31, 2023 and 2022, the trust balance amounts of \$360,992 and \$1,844,337, respectively. In 2023, CFE disposed of resources from the Scotiabank Inverlat, S.A. Trust and transferred them to a deposit in the Treasury of the Federation (TESOFE, Spanish acronym) in favor of CFE, financial arrangements with reference number 3028-29112023.

On October 31, 2023, CFE received from the Ministry of Finance and Public Credit (SHCP, Spanish acronym) the fifth promissory note of \$5,940,993.

On October 31, 2022, CFE received from the Ministry of Finance and Public Credit (SHCP, Spanish acronym) the fourth promissory note of \$3,013,884, which generated returns of \$1,552,970.

e. Sensitivity analysis

In order to carry out the sensitivity analysis, the Enterprise considered a +/- .5 points change in the discount, as such, the scenarios considered took into account the following financial assumptions:

Concept	Scenario		
	Lower discount rate	Base	Higher discount rate
Long-term inflation	3.8% annual	3.8% annual	3.8% annual
Discount rate	8.75% annual	9.25% annual	9.75% annual
Salary increase rate	4.02% annual	4.02% annual	4.02% annual
Minimum wage increase rate	3.5% annual	3.5% annual	3.5% annual

Based on these assumptions, the following liabilities were determined (amounts in millions of pesos):

Defined Benefit Obligation	Scenario		
	Lower discount rate	Base	Higher discount rate
Seniority bonus	\$ 2,999,059	2,934,213	2,872,030
Seniority premium	35,740,393	34,636,061	33,590,668
Severance pay and compensations	5,456,741	5,380,220	5,301,686
Pensions and retirements	640,017,416	611,725,345	585,587,260
<b>Total</b>	<b>\$ 684,213,609</b>	<b>654,675,839</b>	<b>615,061,855</b>

The percentage differences on the liabilities determined in the two additional scenarios, with respect to the base scenario, are shown in the following tables:

Concept	Scenario		
	Base	Lower discount rate	Variance
Seniority bonus	\$ 2,934,213	2,999,059	2%
Seniority premium	34,636,061	35,740,393	3%
Severance pay and compensations	5,380,220	5,456,741	1%
Pensions and retirements	611,725,345	640,017,416	5%
<b>Total</b>	<b>\$ 654,675,839</b>	<b>684,213,609</b>	<b>5%</b>

Concept	Scenario		
	Base	Higher discount rate	Variance
Seniority bonus	\$ 2,934,213	2,872,030	(2%)
Seniority premium	34,636,061	33,590,668	(3%)
Severance pay and compensations	5,380,220	5,301,686	(1%)
Pensions and retirements	611,725,345	585,587,260	(4%)
<b>Total</b>	<b>\$ 654,675,839</b>	<b>615,061,855</b>	<b>(4%)</b>

## 18. Income tax

An analysis of the income tax (benefit) expense recognized in the years ended December 31, 2023 and 2022 is as follows.

	<b>2023</b>	<b>2022</b>
Current income tax	\$ 20,786,818	11,387,521
Deferred income tax	3,706,021	(4,302,378)
<b>Income tax</b>	<b>\$ 24,492,839</b>	<b>7,085,143</b>

The deferred tax related to items recognized in comprehensive income in the years ended December 31, 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
Labor obligation	\$ 2,503,842	(5,269,909)
Fixed assets revaluation	73,809	(1,282,174)
Financial instruments	(497,542)	(883,740)
<b>Income taxes recognized in OCI</b>	<b>\$ 2,080,109</b>	<b>(7,435,823)</b>

An analysis of deferred taxes recognized in the statement of financial position as of December 31, 2023 and 2022 is as follows:

	<b>2023</b>	<b>2022</b>
<b>Deferred tax assets</b>		
Labor obligations	\$ 89,714,112	90,009,854
Provisions	7,458,948	8,681,597
Tax losses from prior years	16,020,693	-
Allowance for doubtful accounts	965,447	367,009
Decommissioning provision	2,147,531	2,084,140
Customer advances	365,497	329,277
Allowance for obsolete inventories	159,308	1,089,680
Lease liabilities	11,810,002	20,100,803
Intangible assets	82,535,166	84,107,574
Deferred revenue	2,953,766	98,740
<b>Total deferred tax assets</b>	<b>\$ 214,130,470</b>	<b>206,868,674</b>
<b>Deferred tax liabilities</b>		
Fixed asset liabilities	\$ 110,453,260	104,944,975
Deposits and advances	264,246	13,182
Other	7,737,772	449,196
<b>Total deferred tax liabilities</b>	<b>118,455,278</b>	<b>105,407,353</b>
<b>Net deferred income tax asset</b>	<b>\$ 95,675,192</b>	<b>101,461,322</b>

Changes in the deferred tax amounts for the years ended December 31, 2023 and 2022 are as follows:

	<b>2023</b>	<b>2022</b>
Balance at beginning of year	\$ 101,461,322	89,723,121
Deferred tax Benefit	(5,786,130)	11,738,201
<b>Balance at end of year</b>	<b>\$ 95,675,192</b>	<b>101,461,322</b>

An analysis of the items that comprise unrecognized deferred tax assets is shown below:

	<b>2023</b>	<b>2022</b>
Labor obligations	\$ 23,248,618	16,195,799
Provisions	15,523,607	662,983
Losses from prior years	195,028,336	137,527,332
Allowance for doubtful accounts	18,720,518	15,897,127
Decommissioning provision	1,837,157	1,258,558
Deposits	-	(381,501)
Customer advances	1,017,348	(1,528,982)
Allowance for obsolete inventories	16,647	139,204
Fixed assets	34,099,759	5,231,793
Advance payments	-	(19,096)
Lease liabilities	39,153	(354,933)
Accounts receivable	-	1,361,850
Other	2,074,766	(1,777,071)
<b>Total</b>	<b>291,605,909</b>	<b>174,213,063</b>
Less unrecognized assets	(291,605,909)	(174,213,063)
<b>Total</b>	<b>\$ -</b>	<b>-</b>

On December 31, 2023, tax loss carryforwards expire as follows:

<b>Year</b>	<b>Amount</b>	<b>Deferred tax asset</b>
2033	\$ 45,136,658	13,540,997
2032	153,201,107	45,960,332
2031	167,238,326	50,171,498
2030	55,443,792	16,633,138
2029	39,474,053	11,842,216
2028	113,022,331	33,906,699
2027	129,980,500	38,994,150
<b>\$</b>	<b>703,496,767</b>	<b>211,049,030</b>



**Reconciliation of the effective tax rate**

	<b>2023</b>	<b>2022</b>
Gain (loss) before income tax	\$ 120,684,714	\$ (9,382,736)
Expected expense (benefit)	36,205,414	(2,814,821)
Annual inflation adjustment	3,335,652	8,653,078
Non-deductible expenses	15,993,694	14,319,655
Subsidy income	(22,987,440)	(21,900,000)
Non-controlling interest (Fibra E)	-	1,349,734
Other	(8,054,481)	16,860,233
<b>Total</b>	<b>\$ 24,492,839</b>	<b>\$ 7,085,143</b>

**19. Equity**

Contributions from the Federal Government

The resources for Strengthening the Finances of the Comisión Federal de Electricidad (CFE) and its Subsidiary Productive Companies that have been provided for in the Expenditure Budget of the Federation for fiscal year 2023 stipulate that the contributions of the Federal Government constitute the equity.

For the 12-month period ended December 31, 2023, CFE received contributions as Contribution Certificates "A" for \$10,000,000 from the Federal Government.

The contribution certificates are integrated as follows:

<b>Date</b>		<b>Strengthening Finances</b>
April 26th	\$	6,715,888
October 27th		3,284,112
<b>Total</b>	<b>\$</b>	<b>10,000,000</b>

Other comprehensive income as of December 31, 2023 and 2022 is as follows:

**Comisión Federal De Electricidad**  
**Productive State Enterprise and Subsidiaries**

	<b>Dec 2022</b>	<b>Recycling of other comprehensive income</b>	<b>Comprehensive income (loss) for the period</b>	<b>Dec 2023</b>
Revaluation of plants, facilities and equipment	\$ 550,676,550	-	35,931	550,712,481
Remeasurements of net defined benefit obligation	(107,002,531)	-	3,180,284	(103,822,247)
Recognition of the assumption by the Federal Government of CFE's benefits obligations	161,080,204	-	-	161,080,204
Cash flow hedges	19,381,340	34,937,989	(18,612,676)	35,706,653
Effect of translation into the functional currency	(120,326)	-	170,673	50,347
Deferred income tax from comprehensive income	(46,906,588)	-	(2,080,109)	(48,986,697)
<b>Total other comprehensive income (loss)</b>	<b>\$ 577,108,649</b>	<b>34,937,989</b>	<b>(17,305,897)</b>	<b>594,740,741</b>

	<b>Dec 2021</b>	<b>Recycling of other comprehensive income</b>	<b>Comprehensive income (loss) for the period</b>	<b>Dec 2022</b>
Revaluation of plants, facilities and equipment	\$ 558,109,273	-	(7,432,723)	550,676,550
Remeasurements of net defined benefit obligation	(55,344,347)	-	(51,658,184)	(107,002,531)
Recognition of the assumption by the Federal Government of CFE's benefits obligations	161,080,204	-	-	161,080,204
Cash flow hedges	12,647,876	22,742,007	(16,008,543)	19,381,340
Effect of translation into the functional currency	(120,326)	-	-	(120,326)
Deferred income tax from comprehensive income	(54,342,411)	-	7,435,823	(46,906,588)
<b>Total other comprehensive income (loss)</b>	<b>\$ 622,030,269</b>	<b>22,742,007</b>	<b>(67,663,627)</b>	<b>577,108,649</b>

## 20. Foreign Currency Position

As of December 31, 2023 and 2022, CFE had the following foreign currency denominated assets and liabilities:

<b>2023</b>					
	Assets Cash and cash equivalents	Suppliers	Foreign debt	Lease of equipment and Pidiregas	Foreign currency short position
U.S. dollars	257	2,227	10,612,301	20,361,428	30,975,956
Euros	-	-	122,787	-	7,316
<b>2022</b>					
	Assets Cash and cash equivalents	Suppliers	Foreign debt	Lease of equipment and Pidiregas	Foreign currency short position
U.S. dollars	10,910	1,675	8,219,512	7,894,835	16,105,112
Euros	-	-	78,450	-	78,450

These assets and liabilities denominated in foreign currencies were translated to local currency at the exchange rate published in the Official Gazette by Banco de Mexico as of December 31, 2023 and 2022, as shown below:

<b>Currency</b>	<b>2023</b>	<b>2022</b>
U.S. dollar	16.9220	19.4715
Japanese yen	0.1199	0.1476
Euro	18.6929	20.7810

## 21. Transactions with PEMEX

As of December 2018, Mr. Manuel Bartlett Diaz, CEO of CFE, was appointed member of the Board of Directors of Petroleos Mexicanos.

As of December 31, 2023 and 2022, CFE through its affiliated entity CFEnnergía, S.A. de C.V. and Subsidiary Productive Companies carried out transactions with Pemex for the acquisition of fuel

	<b>2023</b>	<b>2022</b>
<b><u>Revenue</u></b>		
Pemex Transformación Industrial	\$ 867,996	1,194,776
Pemex Corporativo	105,308	78,350
Pemex Explotación y Producción	300,968	225,704
Pemex Logística	390,950	337,570
<b><u>Purchases</u></b>		
Pemex Transformación Industrial	\$ 42,911,418	34,241,563
<b><u>Accounts receivable</u></b>		
Pemex Transformación Industrial	\$ 6,547,909	6,034,180
P.M.I. Trading Designated Activity Company	-	60,949
Pemex Fertilizantes	286,785	328,681
Pemex Corporativo	308,992	203,337
Pemex Explotación y Producción	1,118,232	813,552
Pemex Logística	1,372,547	970,171
Pemex Refinación	1,574	102
<b><u>Accounts payable</u></b>		
Pemex Transformación Industrial	\$ 7,227,822	5,963,012
P.M.I. Trading Designated Activity Company	2,053	2,352

Benefits paid to CFE's main officers in the fiscal years ended December 31, 2023 and 2022, amounted to approximately \$254,073 and \$267,702, respectively.

## 22. Contingencies and Commitments

The Enterprise is involved in several lawsuits and claims, arising from the normal course of its operations, which are expected not to have a significant effect on its financial situation and future results, highlighting the following:

### a. International arbitration

Currently, there are 10 proceedings by the general lawyer, 1 of international nature in favor of CFE: 2 of international nature and 7 for arbitration with participants in Mexico against CFE, as a result of disputes with various suppliers and at different stages. At the date of these financial statements, we cannot reasonably determine whether an adverse result in these procedures would have a negative effect on the Enterprise's Financial Statements.

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

The international arbitration proceedings described in this note are subject to the confidentiality rules of the London Court of International Arbitration.

**b. Amendments to the Collective Labor Agreement 2020-2022**

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

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

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

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

In compliance with the Ninth Provision, second paragraph of the "Agreement by which the provisions of a general character are issued relative to the assumption by the Federal Government of obligations to pay pensions and retirements in charge of the CFE" ("Agreement"), published in the DOF on November 14, 2016, the CFE communicated to the Public Credit Unit of the SHCP, through official letter DCF / 0202/2020 dated on September 2, 2020, the modification before indicated to the CCT and through official letter DCF/0274/2020, referred the document which includes the financial impact regarding the modification of retirement requirements for employees.

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

There is a contingent liability derived from employee benefits.

## Commitments

### a. Natural gas supply contracts

The Enterprise has entered into contracts for services related to the reception, storage, transportation, regasification and supply of liquefied natural gas. The contractual commitments consist of acquiring, during the supply period, daily base amounts of natural gas as set forth in the respective contracts.

### b. Financed public work contracts

As of December 31, 2023, CFE has entered into several financed public work contracts and the payment commitments will begin on the dates on which the private investors complete the construction of each of the investment projects and deliver the related assets to CFE for their operation. The estimated amounts of the financed public work contracts and the estimated dates of construction completion and startup of operations are shown in the table below:

#### Transmission lines and substations:

Capacity		Estimated amount of the contract expressed in millions of:	
Kmc	MVA	Dollars	Mexican pesos
198.31	1,180	130	1,681

#### Generation:

Capacity	Estimated amount of the contract expressed in millions of:	
MVA	Dollars	Mexican pesos
913.40	1,038	17,564

#### Renovation and/or modernization

Estimated amount of the contract expressed in millions of:	
Dollars	Mexican pesos
380	6,430

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

### c. Trusts

#### Infrastructure investment trust

On February 7, 2018, CFE placed an issue for the first Energy and Infrastructure Investment Trust or Fibra E, (Fiduciary Stock Certificates [CBFEs] for investment in energy and infrastructure) through the Mexican Stock Exchange. The total placement was for a total amount of \$16,388 million pesos and it is the first Fibra E in which domestic and foreign investors participated, highlighting the participation of institutional investors, private banks and investment funds from Mexico, United States, Canada, Australia and Europe.

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

A detailed description of the activities of each of these Trusts and CFE Capital Trusts is as follows:

#### Promoted Trust

The irrevocable Trust of Administration and Source of Payment No. 80757 was incorporated on January 22, 2018 to acquire the collection rights derived from the Agreement for the Technical and Commercial Operation of Electricity Transmission entered into with the National Energy Control Center (CENACE, Spanish acronym) on March 28, 2016.

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

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

The main activities of the Promoted Trust include:

1. Receiving, managing, and maintaining the contributed collection rights;
2. Opening, managing, and maintaining fiduciary bank accounts;
3. Making the transfers and payments established in the trust agreement;
4. Evaluating any reimbursements of unbudgeted expenditures requested by CFE Transmission;
5. Receiving payments made against the collection rights and any other rights derived from the agreement with CENACE;
6. Exercising any other rights arising from the agreement with CENACE;
7. Complying with the instructions provided by the Trustor, the Technical Committee, or the beneficiaries to the extent that they are authorized to do so in accordance with the terms of the trust agreement.

#### Issuing Trust (Fibra E)

The Fibra E trust entered into by CI Banco, S. A., Institucion de Banca Multiple, Monex Casa de Bolsa, S.A. de C.V. and Monex Grupo Financiero (FIBRA E) was created on January 22, 2018, as a trust for the issuance of Fiduciary Stock Certificates (CBFEs).

The primary purpose of the Trust is to invest in eligible entities, whose exclusive activity consists of:

1. Investing in assets and projects related to Generation, Transmission and Distribution of Electricity, and Infrastructure Projects.
2. Investing in or performing any other activity provided for in the FIBRA E tax regulations, as well as in Rule 3.21.3.9. of the Miscellaneous Tax Resolutions or any other tax law that replaces such.

The initial asset of the Trust consists of Beneficiary Rights that have an economic ownership interest in the Promoted Trust.

#### CFE Capital

The primary purpose of this entity is to manage all types of trusts and their property, including the Fibra E and the Promoted energy and infrastructure investment trusts created in conformity with current tax legislation, including but not limited to, all the activities and acts deemed necessary or suitable for such purpose, and to provide all types of administration, operation, development and regulatory compliance services.

#### Master Investment Trust CIB/3602 FMI

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

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

#### Clean Energy Trust 10670

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

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

#### Trust for Conventional Generation Projects 10673

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

#### Trust Banco Azteca 1320

On April 28, 2022, the CFE formalized with Banco Azteca S.A., Trust number 1320 the primary objective is to promote investment projects and celebrate contracts complying with the instructions provided by the Technical Committee.

#### Revocable Trust for Administration, Investment and Source of Payment Number F/9485

On July 26, 2022, the CFE formalized with Banco Monex, S.A., Institución De Banca Múltiple, Monex Grupo Financiero, Trust number 9485, the primary objective is the payment of financing, celebration of commercial commissions and celebration of service contracts agreements and/or documents in general that are necessary for the acquisition of goods and/or contracting of services required for the operation of the Investment Projects; in accordance with the instructions received by the Technical Committee.



## Other trusts

### 1 Scope of action

1.1. CFE currently participates as Trustor or Beneficiary in 9 (nine) Trust Funds, of which 3 (three) are in the process of termination.

1.2. In conformity with its purpose and operating characteristics, the trust funds can be classified in the following groups:

- a. Energy saving
- b. Prior expenses
- c. Construction Works contract management
- d. Indirect participation trust funds

#### a. Energy saving

Trust funds to promote energy saving programs.

Trust fund	Role of CFE		
	Trustor	Trustee	Trust Beneficiary
Trust Fund for Energy Savings (FIDE), created on August 14, 1990	Creation of Trust: Confederación de Cámaras Industriales (CONCAMIN), Cámara Nacional de la Industria de Transformación (CANACINTRA), Cámara Nacional de Manufacturas Eléctricas (CANAME), Cámara Nacional de la Industria de la Construcción (CNIC), Cámara Nacional de Empresas de Consultoría (CNEC) and Sindicato Único de Trabajadores Electricistas de la República (SUTERM)	Nacional Financiera, S.N.C.	<p><b>a.</b> Electric energy consumers who are beneficiaries of the services rendered by the Trust fund.</p> <p><b>b.</b> CFE, only for the materials that will form part of the public energy services infrastructure.</p>
Mexicali Housing Thermal Isolation Trust (FIPATERM), created on October 19, 1990	CFE Suministro Básico	Banco Nacional de Obras y Servicios Públicos, S.N.C.	CFE

As of December 31, 2023 and 2022, the Housing Thermal Isolation Program (FIPATERM) Trust has assets of \$1,977,316 y \$1,875,980 and liabilities of \$112,898 y \$175,395, respectively.

#### b. Prior expenses

Those created for financing and covering expenses prior to the execution of projects which are subsequently recovered and charged to the entity that incurred in such expense to comply with the regulations applicable to the type of project.

Trust fund	Role of CFE			Type of project
	Trustor	Trust Beneficiary	Trustee	
CPTT prepaid expense management, created on August 11, 2003	CFE	CFE	Banco Nacional de Comercio Exterior, S.N.C.	Direct investment

Through an extraordinary session held on August 2, 2023, members of the Prior Expenses Management Trust (FAGP) committee approved the termination of the Trust; as part of this closure on August 4, 2023, the contracted credits that the Trust had in force were settled as of December 31, 2023, this Trust does not present balances in its Statement of Financial Position.

The agreement of extinction is currently being drafted.

Trust fund	Role of CFE			Type of project
	Trustor	Trust Beneficiary	Trustee	
Management and transfer of ownership 2030, created on September 30, 2000	CFE	<b>Primary beneficiary:</b> Contract winners <b>Second beneficiary:</b> CFE	Banobras, S.N.C.	Conditioned investment

As of December 31, 2023 and 2022, the Administration and Transfer of Ownership Trust 2030 has assets of \$618,834 and \$556,576, respectively.

### c. Construction Works contract management

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

- Turnkey Projects (1990)
- Building, Leasing and Transferring Projects (1996)

**Turnkey Projects.** Under this scheme, works were carried out for the construction of power generation plants and installation of transmission lines, through an irrevocable management and transfer of ownership trust, linked to a lease agreement. Under this modality, the trustee is responsible for the following:

Contracting credits, managing the trust property (assets), receiving the lease payments from CFE, and transferring the asset at no cost to CFE after the leases have been paid in an amount sufficient to pay the contracted credits.

CFE participates in the payment of the leases to the trustee, based on the credits contracted by the trust, instructing the trustee to pay the contractors receiving, in exchange, invoices approved by the construction area, payment of taxes and other charges, including trustee fees.

The trusts for managing and transferring ownership were carried out in accordance with the Guidelines for the performance of thermoelectric projects with off-budget funds, as well as with the Guidelines for the performance of transmission lines and substations with off-budget funds issued by the Ministry of Public Administration (formerly known as the Ministry of Comptrollership and Administrative Development).

The Trust shown below has completed its payment commitments; therefore, it is in process of termination by EPS Generacion III.

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Topolobampo II (Electrolyser, S. A. de C. V.), created on November 14, 1991	Bufete Industrial Construcciones, S. A. de C. V. and Electrolyser, S. A. de C. V., with respect to its contribution to the Trust	<b>Primary beneficiary:</b> Electrolyser, S. A. de C. V., with respect to its contribution to the Trust and <b>Second beneficiary:</b> CFE	Santander, S. A.

**Building, Leasing and Transferring Projects (“CAT”, Spanish acronym).** The transition stage to carry out the CAT trusts began in 1996, whereby the trustee manages the trust property (assets) and transfers it to CFE after the lease payments have been covered. Credits are contracted directly with a consortium that is a special purpose entity, for which there is an irrevocable management and transfer of ownership trust contract.

In these types of trusts, CFE participates in making the lease payments based on quarterly amortization tables presented by the consortiums in their bids. Most of these tables include forty quarterly payments.

The only project under this mode that has settled its financial obligations and is in the process of termination is the CC Samalayuca II project; therefore, it is in the process of being terminated by EPS Generacion IV.

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
C.T. Samalayuca II, created on May 2, 1996	Compañía Samalayuca II, S.A. de C.V.	<b>Primary beneficiary:</b> The foreign bank that is the common representative of the creditors; <b>Second beneficiary:</b> Compañía Samalayuca II, S.A. de C.V. <b>Third beneficiary:</b> CFE	Banco Nacional de México, S. A.

As of December 31, 2023 and 2022, CFE has fixed assets amounting to \$21,995,856 respectively, related to the CAT trusts referred to above.

Coal Terminal of the Thermoelectric Power Station Presidente Plutarco Elias Calles:

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Coal Terminal of the Thermoelectric Power Station Presidente Plutarco Elias Calles (Petacalco) was created on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and Techint Compagnia Tecnica Internazionale S.P.A.	<b>Primary beneficiary:</b> Carbonser, S.A. de C.V. <b>Second beneficiary:</b> CFE	Banco Nacional de México, S. A. (Banamex)

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

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

Facility	Fixed charge for capacity for Jan-Dec 2023
Petacalco Coal	\$111,273,747

#### d. Indirect participation trust funds

Additionally, CFE maintains an indirect relationship since it is not a Trustor, but it participates as a beneficiary in two guarantee and loan payment Trusts, created by Financial Institutions as Trustors and Trust Beneficiaries for the issue of securities linked to credits granted to CFE. CFE is named as Second Beneficiary of the Trust, due to the specific possibility that it may acquire some of the certificates issued and it maintains representation in its Technical Committees in conformity with the contractual provisions.

CFE is required to reimburse to the Trust in the terms of the Indemnity Contract that forms part of the Trust Contract, the expenses incurred by the Trust for the issue of securities and their management.

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Trust No. 232246 created on November 3, 2006	Banco Nacional de Mexico, S.A., a member entity of Grupo Financiero Banamex	<b>Primary beneficiary:</b> Each of the preferred holders of each issue. <b>Second beneficiary:</b> CFE	HSBC México, S.A., Grupo Financiero HSBC
Trust No. 411 created on August 6, 2009	Banco Nacional de Mexico, S.A., a member entity of Grupo Financiero Banamex	<b>Primary beneficiary:</b> Each of the preferred holders of each issue. <b>Second beneficiary:</b> CFE	Banamex

As of December 31, 2023 and 2022, available funds in trust No. 232246 amount to \$8,821.

## 2 Legal nature

2.1 In conformity with the Federal Public Administration Act, none of the trusts are considered Public Trusts with the status of an "entity", pursuant to the following:

- a. In 6 of the Trusts, CFE is not a Trustor in their creation.
- b. The 4 remaining trusts do not have an organic structure similar to the state-owned entities that comprise them as "entities" in terms of the Law.

2.2 The SHCP has maintained a record for purposes of the Federal Budget and Financial Responsibility Law, of 4 (four) of the Trusts, due to the allocation of federal funds or the contribution of land owned by CFE where the works will be carried out.

Registration of Trusts with SHCP		
No.	Trusts	Record
1	Mexicali Housing Thermal Isolation Trust (FIPATERM)	700018TOQ058
2	Prior Expense Trust	200318TOQ01345
3	Trust Management and Transfer of Ownership 2030	200318TOQ01050
4	Trust for Power Savings (FIDE)	700018TOQ149

## 23. Segment information

### Information regarding the operating segments

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

### Information by type of services:

Income	December 31, 2023	December 31, 2022
Domestic services	\$ 111,230,414	\$ 95,732,498
Commercial services	60,295,023	54,406,434
Services	14,533,400	15,317,338
Agricultural services	11,140,305	9,386,005
Industrial services	289,396,599	261,412,665
<b>Total sales</b>	<b>486,595,741</b>	<b>436,254,940</b>
Block for resale	40,072	1,120,655
<b>Total electricity supply revenue</b>	<b>486,635,813</b>	<b>437,375,595</b>
Consumption in the process of being billed	2,065,886	207,580
Illegal uses	1,426,417	1,977,686
Measurement failure	256,203	2,646,917
Billing error	371,826	336,697
<b>Total income obtained from other programs</b>	<b>4,120,332</b>	<b>5,168,880</b>
<b>Total revenue from the sale of electricity</b>	<b>\$ 490,756,145</b>	<b>\$ 442,544,475</b>

## 24. Other expenses

As of December 31, 2023 and 2022 the other expenses are as follows:

	<b>2023</b>	<b>2022</b>
Allowance for doubtful accounts	\$ 9,884,314	\$ 9,331,260
Impairment of long-lived assets	468,463	4,834,347
Allowance of trials and litigation	567,282	10,943,176
Otros	13,496,752	16,576,746
<b>Total</b>	<b>\$ 24,416,811</b>	<b>\$ 41,685,529</b>

## 25. Standards issued but not yet effective, in 2023

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

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

The amendment specifies the requirements to classify liabilities as current or non-current. IAS 1 indicates that a current liability is the liability where there is no right to defer the settlement during the following twelve months. The amendments become effective on January 1, 2024 and they must be applied retroactively.

### – *Insurance Contracts (IFRS 17)*

IFRS 17 Insurance Contracts establishes a new comprehensive accounting model that provides the users of financial information a completely new perspective regarding the financial statements of insurance companies.

### – *Accounting Estimates Definition (Modification IAS- 8)*

The amendments to IAS 8 clarify the difference between changes in accounting estimates and accounting policies resulting from obtaining new information and the correction of prior period errors.

### – *Information to be Disclosed regarding Accounting Policies (Modification the IAS-1) and the amendment to Practice Statement 2*

Amendments to IAS 1 have the purpose to remove regulations for the disclosure of significant accounting policies and include instead guidance to assess the materiality thereof in order to select the accounting policies that should be disclosed.

### – *Deferred Taxes related to Assets and Liabilities arising from a transaction (Modification the IAS-12)*

The standard reduces the exemption in the initial recognition of deferred taxes established in IAS 12, clarifying that there shall be recognized the deferred taxes on rights of use and liabilities for lease.

*- Model International Tax Reform of the Second Pillar (IAS 12 Modifications)*

The modifications to IAS 12 establish that entities considered to be in the Second Pillar (entities with income exceeding 750 million euros) will not recognize or disclose information on deferred tax assets and liabilities derived from the complementary tax system (Global Anti Base Erosion). , being mandatory to separately disclose the current tax corresponding to the complementary tax.

As of December 31, 2023, these modifications have had no impact on the Enterprise's consolidated financial statements.

b) The modified IFRS that are not yet effective are the following:

***– Lease Liability in a Sale and Leaseback (Modification to IFRS 16)***

The amendment to IFRS 16 Leases adds subsequent measurement requirements for sale and leaseback transactions. It begins its validity as of January 1, 2024.

***– Non-current Liabilities with Agreed Conditions (Modification to IAS 1)***

The modifications to IAS 1 Presentation of Financial Statements improve the information provided by an entity when its right to defer the settlement of a liability for at least twelve months is subject to compliance with agreed conditions. This rule will be effective from January 1, 2023.

***– Sale or contribution of assets between an investor and its associate or joint business (Amendments to IFRS 10 and IAS 28)***

The modifications to IFRS 10 and IAS 28 establish the recognition of the results resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture. The effective date of the amendments has not yet been set by the IASB; however, early application is permitted.

***– Supplier financing agreements (IAS 7 and IFRS 7 Modifications)***

The modifications to IAS 7 and IFRS 7 consist of disclosing information on supplier financing agreements. It begins its validity as of January 1, 2024.

***– International Sustainability Standards (IFRS S1 and IFRS S2)***

In March 2022, the ISSB published two draft standards: one on General Requirements for Sustainability Disclosures related to Financial Reporting (IFRS S1) and another on Climate-related Disclosures (IFRS S2). These new rules are expected to be applicable from January 1, 2024

**26. Issuance of the consolidated financial information**

The consolidated financial statements and notes will be approved by the Board of Directors. The Board of Directors has the power to amend the accompanying consolidated financial information.

**COMISIÓN FEDERAL DE ELECTRICIDAD,  
PRODUCTIVE STATE ENTERPRISE AND SUBSIDIARIES**

**INDEPENDENT AUDITORS' REPORT**

**AND CONSOLIDATED FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2022 AND 2021**

**INDEX**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
**Comisión Federal de Electricidad, Productive State Enterprise:**

### Opinion

We have audited the consolidated financial statements of **Comisión Federal de Electricidad, Productive State Enterprise and Subsidiaries** (CFE or "the Entity"), which comprise the consolidated statement of financial position as of December 31, 2022 and 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements that include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Comisión Federal de Electricidad, Productive State Enterprise and Subsidiaries**, as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Entity in accordance with the Professional Ethics Code of Instituto Mexicano de Contadores Públicos, A.C. (the Mexican Institute of Public Accountants) along with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### ***Impairment Testing of Power Generation Plants.***

The Ukraine – Russia armed conflict and the logistical problems resulting from the COVID-19 pandemic generated the increase of the inflation rate and the debt cost, resulting in a series of impairment indicators in the long-lived assets which comprise the totality of the assets of each one of the Power Generation Plants of the Entity. With the support of external experts, the Entity carried out a study with the purpose of reviewing the cash flows of the financial models that were used to determine the fair value of the long-lived assets of CFE as of December 2021 and performed an analysis of the discount rate. The impairment exists when the carrying value of an asset or of a cash-generating unit exceeds their recoverable value, which is the greater between the fair value minus the sales costs and the usage value. The impairment study of the Power Generation Plants was complex and involved significant judgment from Management to estimate the universe to value, the discount rate and the expected cash flow projections.

*Our audit procedures to addressed this matter were:*

We obtained an understanding and we assessed the significant judgements made by Management and external specialists, we reviewed the source of information of the financial models and performed recalculations. In addition, we assessed the reasonableness of the discount rate applied, the useful life of the assets and the disclosures in the consolidated financial statements. We also involved our specialists to participate in the assessment of the significant assumptions and the methodology used by the Entity. As mentioned in Note 8 to the consolidated financial statements, the study concluded that there is impairment in the Power Generation Plants in the amount of \$12,267 million.

### ***Estimation for Expected Credit Losses***

The Entity estimates expected credit losses taking into account the probability of default, the severity of the loss and macroeconomic events. The estimation of provisions involves significant judgement and technical difficulty; these assessments are based on automated processes that incorporate large databases linked to complex estimation models.

*Our audit procedures to addressed this matter were:*

We held discussions with Management regarding the assumptions, we assessed the relevant controls linked to the estimation processes, we reviewed the integrity of the database and the seniority of the portfolio; we verified the probability of default calculation with the roll rates methodology, the methodology used to calculate the severity of the loss and the macroeconomic historical information.



## **Other Information**

Management is responsible for the other information additional to the financial statements and their corresponding notes. The other information comprises the Annual Report corresponding to the annual period ended on December 31, 2022, that shall be filed to the National Banking and Securities Commission and the Mexican Stock Exchange (Annual Report) but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is estimated will be available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when is available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or whether appears to be materially misstated.

If when reading the Annual Report, we conclude that there is a material misstatement in the other information, we are required to report that fact to those charged with governance of the Company.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This Independent Auditor's Report and the consolidated financial statements have been translated from the Spanish language original and for the convenience of foreign/ English-speaking readers.

**Gossler, S.C.**



Leopardo Brizuela Arce  
Partner

Mexico City  
April 11, 2023

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

Consolidated statements of financial position

As of December 31, 2022 and 2021

(Thousands of pesos)

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

Assets	2022	2021	Liabilities and equity	2022	2021
Current assets:			Current liabilities:		
Cash and cash equivalents (note 5)	\$ 56,759,212	\$ 77,200,194	Short-term maturities of:		
Accounts receivable, net (note 6)	132,959,505	110,442,750	Short-term debt (note 12)	\$ 95,148,044	\$ 37,305,250
Inventory of materials for operation, net (note 7)	18,214,461	14,019,538	Lease liabilities (note 13)	26,436,648	25,930,052
Total current assets	207,933,178	201,662,482	Derivative financial instruments (note 10)	18,483,899	-
Loans to employees	19,521,739	17,403,036	Other payables and accrued liabilities (note 14)	133,008,866	99,481,510
Plants, facilities and equipment, net (note 8)	1,449,933,668	1,383,392,158	Income tax	7,268,795	14,089,276
Right-of-use assets, net (note 9)	509,923,272	511,367,723	Total current liabilities	280,346,252	176,806,088
Derivative financial instruments (note 10)	9,072,051	14,826,581	Non-current liabilities:		
Intangibles and other assets (note 11)	45,979,507	47,973,403	Long-term debt (note 12)	355,352,580	356,615,652
Deferred tax assets	101,461,322	89,723,121	Lease liabilities (note 13)	598,279,709	635,478,570
			Other long-term liabilities (note 15)	41,288,568	26,836,535
			Employees benefits (note 16)	431,248,794	369,920,165
			Total non-current liabilities	1,426,169,651	1,388,850,922
			Total liabilities	1,706,515,903	1,565,657,010
			Equity:		
			Contributions received from the Federal Government	5,251	5,251
			Contributions in kind received from the Federal Government	95,111,382	95,111,382
			Retained earnings	(56,529,227)	(36,163,396)
			Other comprehensive income (note 18)	577,108,649	622,030,269
			Total equity holders of the parent	615,696,055	680,983,506
			Non-controlling interests	21,612,779	19,707,988
			Contingencies and commitments (note 21)		
	\$ 2,343,824,737	\$ 2,266,348,504		\$ 2,343,824,737	\$ 2,266,348,504

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

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

Consolidated statements of comprehensive income

For the years ended December 31, 2022 and 2021

(Thousands of pesos)

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

	<b>2022</b>	<b>2021</b>
Revenues:		
Electricity supply service revenue (note 22)	\$ 442,544,475	\$ 389,592,873
Subsidy income	82,186,721	70,279,000
Third party fuel revenue	37,826,342	57,797,887
Freight revenue	18,513,419	19,312,156
Other income, net	39,776,767	29,704,751
Total revenue	<b>620,847,724</b>	<b>566,686,667</b>
Costs:		
Energy and other fuel supplies	305,791,314	262,022,046
Energy and other fuel supplies - Third party	43,833,135	62,274,498
Salaries and related costs	74,912,560	71,458,411
Maintenance, materials and general services	26,762,417	21,371,751
Taxes and duties	2,656,843	2,302,790
Wholesale Electricity Market costs (MEM)	3,006,255	3,272,121
Employee benefits costs	38,173,003	45,859,757
Depreciation	74,956,852	69,237,029
Other expenses (note 23)	41,685,529	64,349,235
Total costs	<b>611,777,908</b>	<b>602,147,638</b>
Operating results	<b>9,069,816</b>	<b>(35,460,971)</b>
Comprehensive financing result, net:		
Interest expense	39,261,680	49,280,432
Finance expenses, net	20,861,172	8,926,474
Foreign exchange (gain) loss	(42,471,483)	17,617,493
Total comprehensive financing results, net	<b>17,651,369</b>	<b>75,824,399</b>
Loss before income tax other comprehensive income	<b>(8,581,553)</b>	<b>(111,285,370)</b>
Income tax (note 17)	7,085,143	(5,025,309)
Net loss	<b>(15,666,696)</b>	<b>(106,260,061)</b>
Net loss attributable to:		
Controlling interests	(20,365,831)	(110,468,448)
Non-controlling interests	4,699,135	4,208,387
	(15,666,696)	(106,260,061)
Other comprehensive income (note 18):	(44,921,620)	232,208,108
Comprehensive income	<b>\$ (60,588,316)</b>	<b>\$ 125,948,047</b>

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

**Comision Federal de Electricidad**  
**Productive State Enterprise and Subsidiaries**  
Consolidated statements of changes in equity  
For the years ended December 31, 2022 and 2021  
(Thousands of pesos)

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

	Contributions received from the Federal Government	Contributions in kind from the Federal Government	Accumulated results	Other comprehensive income (loss)	Total equity holders of the parent	Total equity non-controlling interest	Total equity
<b>Balances at December 31, 2020</b>	\$ 5,251	\$ 95,004,417	\$ 74,305,052	\$ 389,822,161	\$ 559,136,881	\$ 18,176,499	\$ 577,313,380
Recycling of other comprehensive income	-	106,965	-	-	106,965	-	106,965
Comprehensive income of the period	-	-	(110,468,448)	232,208,108	121,739,660	4,208,387	125,948,047
Issue of shares (Fibra E)	-	-	-	-	-	(943,306)	(943,306)
Dividend decree (Fibra E)	-	-	-	-	-	(1,733,592)	(1,733,592)
<b>Balances at December 31, 2021</b>	<u>\$ 5,251</u>	<u>\$ 95,111,382</u>	<u>\$ (36,163,396)</u>	<u>\$ 622,030,269</u>	<u>\$ 680,983,506</u>	<u>\$ 19,707,988</u>	<u>\$ 700,691,494</u>
Comprehensive income of the period	-	-	(20,365,831)	(44,921,620)	(65,287,451)	4,699,135	(60,588,316)
Issue of shares (Fibra E)	-	-	-	-	-	(1,652,460)	(1,652,460)
Dividend decree (Fibra E)	-	-	-	-	-	(1,141,884)	(1,141,884)
<b>Balances at December 31, 2022</b>	<u>\$ 5,251</u>	<u>\$ 95,111,382</u>	<u>\$ (56,529,227)</u>	<u>\$ 577,108,649</u>	<u>\$ 615,696,055</u>	<u>\$ 21,612,779</u>	<u>\$ 637,308,834</u>

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



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

Consolidated statements of cash flows

For the years ended 31 December 2022 and 2021

(Thousands of pesos)

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

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Net loss	\$ (15,666,696)	\$ (106,260,061)
Operating activities:		
Employee benefits costs	38,448,904	45,859,757
Increase in provisions of deferred and current income tax	7,085,143	(5,025,309)
Investing activities:		
Depreciation and right-of-use assets	74,956,852	69,237,029
Impairment of plants, facilities and equipment	4,834,347	19,115,270
Disposal of plants, facilities and equipment	4,136,427	3,946,197
Foreign exchange loss, interest expense and changes in financial derivative instruments fair value of financial instruments	47,815,441	75,547,136
Changes in operating assets and liabilities:		
Accounts receivable and loans to employees	(24,635,458)	(2,805,342)
Inventory of materials of operation	(4,194,923)	(2,131,258)
Other assets	1,993,896	2,902,763
Other payables and accrued liabilities	29,771,387	5,266,611
Payments to employees benefits	(48,957,327)	(46,736,151)
Disposition of plan assets	20,178,868	-
Net cash flows from operating activities	<u>135,766,861</u>	<u>58,916,642</u>
Cash flows from investing activities:		
Acquisition of plants, facilities and equipment	<u>(129,212,592)</u>	<u>(39,966,369)</u>
Net cash flows from financing activities	<u>6,554,269</u>	<u>18,950,273</u>
Net cash flows from financing activities		
Proceeds from debt	191,236,617	156,410,470
Non-controlling interest contribution Fibra E	(1,652,460)	(943,306)
Dividends paid	(1,141,884)	(1,733,592)
Contributions for future capital increases	-	1,015
Payment of debt	(118,487,520)	(135,155,258)
Interest paid	(39,261,680)	(19,360,941)
Payment of lease obligations	(50,544,701)	(49,345,930)
Payments of financial instruments	(20,232,445)	(14,420,226)
Collections from financial instruments	<u>13,088,822</u>	<u>10,883,419</u>
Net cash flow from financing activities	<u>(26,995,251)</u>	<u>(53,664,349)</u>
Net increase in cash and cash equivalents	<u>(20,440,982)</u>	<u>(34,714,076)</u>
Cash and cash equivalents:		
At beginning of period	<u>77,200,194</u>	<u>111,914,270</u>
At end of period	<u>\$ 56,759,212</u>	<u>\$ 77,200,194</u>

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

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

**Notes to the consolidated financial statements  
for the two years ended December 31, 2022 and 2021**

(Amounts expressed in thousands of Mexican pesos, unless explicitly indicated otherwise)

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**1. Incorporation, Business Purpose and Relevant Events**

- **Incorporation and business purpose**

Comision Federal de Electricidad, Productive State Enterprise, its subsidiaries, affiliates and trusts (CFE or the Enterprise) is a Mexican entity that was incorporated by Decree as a Decentralized Public Entity of the Federal Government on August 14, 1937 and published in the Official Gazette (DOF Spanish acronym) on August 24, 1937. The consolidated financial statements accompanying these notes include Comision Federal de Electricidad, Productive State Enterprise (as the ultimate controlling entity of the economic group to which it belongs) and its subsidiaries, affiliates and trusts over which it exercises control (See Note 3a).

The Comision Federal de Electricidad Law (CFE Law) was published on August 11, 2014 and became effective on October 7, 2014. The CFE Law mandated the transformation of CFE into a Productive State Enterprise.

CFE's business purpose is to provide public transmission and distribution of electricity services on behalf of the Mexican State. CFE also engages in activities related to the generation and commercialization of electricity, as well as activities related to the import, export, transportation, storage and trading of natural gas, among others.

- **Relevant Events**

- i. **Increase in the fuel***

The armed conflict between Russia and Ukraine caused the increase in fuel prices; the fact that Russia is one of the largest producers of oil, gas and coal in the world has significantly affected the price of diesel, fuel oil, coal and natural gas, situation that affects diverse industries, specially, the electric industry.

Nowadays the price of natural gas is between 7 and 10 USD/GJ, when in early 2021 was of 2.5 USD/GJ.

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

According to IFRS, the Company reviews every 5 years and/or when external factors may affect the fair value of plants, facilities and equipment to ensure the book value does not differ materially from that which would be determined using fair value at the end of the reporting period.

The Enterprise performed the fair value analysis of plants and equipment recognizing in 2022 an impairment of \$12,267,070 with an impact on results of \$4,834,347 and \$7,432,723 in the OCI (other comprehensive income) and in 2021 a net increase in the value of these assets of \$201,851,953 with impact in OCI (See note 18).

### ***iii. Outsourcing Labor Reform***

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

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

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

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

In accordance with article 2 of the “Ley de la Industria Electrica”, electric industry activities are of public interest; in addition, planning and control of the national electricity system, as well as the public service of transmission and distribution of electricity, are strategic areas; Therefore, the State will maintain its ownership, without prejudice to enter into contracts with particular companies; in the same way, basic supply is considered a priority activity for national development. Additionally in accordance with article 42th of this Law, the public service of transmission and distribution of electrical energy is considered to be of social interest and public order, and for all legal purposes, this service is of public utility.

In terms of the “Comision Federal de Electricidad Law”, article 1, section I and article 5, this Productive State Enterprise, has the purpose of providing the public service of transmission and distribution of electric energy, by account and order of the Mexican State; In addition, it is subject to a special regime, among other matters, under the one applicable to subsidiary productive and affiliated companies.

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

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

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

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

### **a) Basis of accounting**

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

### **b) Basis of preparation**

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

### **c) Functional currency and presentation of financial statements**

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

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

### **d) Judgments and estimates use.**

In preparing these consolidated financial statements, estimates have been made for certain items, some of which are highly uncertain, and their estimation involves judgments made based on the information available.

The following discussion includes some of the matters that could materially affect the consolidated financial statements if (1) the estimates that are used are different than the ones that could reasonably have been used, or (2) the estimates change in the future in response to changes that are likely to occur.

The discussion below addresses only those estimates that the Enterprise considers important based on the degree of uncertainty and the likelihood of a material impact if a different estimate were used. There are many other areas in which the Enterprise uses estimates about uncertain matters, but the reasonably likely effect of using different estimates is not material to the Enterprise's financial presentation of these areas.

### 1) **Judgments**

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 3 a) - Consolidation: whether the Enterprise has de facto control over an investee.
- Note 3 n) - Revenue recognition: whether revenue from unbilled electricity delivered is recognized over time or at a specific moment; and.
- Note 3 i) - Leases: whether an arrangement contains a lease and classification thereof.

### 2) **Estimates assumptions and uncertainties**

Information about assumptions and estimation uncertainties on December 31, 2022 and 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the notes as follows:

- Note 3 d) - Measurement of the expected credit losses for trade receivables: key assumptions in determining the weighted-average loss rate;
- Notes 3 h) and 8 - Impairment test of property, plant and equipment: key assumptions underlying recoverable amounts, including the recoverability and magnitude of an outflow of economic resources and key assumptions in determining their useful lives;
- Notes 3 j) and 11 - Impairment test of intangible assets and capital gains key assumptions underlying recoverable amounts, including the recoverability and magnitude of an outflow of economic resources and key assumptions in determining their useful lives;
- Note 3 k) and 16 - Measurement of defined benefit obligations: key actuarial assumptions;
- Note 3 l) and 17 - Recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilized;
- Note 3 m) - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources;
- Note 3 n) - Revenue recognition: estimate of revenue from unbilled electricity delivered; and
- Note 21 - Contingencies and commitments.

### 3) **Measurement of fair values**

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

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

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

When measuring the fair value of an asset or a liability, the Enterprise uses observable market data as often as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Enterprise recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

#### **e) Consolidated statements of comprehensive income**

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

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

### 3. The significant accounting policies are summarized below:

#### a) Consolidation basis

The consolidated financial statements include the subsidiaries, affiliates and trusts over which the Enterprise exercises control. The financial statements of the subsidiaries (Productive subsidiary companies, affiliated entities and trusts) were prepared for the same reporting period and using the same accounting policies as those of the Enterprise. The Enterprise controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and the ability to affect those returns through its power over the entity.

CFE reassesses whether it controls an entity and if facts and circumstances indicate that there are changes in one or more of control elements.

The subsidiaries, affiliates and trusts are consolidated on an item-by-item basis as of the date on which CFE obtained control. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated. Unrealized gains arising from transactions with equity method investees are eliminated proportionally to the Enterprise's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The equity interest in the main subsidiaries (productive subsidiary companies, affiliated entities and trusts), over which CFE retains control as of December 31, 2022 and 2021 is as follow:

#### Subsidiary Companies

- CFE Distribución, EPS; CFE Transmisión, EPS; CFE Generación I, EPS; CFE Generación II, EPS; CFE Generación III, EPS; CFE Generación IV, EPS; CFE Generación V, EPS; CFE Generación VI, EPS, and CFE Suministrador de Servicios Básicos, EPS and CFE Telecomunicaciones e Internet Para Todos, EPS.

#### Affiliated Entities

- CFE Suministro Calificados, S. A. de C. V., CFE International, LLC., CFenergía, S. A. de C. V., CFE Intermediación de Contratos Legados, S. A. de C. V., and CFE Capital, S. de R. L. de C. V.

The entities listed above were incorporated and their main place of business is in Mexico, except for CFE International LLC, which is located in the United States.

The Enterprise's equity interest in the entities mentioned above is 100%.

#### Trust Funds

The trust funds controlled by CFE are as follows:

Trust fund	Role of CFE			Type of project
	Trustor	Trust Beneficiary	Trustee	
Trust Management and Transfer of Ownership 2030	CFE	Primary beneficiary: contract awardees. Second beneficiary: CFE	BANOBRAS, S. N. C.	Conditioned investment
Trust for the establishment of a Revolving Financing Fund for the Housing Thermal Isolation Program of the Valley of Mexicali, B.C.	CFE	CFE	BANOBRAS, S. N. C.	Energy saving
Prior Expense Trust	CFE	CFE	BANCOMEXT, S. N. C.	Direct investment
Clean Energy Trust 10670	CFE	CFE	BANCOMEXT, S. N. C.	Clean Energy
Trust for Conventional Generation Projects 10673	CFE	CFE	BANCOMEXT, S. N. C.	Direct investment
Trust 1320	CFE	CFE	Banco Azteca, S.A. Multiple Banking Institution	Investment Project
Master Investment Trust CIB/3602 FMI <sup>(1)</sup>	CFE, CF Energia and CFE Transmission	CFE, CF Energia and CFE Transmission	CIBANCO, S.A. de C.V.	Direct investment

<sup>(1)</sup> The Master Trust constituted Sub-Trusts for each Infrastructure Project, which will be the owners of Infrastructure Projects and, in that capacity, will celebrate, among others, contracts by which they grant the use and commercial exploitation of such Infrastructure Projects to the Counterparties as determined in terms of the contract.

The sub-trusts constituted are the following:

- Trust Cib/3655 Sub-Trust of the Central Turbo Gas project "Gonzalez Ortega".
- Trust Cib/3765 Sub-Trust of the Central Combined Cycle project "Gonzalez Ortega".
- Trust Cib/3766 Sub-Trust of the Central Combined Cycle project "Rivera Maya/Valladolid".
- Trust Cib/3767 Sub-Trust of the Central Combined Cycle project "Merida".
- Trust Cib/3768 Sub-Trust of the Central Combined Cycle project "San Luis Rio Colorado".
- Trust Cib/3769 Sub-Trust of the Central Combined Cycle project "Baja California Sur La Paz".
- Trust Cib/3770 Sub-Trust of the Central Combined Cycle project "Tuxpan Phase One".

### Non-controlling interest

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



**b) Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of CFE's companies at the exchange rates effective at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined.

Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognized in other comprehensive income (OCI):

- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

The financial statements of foreign operations are translated into the reporting currency, initially determining whether the functional currency and reporting currency of the foreign operation are different and, subsequently, the functional currency is translated into the reporting currency using the historical exchange rate and/or the closing exchange rate at the end of the year.

Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are valued in local currency at the closing exchange rate prevailing at the date of the consolidated financial statements and at the historical or average exchange rate in profit or loss; exchange differences between the transaction date and the payment or collection date are recognized in profit or loss and presented within finance costs.

**c) Cash and cash equivalents**

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

Cash equivalents include short-term highly liquid investments and are valued at fair value, and the risk of changes in their value is insignificant.

**d) Financial instruments**

**i) Initial recognition and measurement**

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

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

**ii) Classification and subsequent measurement - Financial assets**

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

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

Financial assets are classified as measured, subsequent to their initial recognition, at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

The Enterprise measures financial assets at amortized cost if the following conditions are met:

1. The asset is held within a business model whose objective is to hold assets to collect contractual cash flows.
2. The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All the financial assets not classified as measured at amortized cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial instruments (see note 10).

On initial recognition, the Enterprise may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition mismatch that would otherwise arise.

Business model assessment:

The Enterprise makes an assessment of the objective of the business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Enterprise's management;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated (e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and its expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Enterprise's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Enterprise considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Enterprise considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features;
- Terms that limit the Enterprise's claim to cash flows from specified assets (e.g., non-recourse asset features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired with a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial Assets - Subsequent measurement and gains and losses:

*Financial assets at fair value through profit or loss*

- These assets are subsequently measured at fair value. Net gains and losses, including any interest income, are recognized in profit or loss. However, for derivatives designated as hedging instruments (see note 10).

*Financial assets at amortized cost*

- These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses:

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest income and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

**iii) Derecognition**

Financial assets

The Enterprise derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Enterprise neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

Financial liabilities

The Enterprise derecognizes a financial liability when its contractual rights are paid or canceled, or expire. The Enterprise also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In which case, a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

#### **iv) Offsetting**

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Enterprise currently has a legally enforceable right to set off the recognized amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

#### **v) Derivative financial instruments and hedge accounting**

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

Additionally, in recent years, fuel prices have seen volatility. In order to reduce price risk, the Enterprise has contracted derivative financial instruments on natural gas that seek to reduce volatility. The hedging strategy in the case of natural gas derivatives was designed to mitigate the impact of potential price increases.

The policies include formal documentation of all the transactions between the hedging instrument and the hedged item, the risk management objective, and strategy for undertaking the hedge.

The effectiveness of derivative financial instruments designated as hedges is assessed prior to their designation, as well as over the hedging period, which depends on the features of the hedge. When it is determined that a derivative is not highly effective as a hedge, the Enterprise discontinues hedge accounting prospectively.

The Enterprise discontinues cash flow hedge accounting when the derivative expires, is terminated or exercised, when the derivative is not highly effective in achieving offsetting changes in the fair value or cash flows attributable to the hedged item, or when the Enterprise decides to cancel the hedging designation. The gains or losses recognized in other comprehensive income and accumulated in Equity, remain in Equity and are recognized when the forecast transaction is ultimately recognized in profit or loss.

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

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

#### ***Fair value of financial instruments***

The Enterprise holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Enterprise designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Enterprise documents the risk management objective and strategy for undertaking the hedge. The Enterprise also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and the hedging instrument are expected to offset each other.

The hedged portion of derivative financial instruments is documented in the Hedge File, which includes assessments of economic relationship criteria designed to identify the relationship between the notional amount of the hedging instrument and the notional amount of the hedged item.

### ***Cash flow hedges***

When a derivative instrument is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The Enterprise designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognized in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognized.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

For all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss.

**e) *Impairment in value***

i) Non-derivative financial assets

**Financial instruments and contract assets**

The Enterprise recognizes loss allowances for expected credit losses for:

- Financial assets measured at amortized cost;
- Debt investments measured at fair value with changes in other comprehensive income; and
- Contract assets.

The Enterprise also recognizes the loss allowance for expected credit losses from lease receivables, which are disclosed as part of trade receivables and other accounts receivable.

The Enterprise measures the loss allowance at an amount equal to lifetime expected credit losses, except for the those included in the page below, which are measured at an amount equal to 12-month expected credit losses.

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (in other words, the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Enterprise considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Enterprise's historical experience and informed credit assessment and including forward-looking information.

The Enterprise assumes that the credit risk of a financial asset has increased significantly if it is more than 30 days past due.

The Enterprise considers a financial asset to be in default when:

- The borrower is unlikely to pay their credit obligations to the Enterprise in full; or
- The financial asset is more than 90 days past due.

The Enterprise considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime expected credit losses are the expected credit losses (ECLs) that result from all possible default events over the expected life of a financial instrument.

#### Measurement of expected credit losses

Measurement of lifetime ECLs is applied if the credit risk of the financial asset at the reporting date has increased significantly since initial recognition and measurement of 12-month ECLs is applied if the credit risk has not increased. The Enterprise may determine that the credit risk of a financial asset has not increased significantly if the asset has low credit risk at the reporting date.

However, the measurement of lifetime expected credit losses always applies for trade receivables or contract assets that do not contain a significant financing component. The Enterprise has elected to apply this policy for trade receivables and contract assets with a significant financing component.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses. The Enterprise also considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Enterprise's historical experience and informed credit assessment and including forward-looking information.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Enterprise expects to receive).

Expected credit losses are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

At each reporting date, the Enterprise assesses whether financial assets carried at amortized cost and debt securities at fair value through other comprehensive income are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Enterprise considers the following observable data as evidence that a financial asset is credit-impaired:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract such as a default or being more than 90 days past due;



- Restructuring of a loan or advance by the Enterprise on terms that the Enterprise would not consider otherwise;
- It is becoming probable that the debtor will enter bankruptcy or financial reorganization; or
- The disappearance of an active market for financial assets because of financial difficulties.

Presentation of allowance for expected credit losses in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at fair value through other comprehensive income, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

All financial assets not classified as measured at fair value through profit or loss were assessed at each reporting date to determine if there was objective evidence of impairment losses.

Write-off

The gross carrying amount of a financial asset is written off when the Enterprise has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, The Enterprise has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Enterprise individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The Enterprise expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Enterprise's procedures for recovery of amounts due.

ii) Non-financial assets

At each reporting date, the Enterprise reviews the carrying amounts of its financial assets (other than operating materials and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

**f) Finance income and finance costs**

The Enterprise's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortized cost or fair value through other comprehensive income;
- interest expense on lease liabilities;
- hedge ineffectiveness recognized in profit or loss; and
- the reclassification of net gains and losses previously recognized in other comprehensive income on cash flow hedges of interest rate risk and foreign currency risk for borrowings.

Interest income or expense is recognized using the effective interest method. Dividend income is recognized in profit or loss on the date on which the Enterprise's right to receive payment is established.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

**g) *Inventory of operating materials***

Inventory of operating materials is recognized at the lower acquisition cost or net realizable value. The unit costs of the operating materials inventory are calculated using the average cost method.

When required, the Enterprise records provisions to recognize write downs in the value of its inventories due to impairment, obsolescence, low turnover and other circumstances that indicate that the recoverable amounts of inventories are less than their carrying amounts.

**h) *Plants, facilities and equipment***

**i) *Recognition and measurement***

Plants, facilities and equipment are initially measured in terms of acquisition cost.

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

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

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

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

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

For the measurement at fair value of plants, installations and equipment, the income and expenses (in the case of generation, the Plexus Simulation Model is used), taking into account the capacity of the Power Plants to generate economic benefits through the utilization of the asset in its maximum and best use, by eliminating or incorporating the variable costs that the purchaser of the Power Plants would or would not incur, such as the elimination of legacy contracts and labor obligations of retired workers, and the incorporation of hydraulics concessions, among other variables.

As of December 31, 2022, and 2021, an analysis was performed to determine the fair value of long-term assets, concluding that there is an impairment in generation plants of \$12,267,070 in 2022 and a revaluation of \$201,851,953 on transmission and distribution lines and a power plant impairment of \$19,115,270 in 2021.

## ii) Depreciation

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

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

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

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

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

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

**iii) Property and assets for offices and general services.**

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

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

Land is not depreciated.

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

The generation companies transferred assets among themselves in 2020, which generated receivable and payable balances of approximately \$340,358,273. At the time, they are analyzing the most appropriate way to cancel the receivable and payable balances that arose because of the aforementioned transaction.

**iv) Subsequent expenditure**

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

**i) Leases**

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

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

As a lessee

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

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

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

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

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

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

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

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

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

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

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

#### Short-term leases and leases of low-value assets

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

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

#### **j) Intangibles and other assets**

Intangible assets acquired separately are recognized at cost and CFE estimates the useful life of each intangible asset. Intangibles with an indefinite useful life are classified as intangible assets with indefinite useful lives; the Enterprise mainly has rights of way with indefinite useful lives.

The other assets line item is largely comprised of security deposits provided under real estate leases, as well as guarantees provided to third parties under agreements for goods and/or services provided.

#### **k) Employee benefits**

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

#### Short-term direct employee benefits

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

#### Direct employee benefits

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

#### Pension benefits and other benefits

The Enterprise provides retirement pensions to its employees.

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

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

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

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

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

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

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

#### Defined benefit plans

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

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OI.

The Enterprise determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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



### Termination benefits

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

## **I) Income tax**

Income tax expense comprises current and deferred tax.

### *i) Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

It is measured using tax rates enacted or substantively enacted at the reporting date

Current tax assets and liabilities are offset only if certain criteria are met.

### *ii) Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the individual subsidiaries of CFE. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

At the end of each reporting period, the Enterprise reassesses its unrecognized deferred tax assets and records deferred tax assets when it is determined that the Enterprise will have sufficient taxable earnings in the future against which to apply its tax losses.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred taxes are recognized in profit or loss except for the items related to other comprehensive income (OCI).

**m) Provisions and contingent liabilities**

Provisions are recognized when the Enterprise has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and there is uncertainty about the timing or amount, but a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are based on the best estimate of the disbursements that would be required to settle the related obligation.

Provisions are discounted using a pre-tax rate that reflects the current market conditions at the date of the statement of financial position and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision is recognized as a finance cost.

Provisions for contingent liabilities are recognized only when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

**n) Revenue recognition**

The Enterprise's revenue recognition policies are as follows:

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

**Sale of fuel** - revenue is recognized at a point in time determined when the fuels are delivered to the customers.

**Transmission and distribution services** - revenue is recognized over time, as the public electricity transmission services are provided.

**Third-party contributions** - revenue from the contributions received from customers to connect them to the national transmission and distribution network is recorded in the statement of comprehensive income at a point in time after the Enterprise has completed the customer's connection to the network. Customers have the option to choose either the Enterprise or another Enterprise to supply them electricity. Revenues are presented as part of the Other Income caption.

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

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

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

**o) Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

#### 4. Financial Instruments – Fair Values and Risk Management

##### Fair values

Set out below are the carrying amounts of financial instruments recognized as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<u>Financial assets</u>		
Cash and cash equivalents <sup>(2)</sup>	\$ 56,759,212	\$ 77,200,194
Accounts receivable <sup>(2)</sup>	132,959,505	110,442,750
Loans to employees <sup>(2)</sup>	19,521,739	17,403,036
Derivative financial instruments <sup>(1)</sup>	9,072,051	14,826,581
<u>Financial liabilities</u>		
Short-term debt <sup>(2)</sup>	\$ 95,148,044	\$ 37,305,250
Long-term debt <sup>(2)</sup>	355,352,580	356,615,652
Short-term lease liability <sup>(1)</sup>	26,436,648	25,930,052
Long-term lease liability <sup>(1)</sup>	598,279,709	635,478,570
Financial Instruments <sup>(1)</sup>	18,483,899	-
Suppliers and contractors <sup>(2)</sup>	71,226,692	46,863,539
Deposits from customers and contractors <sup>(2)</sup>	<u>34,270,671</u>	<u>32,037,016</u>

<sup>(1)</sup> Fair value

<sup>(2)</sup> Amortized cost

### **Objectives of financial risk management**

The Enterprise's Financial Officer's functions include, among others, implementing strategies, coordinating access to domestic and international financial markets, and monitoring and managing financial risks related to the Enterprise's operations through internal and market risk reports that analyze the degree and magnitude of the Enterprise's exposure to financial risks. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

To mitigate the effect of its debt related risks, the Enterprise uses derivative financial instruments to hedge such risk.

The Treasury Department is bound by the SHCP cash management policies that establish that investments must be made in low-risk short-term instruments. Monthly status reports are issued to the Treasury Investment Committee.

### **Credit risk**

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

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

The carrying amounts of the Enterprise's financial assets represent the maximum credit risk exposure. For credit risk management purposes, the Enterprise considers that the credit risk on loans and accounts receivable from consumers is limited. The Enterprise determines the allowance for doubtful accounts based on the incurred loss model.

An aging analysis of the past due receivables, for which an allowance has not been deemed necessary as of December 31, 2022 and 2021, is as follows:

	<b>2022</b>	<b>2021</b>
Less than 90 days	\$ 2,405,370	\$ 2,146,773
From 90 to 180 days	1,576,102	1,455,630
More than 180 days	49,008,952	41,658,039
	<b>\$ 52,990,424</b>	<b>\$ 45,260,442</b>

The Enterprise's maximum exposure to credit risk for trade receivables by item as of December 31, 2022 and 2021, is as follows:

	<b>2021</b>	<b>2021</b>
Cash count	\$ 30,549,931	\$ 35,362,257
Bad debts	2,002,836	2,090,387
Agreement	1,642,807	1,629,860
Government	18,794,849	16,144,538
<b>Total</b>	<b>\$ 52,990,424</b>	<b>\$ 55,227,042</b>

An analysis of the Enterprise's exposure to credit risk from its trade receivables and contract assets is as follows:

	2022		2021	
	Noncredit-impaired	Credit impaired	Noncredit-impaired	Credit impaired
Other customers:				
History of transactions with the Enterprise	\$ 47,183,344	\$ 46,920,567	\$ 44,434,229	\$ 39,551,968
Total				
Allowance for credit losses	\$ 6,832,508	\$ 46,157,916	\$ 6,445,760	\$ 38,804,682

### Comparative information under IAS 39

An analysis of the credit quality of the trade receivables that were neither past due nor impaired, and the aging of the trade receivables that were past due, but not impaired as of December 31, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
<b>Current, but not impaired</b>	<b>\$ 37,471,869</b>	<b>34,521,414</b>
Past due between 1 and 30 days	1,703,531	1,660,919
Past due between 31 and 60 days	1,220,710	1,257,727
Past due between 61 and 90 days	992,461	1,089,732
Past due between 91 and 120 days	907,273	943,855
Past due between 121 and 150 days	810,546	777,450
Past due between 151 and 180 days	732,305	729,387
Past due between 181 and 210 days	666,812	661,251
Past due between 211 and 240 days	626,042	642,765
Past due between 241 and 270 days	548,618	543,856
Past due between 271 and 300 days	503,960	509,237
Past due between 301 and 330 days	485,216	555,012
Past due between 331 and 360 days	514,000	541,624
<b>Subtotal expired, but not impaired</b>	<b>9,711,474</b>	<b>9,912,815</b>
<b>Total, trade receivables not impaired</b>	<b>\$ 47,183,343</b>	<b>44,434,229</b>

### Liquidity risk

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

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

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

The following table provides information about the contractual maturities of the Enterprise's financial liabilities based on the payment terms: An analysis of the contractual maturities of the derivative financial instruments is included in note 12 and 13:

<b>As of December 31, 2022</b>	<b>Less than one year</b>	<b>More than 1 year and less than 3 years</b>	<b>More than 3 years and less than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Documented debt	\$ 18,037,363	\$ 45,507,664	\$ 49,626,924	\$ 155,831,251	\$ 269,003,202
Interest payable on documented debt	15,046,175	26,249,241	20,889,464	73,901,141	136,086,021
PIDIREGAS debt	13,092,226	23,959,893	17,657,017	62,769,831	117,478,967
Interest payable on PIDIREGAS debt	7,073,534	11,635,360	8,072,309	27,344,274	54,125,477
Bank Loan	64,018,455	-	-	-	64,018,455
Lease liabilities	26,436,648	33,461,866	39,426,164	525,391,679	624,716,357
Interest payable on lease liabilities	20,684,599	39,459,137	36,573,917	175,252,128	271,969,781
Suppliers and contractors	71,226,692	-	-	-	71,226,692
Other liabilities	16,209,112	-	-	-	16,209,112
<b>Total</b>	<b>\$ 251,824,804</b>	<b>\$ 180,273,161</b>	<b>\$ 172,245,795</b>	<b>\$ 1,020,490,304</b>	<b>\$ 1,624,834,064</b>

As of December 31, 2021	Less than one year	More than 1 year and less than 3 years	More than 3 years and less than 5 years	More than 5 years	Total
Documented debt	\$ 13,132,667	\$ 41,420,427	\$ 23,350,559	\$ 180,435,861	\$ 258,339,514
Interest payable on documented debt	13,192,060	24,015,483	19,793,289	76,237,959	133,238,791
PIDIREGAS debt	12,104,453	22,550,067	23,858,239	65,000,500	123,513,259
Interest payable on PIDIREGAS debt	6,172,714	10,731,185	8,043,663	27,442,816	52,390,378
Bank Loan	12,068,130	-	-	-	12,068,130
Lease liabilities	25,930,052	31,530,371	37,308,167	566,640,032	661,408,622
Interest payable on lease liabilities	21,851,880	41,810,450	38,843,572	196,379,084	298,884,986
Suppliers and contractors	46,863,539	-	-	-	46,863,539
Other liabilities	7,097,921	-	-	-	7,097,921
<b>Total</b>	<b>\$ 158,413,416</b>	<b>\$ 172,057,983</b>	<b>\$ 151,197,489</b>	<b>\$ 1,112,136,252</b>	<b>\$ 1,593,805,140</b>

### **Market risk**

Due to its activities, the Enterprise has exposure to foreign currency and interest rate financial risks as well as fuel price changes.

### **Foreign currency exchange risk management**

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

	Total debt as of December 31, 2022 (amounts in millions of pesos)	Total debt as of December 31, 2021 (amounts in millions of pesos)
Local currency	\$ 164,865	\$ 136,646
Foreign currency	\$ 283,322	\$ 255,194
Interest payable	\$ 2,821	\$ 2,081

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

The carrying amounts of the Enterprise's foreign currency denominated monetary assets and monetary liabilities at the end of the period are presented in note 19.

### **Foreign currency sensitivity analysis**

The Enterprise is mainly exposed to exchange rate differences between the Mexican peso, the US dollar and the Japanese yen.

The Enterprise's sensitivity analysis considers a 5% increase and decrease in the Mexican peso exchange rate against the other relevant foreign currencies. This 5% is the sensitivity rate used internally when the exchange risk is reported to key management personnel and represents Management's assessment of a reasonably possible change in exchange rates.

The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates.

The sensitivity analysis includes foreign loans as well as loans from the foreign operations within the Enterprise, where the loan is denominated in a currency other than the currency of the loaner or borrower. A positive figure indicates an increase in profit where the Mexican peso strengthens 5% against the relevant currency. If there is a 5% weakening of the Mexican peso against the relevant currency, there would be a comparable impact on profit, and the balances on the following page would be negative. The sensitivity analysis of the derivative financial instruments is described in note 10.

As of December 31, 2022	Documented	Pidiregas	Total
EUR	\$ 99,283	\$ -	\$ 99,283
USD	\$ 8,816,604	\$ 3,901,715	\$ 12,718,319
<b>Total</b>	<b>\$ 8,915,887</b>	<b>\$ 3,901,715</b>	<b>\$ 12,817,602</b>

As of December 31, 2021	Documented	Pidiregas	Total
EUR	\$ 149	\$ -	\$ 149
USD	\$ 8,869,364	\$ 8,131,603	\$ 17,000,967
<b>Total</b>	<b>\$ 8,869,513</b>	<b>\$ 8,131,603</b>	<b>\$ 17,001,116</b>

The sensitivity analysis was estimated based on the fair value of the loans denominated in foreign currency.

Management believes that the impact of the inherent exchange risk is reflected in the electricity rates in the long-term through inflation adjustments and the peso to dollar exchange rate.

### **Interest rate risk management**

The Enterprise is exposed to interest rate risks for loans borrowed at variable interest rates. The Enterprise manages this risk by maintaining an appropriate mix of fixed and variable rate loans and by contracting derivative financial instruments designated as interest rate hedges.

	Total debt as of December 31, 2022 (amounts in millions of pesos)	Total debt as of December 31, 2021 (amounts in millions of pesos)
Fixed rate	\$ 302,202	\$ 298,828
Variable rate	\$ 81,966	\$ 93,013

### **Interest rate sensitivity analysis**

The sensitivity analyses have been determined based on the exposure to interest rates for derivative and non-derivative financial instruments at the end of the reporting period.



For floating-rate liabilities, the analysis is prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. When reporting interest rate risk internally to key management personnel, a 0.50-point increase or decrease is used for the Mexican Weighted Interbank Interest Rate (EIIR or TIIE, Spanish acronym) and a 0.01-point increase or decrease for the LIBOR. These changes represent Management's assessment of reasonably possible change in interest rates.

<b><u>2022</u></b>	<b><u>Documented</u></b>	<b><u>Pidiregas</u></b>	<b><u>Total</u></b>
Fixed rate	\$ 243,815,930	\$ 72,452,480	\$ 316,268,410
Variable rate	31,446,950	43,750,162	75,197,112
	<u>\$ 275,262,880</u>	<u>\$ 116,202,642</u>	<u>\$ 391,465,522</u>
<b><u>2021</u></b>	<b><u>Documented</u></b>	<b><u>Pidiregas</u></b>	<b><u>Total</u></b>
Fixed rate	\$ 169,408,709	\$ 69,766,761	\$ 239,175,470
Variable rate	4,050,441	23,192,209	27,242,650
	<u>\$ 173,459,150</u>	<u>\$ 92,958,970</u>	<u>\$ 266,418,120</u>

The sensitivity analysis of the debt without considering the derivative financial instruments was estimated based on the fair value of the loans.

The sensitivity analysis of the derivative financial instruments is described in note 10.

Therefore, the hierarchy level of the Enterprise's Mark-to-Market for derivative financial instruments as of December 31, 2022 and 2021 is level 2 due to the following:

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

### **Fair value of financial instruments**

#### **Measurement of fair values**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

If there is no quoted price in an active market, then the Enterprise uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Enterprise determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

#### Fair value of financial instruments recognized at amortized cost

The Enterprise considers that the carrying amount of the financial assets and liabilities recognized at amortized cost in the financial statements approximates fair value, including those on the following page:

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<u>Financial assets</u>				
Cash and cash equivalents	\$ 56,759,212	\$ 56,759,212	\$ 77,200,195	\$ 77,200,195
Accounts receivable	132,959,505	132,959,505	110,442,750	110,442,750
Loans to employees	19,521,739	19,521,739	17,403,036	17,403,036
<u>Liabilities assets</u>				
Suppliers and contractors	71,226,692	71,226,692	46,863,539	46,863,542
Lease liabilities	624,716,357	624,716,357	661,408,622	661,408,622
Documented debt	269,003,202	275,262,879	258,339,514	254,344,325
PIDIREGAS debt	117,478,967	116,202,643	123,513,259	200,537,025
Trust investment financing	64,018,455	64,018,455	12,068,130	12,068,130

#### Valuation techniques and assumptions used in determining fair value

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

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

- The fair value of other financial assets and liabilities (excluding derivative financial instruments) is determined in accordance with generally accepted pricing models, which are based on an analysis of discounted cash flows using current transaction prices observable in active markets and quoted prices for similar instruments.
- In conformity with the terms of the ISDA (International Swaps and Derivatives Association) contracts that were entered into, the counterparties or banking institutions are the appraisers, and they calculate and send the Mark-to-Market (which is the monetary valuation of breaking agreed-upon transaction at any given time) on a monthly basis. CFE monitors this value and if there is any doubt or abnormal variance in the market value, CFE requests that the counterparty provides a new valuation.

Valuations at fair value recognized in the statement of financial position

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

Fair value measurement as of December 31, 2022				
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Plan assets	\$ -	\$ 210,966,752	\$ -	\$ 210,966,752
Derivative financial instruments	-	9,072,051	-	9,072,051
<b>Total</b>	<b>\$ -</b>	<b>\$ 220,038,803</b>	<b>\$ -</b>	<b>\$ 220,038,803</b>
<u>Liabilities</u>				
Debt	\$ 145,241,459	\$ - 18,483,899	\$ 305,259,165	\$ 468,984,523
<b>Total</b>	<b>\$ 145,241,459</b>	<b>\$ - 18,483,899</b>	<b>\$ 305,259,165</b>	<b>\$ 468,984,523</b>
Fair value measurement as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Plan assets	\$ -	\$ 245,554,015	\$ -	\$ 245,554,015
Derivative financial instruments	-	14,826,581	-	14,826,581
<b>Total</b>	<b>\$ -</b>	<b>\$ 260,380,596</b>	<b>\$ -</b>	<b>\$ 260,380,596</b>
<u>Liabilities</u>				
Debt	\$ 124,201,011	\$ -	\$ 330,680,339	\$ 454,881,350
<b>Total</b>	<b>\$ 124,201,011</b>	<b>\$ -</b>	<b>\$ 330,680,339</b>	<b>\$ 454,881,350</b>

An analysis of the fair value of the derivative financial assets grouped into level 2, based on the degree to which the inputs to estimate their fair value are observable, is included in note 10.

The levels referred to above are considered as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. For the fair values of the Documented Debt, the observed changes are obtained from the Enterprise's price provider, presenting the dirty price valuations reflected in the stock exchange certificates listed on the Mexican Stock Exchange.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from unobservable inputs for the asset or liability, for the fair values of the Documented Debt and Pidiregas, the reasonably possible changes at the Balance Sheet date are determined by measuring the present value of the maturities in the source currency of the lines of credit discounted using CFE's yield curve. For this purpose, the Enterprise's price provider furnishes the curves and risk factors related to the interest rates, exchange rates and inflation to which the debt is exposed.

### Sensitivity analyses

To test the fair values of CFE's debt, the reasonably possible changes at the balance sheet date in one of the significant unobservable inputs would have the following effects if all other input remained constant.

	+ 5%	- 5%
Expected cash flow change of 5% in exchange rates in original currency	14,729	(14,729)
Expected cash flow change of 5% in interest rate	4,390	(4,390)

### 5. Cash and cash equivalents

An analysis of Cash and cash equivalents as of December 31, 2022 and 2021 is as follows:

	2022	2021
Cash on hand and cash in banks	\$ 56,750,391	\$ 77,191,373
Stock certificates	8,821	8,821
<b>Total</b>	<b>\$ 56,759,212</b>	<b>\$ 77,200,194</b>

### 6. Accounts receivable, net

An analysis of the accounts receivable as of December 31, 2022 and 2021 is as follows:

	2022	2021
Public consumers (*)	\$ 62,908,873	\$ 55,840,758
Government agency consumers (*)	29,124,340	25,865,469
	92,033,213	81,706,227
Impairment of receivables	(67,904,540)	(55,631,593)
	24,128,673	26,074,634
Other accounts receivable (**)	58,381,519	52,161,180
Value added tax	50,449,313	32,206,936
<b>Total accounts receivable</b>	<b>\$ 132,959,505</b>	<b>\$ 110,442,750</b>

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

(\*\*) Includes assets mainly from trusts and other debtors.

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

	<u>2022</u>	<u>2021</u>
Opening balance	\$ (55,631,593)	\$ (31,924,441)
Increase	(13,143,932)	(23,754,315)
Charges	870,985	47,163
<b>Ending balance</b>	<b>\$ (67,904,540)</b>	<b>\$ (55,631,593)</b>

## 7. Inventory of operating materials

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

	<u>2022</u>	<u>2021</u>
Fuel and lubricants	\$ 15,398,595	\$ 13,327,939
Nuclear fuel	3,512,326	2,880,029
Spare parts and equipment	3,289,856	2,755,832
	22,200,777	18,963,800
Allowance for obsolescence	(3,986,316)	(4,944,262)
<b>Total</b>	<b>\$ 18,214,461</b>	<b>\$ 14,019,538</b>

## 8. Plants, facilities and equipment, net

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

<u>Plants, facilities and equipment, net</u>							
	<u>December 31, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Revaluation</u>	<u>Depreciation for the period</u>	<u>Capitalization</u>	<u>December 31, 2022</u>
Plants, facilities and equipment in operation	\$ 2,074,911,958	\$ 36,568,479	\$ (4,136,427)	\$ -	\$ -	\$ 801,136	\$ 2,108,145,146
Capitalized spare parts	8,775,899	-	-	-	-	(801,136)	7,974,763
Construction in progress	21,622,317	87,687,011	-	-	-	-	109,309,328
Materials for construction	20,090,113	4,958,663	-	-	-	-	25,048,776
Subtotal	2,125,400,287	129,214,153	(4,136,427)	-	-	-	2,250,478,013
Accumulated depreciation	(682,744,022)	-	-	-	(46,269,146)	-	(729,013,168)
Impairment	(59,264,107)	-	-	(12,267,070)	-	-	(71,531,177)
<b>Total</b>	<b>\$ 1,383,392,158</b>	<b>\$ 129,214,153</b>	<b>\$ (4,136,427)</b>	<b>\$ (12,267,070)</b>	<b>\$ (46,269,146)</b>	<b>\$ -</b>	<b>\$ 1,449,933,668</b>

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	Plants, facilities and equipment, net							December 31, 2021
	December 31, 2020	Additions	Retirements	Revaluation	Depreciation for the period	Impairment	Capitalization	
Plants, facilities and equipment in operation	\$ 1,833,546,389	\$ 28,271,864	\$ (3,946,197)	\$ 201,851,953	\$ -	\$ 2,520,340	12,667,608	\$ 2,074,911,958
Capitalized spare parts	7,945,553	830,346	-	-	-	-	-	8,775,899
Construction in progress	27,111,684	7,178,242	-	-	-	-	(12,667,608)	21,622,317
Materials for construction	16,298,246	3,791,867	-	-	-	-	-	20,090,113
Subtotal	1,884,901,872	40,072,319	(3,946,197)	201,851,953	-	2,520,340	-	2,125,400,287
Accumulated depreciation	(640,938,909)	-	-	-	(41,805,113)	-	-	(682,744,022)
Impairment	(40,148,837)	-	-	-	-	(19,115,270)	-	(59,264,107)
<b>Total</b>	<b>\$ 1,203,814,126</b>	<b>\$ 40,072,319</b>	<b>\$ (3,946,197)</b>	<b>\$ 201,851,953</b>	<b>\$ (41,805,113)</b>	<b>\$ (16,594,930)</b>	<b>-</b>	<b>\$ 1,383,392,158</b>

The commercial dispute between USA and China, the Ukraine-Russia War and the remaining problems related to COVID-19 increased worldwide inflation rates, especially in Latin America. By the end of 2021 the inflation rate in the region reached 6.6%, increasing to 8.1% in April 2022. Derived from these events, the need to assess that the fair value measurement of the assets was reasonable, considering the economic changes affecting the Company in recent years, as well the projections of the results of the entities.

During fiscal year 2022, an analysis was performed to update the fair value of the generation plants, the transmission and distribution lines, in accordance with the Company policies and IFRS, considering as a basis the "Study to determine the fair value of the long-term assets of the generation plants of the Federal Electricity Commission" with figures as of December 31st, 2022. The aforementioned analysis concludes that there is an impairment in the plants of \$12,267,070.

The results of the analysis for the fair value update of assets as of 31 December 2022 and 2021 are as follows:

	2022	2021
Impairment of property, plant and equipment	\$ (4,919,297)	\$ (19,115,270)
Reversal of impairment of property, plant and equipment	84,950	2,520,341
Recorded in the statement of profit or loss	(4,834,347)	(16,594,929)
Revaluation of property, plant and equipment no operational	34,848	201,851,953
Reversal of revaluation of property, plant and equipment	(7,467,571)	-
Recorded in OCI	(7,432,723)	201,851,953
<b>Total (impairment) or revaluation</b>	<b>\$ (12,267,070)</b>	<b>\$ 185,257,024</b>

The main effects by type of technology are shown in the following table.

## 2022

Technology	No. of Power Stations	Revaluation	Impairment	Revaluation reversal	Impairment reversal
Coal-Fired	3	\$	\$ 40,730	\$ 135,644	\$ -
Eoelectric	2	29,675	-	-	84,210
Photovoltaic	2	5,173	-	-	-
Geothermal	4	-	83,460	29,788	-
Hydroelectric	60	-	2,791,013	6,127,678	-
Nuclear power	1	-	-	411,616	-
Thermoelectric	21	-	137,579	-	-
Turbo-gas	40	-	231,511	183,574	-
Combined cycle	20	-	1,532,407	575,648	-
Internal combustion	5	-	102,597	3,623	740
<b>Total</b>	<b>158</b>	<b>\$ 34,848</b>	<b>\$ 4,919,297</b>	<b>\$ 7,467,571</b>	<b>\$ 84,950</b>

## 2021

Technology	No. of Power Stations	Impairment	Revaluation	Impairment reversal
Coal-Fired	3	\$ 1,531,239	\$ 168,514	\$ -
Combined cycle	20	3,537,483	3,829,595	488,996
Interna combustion	5	664,314	29,390	688
Eoloelectric	2	220,933	-	-
Photovoltaic	2	-	390	-
Geothermal	4	471,977	130,992	-
Hydroelectric	61	8,928,469	13,955,236	1,758,324
Nuclear power	1	-	1,330,843	-
Thermoelectric	20	2,124,506	-	-
Turbo-gas	40	1,313,617	-	272,333
Transmission lines	-	-	150,075,201	-
Distribution lines	-	-	30,194,284	-
Non-Operating assets	-	322,732	2,137,508	-
<b>Total</b>	<b>158</b>	<b>\$ 19,115,270</b>	<b>\$ 201,851,953</b>	<b>\$ 2,520,341</b>

For the asset valuation study, the Enterprise considered the same aggregation to identify the cash-generating unit, both for the recoverable amount estimated in past valuations as in the current one for recognition in 2022 and 2021.

The recoverable amount of the cash generating units was considered the fair value of the asset less costs of disposal.

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

As of December 31, 2022 and 2021, the useful lives of the plants with modern technology are as follows:

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

**Construction in progress** - the construction in progress balances as of December 31, 2022 and 2021 are as follows:

<b>Planta:</b>	<b>2022</b>	<b>2021</b>
Steam power plants	\$ 257,439	\$ 654,043
Hydroelectric power plants	12,562,764	1,106,083
Nuclear power plant	205,157	205,157
Turbo-gas and combined cycle power plants	68,045,808	1,194,739
Geothermal power plants	164,504	171,846
Internal combustion	15,157,938	27,670
Transmission lines, networks and substations	11,915,108	17,938,324
Offices and general facilities	334,911	324,455
Construction advances	665,699	-
<b>Total</b>	<b>\$ 109,309,328</b>	<b>\$ 21,622,317</b>

As of December 31, 2022 and 2021 the Master Investment Trust approved projects related to build investment projects for the development acquisition covered from settlor resources during the next 3 years.

<b>PROJECT</b>	<b>PRICE (MUSD)</b>
C.C.C. Riviera Maya	762,000
C.C.C. Mérida	754,000
C.C.C. Tuxpan Fase I	737,000
C.C.C. San Luis Río Colorado	624,940
C.C.C. González Ortega	646,557
C.C.C. Baja California Sur	249,942
	290,000

As of December 31, 2022 and 2021 the Master Investment Trust outlay \$43,104,936 y \$ 66,650 respectively. and the work in progress CTG Gonzalez Ortega made a contribution for \$2,838,948,522.



## **Fair value measurement**

### i. Fair value hierarchy

The fair value of plants, facilities and equipment in operation was determined by independent external appraisers with a recognized professional capacity and experience in terms of the property, plant and equipment that underwent the appraisal. The independent appraisers provided the fair value of the plants, facilities and equipment as of December 31, 2022, and 2021.

### ii. Valuation technique and relevant unobservable inputs

The following table shows the valuation technique used to measure the fair value of investment properties, as well as the significant unobservable inputs used.

<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Interrelationship between the key unobservable inputs and the measurement of fair value</b>
Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by plants, facilities and equipment, considering the expected income growth rate.  Net expected cash flows are discounted using risk-adjusted discount rates.	<b>Generation</b> Useful life of the assets (30-60 years) Discount rate 8.80%-10.55% <b>Transmission</b> Useful life of the assets (30 years) Discount rate 7.67% <b>Distribution</b> Useful life of the assets (30 years) Discount rate 7.67%	The estimated fair value would increase (decrease) if: - Income growth was higher (lower) - The useful life was higher (lower) - The risk-adjusted discount rate was lower (higher)

As mentioned in note 3h and 8, CFE conducts impairment tests on the value of its long-term assets if circumstances indicate that the assets might be impaired.

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

## 9. Right-of-use asset

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

	<u>December 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Effect from translation</u>	<u>Depreciation for the year</u>	<u>December 2022</u>
Property	\$ 788,956	\$ 64,849	\$ -	\$ (1,428)	\$ -	\$ 852,377
Infrastructure	158,891,975	-	-	-	-	158,891,975
Vehicles	4,173,989	-	(5,726)	-	-	4,168,263
Gas pipelines	503,228,838	32,048,582	-	(6,208,198)	-	529,069,222
Subtotal	667,083,758	32,113,431	(5,726)	(6,209,626)	-	692,981,837
Property	(630,310)	-	-	1,369	(90,168)	(719,109)
Infrastructure	(64,850,216)	-	-	-	(7,573,090)	(72,423,306)
Vehicles	(1,852,979)	-	-	-	(1,037,057)	(2,890,036)
Gas pipelines	(88,382,530)	-	-	1,343,807	(19,987,391)	(107,026,114)
Total depreciation	(155,716,035)	-	-	1,345,176	(28,687,706)	(183,058,565)
	<u>\$ 511,367,723</u>	<u>\$ 32,113,431</u>	<u>\$ (5,726)</u>	<u>\$ (4,864,450)</u>	<u>\$ (28,687,706)</u>	<u>\$ 509,923,272</u>

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

The reconciliation of lease rights payable is as follows:

	<b>2022</b>	<b>2021</b>
Closing balance	\$ 661,408,622	\$ 608,755,141
Additions	31,435,557	53,877,675
Interest	26,653,658	28,220,748
Remeasurements	-	4,545,367
Payments	(50,544,701)	(49,345,930)
Exchange difference	(44,236,779)	15,355,621
<b>Total liabilities</b>	<b>\$ 624,716,357</b>	<b>\$ 661,408,622</b>

The Enterprise has entered leasing contracts for the rental of real estate, vehicles and infrastructure. These leases shall commence over the course of 2022. The lease agreements will require CFE to recognize lease assets and liabilities in accordance with IFRS 16.

## 10. Derivative Financial instruments

### a. Accounting classifications and fair values

CFE is exposed to interest rate and foreign currency translation risks which it tries to mitigate through a hedging program that includes using derivative financial instruments.

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

In addition, for the years ended December 31, 2022, and 2021, the derivative financial instruments have been designated as and qualify mainly as cash flow hedges since they are referenced to contracted debt. The effective portion of gains or losses on cash flow derivatives is recognized in equity under the concept of "Effects on the fair value of derivatives", and the ineffective portion is charged to profit or loss of the period.

The fair value of the Enterprise's financial instrument position as of December 31, 2022 amounted \$(9,411,848). As of December 31, 2021 it amounted \$14,826,581.

### Derivative Financial Instruments Held for Trading

As of December 31, 2022 and 2021, CFE had derivatives designated as held for trading whose fair value represented a liability of \$13,749,124 and \$4,010,547 respectively.

If CFE decides to cancel this economic hedge (currency forwards on the yen/dollar exchange rate), it would give rise to an estimated extraordinary loss as of December 31, 2022 and 2021 as follows:

Instrument	Underlying	Maturity		December 2022	December 2021
FWD					
JPY/Usd	Exchange rate and interest <sup>(1)</sup>	2036	Line of credit in yen	\$ (960,810)	\$ (1,043,092)
Funded Swap	Exchange rate and interest <sup>(2)</sup>	2023	Monetization ISDA	(6,995,139)	-
IRS	Prepaid SWAP <sup>(3)</sup>	2022	Monetization MTM	-	(3,101,322)
CCS	Mizuho line <sup>(4)</sup>	2023	Mizuho line	(235,104)	116,847
IRS	Mizuho line <sup>(4)</sup>	2023	Mizuho line	-	17,020
P.Only	Initial Exchange P.O 2033 <sup>(5)</sup>	2023	Monetization ISDA	(1,668,132)	-
P.Only	Initial Exchange P.O 2052 <sup>(6)</sup>	2023	Monetization ISDA	(3,889,939)	-
Negotiation				\$ <u>(13,749,124)</u>	\$ <u>(4,010,547)</u>

- 1) On September 17, 2002, CFE placed in the Japanese market a bond for 32 billion Japanese yen at an annual interest rate of 3.83% and maturing in September 2032. At the same time, CFE carried out a hedging operation for which received an amount of 269,474,000 US dollars, equivalent to 32 billion yen at the spot exchange rate on the date of the operation of 118.7499 yen per US dollar. This transaction consists of a series of currency forwards that allow the Enterprise to lock in a JPY/USD exchange rate of 54.0157 JPY per USD over the established term of the transaction. As part of this transaction, CFE pays annual interest in U.S. dollars at a rate of 8.42%.
- 2) On April 7, 2022, CFE entered a Derivative Financial Instrument transaction under the "Funded Swap" modality with Credit Suisse AG - Cayman Branch, for an amount of 325 million Swiss francs in order to monetize such amount under the ISDA 1992 master agreement, signed between Credit Suisse Cayman Islands Branch and CFE on November 24, 2004.

The transaction is valid for one year.

CFE has the option to make partial principal payments periodically. Any amount that CFE decides to repay may be used again in subsequent periods within the term of the transaction.

Interest is payable every 28 days at a variable interest rate of TIIE minus 85 basis points.

The valuation is made by bringing to present value future cash flows depending on exchange rate movements of the Swiss franc against the U.S. dollar and the U.S. dollar against the Mexican peso, as well as interest rate movements in Swiss francs, U.S. dollars and Mexican pesos. Mexican pesos.

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

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

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

- 4) On December 30, 2022, the provisions made of the revolving line of credit contracted with Banco Mizuho were settled, which is intended for working capital needs. For this reason, the hedges associated with said primary position change from designation to negotiation.
- 5) On December 19, 2022, CFE received a temporary monetization through a derivative financial instrument Funded Out with Barclays Bank Mexico, S.A. under the Master Agreement for Derivative Financial Transactions dated May 21, 2013 for an amount equivalent to an initial exchange for US\$80 million, to be settled before January 24, 2023. This operation was temporarily designated as trading.

Once the initial swap is settled, the transaction would be reclassified as a hedge, with a notional amount of \$175 million dollars, of the foreign exchange risk associated with the primary position of the CFE 2033 Bond through a Principal Only Swap structure.

- 6) On December 19, 2022, CFE entered into a Principal Only hedge associated with the CFE 2052 Bond for a notional amount of US\$100 million. This hedge established an initial exchange for an amount of US\$200 million settleable at no financial cost on March 20, 2023.

In this operation, during the life of the initial exchange, it is classified as trading.

The Enterprise suspends cash flow hedge accounting when the derivative expires, is not effective enough to offset the changes in the fair value or cash flows of the hedged item, or when the Enterprise decides to cancel the hedging designation. The gains or losses recognized in Other comprehensive income and accumulated in Equity, remain in Equity and are recognized when the forecast transaction is ultimately recognized in profit or loss.

### **Hedging instruments**

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

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Instrument	Underlying	Type of Hedge	Maturity	Primary position (Lines/Bonds)	Hedge Ratio	Fair Value December 2022	Fair Value December 2021
CCS	(1)	Cash flow	2022	1100000077 a 79	100%	\$ -	\$ 10,934
CCS	(1)	Cash flow	2023	1100000080	100%	219,149	1,280,140
CCS	(1)	Cash flow	2024	1100002956	100%	459,169	2,602,158
CCS	(1)	Cash flow	2027	1100003606	100%	493,544	4,280,554
CCS	(1)	Cash flow	2032	1200002801	100%	123,039	158,424
				1200000551			
CCS	(1)	Cash flow	2036	Pidiregas line	100%	3,356,850	2,948,151
CCS	(1)	Cash flow	2042	2042 bond	55%	171,766	503,680
CCS	(1)	Cash flow	2047	Formosa 1 bond	100%	250,098	1,394,390
CCS	(1)	Cash flow	2048	Formosa 2 bond	100%	472,243	1,960,617
Participating							
Swap	(1)	Cash flow	2027	2027 bond	100%	105,144	337,136
CCS	(1)	Cash flow	2045	2045 bond	67%	575,357	2,123,372
CCS	(1)	Cash flow	2030	Formosa 4 bond	33%	(340,659)	397,779
CCS	(1)	Cash flow	2029	Formosa 3 bond	30%	1,788,274	1,638,221
CCS	(1)	Cash flow	2029	SACE line	100%	443,547	-
CCS	(1)	Cash flow	2031	CFE 2031	100%	(828,480)	-
CCS	(1)	Cash flow	2033	CFE 2033	100%	266,372	-
P.Only	(1)	Cash flow	2052	2052 bond	100%	347,499	-
			Less than				
Forwards	(2)	Cash flow	1 year	Energy sale	100%	-	(797)
CCS	(3)	Cash flow	2022-2025	Energy sale	N/A	(340,861)	(67,811)
Options	(3)	Cash flow	2022	Energy sale	21%	(3,224,775)	(729,820)
<b>Total</b>						<b>\$ 4,337,276</b>	<b>\$ 18,837,128</b>

(1) Exchange rate and interest rate

(2) Exchange rate

(3) Commodities

The table above includes the Mark to Market of the hedging derivatives.

	2022	2021
<b><u>Assets</u></b>		
Hedge	\$ 9,072,051	\$ 19,635,556
Negotiation	-	133,867
Total	<u>\$ 9,072,051</u>	<u>\$ 19,769,423</u>
<b><u>Liabilities</u></b>		
Hedge	(4,734,775)	(798,428)
Negotiation	<u>(13,749,124)</u>	<u>(4,144,414)</u>
Total	<u>\$ (18,483,899)</u>	<u>\$ (4,942,842)</u>
<b>Net</b>	<b><u>\$ (9,411,848)</u></b>	<b><u>\$ 14,826,581</u></b>

As of December 31, 2022 and 2021 the total Mark to Market value of the hedging and trading derivatives amounts to \$(9,411,848) and \$14,826,581 respectively, based on their carrying amount.

The results of the effectiveness tests for these hedging instruments showed that the relationships are highly effective. The amount of ineffectiveness is minimal; therefore, no hedge ineffectiveness was recognized.

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

### **Natural Gas Hedges Proprietary Position**

At the 50th ordinary session of the Board of Directors held on July 14, 2022, the 2021 Foreign Exchange, Interest Rate and Fuel Price Hedging Strategy of the Federal Electricity Commission was authorized.

As of October 15, 2021, the execution of the Fuel Coverage Program began, focused on covering the 2022 calendar through an option structure (collars and calls) considering premium levels covering 57 contracts of 10,000 MMBTU equivalent to approximately 20% of the annual consumption of CFE.

As of December 31, 2022, there is coverage of 22.8% and 19.4% of the NYMEX reference bases contract strip including the Houston Ship Channel Reference Index combos (NYMEX options + Index HSC + Basis) covering Cal 22 and up the period of March 2023.

#### **Current contracts Program 2022**

<b>Level strike option</b>	<b>Jan 22- Feb 23</b>	<b>Feb 22 Mar 23</b>	<b>Total</b>
+4.5 Call	6	-	<b>6</b>
4.0 Call	5	<b>6</b>	<b>11</b>
<b>Total contracts</b>	<b>11</b>	<b>6</b>	<b>17</b>

#### **Current contracts Program 2023**

<b>Level strike option</b>	<b>Jan 22- Mar 23</b>	<b>Feb 23 Mar 23</b>	<b>April 23 Dec 23</b>	<b>Total</b>
4.5 call		6		<b>6</b>
5.5 Call			73	<b>73</b>
7 Call	102			<b>102</b>
<b>Total contracts</b>	<b>102</b>	<b>6</b>	<b>73</b>	<b>181</b>

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

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

The market value as of December 31, 2022 of the own position was \$(3,224,775) recorded as a liability corresponding to the price of the NYMEX option including the base risk and the Index to cover the primary position of consumption of the Houston Ship Channel daily.

As of December 31, 2022, the effects of OCI in the upcoming years (current portfolio) are as follows:

Millions of pesos			
Year	MTM	OCI	Results (Interest and exchange rate)
2023	1,149	(14,022)	15,171
2024	7,218	(4,956)	12,173
2025	7,583	(5,022)	12,605
2026	7,960	(6,820)	14,780
2027	8,493	(4,883)	13,375

**b. Fair value measurement**

The valuation techniques for estimating the fair value of derivative instruments are described in the accounting policy mentioned above, depending on the derivative instrument for which the fair value is estimated. CFE uses the corresponding technique to estimate such value.

**Adjustment of fair value or Mark to Market by credit risk**

To reflect counterparty risk, the valuation is adjusted based on the probability of default and recovery rate with the counterparties of the derivative positions.

The net fair value of derivative financial instruments (Mark-To-Market) effective as of December 31, 2022 before considering credit risk, amounts to \$(9,062,201) which is included in the balance sheet and represents the amount in favor of the Enterprise with the counterparties.

The net fair value of derivative financial instruments (Mark-To-Market) effective as of December 31, 2021 before considering credit risk, amounts to \$16,874,330 which is included in the balance sheet and represents the amount in favor of the Enterprise with the counterparties.

CFE applies a Credit valuation adjustment (CVA) to reflect the creditworthiness of the counterparty of the derivative financial instrument. The CVA is the market value of the counterparty credit risk and reflects the estimated fair value of the hedging required to cover the counterparty credit risk included in such instruments.

**Method for adjusting Fair Value**

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



As of December 31, 2022, fair values adjustments based on the CVA (Credit Valuation Adjustment) are shown below:

Counterparty	Fair value MTM subject to CVA	Adjusted fair value MTM	Adjustment as of December 31, 2022
Deutsche Bank	\$ 2,095,270	\$ 1,885,147	\$ 210,123
Goldman Sachs	1,017,303	856,694	160,609
Morgan Stanley	458,787	391,201	67,586
BBVA	296,527	275,172	21,355
Santander	146,579	133,864	12,715
MUFG	(153,053)	(153,053)	-
Scotiabank	(447,374)	(447,374)	-
Bank of America	(613,276)	(626,330)	13,054
BNP Paribas	(620,985)	(628,316)	7,331
Barclays Bank	(868,130)	(955,932)	87,802
JP Morgan	(962,487)	(1,484,495)	522,008
Citibanamex	(3,005,583)	(3,133,191)	127,608
Credit Suisse	(6,405,779)	(5,525,235)	(880,544)
	<b>\$ (9,062,201)</b>	<b>\$ (9,411,848)</b>	<b>\$ 349,647</b>

As of December 31, 2021, fair values adjustments based on the CVA (Credit Valuation Adjustment) are shown below:

Counterparty	Fair value MTM subject to CVA	Adjusted fair value MTM	Adjustment as of December 31, 2021
Goldman Sachs	\$ 3,949,872	\$ 3,681,642	\$ 268,230
Citibanamex	2,948,727	2,797,943	150,784
Morgan Stanley	2,743,981	2,606,901	137,080
Deutsche Bank	2,339,687	2,248,881	90,806
BBVA	1,999,477	1,235,575	763,902
Santander	1,987,699	1,926,646	61,053
BNP Paribas	799,691	736,063	63,628
Bank of America	218,398	49,340	169,058
Credit Suisse	187,903	178,998	8,906
Bank of Tokyo	231	216	15
JP Morgan	(116,932)	(126,910)	9,978
Barclays Bank	(184,405)	(508,714)	324,309
	<b>\$ 16,874,329</b>	<b>\$ 14,826,581</b>	<b>\$ 2,047,748</b>

#### Fair Value hierarchy or Mark-to-Market

To increase consistency and comparability in fair value measurements and related disclosures, IFRS sets out a fair value hierarchy that categorizes into three levels the inputs used in valuation techniques. This hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The availability of relevant inputs and their relative subjectivity might affect the selection of appropriate valuation techniques. However, the fair value hierarchy prioritizes the inputs to valuation techniques.

### **Level 2 inputs**

As explained above, based on the terms of the ISDA contracts, the counterparties or banking institutions are the valuation agents, and they calculate and send the Mark-to-Market monthly.

Therefore, the hierarchy level of the Enterprise's Mark-to-Market for derivative financial instruments as of December 31, 2022 is level 2 due to the following:

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

### **c. Financial risk management**

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

- Credit risk
- Liquidity risk
- Market risk

#### **Credit risk**

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

To manage credit risk, the Enterprise monitors the credit rating and the probability of default of the counterparty, which is applied to the market value of the derivative. These transactions are carried out with solvent and well-known parties that have AAA+ credit rating on a local scale, and BBB+ on a global scale, according to S&P, Moody's and Fitch.

The carrying amount of the derivative financial assets represents the maximum exposure to credit risk. As of December 31, 2022, and 2021, this amounted to \$(9,062,201) and \$16,874,330, respectively.

#### **Liquidity risk**

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

To manage credit risk, the Enterprise monitors the market value of the derivative and the use by the operating lines (threshold).

Exposure to liquidity risk for holding derivative financial instruments arises from the carrying amount of the financial liabilities corresponding to these instruments. As of December 31, 2022 and 2021, this amounted to \$18,936,921 and \$5,401,208 respectively.

The table below lists the contractual maturities of the derivative financial instruments based on payments terms.

	Less than one year	More than 1 year and less than 5 years	Total
<b>December 31, 2022</b>			
CCS	\$ 29,195	\$ 81,940	\$ 111,135
<b>Total payable</b>	<b>\$ 29,195</b>	<b>\$ 81,940</b>	<b>\$ 111,135</b>
CCS	\$ 25,795	\$ 87,497	\$ 113,292
<b>Total receivable</b>	<b>\$ 25,795</b>	<b>\$ 87,497</b>	<b>\$ 113,292</b>
	Less than one year	More than 1 year and less than 5 years	Total
<b>December 31, 2021</b>			
CCS	\$ 35,579	\$ 65,607	\$ 101,186
<b>Total payable</b>	<b>\$ 35,579</b>	<b>\$ 65,607</b>	<b>\$ 101,186</b>
CCS	\$ 30,808	\$ 68,204	\$ 99,102
<b>Total receivable</b>	<b>\$ 30,808</b>	<b>\$ 68,204</b>	<b>\$ 99,102</b>

### Market risk

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

CFE uses financial derivative instruments to manage market risk, generally seeking access to hedge accounting to control or immunize the volatility that could arise in the results.

#### a) *Currency exchange risk*

61.3% of CFE's debt is denominated in foreign currency, mainly in US dollars, whereas most of CFE's assets and revenues are denominated in pesos. As a result, CFE is exposed to devaluation risks of the peso against the dollar. In conformity with its risk management policy, CFE has contracted currency swaps to reduce the impact of currency fluctuations. The effect of this instrument is to replace the obligation to pay fixed interest rates in dollars for an obligation to pay a fixed rate in pesos. As of December 31, 2022, and 2021, CFE maintains foreign exchange swaps to hedge its foreign currency debt of \$145,318 and \$137,571, million pesos, respectively.

To cover the exchange risks of the \$32 billion debt in yens, CFE uses a series of exchange rate forwards under which it purchases Japanese yens. The market value of this transaction as of December 31, 2022 and 2021 was \$(960,810) and \$(1,043,092), respectively. These derivative instruments were not designated as hedges.

Sensitivity analysis of the effect on exchange rates

A possible and reasonable strengthening (weakening) of the MXN/USD and JPY/USD exchange rate as of December 31, 2022 would have affected the fair value of the total position of the derivative financial instruments in foreign currency, and thus, profit and loss of the period and other comprehensive income (since some of them are designated as hedges), as shown in the following table:

Instrument	Effect on profit or loss		Effect on equity	
	+100 pips	-100 pips	+100 pips	-100 pips
Cross Currency JPY/USD	74,851	(74,851)		
Funded out Credit Suisse			2,694	(2,694)
Funded out Barclays			3,250	(3,250)
P.O Citibanamex			1,750	(1,750)
			2,000	(2,000)
<b>Total</b>	<b>74,851</b>	<b>(74,851)</b>	<b>9,694</b>	<b>(9,694)</b>

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

*b) Interest rate risk*

21.3% of CFE's debt bears interest at variable interest rates, which are determined by reference to the TIIE rate for debt denominated in pesos. As of December 31, 2022 there is any hedges and 2021 CFE hedged \$962 of its variable interest rate debt denominated in pesos.

Interest rate sensitivity analysis

A potential and reasonable strengthening (weakening) of interest rates as of December 31, 2022 would have affected the fair value of the total position of derivative financial instruments associated with variable interest rates, and thus, profit and loss of the period and other comprehensive income (since some of them are designated as hedges), as shown in the following table:

31/12/22	Effect on equity	
	+ 100 basis points	- 100 basis points
Interest rate swaps	\$ 1,753	\$ (1,753)

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

## 11. Intangibles and other assets

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

	2022	2021
Rights of way (1)	\$ 33,789,096	\$ 32,080,318
Deposits and advances	12,190,411	15,893,085
<b>Total</b>	<b>\$ 45,979,507</b>	<b>\$ 47,973,403</b>

- (1) As of December 31, 2022 and 2021, the Enterprise has right-of-way assets, which represent a legal right-of-way for the Enterprise to access and inspect transmission lines by air or underground in order to verify the continued transmission of electricity over the power lines. An analysis of these right-of-way assets is shown below:

Right of way	Opening balance	Increase	Charges and others	Ending balance
2022	\$ 32,080,318	\$ 1,708,778	-	\$ 33,789,096
2021	\$ 32,004,933	\$ 75,385	-	\$ 32,080,318

Intangible assets with indefinite useful lives mainly include rights of way. These assets are considered to have indefinite useful lives due to the fact that they are subject to no legal, regulatory or contractual restrictions that would limit how long they may be used. The assets are tested annually for impairment whenever there is evidence of impairment.

## 12. Short-term and long-term debt

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

	2022	2021
Documented debt	\$ 18,037,363	\$ 13,132,667
PIDIREGAS debt	13,092,226	12,104,453
Trust Investment Financing	64,018,455	12,068,130
<b>Total short-term debt</b>	<b>95,148,044</b>	<b>37,305,250</b>
Documented debt	250,965,839	245,206,846
PIDIREGAS debt	104,386,741	111,408,806
<b>Total long-term debt</b>	<b>355,352,580</b>	<b>356,615,652</b>
<b>Total debt</b>	<b>\$ 450,500,624</b>	<b>\$ 393,920,902</b>

The breakdown of debt by each of its components is as follows:

Type of debt	Balance as of December 2021	Drawdowns	Payments	Foreign exchange and interest rate differences	Balance as of December 2022
Documented debt	\$ 258,339,513	\$ 119,888,208	\$ (99,813,569)	\$ (9,410,950)	\$ 269,003,202
Pidiregas debt	123,513,259	8,768,567	(10,568,699)	(4,234,160)	117,478,967
Trust Investment Financing	12,068,130	62,579,842	(8,105,252)	(2,524,265)	64,018,455
<b>Total</b>	<b>\$ 393,920,902</b>	<b>\$ 191,236,617</b>	<b>\$ (118,487,520)</b>	<b>\$ (16,169,375)</b>	<b>\$ 450,500,624</b>

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

## Documented debt

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

### a) Foreign debt

On December 21, 2022, the Enterprise drew down MEUR \$15.9, a loan contracted with the Agence Francaise de Developpement (AFD) signed on 14 October 2021 for an amount of MEUR \$200.0, at a rate of EURIBOR plus 2.10% and maturity in April 2041.

On December 9, 2022, the Enterprise drew down MUSD \$21.1 from credit line signed with Banamex, S.A. intended to finance enriched uranium for the Laguna Verde Nuclear Power Plant, with a term of three years, amortizations and semi-annual interest payments, and a rate of LIBOR 6m USD + 0.85%

On December 6, 2022, the Enterprise drew down MUSD \$80.0 from a short-term promissory note with Banco Mercantil del Norte, S.A. (Banorte), with a fixed rate SOFR + 1.5%, and a 22 days term.

On December 2, 2022, the Enterprise drew down MUSD \$200.0, of a loan contracted with the Andean Development Corporation (CAF) signed on November 29, 2022 for an amount of MUSD \$200.0, at a rate of TERM SOFR plus the margin to be set in the disbursement request and maturity in July 2026.

On November 25, 2022, the Enterprise drew down MEUR \$62.2, a loan contracted with the Agence Francaise de Developpement (AFD) signed on 14 October 2021 for an amount of MEUR \$200.0, at a rate of EURIBOR plus 2.1% and maturity in April 2041.

On October 2022, the Enterprise drew down MUSD \$200 from revolving syndicated loan, signed on July 31, 2018, for an amount of MUSD \$1,260 with Mizuho Bank, LTD., as administrative agent, which bears interest equal to the LIBOR USD plus 0.95%, maturity in July 2023

On August 10, 2022, the Enterprise drew down MUSD \$200 from revolving syndicated loan, signed on July 31, 2018, for an amount of MUSD \$1,260 with Mizuho Bank, LTD., as administrative agent, which bears interest equal to the LIBOR USD plus 0.95%, maturity in July 2023

On August 10, 2022, the Enterprise drew down MUSD \$100.0 from a commercial credit, signed on December 31, 2021, for an amount of MUSD \$350 with Sumitomo Mitsui Banking Corporation, which bears interest equal to the LIBOR USD plus 0.5%, maturity in January 2023.

On July 22, 2022, the Enterprise drew down MUSD \$100.0 from a commercial credit, signed on December 31, 2021, for an amount of MUSD \$350 with Sumitomo Mitsui Banking Corporation, which bears interest equal to the LIBOR USD plus 0.5%, maturity in January 2023.

On July 14, 2022, the Enterprise drew down MUSD \$300 from revolving syndicated loan, signed on July 31, 2018, for an amount of MUSD \$1,260 with Mizuho Bank, LTD., as administrative agent, which bears interest equal to the LIBOR USD plus 0.95%, maturity in July 2023.

On May 13, 2022, the Enterprise drew down MUSD \$28.2 from credit line signed with Banamex, S.A. intended to finance enriched uranium for the Laguna Verde Nuclear Power Plant, with a term of three years, amortizations and semi-annual interest payments, and a rate of LIBOR 6m USD + 0.90%

On April 8, 2022, the Enterprise drew down MUSD \$50.0 from a commercial credit, signed on December 31, 2021, for an amount of MUSD \$350 with Sumitomo Mitsui Banking Corporation, which bears interest equal to the LIBOR USD plus 0.5%, maturity in January 2023.

On February 5, 2022, the Enterprise drew down MUSD \$1,750, against the external public issuance of fixed rate bonds under Rule 144 A and Regulation S with Deutsche Bank Trust Enterprise Americas as the main paying agent, in two tranches:

a) The first one identified as "4.7% Notes due 2029" for MUSD \$1,250, a fixed rate of 4.7% and payable in May 2029, intended to finance activities established by the Comision Federal de Electricidad Law, as well as for finance various payments for Financed Public Works.

b) The second identified as "6.3% Notes due 2052" for MUSD \$500, a fixed rate of 6.3% and a term of 30 years, destined to finance activities established by the Comision Federal de Electricidad Law as "Sustainable Financing Framework".

During February 2022, the Enterprise drew down MUSD \$300 from revolving syndicated loan, signed on July 31, 2018, for an amount of MUSD \$1,260 with Mizuho Bank, LTD., as administrative agent, which bears interest equal to the LIBOR USD plus 0.95%, maturity in July 2023.

On January 11, 2022, the Enterprise drew down MUSD \$300 from revolving syndicated loan, signed on July 31, 2018, for an amount of MUSD \$1,260 with Mizuho Bank, LTD., as administrative agent, which bears interest equal to the LIBOR USD plus 0.95%, maturity in July 2023.

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

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

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

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

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

On March 9, 2021, the Enterprise drew down MUSD \$599.7 against a revolving syndicated loan of USD 1.26 billion dated on July 31, 2018, with Mizuho Bank, LTD. as the loan's administrative agent, which bears interest equal to the USD LIBOR plus 0.95% and maturity in July 2023.

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

1. The first one identified as “3,348% Notes due 2031” for MUSD \$1,200, a fixed rate of 3,348% and payable in February 2031, intended to finance activities established by the Comision Federal de Electricidad Law, as well as for the refinancing of the issuance of bonds maturity date of May 19, 2011 for MUSD 1,000 maturing on May 26, 2021.
2. The second identified as “4,677% Notes due 2051” for MUSD \$800, a fixed rate of 4,677% and a term of 30 years, destined to finance activities established by the Comision Federal de Electricidad Law.



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				2022		2021	
Foreign Debt	Credit Type	Interest rate	Maturates	Local currency	Foreign currency	Local currency	Foreign currency
IN US DOLLAR:							
exchange rate of \$19.4143 per dollar as of Dec 2022 and \$20.5835 as of Dec 2021	BILATERAL	Fixed and variable - 3.7%	Various through 2030	\$ 7,486,131	385,599	\$ 8,317,283	404,075
	BONDS	Fixed and variable - 4.7%	Various through 2052	146,740,491	7,558,371	154,751,832	7,518,247
	REVOLVING	Fixed and variable - 4.0%	Various through 2026	117,810	6,068	210,280	10,216
TOTAL US DOLLARS:				154,344,432	7,950,038	163,279,395	7,932,538
IN EUROS:							
exchange rate of Euros of \$20.7692 at Dec 2022 and \$23.2763 at Dec 2022	BILATERAL	Fixed and variable – 4.0%	Various through 2041	1,629,342	78,450	2,814	121
TOTAL EUROS:				1,629,342	78,450	2,814	121
IN JAPANESE YENS;							
exchange rate of Yens of \$0.1474 at Dec 2022 and \$0.1777 at Dec 2021	BOND	Fixed - 3.8%	2032	4,716,800	32,000,000	5,686,400	32,000,000
Assets received for financial instruments, net				514,849		(139,682)	
TOTAL JAPANESE YENS:				5,231,649	32,000,000	5,546,718	32,000,000
TOTAL FOREIGN DEBT				\$ 161,205,423		\$168,828,927	

### ***Reference Interest Rates changes (RFR)***

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

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

Differences between IBORs and RFRs:

1. RFRs are available overnight. On the contrary, IBORs are published for different time frames;
2. RFRs are retrospective, as they report the fees paid the day before in the relevant transactions. Rather, IBORs report the rate at which funds are available today for the corresponding term.
3. RFRs are designed to be almost risk-free rates. Consequently, they do not incorporate a credit or liquidity premium. Rather, most IBORs are designed to provide an indication of the average rates at which participating banks could obtain unsecured wholesale financing during set periods and incorporate both a credit premium.

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

### 3. Domestic debt

On December 30, 2022, the Enterprise drew down MMXP \$1,500 derived from a short-term unsecured loan obtained from Scotiabank Inverlat, S.A., maturity on January 27, 2023, at a rate of TIIE 28d plus 0.80%.

On December 16, 2022, the Enterprise drew down MMXP \$2,000 against a revolving loan obtained from Banco Santander (Mexico), S.A., maturity on November 18 2022, at a rate of TIIE 28d plus 0.90% for one year and repaid at 90 days.

On December 5, 2022, the Enterprise drew down MMXP \$2,000 against a short-term unsecured loan obtained with BBVA Bancomer, S.A., at a rate of TIIE 28d plus 0.80% and repaid at 90 days.

On October 18, 2022, four Stock Certificates were issues in the national markets for a total amount of MMXP 10,000.

a) CFE 22S for an amount of MMXP \$2,907.8, which will pay monthly interest at a variable rate of TIIE 28 days plus 0.50%, maturing in May 2026.

b) CFE 22-2S for an amount of MMXP \$1,333.2, which will pay monthly interest at a rate of 10.8% maturing in November 2030.

c) CFE 22UV for an amount of UDIS 323,633,300.0 equivalent to MMXP \$2,458.2, which will pay semi-annual interest at a fixed rate of 6.3%, maturing in March 2033.

d) CFE 22UV for an amount of UDIS 434,472,700.0 equivalent to MMXP \$3,300.5, which will pay semi-annual interest at a fixed rate of 6.7%, maturing in October 2042.

On October 18, 2022, the Enterprise drew down MMXP \$3,000 against a short-term unsecured loan obtained with BBVA Bancomer, S.A., at a rate of TIIE 28d plus 0.80% and maturity in 58 days.

On October 4, 2022, the Enterprise drew down MMXP \$2,000 against a short-term unsecured loan obtained with Banco Mercantil del Norte (Banorte), S.A., at a rate of TIIE 28d plus 0.80% and maturity in 88 days.

On July 21, 2022, the Enterprise drew down MMXP \$2,000 against a short-term unsecured loan obtained with BBVA Bancomer, S.A., at a rate of TIIE 28d plus 0.80% and maturity in 32 days.

On July 20, 2022, the Enterprise drew down MMXP \$3,000 against a short-term unsecured loan obtained with BBVA Bancomer, S.A., at a rate of TIIE 28d plus 0.80% and maturity in 90 days.

On June 13, 2022, the Enterprise drew down MMXP \$2,000 against a short-term unsecured loan obtained with Banco Mercantil del Norte (Banorte), S.A., at a rate of TIIE 28d plus 0.80% and maturity in 179 days.

On June 8, 2022, the Enterprise drew down MMXP \$2,000 against a short-term unsecured loan obtained with Banco Mercantil del Norte (Banorte), S.A., at a rate of TIIE 28d plus 0.80% and maturity in 180 days.

On April 22, 2022, the Enterprise drew down MMXP \$2,000 against a short-term unsecured loan obtained with BBVA Bancomer, S.A., at a rate of TIIE 28d plus 0.80% and maturity in 90 days.

On April 21, 2022, the Enterprise drew down MMXP \$2,000 against a short-term unsecured loan obtained with BBVA Bancomer, S.A., at a rate of TIIE 28d plus 0.80% and maturity in 90 days.

On April 21, 2022, the Enterprise drew down MMXP \$4,500 against a short-term unsecured loan obtained with Banco Santander (México), S.A., at a rate of TIIE 28d plus 0.90% for one year and payable every 90 days.

On March 1, 2022, the Enterprise drew down MMXP \$10,000 against a long-term unsecured loan obtained with Nacional Financiera (SNC) in two tranches, as follows:

- a) One for an amount of MMXP \$5,000 at a variable rate of TIIE 182 days plus 1.2%, maturing in February 2025.
- b) The second for an amount of MMXP \$5,000 at a variable rate of TIIE 182 days plus 1.4%, maturing in March 2027.

On February 23, 2022, the Enterprise drew down MMXP \$4,000 against a revolving loan obtained from Scotiabank Inverlat, S.A., maturity on December 30, 2023, at a rate of TIIE 28d plus 0.9%.

On January 18, 2022, the Enterprise drew down MMXP \$2,000 against a short-term unsecured loan obtained with BBVA Bancomer, S.A., at a rate of TIIE 28d plus 0.80% and maturity in 90 days.

On January 17, 2022, the Enterprise drew down MMXP \$3,000 against a short-term unsecured loan obtained from BBVA Bancomer, S.A., at a rate of TIIE 28d plus 0.8% and maturity in 3 months.

On January 6, 2022, the Enterprise drew down MMXP \$9,000 against a revolving loan obtained from Banco Santander (México), S.A., dated December 21, 2020, at a rate of TIIE 28d plus 0.90% maturing in 12 months and repaid every 90 days.

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

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

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

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

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

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

On October 4, 2021, the Enterprise drew down MMXP \$3,000 against a short-term unsecured loan obtained with BBVA México S. A., at a rate of TIIE 28d plus 0.80% and maturing on December 30, 2021.

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

On June 22, 2021, the Enterprise drew down MMXP \$5,000 against a short-term current account credit contract obtained from Banco Santander (México), S.A., dated June 22, 2021, at a rate of TIIE 28d plus 0.90% and maturity of 90 days.

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

1. CFE 21 for an amount of MMXP \$4,873.38, which bears monthly interest at a variable rate of TIIE 28 days plus 0.57%, maturing in December 2022.
2. CFE 21-2 for an amount of MMXP \$2,589, which bears monthly interest at a variable rate of TIIE 28 days plus 0.75% maturing in March 2025.
3. CFE 21U for a total of UDIS 372,572,600, equivalent to MMXP \$ 2,537.61, which bears semi-annual interest at a fixed rate of 5.45% and maturity in May 2031.

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

On March 22, 2021, the Enterprise drew down MMXP \$5,000 against a short-term unsecured loan obtained from BBVA Bancomer, S.A. dated March 22, 2021, at a rate of TIIE 28d plus 0.90% and repaid in 3 months.

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

On March 12, 2021, the Enterprise drew down MMXP \$5,000 against a revolving loan obtained from Banco Santander (México), S.A., with maturity on December 21, 2020, at a rate of TIIE 28d plus 0.90% and repaid until 12 months, and renewable every 90 days.

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

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Domestic debt	Credit Type	Interest rate	Expiration	2022		2021	
				Local currency	Foreign currency	Local currency	Foreign currency
NATIONAL CURRENCY	Bank Contracts	Fixed and variable – 9.2%	Various through 2027	\$ 16,000,000		\$ 2,500,000	
	Stock Market	Fixed and variable - 8.5%	Various through 2030	48,922,541		52,554,878	
<b>TOTAL MEXICAN PESOS:</b>				<b>64,922,541</b>		<b>55,054,878</b>	
IN UDIS: at the Exchange rate							
of \$7.6449 and \$7.1082 as of Dec 2022 and 2021 respectively	Stock Market	Fixed - 4.9%	Various through 2042	42,145,287	5,512,863	33,797,764	4,754,757
<b>TOTAL UDIS</b>				<b>42,145,287</b>	<b>5,512,863</b>	<b>33,797,764</b>	<b>4,754,757</b>
<b>TOTAL DOMESTIC DEBT</b>				<b>\$107,067,828</b>		<b>\$ 88,852,642</b>	
Summary							
Total foreign debt				\$161,205,423		\$168,828,927	
Total domestic debt				107,067,828		88,852,642	
Interest payable				3,154,612		3,082,605	
Unamortized debt expenses				(2,424,661)		(2,424,661)	
<b>Total documented debt</b>				<b>\$269,003,202</b>		<b>\$258,339,513</b>	
Short-term debt				\$ 14,882,751		\$ 10,050,062	
Interest payable				3,154,612		3,082,605	
<b>Total short term</b>				<b>18,037,363</b>		<b>13,132,667</b>	
Long-term debt				253,390,500		247,631,507	
Unamortized debt expenses				(2,424,661)		(2,424,661)	
<b>Total long term</b>				<b>250,965,839</b>		<b>245,206,846</b>	
<b>Total short and long term</b>				<b>\$269,003,202</b>		<b>\$258,339,513</b>	

The maturity dates of the documented debt are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 18,037,363
2024	24,903,227
2025	20,604,438
2026	11,111,943
2027	38,514,981
2028	6,094,433
2029	29,017,727
Subsequent years	120,719,090
<b>Total</b>	<b>\$ 269,003,202</b>

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

An analysis of the balances and maturities of the PIDIREGAS (direct investment) debt as of December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
2022	\$ -	1,460,983
2023	1,583,760	-
2024	508,390	864,539
2025	-	-
2026	15,760,681	18,162,616
Subsequent years	99,626,136	103,025,121
<b>Total debt</b>	<b>\$ 117,478,967</b>	<b>\$ 123,513,259</b>

Direct investment (PIDIREGAS):

As of December 31, 2022 and 2021, the debt for the acquisition of plants, facilities and equipment through PIDIREGAS is as follows:

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Foreign debt	Contract Term	Balance as of December 31, 2022				Balance as of December 31, 2021			
		(thousands of units)				(thousands of units)			
		Local currency		Foreign currency		Local currency		Foreign currency	
		Short term	Long term	Short term	Long term	Short term	Long term	Short term	Long term
18 million dollars	2026	\$ 87,855	263,565	4,525	13,576	\$ 93,146	372,583	4,525	18,101
184 million dollars	2029	530,266	3,039,703	27,313	156,570	562,201	3,784,965	27,313	183,883
191 million dollars	2032	757,940	2,944,030	39,040	151,642	1,239,956	3,924,916	60,240	190,683
648 million dollars	2036	853,285	11,727,874	43,951	604,084	904,673	13,338,842	43,951	648,036
674 million dollars	2047	946,235	8,246,584	48,739	424,769	1,003,221	9,746,444	48,739	473,508
951 million dollars	2048	814,404	17,639,725	41,949	908,594	867,548	19,672,057	42,148	955,720
729 million dollars	2049	585,775	13,561,211	30,172	698,517	621,053	14,998,970	30,172	728,689
635 million dollars	2050	973,093	11,348,147	50,122	584,525	137,679	4,029,209	6,689	195,749
<b>Total foreign debt</b>		<b>\$ 5,548,853</b>	<b>68,770,839</b>	<b>285,811</b>	<b>3,542,277</b>	<b>5,429,477</b>	<b>69,867,986</b>	<b>263,777</b>	<b>3,394,369</b>
<b>Domestic Debt</b>									
- million pesos	2022	-	-			39,273	-		
508 million pesos	2024	254,195	254,195			288,180	576,359		
15,409 million pesos	2026	3,044,274	12,364,987			2,399,113	15,297,774		
3,334 million pesos	2028	543,314	2,791,123			498,864	3,334,437		
11,637 million pesos	2033	1,491,330	10,145,946			1,413,323	11,637,276		
1,171 million pesos	2036	83,664	1,087,637			83,664	1,171,301		
9,515 million pesos	2042	551,656	8,963,193			539,670	9,514,852		
<b>Total domestic debt</b>		<b>\$ 5,968,433</b>	<b>35,607,081</b>			<b>\$ 5,262,087</b>	<b>41,531,999</b>		
Interest payable		1,574,939				1,412,889			
<b>CEBURES</b>			8,821				8,821		
<b>Total PIDIREGAS debt</b>		<b>\$ 13,092,225</b>	<b>104,386,741</b>			<b>\$ 12,104,453</b>	<b>111,408,806</b>		

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

	<b>2022</b>	<b>2021</b>
PIDIREGAS	\$ 170,020,682	\$ 174,481,926
less:		
Unaccrued interest	54,125,477	52,390,376
Present value of obligations	115,895,205	122,091,550
less:		
Current portion of obligations	11,517,286	10,691,565
Long-term portion of PIDIREGAS	104,377,919	111,399,985
CEBURES	8,821	8,821
<b>Total CEBURES y PIDIREGAS</b>	<b>\$ 104,386,740</b>	<b>\$ 111,408,806</b>



### **Investment of funds-in-trust**

On December 30, 2022, the Enterprise drew down MDP \$1,000 a revolving credit from BBVA México S.A., monthly payable at variable rate TIIE plus 0.75% rate and maturing on March 30, 2023.

On December 29, 2022, the Enterprise drew down MUSD \$75 a revolving credit from SUMITOMO., monthly payable at variable rate plus 0.70% and adjustment rate SORF plus 026161% rate and maturing on March 24, 2023.

On December 27, 2022, the Enterprise drew down MUSD \$50 a revolving credit from JP Morgan., quarterly payable at variable rate SORF plus 1.10% rate and maturing on June 23, 2023.

On December 26, 2022, the Enterprise drew down MDP \$1,020 a revolving credit from BBVA México S.A., monthly payable at variable rate TIIE plus 0.75% rate and maturing on March 24, 2023.

On December 26, 2022, the Enterprise drew down MUSD \$300 a revolving credit from Banorte S.A., quarterly payable at variable rate SORF plus 1% rate and maturing on June 23, 2023.

On December 20, 2022, the Enterprise drew down MDP \$5,000 a revolving credit from BBVA México S.A., monthly payable at variable rate TIIE plus 0.80% rate and maturing on March 20, 2023.

On December 16, 2022, the Enterprise drew down MUSD \$200 a revolving credit from Scotiabank, monthly payable at variable rate SORF plus 1% rate and maturing on December 15, 2023.

On December 13, 2022, the Enterprise drew down MUSD \$100 a revolving credit from Banorte S.A., quarterly payable at variable rate SORF plus 1.30% rate and maturing on June 30, 2023.

On November 15, 2022, the Enterprise drew down MUSD \$250 a revolving credit from DEUTSCHE BANK, monthly payable at variable rate SORF plus 1% rate and maturing on May 3, 2023.

On October 13, 2022, the Enterprise drew down MUSD \$100 a revolving credit from Banco HSBC S.A, quarterly payable at variable rate SORF plus 1% rate and maturing on April 13, 2023.

On October 3, 2022, the Enterprise drew down MDP \$1,000 a revolving credit from BBVA Mexico S.A., payable monthly at a rate of TIIE plus 0.75% and maturing on December 30, 2022.

On September 14, 2022, the Enterprise drew down MUSD \$100 a revolving credit from Banco Paribas NY S.A, quarterly payable at variable rate SORF plus 0.95% rate and maturing on August 31, 2023.

On August 19, 2022, the Enterprise drew down MUSD \$11 a revolving credit from Banco Monex S.A, monthly payable at variable rate SORF plus 1.10% rate and maturing on February 15, 2023.

On July 29, 2022, the Enterprise drew down MUSD \$200 a revolving credit from Banco Mizhuo S.A, monthly payable at a variable rate plus .65% and at a SORF plus 0.11448% rate and maturing on January 20, 2023.

On July 29, 2022, the Enterprise drew down MUSD \$80 a revolving credit from Banco Santander Mexico S.A, monthly payable at variable rate SORF plus 1.0% rate and maturing on March 29, 2023.

On July 22, 2022, the Enterprise drew down MUSD \$120 a revolving credit from Banco Santander Mexico S.A., payable monthly at a variable rate at a LIBOR rate plus 1% and maturing on March 22, 2023.

On July 11, 2022, the Enterprise drew down MUSD \$150 a revolving credit from Banco Nacional de México, S.A., payable quarterly at an annual rate equal to 4.6955% and maturing on January 11, 2023.

On June 29, 2022, the Enterprise drew down MUSD \$25,000 a revolving credit from Banco Monex S.A, monthly payable at a variable rate SORF plus 1.05% rate and maturing in December 2022.

On June 29, 2022, the Enterprise drew down MXN \$1,020,000 a revolving credit from BBVA Mexico S.A., payable monthly at a rate of TIIE plus 0.75% and maturing in September 2022.

On June 27, 2022, the Enterprise drew down MUSD \$100,000 against a loan obtained from Banco Mercantil del Norte S.A, payable semi-annual at a SORF (Guaranteed permanent funding rate, administered by Grup Benchmark Administration, Ltd – CME) plus 1.20% rate and maturing in December 2022.

On June 27, 2022, the Enterprise drew down MUSD \$100,000 against a loan obtained from Banco Mercantil del Norte S.A, payable semi-annual at a SORF (Guaranteed permanent funding rate, administered by Federal Reserve Bank of New York) plus 1.20% rate and maturing in December 2022.

On May 31, 2022, the Enterprise drew down MXN \$420,000 against a loan obtained from BBVA Mexico S.A., payable monthly at a rate of TIIE plus 0.75% and maturing in August 2022.

On May 31, 2022, the Enterprise drew down MXN \$3,600,000 against a loan obtained from BBVA Mexico S.A., payable monthly at a rate of TIIE plus 0.8% and maturing in June 2022.

On April 1, 2022, the Enterprise drew down MUSD \$200,000 against a loan obtained from Banco Mercantil de Norte S.A., payable semi-annual at a variable rate depending the contract term (1.00%, 1.50% and 2.0%) at a LIBOR rate and maturing in December 2022.

On April 1, 2022, the Enterprise drew down MUSD \$100,000 against a loan obtained from Banco Mercantil de Norte S.A., payable monthly at a variable rate depending the contract term (1.00%, 1.50% and 2.0%) at a LIBOR rate and maturing in December 2022.

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

1. On December 31, 2021, the Enterprise drew down MMXP \$1,000 against a loan obtained from HSBC Mexico, at a variable rate TIIE 91 days and maturing in 90 days.
2. On December 31, 2021, the Enterprise drew down MUSD \$100 against a loan obtained from Bank of America, at a 1-day floating SORF rate, maturing in 180 days.
3. On December 31, 2021, was hired MUSD \$25 with Banco Monex, S.A., term of 180 days with a Libor rate for 30 days and maturing in 180 days.
4. On December 29, 2021, the Enterprise drew down MUSD \$100 against a loan obtained from JPMorgan Chase Bank, N.A., at a 30, 90 and 180 days floating SORF rate, with a maturity of 360 days from the effective date of the agreement.
5. On December 29, 2021, the Enterprise drew down MUSD \$300 against a loan obtained from Banco Santander Mexico, S.A., at a rate of Libor 30 days and maturing in 180 days.

On November 10, 2021, Suministro Calificado, S. A. de C. V., Subsidiary Enterprise drew down a credit line by \$300,000 with Banco Santander, at a rate of TIIE plus 1.31%, which was used for working capital the term of the credit line is 29 days with option to renew.

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

### 13. Lease Liabilities

Lease liabilities as of December 31, 2022 and 2021 are, as follows:

	<b>2022</b>	<b>2021</b>
January 1st	\$ 661,408,622	\$ 608,755,141
Additions	31,435,557	53,877,675
Interest	26,653,658	28,220,748
Remeasurements	-	4,545,367
Payments	(50,544,701)	(49,345,930)
Exchange difference	(44,236,779)	15,355,621
Total liabilities	624,716,357	661,408,622
Less portion of short-term liabilities	26,436,648	25,930,052
<b>Total long-term liabilities</b>	<b>\$ 598,279,709</b>	<b>\$ 635,478,570</b>

Lease payments as of December 31, 2022 and 2021 are, as follows:

	<b>2022</b>	<b>2021</b>
Less than one year	\$ 26,436,648	\$ 25,930,052
More than 1 year and less than 3 years	33,461,866	31,530,371
More than 3 years and less than 5 years	39,426,164	37,308,167
More than 5 years	525,391,679	566,640,032
<b>Total lease liabilities</b>	<b>\$ 624,716,357</b>	<b>\$ 661,408,622</b>

### 14. Other Accounts Payable and Accrued Liabilities

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

	<b>2022</b>	<b>2021</b>
Suppliers and contractors	\$ 71,226,692	\$ 46,863,539
Deposits from users and contractors	34,270,671	32,037,016
Employees	4,229,586	4,742,133
Other taxes and duties	4,698,032	3,113,584
Value added tax	2,374,773	5,627,317
Other liabilities	16,209,112	7,097,921
<b>Total</b>	<b>\$ 133,008,866</b>	<b>\$ 99,481,510</b>

## 15. Other Long-term Liabilities

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

	<b>2022</b>	<b>2021</b>
Third-party contributions	\$ 9,310,179	\$ 7,706,828
Decommissioning provision <sup>(a)</sup>	12,818,744	12,297,103
Provision for contingencies <sup>(b)</sup>	19,159,645	6,832,604
<b>Total</b>	<b>\$ 41,288,568</b>	<b>\$ 26,836,535</b>

(a) Environmental remediation liabilities in relation to the Laguna Verde Nuclear Power Plant and decommissioning of plants.

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

<b>Year</b>	<b>Opening balance</b>	<b>Increase</b>	<b>Reversals</b>	<b>Ending balance</b>
2022	\$ 12,297,103	521,641	-	\$ 12,818,744
2021	\$ 14,464,691	510,963	2,678,551	\$ 12,297,103

## 16. Employee Benefits

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

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

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

a. The economic assumptions in nominal and real terms used in the years ended December 31, 2022 and 2021, are as follows:

	<b>2022</b>	<b>2021</b>
Discount rate	9.25%	8.00%
Expected return rate on plan assets	9.25%	8.00%
Salary increase rate	4.02%	3.50%

- b. The net cost of the period for each of the years ended December 31, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
Service cost	\$ 9,478,351	\$ 11,793,437
Interest cost	47,703,617	50,043,621
Interest on the Plan Assets	(19,985,965)	(16,514,336)
Recognition of past service	977,000	537,035
<b>Net period cost</b>	<b>\$ 38,173,003</b>	<b>\$ 45,859,757</b>

The net actuarial gains or losses derive from changes in the assumptions used by the actuary to calculate the labor liabilities, as a result of the increase in the average wage rate and the increase in pensions. The net gains and losses recognized in the years ended December 31, 2022 and 2021 are disclosed in paragraph d.

The amount included as a liability in the Statement of Financial Position for each of the years ended December 31, 2022 and 2021 with respect to the Enterprise's liability for its defined benefit plan is as follows:

	<b>2022</b>	<b>2021</b>
Defined benefit obligation	\$ 642,215,546	\$ 619,744,724
Fair value of the plan assets and promissory notes issued by the Ministry of Finance and Public Credit (SHCP, Spanish acronym).	210,966,752	249,824,559
<b>Net projected obligation</b>	<b>\$ 431,248,794</b>	<b>\$ 369,920,165</b>

- c. A reconciliation from the opening to the ending balances for the present value of the defined benefits obligation for the three years ended December 31, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
Opening balance (nominal amount)	\$ 619,744,724	\$ 715,108,843
Current service cost	9,478,351	11,793,437
Interest cost	47,703,617	50,043,621
Past service cost	977,000	62,970
Actuarial gain (loss)	13,269,181	(110,527,996)
Benefits paid	(48,957,327)	(46,736,151)
<b>Defined benefit obligation</b>	<b>\$ 642,215,546</b>	<b>\$ 619,744,724</b>

- d. A reconciliation from the opening to the ending balances for the fair value of the plan assets for the three years ended December 31, 2022 and 2022 is as follows:

	<b>2022</b>	<b>2021</b>
Opening balance (nominal amount)	\$ 249,824,559	\$ 227,783,946
Return on plan assets	(38,664,904)	5,526,277
Plan assets disposition	(20,178,868)	-
Expected returns	19,985,965	16,514,336
<b>Total</b>	<b>\$ 210,966,752</b>	<b>\$ 249,824,559</b>

### Trust to manage the Pension and Retirement Reserve funds.

CFE created the Scotiabank Inverlat S.A. FID 11040961 Trust that manages the Pension and Retirement Reserve funds. As of December 31, 2022 and 2021, the trust balance amounts of \$1,844,337 and \$16,497,533, respectively.

On October 31, 2022, CFE received from the Ministry of Finance and Public Credit (SHCP, Spanish acronym) the fourth promissory note of \$3,013,884, which generated returns of \$1,552,970.

On October 31, 2021, CFE received from the Ministry of Finance and Public Credit (SHCP, Spanish acronym) the third promissory note of \$2,406,638, which generated returns of \$970,111.

#### e. Sensitivity analysis

In order to carry out the sensitivity analysis, the Enterprise considered a +/- .5 points change in the discount, as such, the scenarios considered took into account the following financial assumptions:

Concept	Scenario		
	Lower discount rate	Base	Higher discount rate
Long-term inflation	3.5% annual	3.5% annual	3.5% annual
Discount rate	8.75% annual	9.25% annual	9.75% annual
Salary increase rate	4.02% annual	4.02% annual	4.02% annual
Minimum wage increase rate	3.5% annual	3.5% annual	3.5% annual

Based on these assumptions, the following liabilities were determined (amounts in millions of pesos):

Defined Benefit Obligation	Scenario		
	Lower discount rate	Base	Higher discount rate
Seniority bonus	\$ 2,887,937	\$ 2,823,188	\$ 2,761,146
Seniority premium	34,013,883	32,940,350	31,925,381
Severance pay and compensations	4,974,799	4,900,868	4,825,445
Pensions and retirements	629,719,505	601,551,140	575,549,883
<b>Total</b>	<b>\$ 671,596,124</b>	<b>\$ 642,215,546</b>	<b>\$ 615,061,855</b>

The percentage differences on the liabilities determined in the two additional scenarios, with respect to the base scenario, are shown in the following tables:

	Scenario		
	Base	Lower discount rate	Variance
Seniority bonus	\$ 2,823,188	\$ 2,887,937	2.29%
Seniority premium	32,940,350	34,013,883	3.26%
Severance pay and compensations	4,900,868	4,974,799	1.51%
Pensions and retirements	601,551,140	629,719,505	4.68%
<b>Total</b>	<b>\$ 642,215,546</b>	<b>\$ 671,596,124</b>	<b>4.57%</b>

Concept	Scenario	
	Base	Higher discount rate
Seniority bonus	\$ 2,823,188	\$ 2,761,146
Seniority premium	32,940,350	31,925,381
Severance pay and compensations	4,900,868	4,825,445
Pensions and retirements	601,551,140	575,549,883
<b>Total</b>	<b>\$ 642,215,546</b>	<b>\$ 615,061,855</b>
		<b>(4.23%)</b>

## 17. Income Tax

An analysis of the income tax (benefit) expense recognized in the years ended December 31, 2022 and 2021 is as follows.

	2022	2021
Current income tax	\$ 11,387,521	\$ 11,287,875
Deferred income tax	(4,302,378)	(16,313,184)
<b>Income tax</b>	<b>\$ 7,085,143</b>	<b>\$ (5,025,309)</b>

The deferred tax related to items recognized in comprehensive income in the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Labor obligations	\$ (5,269,909)	\$ 18,576,098
Fixed asset revaluation	(1,282,174)	72,465,497
Financial instruments	(883,740)	-
<b>Income tax recognized in OCI</b>	<b>\$ (7,435,823)</b>	<b>\$ 91,041,595</b>

An analysis of deferred taxes recognized in the statement of financial position as of December 31, 2022 and 2021 is as follows:

	2022	2021
<b>Deferred tax assets</b>		
Labor obligations	\$ 90,009,854	\$ 82,020,276
Provisions	8,681,597	2,742,485
Tax losses from prior years	-	7,806,981
Allowance for doubtful accounts	367,009	365,913
Decommissioning provision	2,084,140	2,826,185
Customer advances	329,277	2,501,431
Allowance for obsolete inventories	1,089,680	1,067,756
Lease liabilities	20,100,803	26,786,032
Intangible assets	84,107,574	83,018,585
Deferred revenue	98,740	112,042
<b>Total deferred tax assets</b>	<b>\$ 206,868,674</b>	<b>\$ 209,247,686</b>

**Deferred tax liabilities**

Fixed asset liabilities	\$	104,944,975	\$	118,832,357
Deposits and advances		13,182		690,556
Other		449,196		1,652
<b>Total deferred tax liabilities</b>		<b>105,407,353</b>		<b>119,524,565</b>
<b>Net deferred income tax asset</b>	<b>\$</b>	<b>101,461,322</b>	<b>\$</b>	<b>89,723,121</b>

Changes in the deferred tax amounts for the years ended December 31, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Balance at beginning of year	\$ 89,723,121	\$ 164,451,532
Deferred tax benefit	11,738,201	(74,728,410)
<b>Balance at end of year</b>	<b>\$ 101,461,322</b>	<b>\$ 89,723,121</b>

An analysis of the items that comprise unrecognized deferred tax assets is shown on the following page:

	<b>2022</b>	<b>2021</b>
Labor obligations	\$ 16,195,799	\$ 30,201,130
Provisions	662,983	1,169,262
Losses from prior years	137,527,332	126,307,915
Allowance for doubtful accounts	15,897,127	13,578,133
Decommissioning provision	1,258,558	1,191,033
Deposits	(381,501)	1,540,863
Customer advances	(1,528,982)	922,314
Allowance for obsolete inventories	139,204	418,575
Fixed assets	5,231,793	10,370,772
Deposits and advances	(19,096)	(46,763)
Lease liabilities	(354,933)	(897)
Accounts receivable	1,361,850	(40,200)
Other	(1,777,071)	1,920,536
<b>Total deferred tax assets</b>	<b>\$ 174,213,063</b>	<b>\$ 187,532,673</b>

<b>Year</b>	<b>Amount</b>	<b>Deferred tax asset</b>
2032	\$ 137,355,353	\$ 41,206,606
2031	132,044,999	39,613,500
2030	46,698,287	14,009,486
2029	35,092,779	10,527,834
2028	107,233,024	32,169,907
	<b>\$ 458,424,442</b>	<b>\$ 137,527,333</b>



## Reconciliation of the effective tax rate

	2022	2021
Loss before income tax	\$ (9,382,736)	\$ (111,285,369)
Expected expense (benefit)	(2,814,821)	(33,385,611)
Annual inflation adjustment	8,653,078	16,841,003
Non-deductible expenses	14,319,655	20,343,710
Subsidy income	(21,900,000)	(21,083,700)
Non-controlling interests	1,349,734	(60,394)
Other	16,860,233	12,319,683
<b>Total</b>	<b>\$ 7,085,143</b>	<b>\$ (5,025,309)</b>

## 18. Other comprehensive income

Other comprehensive income as of December 31, 2022 and 2021 is as follows:

	Dec 2021	Recycling of other comprehensive income	Comprehensive income (loss) for the period	Dec 2022
Revaluation of plants, facilities and equipment	\$ 558,109,273	\$ -	\$ (7,432,723)	\$ 550,676,550
Remeasurements of net defined benefit obligation	(55,344,347)	-	(51,658,184)	(107,002,531)
Recognition of the assumption by the Federal Government of CFE's benefits obligations	161,080,204	-	-	161,080,204
Cash flow hedges	12,647,876	22,742,007	(16,008,543)	19,381,340
Effect of translation into the functional currency	(120,326)	-	-	(120,326)
Deferred income tax from comprehensive income	(54,342,411)	-	7,435,823	(46,906,588)
<b>Total other comprehensive income (loss)</b>	<b>\$ 622,030,269</b>	<b>\$ 22,742,007</b>	<b>\$ (67,663,627)</b>	<b>\$ 577,108,649</b>

	<b>Dec 2020</b>	<b>Recycling of other comprehensive income</b>	<b>Comprehensive income (loss) for the period</b>	<b>Dec 2021</b>
Revaluation of plants, facilities and equipment	\$ 356,257,320	\$ -	\$ 201,851,953	\$ 558,109,273
Remeasurements of net defined benefit obligation	(171,398,620)	-	116,054,273	(55,344,347)
Recognition of the assumption by the Federal Government of CFE's benefits obligations	161,080,204	-	-	161,080,204
Cash flow hedges	7,303,607	-	5,344,269	12,647,876
Effect of translation into the functional currency	(120,326)	-	-	(120,326)
Deferred income tax from comprehensive income	36,699,976	-	(91,042,387)	(54,342,411)
<b>Total other comprehensive income</b>	<b>\$ 389,822,161</b>	<b>\$ -</b>	<b>\$ 232,208,108</b>	<b>\$ 622,030,269</b>

## 19. Foreign Currency Position

As of December 31, 2022 and 2021, CFE had the following foreign currency denominated assets and liabilities:

<b>2022</b>						
	<b>Assets</b>	<b>Liabilities</b>				
	<b>Cash and cash equivalents</b>	<b>Suppliers</b>	<b>Domestic debt</b>	<b>Foreign Debt</b>	<b>Pidiregas</b>	<b>Foreign currency short position</b>
U.S. dollars	10,910	1,675	-	8,219,512	7,894,835	16,105,112
Euros	-	-	-	78,450	-	78,450
<b>2021</b>						
	<b>Assets</b>	<b>Liabilities</b>				
	<b>Cash and cash equivalents</b>	<b>Suppliers</b>	<b>Domestic debt</b>	<b>Foreign Debt</b>	<b>Pidiregas</b>	<b>Foreign currency short position</b>
U.S. dollars	27,875	582	-	8,202,012	8,370,727	16,545,446
Euros	-	-	-	121	-	121

Note: JPY's external debt includes 32 billion yen bond.

Note: The PIDIREGAS debt in dollars includes 5,766,703 million dollars of the financial lease debt with External Producers (according to IFRS).

These assets and liabilities denominated in foreign currencies were translated to local currency at the exchange rate published in the Official Gazette by Banco de Mexico as of December 31, 2022 and 2021, as shown below:

<b>Currency</b>	<b>2022</b>	<b>2021</b>
U.S. dollar	19.4715	20.5835
Japanese yen	0.1476	0.1777
Euro	20.7810	23.2763

## 20. Transactions with PEMEX

As of December 2018, Mr. Manuel Bartlett Diaz, CEO of CFE, was appointed member of the Board of Directors of Petroleos Mexicanos.

As of December 31, 2022 and 2021, CFE through its affiliated entity CF Energía, S.A. de C.V. carried out transactions with Pemex for the acquisition of fuel in the following amounts:

	<b>2022</b>	<b>2021</b>
<b><u>Revenue</u></b>		
Pemex Transformación Industrial	\$ 1,194,776	\$ 3,573,390
Pemex Fertilizantes	-	26,929
Pemex Corporativo	78,350	75,200
Pemex Explotación y Producción	225,704	262,506
Pemex Logística	337,570	313,483
<b><u>Purchases</u></b>		
Pemex Transformación Industrial	\$ 34,241,563	\$ 28,734,389
PMI Trading México	-	2,501
<b><u>Accounts receivable</u></b>		
Pemex Transformación Industrial	\$ 6,034,180	\$ 4,481,498
P.M.I. Trading Designated Activity Company	60,949	74,647
Pemex Fertilizantes	328,681	349,426
Pemex Corporativo	203,337	112,032
Pemex Explotación y Producción	813,552	550,425
Pemex Logística	970,171	578,765
Pemex Refinación	102	-
<b><u>Accounts payable</u></b>		
Pemex Transformación Industrial	\$ 5,963,012	\$ 4,822,272
P.M.I. Trading Designated Activity Company	2,352	-

Benefits paid to CFE's main officers in the fiscal years ended December 31, 2022 and 2021, amounted to approximately \$267,702 and \$275,487, respectively.

## 21. Contingencies and Commitments

### a. International arbitration

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

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

Additionally, there are 21 proceedings by the general lawyer, 5 of international nature: 9 under international London arbitration and 7 for arbitration with participants in Mexico, as a result of disputes with various suppliers and at different stages. At the date of these financial statements, we cannot reasonably determine whether an adverse result in these procedures would have a negative effect causing an increase in the provisions for litigations.

There are certain international arbitration proceedings in which the subsidiary CFE International LLC is part of, related to natural gas supply contracts. In total, the counterparties claim approximately MUSD \$540 from the subsidiary; For its part, the subsidiary claims approximately MUSD \$510 from its counterparties. In these arbitrations, the subsidiary and its counterparties claim, in addition to the principal amounts, interest and costs. Due to the stage of the arbitrations, it is not possible to estimate the amount or range of potential losses and/or gains.

The international arbitration proceedings described in this note are subject to the confidentiality rules of the London Court of International Arbitration.

### b. Amendments to the Collective Labor Agreement 2020-2022

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

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

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

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

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

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

## Commitments

### a. Natural gas supply contracts

The Enterprise has entered into contracts for services related to the reception, storage, transportation, regasification and supply of liquefied natural gas. The contractual commitments consist of acquiring, during the supply period, daily base amounts of natural gas as set forth in the respective contracts.

### b. Financed public work contracts

As of December 31, 2022, CFE has entered into several financed public work contracts and the payment commitments will begin on the dates on which the private investors complete the construction of each of the investment projects and deliver the related assets to CFE for their operation. The estimated amounts of the financed public work contracts and the estimated dates of construction completion and startup of operations are shown in the table below:

#### Transmission lines and substations:

Capacity		Estimated amount of the contract expressed in millions of:	
Kmc	MVA	Dollars	Mexican Pesos
198.3	1,180.00	130.35	2,530.60

**Generation:**

Capacity	Estimated amount of the contract expressed in millions of:	
MVA	Dollard	Mexican Pesos
913.40	1,037.92	20,150.50

**Renovation and/or modernization:**

Estimated amount of the contract expressed in millions of:	
Dollard	Mexican Pesos
380.0	7,377.2

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

**c. Trusts**

Infrastructure investment trust

On February 7, 2018, CFE placed an issue for the first Energy and Infrastructure Investment Trust or Fibra E, (Fiduciary Stock Certificates [CBFEs] for investment in energy and infrastructure) through the Mexican Stock Exchange. The total placement was for a total amount of \$16,388 million pesos and it is the first Fibra E in which domestic and foreign investors participated, highlighting the participation of institutional investors, private banks and investment funds from Mexico, United States, Canada, Australia and Europe.

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

A detailed description of the activities of each of these Trusts and CFE Capital is as follows:

Promoted Trust

The irrevocable Trust of Administration and Source of Payment No. 80757 was incorporated on January 22, 2018 to acquire the collection rights derived from the Agreement for the Technical and Commercial Operation of Electricity Transmission entered into with the National Energy Control Center (CENACE, Spanish acronym) on March 28, 2016.

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

Subsequently, through the Issuance of Fibra E in the market, it purchased up to 6.78% of the titles in exchange for \$15,454,653 in cash, net of issuance costs that amounted to \$756,060 and \$5,403,571 in titles in favor of CFE Transmission, equivalent to 25% of the issuance of shares in Fibra E.

The main activities of the Promoted Trust include:

1. Receiving, managing, and maintaining the contributed collection rights;
2. Opening, managing, and maintaining fiduciary bank accounts;
3. Making the transfers and payments established in the trust agreement;
4. Evaluating any reimbursements of unbudgeted expenditures requested by CFE Transmission;
5. Receiving payments made against the collection rights and any other rights derived from the agreement with CENACE;
6. Exercising any other rights arising from the agreement with CENACE;
7. Complying with the instructions provided by the Trustor, the Technical Committee, or the beneficiaries to the extent that they are authorized to do so in accordance with the terms of the trust agreement.

#### Issuing Trust (Fibra E)

The Fibra E trust entered into by CI Banco, S. A., Institucion de Banca Multiple, Monex Casa de Bolsa, S.A. de C.V. and Monex Grupo Financiero (FIBRA E) was created on January 22, 2018, as a trust for the issuance of Fiduciary Stock Certificates (CBFEs).

The primary purpose of the Trust is to invest in eligible entities, whose exclusive activity consists of:

1. Investing in assets and projects related to Generation, Transmission and Distribution of Electricity, and Infrastructure Projects.
2. Investing in or performing any other activity provided for in the FIBRA E tax regulations, as well as in Rule 3.21.3.9. of the Miscellaneous Tax Resolutions or any other tax law that replaces such.

The initial asset of the Trust consists of beneficiary rights that have an economic ownership interest in the Promoted Trust.

#### CFE Capital

The primary purpose of this entity is to manage all types of trusts and their property, including the Fibra E and the Promoted energy and infrastructure investment trusts created in conformity with current tax legislation, including but not limited to, all the activities and acts deemed necessary or suitable for such purpose, and to provide all types of administration, operation, development and regulatory compliance services.

#### Master Investment Trust CIB/3602 FMI

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

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

#### Clean Energy Trust 10670

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

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

#### Trust for Conventional Generation Projects 10673

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

#### Trust Banco Azteca 1320

On April 28, 2022, the CFE formalized with Banco Azteca S.A., Trust number 1320 the primary objective is to promote investment projects and celebrate contracts complying with the instructions provided by the Technical Committee.

#### Other trusts

##### 1 Scope of action

- 1.1. CFE currently participates as Trustor or Beneficiary in 10 (ten) Trust Funds, of which 2 (two) are in the process of termination.
- 1.2. In conformity with its purpose and operating characteristics, the trust funds can be classified in the following groups:
  - a. Energy saving
  - b. Prior expenses
  - c. Construction Works contract management
  - d. Indirect participation trust funds

##### **a. Energy saving**

Trust funds to promote energy saving programs.



Trust fund	Role of CFE		
	Trustor	Trustee	Trust Beneficiary
Trust Fund for Energy Savings (FIDE), created on August 14, 1990	Creation of Trust: Confederación de Cámaras Industriales (CONCAMIN), Cámara Nacional de la Industria de Transformación (CANACINTRA), Cámara Nacional de Manufacturas Eléctricas (CANAME), Cámara Nacional de la Industria de la Construcción (CNIC), Cámara Nacional de Empresas de Consultoría (CNEC) and Sindicato Único de Trabajadores Electricistas de la República (SUTERM)	Nacional Financiera, S.N.C.	<p><b>a.</b> Electric energy consumers who are beneficiaries of the services rendered by the Trust fund.</p> <p><b>b.</b> CFE, only for the materials that will form part of the public energy services infrastructure.</p>
Mexicali Housing Thermal Isolation Trust (FIPATERM), created on October 19, 1990	CFE	Banco Nacional de Obras y Servicios Públicos, S.N.C.	CFE

As of December 31, 2022 and 2021, the Housing Thermal Isolation Program (FIPATERM) Trust has assets of \$1,875,980 y \$1,771,678. and liabilities of \$175,395 y \$126,353, respectively.

#### b. Prior expenses

Those created for financing and covering expenses prior to the execution of projects which are subsequently recovered and charged to the entity that incurred in such expense to comply with the regulations applicable to the type of project.

Trust fund	Role of CFE			Type of project
	Trustor	Trust Beneficiary	Trustee	
CPTT prepaid expense management, created on August 11, 2003	CFE	CFE	Banco Nacional de Comercio Exterior, S.N.C.	Direct investment
Management and transfer of ownership 2030, created on March 30, 2000	CFE	<p><b>Primary beneficiary:</b> Contract winners</p> <p><b>Second beneficiary:</b> CFE</p>	Banobras, S.N.C.	Conditioned investment

As of December 31, 2022 and 2021, the Administration of Prior Expenses Trust has assets of \$5,924,206 and \$3,626,311, and liabilities of \$5,554,738 and \$3,313,359, respectively.

As of December 31, 2022 and 2021, the Administration and Transfer of Ownership Trust 2030 has assets of \$556,576 and \$518,590, respectively.

### c. Construction Works contract management

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

- Turnkey Projects (1990)
- Building, Leasing and Transferring Projects (1996)

#### Turnkey Projects

Under this scheme, works were carried out for the construction of power generation plants and installation of transmission lines, through an irrevocable management and transfer of ownership trust, linked to a lease agreement. Under this modality, the trustee is responsible for the following:

Contracting credits, managing the trust property (assets), receiving the lease payments from CFE, and transferring the asset at no cost to CFE after the leases have been paid in an amount sufficient to pay the contracted credits.

CFE participates in the payment of the leases to the trustee, based on the credits contracted by the trust, instructing the trustee to pay the contractors receiving, in exchange, invoices approved by the construction area, payment of taxes and other charges, including trustee fees.

The trusts for managing and transferring ownership were carried out in accordance with the Guidelines for the performance of thermoelectric projects with off-budget funds, as well as with the Guidelines for the performance of transmission lines and substations with off-budget funds issued by the Ministry of Public Administration (formerly known as the Ministry of Comptrollership and Administrative Development).

The Trust shown below has completed its payment commitments; therefore, it is in process of termination by EPS Generacion III.

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Topolobampo II (Electrolyser, S. A. de C. V.), created on November 14, 1991	Bufete Industrial Construcciones, S. A. de C. V. and Electrolyser, S. A. de C. V., with respect to its contribution to the Trust	<b>Primary beneficiary:</b> Electrolyser, S. A. de C. V., with respect to its contribution to the Trust and <b>Second beneficiary:</b> CFE	Santander, S. A.

#### Building, Leasing and Transferring Projects (“CAT”, Spanish acronym)

The transition stage to carry out the CAT trusts began in 1996, whereby the trustee manages the trust property (assets) and transfers it to CFE after the lease payments have been covered. Credits are contracted directly with a consortium that is a special purpose entity, for which there is an irrevocable management and transfer of ownership trust contract.

In these types of trusts, CFE participates in making the lease payments based on quarterly amortization tables presented by the consortiums in their bids. Most of these tables include forty quarterly payments.

The only project under this mode that has settled its financial obligations and is in the process of termination is the CC Samalayuca II project; therefore, it is in the process of being terminated by EPS Generacion IV.

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
C.T. Samalayuca II, created on May 2, 1996	Compañía Samalayuca II, S.A. de C.V.	<b>Primary beneficiary:</b> The foreign bank that is the common representative of the creditors. <b>Second beneficiary:</b> Compañía Samalayuca II, S.A. de C.V. <b>Third beneficiary:</b> CFE	Banco Nacional de México, S. A.

As of December 31, 2022 and 2021, CFE has fixed assets amounting to \$21,995,856 respectively, related to the CAT trusts referred to above.

Coal Terminal of the Thermoelectric Power Station Presidente Plutarco Elias Calles.

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Coal Terminal of the Thermoelectric Power Station Presidente Plutarco Elias Calles (Petacalco) was created on November 22, 1996	Techint, S. A., Grupo Mexicano de Desarrollo, S.A. de C.V. and Techint Compagnia Tecnica Internazionale S.P.A.	<b>Primary beneficiary:</b> Carbonser, S.A. de C.V <b>Second beneficiary:</b> CFE	Banco Nacional de México, S. A. (Banamex)

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

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

Facility	Fixed charge for capacity for Jan-Dec 2022
Petacalco Coal	115,551

#### d. Indirect participation trust funds

Additionally, CFE maintains an indirect relationship since it is not a Trustor, but it participates as a beneficiary in two guarantee and loan payment Trusts, created by Financial Institutions as Trustors and Trust Beneficiaries for the issue of securities linked to credits granted to CFE. CFE is named as Second Beneficiary of the Trust, due to the specific possibility that it may acquire some of the certificates issued and it maintains representation in its Technical Committees in conformity with the contractual provisions.

CFE is required to reimburse to the Trust in the terms of the Indemnity Contract that forms part of the Trust Contract, the expenses incurred by the Trust for the issue of securities and their management.

Trust fund	Role of CFE		Trustee
	Trustor	Trust Beneficiary	
Trust No. 232246 created on November 3, 2006	Banco Nacional de Mexico, S.A., a member entity of Grupo Financiero Banamex	<b>Primary beneficiary:</b> Each of the preferred holders of each issue. <b>Second beneficiary:</b> CFE	HSBC México, S.A., Grupo Financiero HSBC
Trust No. 411 created on August 6, 2009	Banco Nacional de Mexico, S.A., a member entity of Grupo Financiero Banamex	<b>Primary beneficiary:</b> Each of the preferred holders of each issue. <b>Second beneficiary:</b> CFE	Banamex

As of December 31, 2022 and 2021, available funds in trust No. 232246 amount to \$8,821.

## 2 Legal nature

2.1 In conformity with the Federal Public Administration Act, none of the trusts are considered Public Trusts with the status of an "entity", pursuant to the following:

- a. In 6 of the Trusts, CFE is not a Trustor in their creation.
- b. The 4 remaining trusts do not have an organic structure similar to the state-owned entities that comprise them as "entities" in terms of the Law.

2.2 The SHCP has maintained a record for purposes of the Federal Budget and Financial Responsibility Law, of 4 (four) of the Trusts, due to the allocation of federal funds or the contribution of land owned by CFE where the works will be carried out.

Registration of Trusts with SHCP		
No.	Trusts	Record
1	Mexicali Housing Thermal Isolation Trust (FIPATERM)	700018TOQ058
2	Prior Expense Trust	200318TOQ01345
3	Trust Management and Transfer of Ownership 2030	200318TOQ01050
4	Trust for Power Savings (FIDE)	700018TOQ149

## 22. Segment Information

### Information regarding the operating segments

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

### Information by type of services:

<b>Income</b>	<b>2022</b>	<b>2021</b>
Industrial services	\$ 261,412,665	\$ 225,334,712
Domestic service	95,732,498	87,814,515
Commercial service	54,406,434	48,083,526
Services	15,317,338	13,431,980
Agricultural service	9,386,005	8,018,534
Total sales	436,254,940	382,683,267
Block for resale	1,120,655	1,922,081
Total electricity supply revenue	437,375,595	384,605,348
<b>Other programs</b>		
Consumption in the process of being billed	207,580	739,803
Illegal uses	1,977,686	1,131,281
Measurement failure	2,646,917	2,701,612
Billing error	336,697	414,829
Total other programs	5,168,880	4,987,525
<b>Total revenue from the sale of electricity</b>	<b>\$ 442,544,475</b>	<b>\$ 389,592,873</b>

## 23. Other expenses

As of December 31, 2022 and 2021 the other expenses are as follows:

	<b>2022</b>	<b>2021</b>
Allowance for doubtful accounts	\$ 9,331,260	\$ 25,274,196
Impairment of long-lived assets	4,954,070	18,468,968
Allowance of trials and litigation	10,943,176	9,639,475
Accessories	-	5,794,786
Others	16,457,023	5,171,810
<b>Total</b>	<b>\$ 41,685,529</b>	<b>\$ 64,349,235</b>

## 24. Uncertain tax criteria

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

## 25. Standards issued but not yet effective, in 2022

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

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

The amendment specifies the requirements to classify liabilities as current or non-current. IAS 1 indicates that a current liability is the liability where there is no right to defer the settlement during the following twelve months. The amendments become effective on January 1, 2024 and they must be applied retroactively.

### *– Insurance Contracts (IFRS 17)*

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

The following amended standards and interpretations are not expected to have a material impact on the Enterprise's financial statements.

### *- Definition of Accounting Estimates*

The amendments to IAS 8 clarify the difference between changes in accounting estimates and accounting policies resulting from obtaining new information and the correction of prior period errors. This standard will be effective from January 1, 2023.

### *- Disclosure of Accounting Policies*

The amendments to IAS 1 are intended to eliminate rules for disclosing significant accounting policies and instead include guidelines for assessing materiality in selecting accounting policies to be disclosed. Effective January 1, 2023.

### *- Deferred Taxes related to Assets and Liabilities arising from a transaction.*

The standard reduces the exemption from the initial recognition of deferred taxes established in IAS 12, clarifying that deferred taxes on rights of use and lease liabilities must be recognized. This standard will be effective from January 1, 2023.

## **26. Issuance of the Consolidated Financial Information**

The consolidated financial statements and notes thereto were approved by CFE's Management on April 11, 2023. The Board of Directors has the power to amend the accompanying consolidated financial information.

## ISSUER

### **Comisión Federal de Electricidad**

Paseo de la Reforma 164  
Colonia Juárez  
06600 Ciudad de México  
México

## LEGAL ADVISORS

*To the Issuer as to Mexican Law*

### **Creel, García-Cuellar, Aiza y Enríquez, S.C.**

Torre Virreyes  
Pedregal No. 24, Piso 24  
Colonia Molino del Rey  
11040 Ciudad de México  
México

*To the Issuer as to U.S. Law*

### **Cleary Gottlieb Steen & Hamilton LLP**

One Liberty Plaza  
New York, New York 10006  
United States

*To the initial purchasers as to Mexican Law*

### **Ritch, Mueller y Nicolau, S.C.**

Av. Pedregal 24, 10th Floor  
Colonia Molino del Rey  
11040 Ciudad de México  
México

*To the initial purchasers as to U.S. Law*

### **Simpson Thacher & Bartlett LLP**

425 Lexington Avenue  
New York, New York 10017  
United States

## INDEPENDENT AUDITORS

### **Gossler, S.C.**

Av. Miguel de Cervantes Saavedra 193, Piso 7-702  
Colonia Granada  
11520, Miguel Hidalgo, Ciudad de México  
México

## TRUSTEE, PAYING AGENT, TRANSFER AGENT AND REGISTRAR

### **Deutsche Bank Trust Company Americas**

1 Columbus Circle, 17<sup>th</sup> Floor  
New York, New York 10019  
United States

## LUXEMBOURG LISTING AGENT

### **Deutsche Bank Luxembourg S.A.**

2, Boulevard Konrad Adenauer  
L-1115 Luxembourg





***Comisión Federal de Electricidad®***