

CONSENT SOLICITATION STATEMENT



Comisión Federal de Electricidad

Solicitation of Consents, for each Series Voting Separately, to the Proposed Amendment to the Indenture Relating to the Following Series of Securities:

U.S. \$1,000,000,000 4.875% Notes due 2021

U.S. \$1,250,000,000 4.875% Notes due 2024

U.S. \$750,000,000 5.750% Notes due 2042

Series of Securities	Rule 144A Securities		Regulation S Securities	
	CUSIP	ISIN	CUSIP	ISIN
4.875% Notes due 2021	200447AB6	US200447AB61	P30179AJ7	USP30179AJ79
4.875% Notes due 2024	200447AD2	US200447AD28	P30179AM0	USP30179AM09
5.750% Notes due 2042	200447AC4	US200447AC45	P30179AK4	USP30179AK43

We are soliciting the Holders (as defined in “Summary—Holders”) of each series of the above-listed securities (the “**Securities**”) of Comisión Federal de Electricidad (“**CFE**”) to consent to an amendment (the “**Proposed Amendment**”) to the Indenture (as defined in “Summary—The Indenture”) for their Securities. The solicitation of consents (“**Consents**”) to the Proposed Amendment with respect to each series of Securities (each, a “**Consent Solicitation**,” and together, the “**Consent Solicitations**”) is being made upon the terms and subject to the conditions set forth in this consent solicitation statement (as it may be amended or supplemented from time to time, the “**Consent Solicitation Statement**”).

The purpose of the Proposed Amendment is to amend the definition of Optional Purchase Event, included in the Indenture, to modify the provisions relating to our characterization as a legal entity under Mexican law and to our participation in the electric industry in the United Mexican States (“**Mexico**”). The Proposed Amendment is intended to align the Indenture with proposed changes in Mexican law resulting from reforms to the Mexican energy sector that are expected to be considered by the full Mexican Congress and implemented in the near future. See “Background—Mexican Energy Reform” and “The Proposed Amendment.”

The applicable “**Consent Fee**” offered to each Holder whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement is U.S. \$1.50 per U.S. \$1,000 in principal amount. The “**Expiration Time**” for each Consent Solicitation is 5:00 p.m. (New York City time) on July 8, 2014, as the same may be extended by us in our sole discretion with respect to such Consent Solicitation.

For a discussion of factors you should consider before you decide whether to consent, see “Risk Factors” beginning on page 11.

HOLDERS WHO DESIRE TO BE ELIGIBLE TO RECEIVE THE APPLICABLE CONSENT FEE MUST VALIDLY CONSENT TO THE PROPOSED AMENDMENT. CONSENTS FOR A SERIES OF SECURITIES MAY BE REVOKED AT ANY TIME ON OR PRIOR TO THE EARLIER OF THE EXPIRATION TIME FOR THAT SERIES OF SECURITIES AND THE DATE THAT THE REQUIRED CONSENTS (AS DEFINED BELOW) FOR SUCH SERIES OF SECURITIES ARE ACCEPTED (FOR EACH SERIES OF SECURITIES, THE “CONSENT DATE”).

If you have any questions about the Consent Solicitations, you should contact D. F. King & Co., Inc. (the “**Information and Tabulation Agent**”), Morgan Stanley & Co. LLC (the “**Global Coordinator and Solicitation Agent**”) or Merrill Lynch, Pierce, Fenner & Smith Incorporated or Deutsche Bank Securities Inc. (each, a “**Solicitation Agent**,” and together with the Global Coordinator and Solicitation Agent, the “**Solicitation Agents**”) at their respective addresses and telephone numbers set forth on the back cover of this Consent Solicitation Statement. Requests for copies of this Consent Solicitation Statement may be directed to the Information and Tabulation Agent.

Global Coordinator and Solicitation Agent

Morgan Stanley

Solicitation Agents

BofA Merrill Lynch

Deutsche Bank

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We are responsible for the information contained in this Consent Solicitation Statement and the documents incorporated by reference herein. No person is authorized to provide any information or to make any representations other than those contained or incorporated by reference in this Consent Solicitation Statement. You should not assume that the information contained in this Consent Solicitation Statement or the documents incorporated by reference herein is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

None of the Solicitation Agents, Deutsche Bank Trust Company Americas (as trustee under the Indenture, the “Trustee”) or the Information and Tabulation Agent or any of their respective directors, employees, affiliates, agents or representatives makes any recommendation as to whether Holders should deliver Consents to the Proposed Amendment pursuant to the Consent Solicitations, and no one has been authorized to make such a recommendation. This Consent Solicitation Statement contains important information that should be read before any decision is made with respect to the Consent Solicitations.

ABOUT THE CONSENT SOLICITATIONS

As used in this Consent Solicitation Statement, the terms “we,” “us” and “our” refer to CFE.

We may add, update or change other information contained in this Consent Solicitation Statement by posting information on our website (www.cfe.gob.mx) that by its terms is incorporated by reference into this Consent Solicitation Statement.

A supplemental indenture to the Indenture (the “**Supplemental Indenture**”) will become effective with respect to a series, and the applicable Consent Fee will be paid to any Holder of that series of Securities whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement, only if the Required Consents (as defined herein) in respect of such series have been validly delivered and accepted pursuant to the terms of this Consent Solicitation Statement, and the other conditions described in this Consent Solicitation Statement, including the Cross-Consents Condition (as defined in “Summary—Cross-Consents Condition”), have been either satisfied or waived by us. See “The Consent Solicitations—Conditions to each Consent Solicitation.”

The Supplemental Indenture will be entered into with respect to the relevant series of Securities for which the Required Consents are accepted. See “The Proposed Amendment.” If the Supplemental Indenture becomes effective with respect to any series of Securities, Holders who did not deliver their Consent as to their Securities of that series will be bound by the Supplemental Indenture, but will not receive the applicable Consent Fee. Only Holders whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement will be eligible to receive the applicable Consent Fee, provided that we have received the Required Consents for the Securities of that series and the other conditions are satisfied or waived by us. See “The Consent Solicitations—Conditions to each Consent Solicitation.”

We reserve the right to waive or modify any term of, or to terminate, the Consent Solicitations in respect of any of the series of Securities for any reason prior to the applicable Expiration Time.

IMPORTANT INFORMATION

This Consent Solicitation Statement is being provided to Holders of each series of Securities for informational use solely in connection with their consideration of the matters set forth herein. Holders delivering Consents are deemed to represent and warrant that they (i) have full power and authority to deliver such Consent, (ii) have not relied on the Solicitation Agents or any person affiliated with any of the Solicitation Agents in connection with their investigation of the accuracy of the information contained in this Consent Solicitation Statement, (iii) are not a Holder whose Consent is required to be disregarded by the terms of the Indenture; and (iv) acknowledge that the information contained in this Consent Solicitation Statement has not been independently verified by the Solicitation Agents and has been provided by us and other sources that we deem reliable. Use of this Consent Solicitation Statement for any other purpose is not authorized.

This Consent Solicitation Statement describes the Proposed Amendment and the procedures for delivering and revoking Consents. Please read it carefully. Holders should not tender or deliver Consents to us, the Trustee, the Solicitation Agents or the Information and Tabulation Agent at any time.

By delivering a Consent pursuant to any of the procedures described under “The Consent Solicitation—Consent Procedures,” a Holder shall be deemed to (i) acknowledge receipt of this Consent Solicitation Statement, (ii) instruct the Trustee to take all necessary actions to make the Supplemental Indenture effective in exchange for the applicable Consent Fee, (iii) understand that (a) upon the payment of the applicable Consent Fee, the Supplemental Indenture will become operative and binding and (b) Consents delivered pursuant to any of the procedures described under “The Consent Solicitation—Consent Procedures” will constitute a binding agreement between such Holder and us upon the terms and subject to the conditions of this Consent Solicitation Statement, and (iv) agree to execute and deliver, upon request, any additional documents deemed by us to be necessary or desirable to perfect such Holder’s Consent.

FORWARD-LOOKING STATEMENTS

This Consent Solicitation Statement, including the information incorporated by reference herein, contains various statements that may contain words, such as “believe,” “expect,” “anticipate” 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 statements as to the following:

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

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.

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, including, but not limited to, effects on us from increases in fuel oil or natural gas prices, changes in interest rates or access to sources of financing on competitive terms, significant economic or political developments in Mexico, particularly developments affecting the electricity sector, and changes in our regulatory environment.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

This Consent Solicitation Statement incorporates important information about us that is not included in or delivered with the Consent Solicitations. The information incorporated by reference is considered to be part of this Consent Solicitation Statement, and certain later information that we post on our website (www.cfe.gob.mx) will automatically update and supersede this information. We incorporate by reference the following documents:

- our consolidated annual financial statements in English as of and for the years ended December 31, 2013 and 2012, available on our website (the “**Annual Financial Statements**”);
- our consolidated quarterly financial statements in English as of and for the three month periods ended March 31, 2014 and 2013, available on our website (the “**Interim Financial Statements**”); and
- any current report or press release that is designated in such report or press release as being incorporated into this Consent Solicitation Statement and posted on our website after the date of this Consent Solicitation Statement and prior to the applicable Consent Date.

For the avoidance of doubt, neither our filings with the *Bolsa Mexicana de Valores* (“**BMV**”), nor any information on our website other than as described above, is incorporated by reference in this Consent Solicitation Statement.

SUMMARY

This Consent Solicitation Statement contains important information that should be read carefully before any decision is made with respect to any of the Consent Solicitations. The following summary is provided solely for the convenience of the Holders. This summary is not intended to be complete and is qualified in its entirety by the more detailed information appearing elsewhere or incorporated by reference in this Consent Solicitation Statement. Capitalized terms not otherwise defined in this summary have the meanings assigned to them elsewhere in this Consent Solicitation Statement.

Consent Solicitation

We are soliciting Consents from the Holders of each series of Securities with respect to the Proposed Amendment to the Indenture. By validly delivering a Consent at or prior to the applicable Expiration Time and not revoking such Consent prior to the applicable Consent Date, each Holder agrees to the Proposed Amendment and instructs the Trustee to take all necessary actions to make the Proposed Amendment effective in exchange for the applicable Consent Fee.

Optional Purchase Event

Under the Indenture, an **“Optional Purchase Event”** shall be deemed to have occurred at the time that CFE ceases to:

- (i) be a decentralized public entity of the Federal Government of Mexico (the **“Mexican Government”**);
- (ii) be majority-owned by the Mexican Government;
- (iii) 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
- (iv) at any time, generate, transmit and distribute at least 60% of the electricity generated, transmitted and distributed, in each case within Mexico (unless, in the case of this clause (iv), if permitted by Mexican law, the Mexican Government shall have assumed or guaranteed the Issuer’s obligations under the Securities and the Indenture).

Proposed Amendment

The Proposed Amendment to which we are seeking Consent would amend the definition of Optional Purchase Event, included in the Indenture, to modify the provisions relating to our characterization as a legal entity under Mexican law and to our participation in the electric industry in Mexico.

The Proposed Amendment is intended to align the Indenture with proposed changes in Mexican law resulting from reforms to the Mexican energy sector that are expected to be considered by the full Mexican Congress and implemented in the near future. For a description of the Proposed Amendment, see **“The Proposed Amendment.”**

The Securities

We are soliciting Consents from the Holders of each series of Securities listed on the front cover of this Consent Solicitation Statement.

The Supplemental Indenture will become effective with respect to a series only if the Required Consents are validly delivered by the Holders of that series and accepted by us and the other conditions described in this Consent Solicitation Statement, including the Cross-Consents Condition (as defined in **“—Cross-Consents Condition”**), have been either satisfied or waived by us. See **“The**

	Consent Solicitations—Conditions to each Consent Solicitation.”
The Indenture	The Securities are governed by the indenture between us and the Trustee dated as of May 26, 2011 (the “ Original Indenture ”), as supplemented by the first supplemental indenture dated as of May 26, 2011, the second supplemental indenture dated as of February 14, 2012, and the third supplemental indenture dated as of October 24, 2013, in each case (except for the Original Indenture) among us, the Trustee and Deutsche Bank Luxembourg S.A., as Luxembourg paying agent (as supplemented, the “ Indenture ”).
Consent Fee	<p>Holders of the Securities whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement will be eligible to receive a Consent Fee in an amount equal to U.S. \$1.50 for each U.S. \$1,000 in principal amount of Securities as to which that Consent is accepted, provided that we have received the Required Consents for the Securities of that series and the other conditions are satisfied or waived by us. See “The Consent Solicitations—Conditions to each Consent Solicitation.”</p> <p>If the Supplemental Indenture becomes effective for a series of Securities under the Indenture, the Holders of such series of Securities under the Indenture who did not validly deliver their Consent as to their Securities at or prior to the applicable Expiration Time or revoked their Consent prior to the applicable Consent Date under the Indenture will be bound by the Supplemental Indenture but will not receive the applicable Consent Fee, provided that we have received the Required Consents for the Securities of that series and the other conditions are satisfied or waived by us. See “The Consent Solicitations—Conditions to each Consent Solicitation.”</p> <p>Only Holders whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement will be eligible to receive the applicable Consent Fee. We or our designee will pay, either directly or indirectly, to The Depository Trust Company (“DTC”), Euroclear Bank S.A./N.V. (“Euroclear”), Clearstream Banking, <i>société anonyme</i> (“Clearstream” and, together with DTC and Euroclear, the “Clearing Systems”), the Information and Tabulation Agent the aggregate Consent Fee due to each eligible Holder promptly after the applicable Expiration Time.</p>
	Once a validly delivered Consent is accepted by us with respect to a Holder’s Securities, such Securities cannot be sold or transferred, unless such Holder validly revokes its Consent, until the applicable Consent Date. See “—Procedures for Delivering Consents.”
Holders	We are soliciting Consents from each person in whose name the Securities are registered, or their duly designated proxies, including persons who hold Securities through a Clearing System participant (collectively, the “ Participants ,” and, together with registered holders, the “ Holders ”).
Required Consents	With respect to each series of Securities, “ Required Consents ” means the written consent of the Holders of not less than a majority in aggregate principal amount of the then outstanding Securities of such series.
Consent Fee Payment Date	We expect to pay the applicable Consent Fee with respect to each series of Securities promptly following the applicable Expiration Time, subject to the terms and conditions herein.
Conditions to each Consent	The Proposed Amendment for a series of Securities and the

Solicitation	<p>payment of the applicable Consent Fee to any Holder of Securities of a series whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement are subject to the following conditions:</p>
	<ul style="list-style-type: none"> (a) the Required Consents for that series of Securities having been received at or prior to the applicable Expiration Time; (b) the Cross-Consents Condition (as defined in “—Cross-Consents Condition”) having been satisfied or waived; (c) the execution and effectiveness of the Supplemental Indenture for that series of Securities; and (d) the absence of any law or regulation that would, and the absence of any injunction or action or other proceeding (pending or threatened) that could, make unlawful or invalid or enjoin the implementation of the Proposed Amendment or question the legality or validity thereof.
	<p>The above conditions are for our sole benefit and may be asserted by us in our sole discretion, regardless of the circumstances giving rise to such condition, and may be waived by us, in whole or in part, in our sole discretion, provided that the Required Consents of the Holders of a series of Securities are received.</p>
Cross-Consents Condition	<p>The Consent Solicitation for each series of Securities is conditioned, among other things, on our receipt, at or prior to the applicable Expiration Time, of the Required Consents for all series of Securities for which Consents are being solicited pursuant to this Consent Solicitation Statement (the “Cross-Consents Condition”).</p>
Procedures for Delivering Consents	<p>Consents must be validly delivered pursuant to the terms of this Consent Solicitation Statement at or prior to the applicable Expiration Time and not revoked prior to the applicable Consent Date. Only Holders or their duly designated proxies, including, for the purposes of the Consent Solicitations, Clearing System Participants, are eligible to deliver their Consent. Accordingly, a beneficial owner of an interest in the Securities held in the account of a Clearing System Participant that wishes to deliver a Consent must properly instruct that Participant to cause a Consent to be validly delivered on a timely basis. See “The Consent Solicitations—Consent Procedures.”</p>
	<p>Any Holder of Securities held through DTC (“DTC Securities”) that desires to deliver a Consent should either (i) deliver a Consent through DTC pursuant to its Automated Tender Offer Program (“ATOP”) or (ii) request that the Holder’s custodian deliver a Consent in accordance with the terms of this Consent Solicitation Statement. A Holder of DTC Securities held through a custodian must contact that custodian if such Holder desires to deliver a Consent with respect to those Securities and promptly instruct such custodian to deliver such Consent on its behalf. A DTC Participant may electronically deliver a Consent by causing DTC to deliver its Consent to the Information and Tabulation Agent through ATOP in accordance with DTC’s procedures for such a transfer. See “The Consent Solicitations—Consent Procedures—Securities Held Through DTC.”</p>

Holders of DTC Securities desiring to deliver a Consent must temporarily deposit the related Security with the Information and Tabulation Agent in a contra-CUSIP number established by DTC until the applicable Expiration Time. Trading of deposited DTC Securities is not permitted. After submitting an Agent's Message (as defined below), the consenting Holder's DTC Security position cannot be sold or transferred, unless such Holder validly revokes its Consent, until the applicable Consent Date. The Information and Tabulation Agent will instruct DTC to release the DTC Security positions as soon as practicable but no later than three business days after the Consent Date and not exceeding 45 calendar days from the date of this Consent Solicitation Statement. In the event of the termination by CFE of a Consent Solicitation, the Information and Tabulation Agent will return all Securities held through DTC as to which Consents were delivered in respect of such Consent Solicitation as promptly as practicable.

Any Participant through which such Securities are held on the records of Euroclear or Clearstream must submit an electronic instruction to Euroclear or Clearstream to deliver a Consent and block the Securities to which such Consent relates. See "The Consent Solicitations—Consent Procedures—Securities Held Through Euroclear and Clearstream."

Consent Dates

With respect to each series of Securities, the earlier of (i) the Expiration Time for that series of Securities and (ii) the date on which the Required Consents for that series of Securities are received is referred to, as applicable, as the "**Consent Date**." Consents as to a series of Securities will be irrevocable after the Consent Date applicable to that series of Securities.

Upon receipt of the Required Consents for a series of Securities on the applicable Consent Date, we and the Trustee may execute the Supplemental Indenture for that series of Securities either prior to or promptly after the scheduled Expiration Time. Notwithstanding the effectiveness of the Supplemental Indenture with respect to any series of Securities for which Required Consents have been received, the Supplemental Indenture will not be operative, and we will not benefit from the Proposed Amendment until the payment of the applicable Consent Fee to the Holders of the series of Securities whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement.

Revocation of Consents

Any Holder who has validly delivered a Consent at or prior to the Expiration Date may revoke such Consent on or prior to the applicable Consent Date by delivery to the Information and Tabulation Agent of a written notice of revocation prior to the applicable Consent Date in accordance with the procedures set forth in "The Consent Solicitations—Revocation of Consents." No Holder may revoke a Consent after the applicable Consent Date.

Expiration Time

The Expiration Time for each Consent Solicitation is 5:00 p.m. (New York City time) on July 8, 2014, as the same may be extended by us in our sole discretion with respect to any Consent Solicitation.

Effect on Non-Consenting Holders

If the Proposed Amendment becomes effective for a series of Securities, Holders who did not deliver their Consent as to that series of Securities will be bound to the Proposed Amendment but will not receive the applicable Consent Fee.

Waiver; Amendment; Termination	We reserve the right to waive or modify any term of, or terminate, the Consent Solicitation with respect to any series of Securities at any time and in our sole discretion.
Payment of Additional Amounts	If you are not a resident of Mexico for tax purposes, payment of the applicable Consent Fee to you will generally be subject to Mexican withholding taxes. We will pay additional amounts in respect of the payment of the applicable Consent Fee so that the amount you receive after Mexican withholding tax is paid equals the amount that you would have received if no such Mexican withholding tax had been applicable, subject to certain exceptions. See "Certain Mexican Tax Considerations."
Certain U.S. Federal Income Tax Consequences	For a discussion of certain U.S. federal tax considerations of the Consent Solicitations applicable to Holders, see "Certain U.S. Federal Income Tax Consequences." Each Holder should seek advice based on its particular circumstances from an independent tax advisor.
Global Coordinator and Solicitation Agent	Morgan Stanley & Co. LLC.
Solicitation Agents	Merrill Lynch, Pierce, Fenner & Smith Incorporated Deutsche Bank Securities Inc.
Information and Tabulation Agent	D. F. King & Co., Inc.
Risk Factors	Before making any decision with respect to the Consent Solicitations, Holders should consider carefully all of the information included in this Consent Solicitation Statement, including, in particular, the information under "Forward-Looking Statements" and "Risk Factors."
Additional Documentation; Further Information; Assistance	Any questions regarding the terms of the Consent Solicitations should be directed to the Solicitation Agents at their respective addresses and telephone numbers set forth on the back cover of this Consent Solicitation Statement. If you have any questions about how to deliver a Consent in the Consent Solicitations, you should contact the Information and Tabulation Agent. Requests for copies of the Consent Solicitation Statement or the Indenture may also be directed to the Information and Tabulation Agent.

BACKGROUND

Comisión Federal de Electricidad

We are the national electricity company of Mexico and are 100% owned by the Mexican Government. As of April 30, 2014, we provided electricity to 37.8 million customer accounts, which we estimate represented 98.1% of the Mexican population. To date, we generate over 91% of the electricity consumed in Mexico, including electricity generated by *productores independientes de energía* (independent power producers). The remaining electricity generation in Mexico is currently attributable to Petróleos Mexicanos and certain private-sector participants, each of which generates small amounts of electricity.

Mexican Energy Reform

Energy Reform Decree

Following the approval of amendments to Articles 25, 27 and 28 of the *Constitución Política de los Estados Unidos Mexicanos* (Political Constitution of the United Mexican States, or the “**Mexican Constitution**”) by the Mexican Congress on December 12, 2013 and by a majority of Mexico’s state legislatures, the *Comisión Permanente del Congreso de la Unión* (Permanent Commission of the Mexican Congress) formally declared such amendments approved and the President of Mexico, Enrique Peña Nieto, signed the amendments into law. On December 20, 2013, these amendments were published as the *Decreto por el que se reforman y adicionan diversas disposiciones de la Constitución Política de los Estados Unidos Mexicanos, en Materia de Energía* (Decree that amends and supplements various provisions of the Mexican Constitution relating to energy matters, or the “**Energy Reform Decree**”), in the *Diario Oficial de la Federación* (Official Gazette of the Federation) and took effect on December 21, 2013. The Energy Reform Decree includes *artículos transitorios* (transitional articles) that set forth the general framework for the secondary legislation or implementing laws that are required to give effect to the Energy Reform Decree (the “**Secondary Legislation**”). As described below under “—Secondary Legislation,” on April 30, 2014, President Enrique Peña Nieto submitted to the Mexican Congress draft bills proposing Secondary Legislation intended to implement provisions of the Energy Reform Decree.

We describe below the key features of the Energy Reform Decree that relate to our operations and the purpose of the Consent Solicitations:

- Continued government participation: The Mexican Government will remain exclusively responsible for the planning and administration of Mexico’s national power system and the transmission and distribution of electric energy, which will remain a public service.
- Private-sector participation: The Mexican Government will permit private-sector companies to enter into contracts with us related to electricity transmission and distribution, although concessions will continue to be prohibited with respect to these activities. In addition, although private-sector companies could only participate in limited electricity generation activities before the Energy Reform Decree was enacted, private-sector companies will now be able to invest and participate in all aspects of electricity generation and commercialization.
- Our conversion to a productive state enterprise: The Energy Reform Decree provides that we are to be converted from a decentralized public entity to a productive state enterprise no later than December 21, 2015. See “Potential Benefits to CFE of Proposed Mexican Energy Reform—Legal Form” and “Potential Benefits to CFE of Proposed Mexican Energy Reform—Scope of Mandate” for more details regarding the impact of this conversion on us.
- Regulatory oversight and authority: The *Secretaría de Energía* (Ministry of Energy) and the *Comisión Reguladora de Energía* (Energy Regulatory Commission) will be granted additional technical and administrative authority over certain of our operations and the electric energy sector generally. The Ministry of Energy will establish a legal framework to encourage the openness and efficiency of the electric energy sector and will monitor compliance under this framework. The Energy Regulatory Commission will be vested with its own legal status and technical and administrative autonomy and will be entrusted with regulating and issuing permits to private-sector companies for power generation. In addition, the *Centro Nacional de Control de Energía* (National Center of Energy Control), a decentralized public entity of the Mexican Government, will be created to operate the national

electricity network, administer the wholesale electricity market and ensure open and non-discriminatory access to the electric transmission grid and distribution systems.

Secondary Legislation

On April 30, 2014, President Enrique Peña Nieto submitted to the Mexican Congress draft bills proposing Secondary Legislation intended to implement provisions of the Energy Reform Decree. The Joint Energy and Legislative Studies Commissions of the *Cámara de Senadores* (Mexican Senate) and the Joint Energy, Budget and Public Account, and Finance and Public Credit Commissions of the *Cámara de Diputados* (Mexican Chamber of Deputies) have begun reviewing and discussing the draft bills. The Secondary Legislation must be approved by both chambers of the Mexican Congress, signed by the President of Mexico and published in the Official Gazette of the Federation to become effective.

We describe below the key features of the bills proposed as Secondary Legislation that relate to the purpose of the Consent Solicitations:

- *Iniciativa de Ley de la Industria Eléctrica* (Electric Industry Law Bill): The Electric Industry Law Bill will establish a new regulatory framework to enable private-sector companies to obtain permits for generation and commercialization of electric power in a new wholesale electricity market to be created. Participants in Mexico's electric sector, including us, will now be able to sell electricity to large industrial and commercial customers at rates set by the market. Pursuant to the Electric Industry Law Bill, we will be granted permits to continue to generate electricity, and will continue to sell electricity to residential consumers and small and medium industrial and commercial consumers subject to regulatory tariffs. We will also have authority to enter into contracts of the types described above under "Private-Sector Participation" with private-sector companies, including contracts for the financing, installation, maintenance, procurement, operation and expansion of the electric network infrastructure. The Electric Industry Law Bill, if adopted as proposed, will repeal the current *Ley del Servicio Público de Energía Eléctrica* (Law of the Electric Energy Public Service).
- *Iniciativa de Ley de la Comisión Federal de Electricidad* (CFE Law Bill): As contemplated by the Energy Reform Decree, pursuant to the CFE Law Bill, CFE is to be converted from a decentralized public entity to a productive state enterprise. The proposed Secondary Legislation requires productive state enterprises to be controlled by the Mexican Government, although they are to have greater operational and budgetary autonomy than decentralized public entities. In addition, the transitional articles of the CFE Law Bill require us to create subsidiary productive state enterprises to undertake the generation, transmission, distribution and commercialization of electric power.

As of the date of this Consent Solicitation Statement, the Secondary Legislation is subject to further review, debate and revision by the Mexican Congress, and therefore we do not know what the final scope, terms and impact of the Secondary Legislation will be. However, as the foregoing bills are implementing initiatives contemplated by the transitional articles to the Energy Reform Decree, if any Secondary Legislation is adopted, we expect it to include the foregoing features and, for this reason, have elected to effect the Consent Solicitations necessary to reflect what we believe will be key features of the Secondary Legislation.

Changing Energy Landscape in Mexico

The enactment of the Energy Reform Decree and the potential implementation of the Secondary Legislation is taking place against the background of a changing energy landscape in Mexico, particularly with respect to the increased demand for natural gas in Mexico. Although Mexico has considerable natural gas resources, its production has historically been modest relative to the United States and other countries with similar resources. According to the U.S. Energy Information Administration, Mexico's overall natural gas consumption growth has outstripped its production growth, causing its net imports to rise over time. Frequent shortages of natural gas due to low domestic production and the lack of transportation infrastructure have restricted Mexico's transition to using lower-cost natural gas to generate electricity, which is three to four times less expensive than fuel oil. In order to increase natural gas production in Mexico, the Energy Reform Decree will allow private companies to participate in the exploration and production of natural gas in Mexico for the first time in more than 75 years, and the Mexican Government has announced its objective to grow the Mexican natural gas pipeline network by 80%. The expansion of the pipeline network is expected to, among other things, allow natural gas imported from the United States to be used to satisfy shortfalls in areas of Mexico which are served more efficiently in this manner. An increased supply

of natural gas will enable us to accelerate our efforts to replace fuel oil with natural gas as an energy source in electricity generation, and further the development of the Mexican natural gas industry in general.

Potential Benefits to CFE of Proposed Mexican Energy Reform

We believe that the Energy Reform Decree and the Secondary Legislation will strengthen us by shifting our focus towards value creation, increasing our autonomy and flexibility and enabling us to evolve from being an electric company to being an energy company involved in additional aspects of the energy value chain in Mexico. We expect the full implementation of the Energy Reform Decree will benefit us in the following key respects:

- **Legal Form:** We will be converted from a decentralized public entity to a productive state enterprise. As a productive state enterprise we will generally retain the same rights, powers and privileges we had as a decentralized public entity, but under a new legal framework that will provide us increased managerial and budgetary autonomy to generate economic value, as described further below.
- **Ownership:** We will remain 100% owned by the Mexican Government and will continue to be the national electricity company of Mexico.
- **Scope of Mandate:** As a productive state enterprise, our corporate purpose will be to create economic value and increase the income of the Mexican nation. We will remain responsible for the transmission and distribution of electricity for public service purposes. The scope of our mandate will be enlarged, which will enable us to transform from being solely an electric company to being an energy company involved in additional aspects of the energy value chain in Mexico, including natural gas commercialization to industrial customers, as described below. Our new corporate purpose will give us greater flexibility to deploy resources in high return opportunities to maximize profitability. We believe this focus on profitability will enable us to focus on the most profitable generation opportunities and on optimizing our operating costs.
- **Operational Focus:** In addition to our current activities, we will be able to sell natural gas to industrial customers for power generation and other purposes. We believe this may generate incremental revenue opportunities for us as demand for natural gas in Mexico increases. Relatedly, we expect to play a key role in the development of Mexico's natural gas pipeline network, as highlighted by our recently announced initiative to construct five new pipelines, which will be built by private participants under long-term contracts with us.
- **Strategic Importance:** We will continue to operate Mexico's electricity transmission and distribution networks and sell electricity to residential consumers and small and medium industrial and commercial consumers. We also expect to continue to be the sole entity of the Mexican Government engaged in the generation of electricity for sale to third parties. In light of the foregoing as well as our increased participation in the increasingly important natural gas industry in Mexico described above, we believe that we will continue to be a key participant in Mexico's energy sector.
- **Organizational Structure:** The CFE Law Bill proposes that we create subsidiary productive state enterprises that will each undertake one of our key electric sector activities—generation, transmission, distribution and commercialization. In addition, consistent with our expanded mandate, our Board of Directors will be empowered to create additional subsidiaries to engage in any new lines of business that we pursue without the need to obtain approval from the Mexican Congress. We believe that this new organizational structure will make our operations more efficient and transparent, and allow us to focus on maximizing our profitability along the entire energy sector value chain.
- **Rates:** Pursuant to the proposed Secondary Legislation, the rates that we can charge our customers will be modified significantly, particularly with respect to certain of our industrial and commercial customers. The rates that we charge our residential and agricultural customers will continue to be determined by the Mexican Government, however, the formula for determining rates for these customers will allow us to recover our operating costs and receive a profit in an amount that the Mexican Government determines to be reasonable. The rates that we charge our large industrial and commercial customers will no longer be regulated, which will grant 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 new rates applicable to our transmission and distribution activities, which are designed to allow us to obtain a

profit that the Mexican Government 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.

- **Fiscal Regime:** Currently, we are required to pay a public use tax to the Mexican Government based on the value of our net fixed assets. The proposed Secondary Legislation modifies our fiscal regime by eliminating this public use tax and replacing it with a conventional income tax comparable to that paid by private-sector companies in Mexico. In addition, we will pay a dividend to the Mexican Government based on our net income. The Ministry of Finance will determine the amount of any dividend we pay each year after taking into account our business plan and capital investment needs for the upcoming fiscal year. We believe these reforms will make our results of operations more transparent and enable us to report our results in a manner that will facilitate our profit-focused decision-making. The new fiscal regime is also expected to gradually decrease our tax burden, thereby increasing the resources available to us for capital investments and providing us with the possibility of building our equity capital through retained earnings.
- **Energy Procurement:** As described above under “Changing Energy Landscape in Mexico,” frequent shortages of natural gas due to low domestic production and the lack of transportation infrastructure have restricted our transition to using lower-cost natural gas to generate electricity, which is three to four times less expensive than fuel oil. We believe that the full implementation of the Energy Reform Decree will result in an increase in the supply of natural gas as private-sector participants are able to explore, extract and produce natural gas in Mexico and the natural gas pipeline network continues to expand. We currently purchase substantially all of our natural gas from Petróleos Mexicanos, which has at times since 2006 limited the amount of natural gas it makes available to us. Following the full implementation of the Energy Reform Decree, we believe that we will have a greater number of suppliers from which to purchase natural gas. Assuming that the increased supply of natural gas will have the expected effect of reducing the price for natural gas in Mexico, we expect our margins, which are substantially dependent on the prices we pay for the fuel that powers our generation activities, will be improved.
- **Partnership Flexibility:** Following the enactment and implementation of the Secondary Legislation, we expect to be permitted to enter into joint ventures with private-sector companies for electricity generation, transmission and distribution activities, as well as for the distribution and commercialization of natural gas to industrial customers. We believe that our knowledge of Mexico’s hydrologic conditions and our ability to be a supplier of natural gas will make us a desirable partner. We expect that these collaborations will, in turn, help us gain access to new technologies that will allow us to modernize our transmission and distribution networks and thereby reduce the quantity of electricity that is used in Mexico but not paid for. Moreover, by participating in joint ventures, we believe we will also be able to optimize our use of capital, potentially reduce our costs and share in any returns generated by these joint ventures.
- **Budgetary Autonomy:** Our conversion to a productive state enterprise is designed to provide us with greater budgetary autonomy and flexibility than we had as a decentralized public entity. The Mexican Congress will still need to approve our projected financial balance, but our Board of Directors will be able to define our five-year business plan, determine our annual budget and freely approve investment priorities and projects. In addition, the Secondary Legislation intends to grant us greater autonomy and flexibility with respect to our procurement, contracting and compensation policies, which we believe will enhance our ability to attract and retain highly-skilled employees and enable us to reduce contracting costs by adopting terms that are market standard in our service contracts.
- **Corporate Governance:** Upon our conversion to a productive state enterprise, we expect to adopt a corporate governance framework based on international best practices that will be more closely aligned to the governance frameworks of private-sector companies. Once we are converted to a productive state enterprise, our Board of Directors will consist of five representatives of the Mexican Government, including the Secretary of Energy and the Secretary of Finance, four independent directors and one representative of our union member employees. In addition, our internal auditing, control and accountability functions will now be undertaken by three separate and independent areas as opposed to by a single body, in an effort to align our internal oversight practices with those of private-sector companies. We believe that the new composition of our Board of Directors and the reorganization of

our internal auditing, control and accountability functions will provide greater transparency and accountability.

RISK FACTORS

Other sections of this Consent Solicitation Statement and the documents incorporated by reference herein, such as “Forward-Looking Statements,” include additional factors which could adversely impact our business and financial performance. You should carefully consider these risk factors, as well as other information included or incorporated by reference in this Consent Solicitation Statement.

Risks if the Consent Solicitation as to any Series of Securities is Not Successful

If the Consent Solicitation is not successful as to any series of Securities, we may have the obligation to offer to purchase the Securities of such series following our conversion from a decentralized public entity to a productive state enterprise as a result of the implementation of the Energy Reform Decree and the Secondary Legislation.

If the Proposed Amendment is not approved and the Secondary Legislation is adopted in its current form and implemented in a manner that would result in the occurrence of an Optional Purchase Event under the Indenture, then we would be required to extend an offer in accordance with the provisions of the Indenture to each Holder of our Securities, at the Holder’s option, to purchase its Securities for cash at a purchase price equal to the sum of (i) 100% of the outstanding principal amount of the Securities being repurchased, (ii) accrued and unpaid interest on the principal amount of such Securities to the purchase date and (iii) any additional amounts which would otherwise be payable up to the purchase date. If we were obligated to offer to repurchase the Securities as a result of the occurrence of an Optional Purchase Event, we cannot assure you that we would have the resources available to do so if such an event were to occur, and an inability to make payment could result in the occurrence of an event of default under the Indenture.

Risks if You Do Not Consent to the Proposed Amendment and the Consent Solicitation is Successful

The approval of the Proposed Amendment with respect to any series of Securities will be binding on all Holders of such series, including those who do not consent.

If the Required Consents for a series of Securities have been validly delivered at or prior to the applicable Expiration Time and are accepted by us, the Proposed Amendment will take effect as to that series of Securities. Accordingly, Holders of Securities of that series will be subject to the Proposed Amendment even if they do not consent to the Proposed Amendment.

Holders of Securities who do not consent to the Proposed Amendment will not receive the applicable Consent Fee.

If the Proposed Amendment takes effect for a series of Securities, the Holders who did not deliver their Consent as to that series of Securities at or prior to the applicable Expiration Time will not receive the applicable Consent Fee. Only Holders who validly deliver their Consent at or prior to the applicable Expiration Time and do not revoke their Consent prior to the applicable Consent Date will be eligible to receive the applicable Consent Fee, provided that we have received the Required Consents for the Securities of that series and the other conditions are satisfied or waived by us. See “The Consent Solicitations—Conditions to each Consent Solicitation.”

Other Risks

The effects of the Energy Reform Decree and its implementation are uncertain but likely to be material.

The Energy Reform Decree, which was enacted in December 2013, included transitional articles that set forth the framework for the implementation of the Secondary Legislation. We expect that the effects of these developments on our business and operations will be material. Among the features of the Energy Reform Decree that could have an effect on our operations are the following:

- Private-sector companies will be able to invest and participate in all aspects of electricity generation and commercialization;
- The Mexican Government may enter into contracts with private-sector companies related to electricity transmission and distribution; and
- The Ministry of Energy and the Energy Regulatory Commission will be granted additional technical and administrative authority over certain of our operations.

The proposed Secondary Legislation that was submitted to the Mexican Congress on April 30, 2014 includes, among other things, additional details regarding the legal framework that will govern the private-sector's participation in electricity generation, transmission, distribution and commercialization activities and changes to our corporate structure as part of our conversion from a decentralized public entity to a productive state enterprise. As of the date of this Consent Solicitation Statement, the Secondary Legislation is subject to further review, debate and revision by the Mexican Congress. The impact of the Energy Reform Decree on us will largely depend on how it is implemented by the Secondary Legislation, although the effects of its implementation could be adverse to our interests in significant respects.

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

Once the Secondary Legislation is enacted and fully implemented, all aspects of electricity generation and commercialization will be opened to private-sector participation and the Mexican Government will carry out electricity transmission and distribution activities through agreements with us or with private-sector companies. These changes 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.

Following the implementation of the Secondary Legislation we plan to engage in the sale of natural gas to industrial customers, which would be a new line of business for us. We cannot provide assurance that an expansion into this line of business will succeed.

Once the Secondary Legislation is fully implemented, we will be able to engage in the transportation, storage and sale of natural gas, coal and other fuels, which are activities that we have limited experience in. We have announced that we will engage in the sale of natural gas to industrial customers. An expansion into this or any other area of the Mexican energy sector in which have not been previously engaged is subject 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.

The proposed Secondary Legislation has not yet been enacted and may not be enacted or may be enacted with terms different from those described herein.

As of the date of this Consent Solicitation Statement, the Secondary Legislation is subject to further review, debate and revision by the Mexican Congress, and therefore we can provide no indication or assurances in respect of the final scope and terms of any approved bill, nor whether our status will be affected as described under "Mexican Energy Reform" or in any other manner. Although it is expected that the Secondary Legislation will be considered by the full Mexican Congress in the coming weeks, no assurances can be given that the Secondary Legislation will be discussed or approved at that time or at a later time, or that it will be approved in terms substantially similar to those described herein.

THE PROPOSED AMENDMENT

The description of the terms of the Indenture and the Proposed Amendment set forth below is only a summary and is qualified in its entirety by (i) the terms and conditions of the Indenture as currently in effect and (ii) the relevant terms of the form of Supplemental Indenture set forth in Annex A hereto. Each Holder should carefully review this entire Consent Solicitation Statement, including the form of Supplemental Indenture, before making a decision regarding the Consent Solicitations. Holders may obtain copies of the Indenture without charge from the Information and Tabulation Agent.

Purpose and Effects of the Proposed Amendment

The Indenture includes a definition of “Optional Purchase Event” that relates to our characterization as a legal entity under Mexican law and to our participation in the electric industry in Mexico. The Proposed Amendment is intended to align the Indenture with proposed changes in Mexican law resulting from reforms to the Mexican energy sector that are expected to be implemented in the near future. Specifically, the Proposed Amendment would recognize our conversion to a productive state enterprise and the potential participation of private-sector companies in specified activities in the electric industry in Mexico that historically were reserved to us.

The Proposed Amendment will be embodied in an amendment to the Indenture in the form set forth in the Supplemental Indenture attached as Annex A hereto. Pursuant to the Proposed Amendment, the Indenture will be amended as set forth below, with additions shown in double-underline and deletions shown in ~~strikethrough~~.

The Proposed Amendment will not alter the maturity date of any series of Securities or our obligation to make principal, interest and additional amount payments on any series of Securities.

We intend to enter into amendments with, or secure consents or waivers from, the lenders and other counterparties under our other financing agreements that include similar restrictions on us based on the legal framework in effect before the Energy Reform Decree was enacted.

Amendments to the Legal Characterization and Exclusivity Provisions

If the Required Consents are received and accepted with respect to any series of Securities issued under the Indenture, upon the execution of the Supplemental Indenture with respect to such series of Securities and any other series of Securities issued under the Indenture for which the Required Consents are received, and upon payment of the applicable Consent Fee, the definition of Optional Purchase Event of the Indenture will be revised as follows:

“Optional Purchase Event” means, and shall be deemed to have occurred at the time, after the date of this Indenture, that the Issuer ceases to:

- (i) be a ~~decentralized public-sector~~ entity of the Mexican Government;
- (ii) be majority-owned by the Mexican Government;
- (iii) 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
- (iv) at any time, generate, transmit and distribute at least ~~60~~ 75% of the electricity generated, transmitted and distributed by public-sector entities, in each case within Mexico (unless, in the case of this clause (iv), if permitted by Mexican law, the Mexican Government shall have assumed or guaranteed the Issuer’s obligations under the Securities and this Indenture).”

Annex A hereto sets forth the form of Supplemental Indenture that will go into effect with respect to any series of Securities issued under the Indenture for which the Required Consents are received.

THE CONSENT SOLICITATIONS

General

CFE is soliciting Consents from the Holders of each series of Securities with respect to the Proposed Amendment to the applicable Securities, upon the terms and subject to the conditions set forth in this Consent Solicitation Statement. For each series of Securities, promptly after the applicable Expiration Time, we will publicly announce the results of the Consent Solicitations. If we receive the Required Consents for any series or all series of Securities at or prior to the applicable Expiration Time, we and the Trustee may execute, at any time following such receipt (which may be prior to the applicable Expiration Time), the Supplemental Indenture reflecting the Proposed Amendment. The Proposed Amendment with respect to any series or all series of Securities will become effective on the applicable Consent Date but will not become operative and we will not benefit from the Proposed Amendment until the payment of the applicable Consent Fee. Upon the Proposed Amendment becoming operative as to a series of Securities, all Holders of Securities of such series will be bound by it, including the Holders who did not deliver or revoked their Consent.

This Consent Solicitation Statement is being provided to Holders of each series of Securities for informational use solely in connection with their consideration of the matters set forth herein. Holders delivering Consents are deemed to represent and warrant that they (i) have full power and authority to deliver such Consent, (ii) have not relied on the Solicitation Agents or any person affiliated with any of the Solicitation Agents in connection with their investigation of the accuracy of the information contained in this Consent Solicitation Statement, (iii) are not a Holder whose Consent is required to be disregarded by the terms of the Indenture; and (iv) acknowledge that the information contained in this Consent Solicitation Statement has not been independently verified by the Solicitation Agents and has been provided by us and other sources that we deem reliable. Use of this Consent Solicitation Statement for any other purpose is not authorized.

Holders should not tender or deliver Consents to us, the Trustee, the Solicitation Agents or the Information and Tabulation Agent at any time.

By delivering a Consent pursuant to any of the procedures described under “The Consent Solicitation—Consent Procedures,” a Holder shall be deemed to (i) acknowledge receipt of this Consent Solicitation Statement, (ii) instruct the Trustee to take all necessary actions to make the Supplemental Indenture effective in exchange for the applicable Consent Fee, (iii) understand that (a) upon the payment of the applicable Consent Fee, the Supplemental Indenture will become operative and binding and (b) Consents delivered pursuant to any of the procedures described under “The Consent Solicitation—Consent Procedures” will constitute a binding agreement between such Holder and us upon the terms and subject to the conditions of this Consent Solicitation Statement, and (iv) agree to execute and deliver, upon request, any additional documents deemed by us to be necessary or desirable to perfect such Holder’s Consent. All authority conferred or agreed to be conferred by a Holder delivering a Consent shall survive the death or incapacity of such Holder, and every obligation of such Holder incurred in connection with its delivery of Consents shall be binding upon such Holder’s heirs, personal representatives, executors, administrators, successors, assigns, trustees in bankruptcy and other legal representatives.

Terms of the Consent Solicitation

With respect to any series of Securities, the Indenture may be amended with the Required Consents of the Holders of the Securities of that series. The valid completion, execution and delivery of a Consent in the manner described in “—Consent Procedures” by a Holder at or prior to the applicable Expiration Time will constitute Consent by such Holder to the Proposed Amendment, subject to any valid revocation of such Holder’s Consent.

If we make a material change in the terms of a Consent Solicitation, or if we waive a material condition of a Consent Solicitation, we will notify the Information and Tabulation Agent of that material change or waiver of a material condition and any related extension of the Expiration Time by oral or written notice and will make a public announcement thereof as described below, and extend the Consent Solicitation to the extent, if any, we deem appropriate in our sole discretion or otherwise to the extent required by law. If a Consent Solicitation is amended prior to the Expiration Time in a manner determined by us, in our sole discretion, to be materially adverse to the Holders of the relevant series of Securities, we will promptly disclose such amendment as described below and, to the extent, if any, we deem appropriate in our sole discretion or otherwise to the extent required by law, extend the Expiration Time and/or the applicable Consent Date and permit revocations of Consents for a period deemed by us to be adequate to permit Holders to consider such changes and determine whether to deliver or revoke their

Consents. If we extend, terminate or amend a Consent Solicitation, we expect to publicly announce that information, including, if applicable, the new Expiration Time and/or any additional revocation rights. Failure of any Holder to be so notified will not affect the extension, termination or amendment of a Consent Solicitation. Any amendment applicable to a Consent Solicitation will apply to all Consents delivered pursuant to that Consent Solicitation.

Conditions to each Consent Solicitation

We intend to pay the applicable Consent Fee to each Holder of Securities of a series whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement, subject to the following conditions:

- (a) the Required Consents for that series of Securities having been received at or prior to the applicable Expiration Time;
- (b) the Cross-Consents Condition having been satisfied or waived;
- (c) the execution and effectiveness of the Supplemental Indenture for that series of Securities; and
- (d) the absence of any law or regulation that would, and the absence of any injunction or action or other proceeding (pending or threatened) that could, make unlawful or invalid or enjoin the implementation of the Proposed Amendment or question the legality or validity thereof.

The above conditions are for our sole benefit and may be asserted by us in our sole discretion, regardless of the circumstances giving rise to such condition, and may be waived by us, in whole or in part, in our sole discretion, provided that the Required Consents of the Holders of a series of Securities are received. We have not made a decision as to what circumstances would lead us to waive any condition, and any such waiver would depend on circumstances prevailing at the time of such waiver. Any determination by us concerning the events described in this section will be final and binding on all Holders of the relevant series of Securities.

Cross-Consents Condition

The Consent Solicitation for each series of Securities is conditioned, among other things, on our receipt, at or prior to the applicable Expiration Time, of the Required Consents for all series of Securities for which Consents are being solicited pursuant to this Consent Solicitation Statement.

The Cross-Consents Condition can be waived by us in our sole discretion as to the Consent Solicitations relating to any series of Securities.

Consent Fee

Any Holder whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement will be eligible to receive the applicable Consent Fee as to the Securities for which such Holder delivered its Consent. Promptly following the applicable Expiration Time, the applicable Consent Fee will be paid in cash to Holders of Securities of a series whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement, provided that we have received the Required Consents for the Securities of that series and the other conditions are satisfied or waived by us. See “—Conditions to each Consent Solicitation.” No interest will be paid on the Consent Fee.

If the Proposed Amendment takes effect for a series of Securities, Holders who did not deliver their Consent as to that series of Securities will be bound by the Proposed Amendment but will not receive the applicable Consent Fee. Only Holders whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement will be eligible to receive the applicable Consent Fee, provided that we have received the Required Consents for the Securities of that series and the other conditions are satisfied or waived by us. See “—Conditions to each Consent Solicitation.”

The right to receive the applicable Consent Fee is not transferable, and we will only make payment to Holders whose validly delivered Consent is accepted pursuant to the terms of this Consent Solicitation Statement.

By validly delivering its Consent, each Holder appoints the Information and Tabulation Agent to receive or arrange the delivery of the applicable Consent Fee on such Holder's behalf with respect to the principal amount of Securities as to which such Consent has been delivered.

Currency of Payment

Any Consent Fee payable by us with respect to will be paid in U.S. dollars.

Payment of Additional Amounts

We are required by Mexican law to deduct Mexican withholding taxes from the applicable Consent Fee to Holders of Securities who are not residents of Mexico for tax purposes as described under "Certain Mexican Tax Considerations."

We will pay all additional amounts that may be necessary so that every net payment of the applicable Consent Fee to a Holder of the relevant Securities will not be less than the amount set forth on the cover page of this Consent Solicitation Statement. By net payment, we mean the amount that we will pay the Holder after deducting or withholding an amount for or on account of any present or future taxes, duties, assessments or other governmental charges imposed or levied with respect to that payment of the Consent Fee by a Mexican taxing authority, which net payment would require us to gross up and pay additional amounts to Holders.

Our obligation to pay additional amounts is, however, subject to several important exceptions. We will not pay additional amounts to or on behalf of any Holder or beneficial owner for or on account of any of the following:

- (i) any taxes, duties, assessments or other governmental charges imposed solely because at any time there is or was a connection between the Holder and Mexico (other than the mere receipt of the Consent Fee or the ownership, holding or providing a Consent in respect of a Security);
- (ii) any taxes, duties, assessments or other governmental charges imposed solely because the Holder or any other person fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with Mexico of the Holder or any beneficial owner of the relevant Security, if compliance is required by law, regulation or by an applicable income tax treaty to which Mexico is a party, as a precondition to exemption from, or reduction in the rate of, the tax, assessment or other governmental charge and we are not otherwise able to obtain such exemption or reduction;
- (iii) any estate, inheritance, gift or other similar tax, assessment or other governmental charge imposed with respect to the payment of the Consent Fee;
- (iv) any tax, duty, assessment or other governmental charge payable otherwise than by deduction or withholding from the payment of the Consent Fee;
- (v) any payment of the Consent Fee to a Holder of a Security that is a fiduciary or partnership or a person 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 the payment would not have been entitled to the additional amounts had the beneficiary, settlor, member or beneficial owner been the Holder of such Security;
- (vi) any taxes, duties, assessments or other governmental charges that are imposed on a payment to an individual and are required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any other directive implementing the conclusions of the ECOFIN Council meetings of November 26 and 27, 2000, December 13, 2001 and January 21, 2003, or any law or agreement implementing or complying with, or introduced in order to conform to, such a directive; and
- (vii) any combination of the above-listed items.

The limitations on our obligations to pay additional amounts described in item (ii) above will not apply if (a) the provision of information, documentation or other evidence described in item (ii) would be materially more onerous, in form, in procedure or in the substance of information disclosed, to a Holder or beneficial owner of a Security, taking into account any relevant differences between U.S. and Mexican law, regulation or administrative

practice, than comparable information or other reporting requirements imposed under U.S. tax law (including the United States/Mexico Income Tax Treaty), regulations (including proposed regulations) and administrative practice or (b) we may rely on the provisions of Article 166, Section II, subsection (a), of the *Ley Federal del Impuesto Sobre la Renta* (Mexican Income Tax Law), or any successor provision, as a means to withhold taxes at the reduced generalized rate, without requesting any information from Holders.

Applicable Mexican regulations currently allow us to withhold at a reduced rate, provided that we comply with certain information reporting requirements, without requesting any information from Holders. Accordingly, the limitations on our obligations to pay additional amounts described in item (ii) above also will not apply unless (a) the provision of the information, documentation or other evidence described in item (ii) is expressly required by applicable Mexican law or regulations, (b) we cannot obtain the information, documentation or other evidence necessary to comply with the applicable Mexican regulations on our own through reasonable diligence, and (c) we otherwise would meet the requirements for application of the applicable Mexican regulations.

In addition, the limitation described in item (ii) above does not require that any person, including any non-Mexican pension fund, retirement fund or financial institution, to provide information to the *Secretaría de Hacienda y Crédito Público* (Ministry of Finance and Public Credit) or to the *Servicio de Administración Tributaria* (Mexican Tax Administration Service) to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

We will remit the full amount of any Mexican taxes withheld to the applicable Mexican taxing authorities in accordance with applicable law. We will provide copies of such documentation to Holders of the Securities upon request.

In the event that additional amounts actually paid with respect to the Consent Fee pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the Holder of the relevant Securities, and as a result thereof such Holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, then such Holder shall, by accepting the applicable Consent Fee, 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 us. However, by making such assignment, the Holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto.

Consent Dates

With respect to a series of Securities, the Consent Date is the earlier of the Expiration Time for that series of Securities and the date on which the Required Consents for that series of Securities are received. Consents as to a series of Securities will be irrevocable after the Consent Date applicable to that series of Securities.

Expiration Time; Revocation; Extension; Termination; Amendment

For each series of Securities, the Consent Solicitation will expire at the applicable Expiration Time. Consents with respect to the Proposed Amendment may be revoked by Holders on or prior to the applicable Consent Date but may not be revoked thereafter. See “—Revocation of Consents.”

We reserve the right for any reason, in our sole discretion, to extend the Expiration Time with respect to any series of Securities at any time and from time to time, whether or not the Required Consents have been received with respect thereto, by giving oral or written notice to the Information and Tabulation Agent. Notice of any extension will be made by press release or other public announcement. Failure of any Holder or beneficial owner of any Securities to be so notified will not affect the extension of the Consent Solicitations.

We reserve the right for any reason, in our sole discretion, to terminate or amend the Consent Solicitations with respect to any series of Securities (and to amend with respect to any series on different terms than an amendment with respect to any other series) at any time prior to the applicable Expiration Time by giving oral or written notice thereof to the Information and Tabulation Agent. Notice of any termination or amendment of a Consent Solicitation by us will be made by press release or other public announcement. If we elect to terminate the Consent Solicitations, any Consents previously delivered will be of no further force and effect. Failure of any Holder or beneficial owner of any Securities to be so notified will not affect the termination or amendment of the Consent Solicitations.

No Recommendation

None of the Solicitation Agents, the Trustee, the Information and Tabulation Agent or any of their respective directors, employees, affiliates, agents or representatives makes any recommendation as to whether Holders should deliver Consents to the Proposed Amendment pursuant to the Consent Solicitations, and no one has been authorized by any of them to make such a recommendation. Each Holder must make its own decision as to whether to give a Consent.

Consent Procedures

The Consent Solicitations are being made to all persons in whose name the Securities are registered and their duly appointed proxies. Only Holders or their duly designated proxies may deliver a Consent. For the purposes of the Consent Solicitations, the term "Holder" shall be deemed to include Participants who hold Securities through any of the Clearing Systems.

The registered ownership of the Securities shall be established by the Trustee. The ownership of Securities held through a Clearing System by Participants will be established by a record of holdings in such Clearing System. All questions as to the validity, form and eligibility (including time of receipt) regarding the Consent procedures will be determined by us in our sole discretion, which determination will be conclusive and binding. We reserve the right to reject any or all Consents that are not in proper form or the acceptance of which, in our opinion or the opinion of our counsel, could be unlawful. We also reserve the right to waive any defects or irregularities in connection with deliveries of particular Consents. Unless waived, any defects or irregularities in connection with deliveries of Consents must be cured within such time as we determine. Neither we nor any of our affiliates, any of the Solicitation Agents, the Information and Tabulation Agent or any other persons shall be under any duty to give any notification of any such defects or irregularities or waivers, nor shall any of them incur any liability for failure to identify any such defect or irregularity or to give such notification. Deliveries of Consents will not be deemed to have been made until any irregularities or defects therein have been cured or waived. The interpretation of the terms and conditions of the Consent Solicitations by us shall be conclusive and binding.

Securities Held Through DTC

If you are a beneficial owner of Securities held of record by DTC, you must contact your broker, dealer, commercial bank, custodian or DTC Participant and inform such financial institution that you wish to instruct it to deliver a Consent on your behalf. Please give ample time to allow your financial institution to process your instructions and meet the applicable Expiration Time. To ensure timely receipt of your instructions, please check with your broker, dealer, commercial bank, custodian or DTC Participant for clarification as to the processing time required and deliver the appropriate materials well before that time. If your financial institution does not have adequate time to process your instruction, your Consent will not be given effect.

A beneficial owner of an interest in Securities held through a DTC Participant must properly instruct such Participant sufficiently in advance of the applicable Expiration Time to cause a Consent to be validly delivered by such Participant.

For a Holder of DTC Securities to validly deliver Consents pursuant to a Consent Solicitation, an Agent's Message and any other required documents, if applicable, must be received by the Information and Tabulation Agent at its address set forth on the back cover of this Consent Solicitation Statement at or prior to the applicable Expiration Time. As used herein, the term "Agent's Message" means a message, transmitted by DTC to and received by the Information and Tabulation Agent and forming a part of the book-entry confirmation, which states that DTC has received an express acknowledgment from the consenting DTC Participant, which acknowledgment states that such Participant has received and agrees to be bound by the terms of the applicable Consent Solicitation and that CFE may enforce such terms against such DTC Participant.

Holders of DTC Securities desiring to deliver a Consent must temporarily deposit the related Security with the Information and Tabulation Agent in a contra-CUSIP number established by DTC until the applicable Expiration Time. Trading of deposited DTC Securities is not permitted. After submitting an Agent's Message, the consenting Holder's DTC Security position cannot be sold or transferred, unless such Holder validly revokes its Consent, until the applicable Consent Date. The Information and Tabulation Agent will instruct DTC to release the DTC Security positions as soon as practicable but no later than three business days after the Consent Date and not exceeding 45 calendar days from the date of this Consent Solicitation Statement. In the event of the termination by CFE of a

Consent Solicitation, the Information and Tabulation Agent will return all Securities held through DTC as to which Consents were delivered in respect of such Consent Solicitation as promptly as practicable.

Holders of DTC Securities may deliver Consents only in minimum denominations of U.S. \$200,000 and integral multiples of U.S. \$1,000 in excess thereof.

Within two business days after the date of this Consent Solicitation Statement, the Information and Tabulation Agent will establish one or more accounts with respect to the DTC Securities at DTC for purposes of the Consent Solicitations. Any financial institution that is a DTC Participant must make book-entry delivery of Consents through DTC to transfer such DTC Securities into the appropriate account of the Information and Tabulation Agent in accordance with DTC's procedure for such transfer. An Agent's Message and any other required documents, together with the DTC Securities to which such Consent relates, must be transmitted to and received by the Information and Tabulation Agent at its address set forth on the back cover of this Consent Solicitation Statement at or prior to the Expiration Time in order for the Consent to be effective. Delivery of such documents to DTC does not constitute delivery to the Information and Tabulation Agent.

Holders of DTC Securities who are delivering Consents by book-entry transfer to the Information and Tabulation Agent's account at DTC may deliver through DTC's ATOP system by transmitting their acceptance to DTC in accordance with DTC's ATOP procedures. DTC will then verify the acceptance, execute a book-entry delivery to the Information and Tabulation Agent's account at DTC and send an Agent's Message to the Information and Tabulation Agent. Delivery of the Agent's Message by DTC will satisfy the terms of the Consent Solicitation by the Participant identified in the Agent's Message. Holders should not tender or deliver their Securities at any time.

If a Consent relates to less than the aggregate principal amount of Securities that such Holder holds directly or through DTC, the Holder must list the series and principal amount of Securities that such Holder holds to which the Consent relates. If no aggregate principal amount of the DTC Securities as to which a Consent is delivered is specified but the Agent's Message is otherwise properly completed, the Holder will be deemed to have consented to the Proposed Amendment with respect to the entire aggregate principal amount of Securities that such Holder holds directly or through DTC.

DTC Participants may electronically deliver Consents by causing DTC to deliver their Consent to the Information and Tabulation Agent through ATOP in accordance with DTC's procedures for such transfer. DTC will then send an Agent's Message to the Information and Tabulation Agent. Holders of DTC Securities desiring to deliver a Consent prior to the applicable Expiration Time should note that such Holders must allow sufficient time for completion of the delivery procedure during normal business hours of DTC.

Securities Held Through Euroclear and Clearstream

Any Participant through which Securities are held on the records of Euroclear or Clearstream must submit an electronic instruction to Euroclear or Clearstream to deliver a Consent and block the Securities to which such Consent relates. The delivery of a Consent through Euroclear or Clearstream will be deemed to have occurred upon receipt by Euroclear or Clearstream of a valid electronic instruction in accordance with the requirements of Euroclear or Clearstream at or prior to the applicable Expiration Time and will result in the blocking of the Securities in the relevant Clearing System such that no transfers may be effected in respect of such Securities. The receipt of such electronic instruction by Euroclear or Clearstream will be acknowledged in accordance with the standard practices of such Clearing System. By submitting an electronic instruction to Euroclear or Clearstream, the Participant will be deemed to consent to have Euroclear or Clearstream provide details concerning such Participant's identity to the Solicitation Agents and the Information and Tabulation Agent, including the account name and account number through which Securities are held.

Holders of Securities held through Euroclear or Clearstream may deliver Consents only in minimum denominations of U.S. \$200,000 and integral multiples of U.S. \$1,000 in excess thereof.

By submitting a valid electronic instruction to Euroclear or Clearstream, the Holder, or a Participant on behalf of the Holder, will have agreed to be bound by the terms and subject to the conditions set forth in this Consent Solicitation Statement and in such electronic instruction, and CFE may enforce such agreement against the Holder and/or its Participant.

Holders should note that the deadlines set by Euroclear or Clearstream for the submission or withdrawal of an electronic instruction may be earlier than the relevant deadlines specified in this Consent Solicitation Statement. Accordingly, Holders desiring to deliver Consents at or prior to the Expiration Time must allow sufficient time for the completion of the electronic instruction prior to such date.

Revocation of Consents

Any Holder who has validly delivered a Consent may revoke such Consent on or prior to the applicable Consent Date by delivering to the Information and Tabulation Agent a notice of revocation in accordance with the procedures of the applicable Clearing System on or prior to the applicable Consent Date. **NO HOLDER MAY REVOKE A CONSENT AFTER THE APPLICABLE CONSENT DATE.**

Notwithstanding the foregoing, if the Consent Solicitation with respect to a series of Securities is amended prior to the applicable Expiration Time in a manner determined by us to be materially adverse to the Holders, we will promptly disclose such amendment as described above and, to the extent we deem appropriate in our sole discretion, extend the applicable Expiration Time and/or the applicable Consent Date and permit revocations of Consents in respect of the Securities of the relevant series for a period deemed by us to be adequate to permit Holders to consider the changes and determine whether to deliver or revoke their Consents.

All questions as to the form and validity (including time of receipt) of any delivery or revocation of a Consent will be determined by us, in our sole discretion, which determination shall be final and binding. None of CFE, the Solicitation Agents, the Trustee, the Information and Tabulation Agent or any other person will be under any duty to give notification of any defects or irregularities in any delivery or revocation of a Consent or incur any liability for failure to identify any such defect or irregularity or to give any such notification.

Solicitation Agents; Information and Tabulation Agent

We have retained Morgan Stanley & Co. LLC as the Global Coordinator and Solicitation Agent and each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc. as Solicitation Agents in connection with the Consent Solicitations. The Solicitation Agents may contact you regarding the Consent Solicitations and may request brokers, dealers and other nominees to forward this Consent Solicitation Statement and related materials to the beneficial owners of an interest in the Securities. We have agreed to pay the Solicitation Agents reasonable and customary fees for their services and to reimburse the Solicitation Agents for certain of their reasonable out-of-pocket expenses in connection therewith. We also have agreed to indemnify the Solicitation Agents and their respective affiliates against certain liabilities in connection with their services. At any given time, the Solicitation Agents and their respective affiliates may trade and/or make markets in the Securities or our other securities or those of CFE for their own accounts or for the accounts of their respective customers and, accordingly, may hold a long or short position in the Securities or our other securities. The Solicitation Agents may in the future provide various investment banking and other services to us, for which they would receive customary compensation from us.

D. F. King & Co., Inc. has been retained as Information Agent and as Tabulation Agent in connection with the Consent Solicitations. As Information Agent, D. F. King & Co., Inc. will distribute this Consent Solicitation Statement and assist with the delivery of Consents. As Tabulation Agent, D. F. King & Co., Inc. will be responsible for collecting Consents. The Information and Tabulation Agent will receive customary fees for such services and reimbursement of certain of its reasonable out-of-pocket expenses.

Any questions or requests for assistance concerning the Consent Solicitations may be directed to the Solicitation Agents or the Information and Tabulation Agent at their respective addresses and telephone numbers set forth on the back cover of this Consent Solicitation Statement. Requests for additional copies of this Consent Solicitation Statement or any other related documents may be directed to the Information and Tabulation Agent at the address and telephone numbers set forth on the back cover of this Consent Solicitation Statement.

Fees and Expenses

We will bear the costs of the Consent Solicitations. We will reimburse the Trustee for expenses that the Trustee incurs in connection with the Consent Solicitations.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

All discussions of U.S. federal tax considerations in this document have been written to support the marketing of the Consent Solicitations. These discussions were not intended or written to be used, and cannot be used by any taxpayer, for the purpose of avoiding U.S. federal tax penalties. Investors should consult their own tax advisers in determining the tax consequences to them of holding the Securities, including the application to their particular situation of the U.S. federal tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

The following is a summary of certain U.S. federal income tax consequences of the Consent Solicitations that may be relevant to a beneficial owner of Securities that is a citizen or resident of the United States or a domestic corporation or otherwise subject to U.S. federal income tax on a net income basis in respect of the Securities (a “U.S. Holder”). The summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. The discussion does not deal with special classes of Holders, such as dealers in securities or currencies, banks, financial institutions, insurance companies, tax-exempt organizations, entities classified as partnerships and partners therein, persons holding Securities as a position in a “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction or persons that have a functional currency other than the U.S. dollar. This discussion assumes that the Securities are held as “capital assets” for U.S. federal income tax purposes.

We have not sought any ruling from the Internal Revenue Service (the “IRS”) with respect to the statements made and the conclusions reached in this discussion, and there can be no assurance that the IRS will agree with these statements and conclusions. In addition, the discussion does not address the alternative minimum tax, the Medicare tax on net investment income or other aspects of U.S. federal income or state and local taxation that may be relevant to a Holder. Accordingly, each Holder should consult its own tax advisor with regard to the Consent Solicitations and the application of U.S. federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to its particular situation.

Effect of the Proposed Amendment

The tax treatment of a U.S. Holder following the implementation of the Proposed Amendment will depend upon whether the modification of the debt instruments results in a “deemed” exchange for U.S. federal income tax purposes. Under general principles of U.S. federal income tax law, the modification of a debt instrument creates a deemed exchange upon which gain or loss is realized if the modified debt instrument differs materially either in kind or in extent from the original debt instrument (a “**Significant Modification**”). A modification of a debt instrument that is not a Significant Modification does not create a deemed exchange. Under applicable regulations, the modification of a debt instrument is a Significant Modification if, based on all the facts and circumstances and taking into account all modifications of the debt instrument collectively (other than modifications that are subject to special rules), the legal rights or obligations that are altered and the degree to which they are altered are “economically significant.” However, a change in yield of a debt instrument is a Significant Modification under the applicable regulations if the yield of the modified instrument (determined taking into account any accrued and unpaid interest and any payments made to the Holder as consideration for the modification, such as the Consent Fee) varies from the yield on the unmodified instrument (determined as of the date of the modification) by more than the greater of 0.25% of the “adjusted issue price,” or 5% of the annual yield of the unmodified instrument. The yield of the unmodified instrument is calculated based on the adjusted issue price and may differ from the yield at which the instrument is trading in the market.

We believe that the Proposed Amendment will not cause a deemed exchange of the Securities because the Proposed Amendment does not constitute a Significant Modification to the terms of the Securities for U.S. federal income tax purposes. Accordingly, a U.S. Holder will not recognize any gain or loss for U.S. federal income tax purposes upon the implementation of the Proposed Amendment (other than with respect to the receipt of the Consent Fee, as described below), regardless of whether the U.S. Holder consents to the Proposed Amendment, and will have the same adjusted tax basis and holding period in the Securities after the implementation of the Proposed Amendment that the U.S. Holder had in the Securities immediately before such implementation.

We intend to treat a Consent Fee paid to a U.S. Holder as a separate fee for consenting to the Proposed Amendment, in which case a U.S. Holder would be required to recognize the Consent Fee as ordinary income at the time it accrues or is received in accordance with the U.S. Holder’s method of accounting for tax purposes. Other treatments of Consent Fees are possible. For instance, it is possible that a Consent Fee may be treated first as a

payment of unpaid accrued interest (if any) and second as payment of principal. U.S. Holders should consult their tax advisors regarding the U.S. federal income tax treatment of the Consent Fee.

In addition to the amount of the Consent Fee, a U.S. Holder will also be required to include in income, to the extent described in “Certain Mexican Tax Considerations,” any Mexican tax withheld from the Consent Fee payment and any additional amounts paid to the Holder in respect thereof. A U.S. Holder generally will be entitled to a foreign tax credit in respect of any Mexican tax withheld from the payment of the Consent Fee. However, foreign taxes may be credited only against U.S. taxes on foreign source income. In this regard, the income tax treaty between the United States and Mexico would treat the Consent Fee as foreign source income for U.S. Holders entitled to the benefits of the treaty. If the Consent Fee is not treated as foreign source income to a U.S. Holder, however, then, subject to other restrictions and conditions, the U.S. Holder would be able to utilize any credits attributable to Mexican withholding taxes only if the U.S. Holder has a sufficient amount of foreign source income from other sources. The calculation of U.S. foreign tax credits involves the application of complex rules that depend on a U.S. Holder’s particular circumstances. U.S. Holders, therefore, should consult their own tax advisors regarding the application of the U.S. foreign tax credit rules to the income represented by the Consent Fee.

Information Reporting and Backup Withholding

To prevent backup U.S. federal income tax withholding, each U.S. Holder receiving a Consent Fee must provide the U.S. Holder’s correct taxpayer identification number and provide certain other information by properly completing an IRS Form W-9. Certain Holders (including, among others, all corporations) are not subject to these backup withholding and reporting requirements. In order for a Holder who is not a U.S. Holder to qualify for the exemption from backup withholding, the Holder generally may be required to submit an IRS Form W-8BEN or W-8BEN-E or other applicable IRS Form W-8, signed under penalties of perjury, attesting to that Holder’s non-U.S. status. IRS forms can be obtained from the Information and Tabulation Agent or from the IRS’s website (www.irs.gov). The amount of any backup withholding from a Consent Fee will be allowed as a credit against a U.S. Holder’s U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is furnished to the IRS.

CERTAIN MEXICAN TAX CONSIDERATIONS

The following summary contains a description of the principal Mexican federal income tax consequences of the payment of a Consent Fee in respect of the Consent Solicitations. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to participate in a Consent Solicitation and receive the applicable Consent Fee. In addition, it does not describe any tax consequences (i) arising under the laws of any taxing jurisdiction other than Mexico, (ii) arising under the laws other than the federal tax laws of Mexico (excluding the laws of any state or municipality within Mexico) or (iii) that are applicable to a resident of Mexico for tax purposes that may participate in the Consent Solicitation and receive the applicable Consent Fee.

Holders should consult their own tax advisors as to the Mexican or other tax consequences (including tax consequences arising under double-taxation treaties) of delivering a Consent or receiving a Consent Fee, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, municipal, foreign or other Mexican or foreign tax laws.

For purposes of Mexican taxation, an individual or legal entity that does not satisfy the requirements to be considered a resident of Mexico for tax purposes or that is not deemed to have a permanent establishment in Mexico for tax purposes, will be considered a non-Mexican resident for tax purposes and will be deemed a non-Mexican Holder for purposes of this summary.

An individual is a resident of Mexico if such individual has established his or her home in Mexico. When such individual has a home in another country, the individual will be considered a resident of Mexico for tax purposes if his or her center of vital interests is located in Mexico, which is deemed to occur if (i) more than 50% of such individual's total income, in any calendar year, derives from a Mexican source or (ii) such individual's principal center of professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico and where his or her income is subject to a preferential tax regime as defined by the Mexican law will be considered Mexican residents for tax purposes during the year of the filing of the notice of such residence change and during the following three years. Mexican nationals that are employed by the Mexican government are deemed residents of Mexico, even if his or her center of vital interests is located outside of Mexico.

A legal entity is a resident of Mexico if it maintains the principal administration of its business or the effective location of its management in Mexico. Under applicable regulations, the principal administration of a business or the effective location of management is deemed to exist in Mexico if the individual or individuals having the authority to decide or execute the decisions of control, management, operation or administration are located in Mexico.

If a legal entity or an individual is not a resident of Mexico for tax purposes but is deemed to have a permanent establishment in Mexico for Mexican tax purposes, all income attributable to that permanent establishment in Mexico will be subject to Mexican income taxes, in accordance with the Mexican Income Tax Law.

Mexican tax residents (both individuals and legal entities) are taxed on worldwide income regardless of the location of its source. Mexican resident individuals are subject to income tax at progressive rates, while legal entities are subject to income tax at the corporate tax rate.

Taxation of Non-Mexican Holders that Deliver a Consent

The receipt of a Consent Fee by a non-Mexican Holder in connection with a Consent Solicitation will be considered interest income and, as such, is subject to Mexican income tax withholding.

Pursuant to the Mexican Income Tax Law, payment of a Consent Fee to a non-Mexican Holder will be subject to Mexican withholding tax at a rate of 4.9%.

Payments of the Consent Fee made to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax; *provided* that:

- such fund is duly incorporated pursuant to the laws of its country of residence and is the beneficial owner of the Consent Fee;
- income arising from the Consent Fee is exempt from taxes in its country of residence; and

- such fund provides to the Mexican Tax Administration Service information required from time to time.

WHERE YOU CAN FIND MORE INFORMATION

This Consent Solicitation Statement does not contain all of the information required to make a decision with respect to the Consent Solicitations. Statements made in this Consent Solicitation Statement as to the contents of any contract, agreement or other document are not necessarily complete.

We prepare annual audited financial statements in both Spanish and English, and quarterly summary financial information in Spanish. This information, including the Annual Financial Statements and the Interim Financial Statements, is available on our website (www.cfe.gob.mx). In addition, we are required to file certain annual, quarterly and special reports and other information with the BMV with respect to our debt securities sold in the Mexican market. You may inspect and copy these reports and other information at the offices of the BMV located at Paseo de la Reforma 255, Colonia Cuauhtémoc, Delegación Cuauhtémoc, 54124 México, D.F. Our BMV filings are available to you on the BMV's website (www.bmv.com.mx). For the avoidance of doubt, BMV filings are not incorporated into this Consent Solicitation Statement.

ANNEX A

FORM OF SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE (the “Fourth Supplemental Indenture”), dated as of July , 2014, between Comisión Federal de Electricidad (the “Issuer”), having its principal office at Paseo de la Reforma No. 164, 7th Floor, Colonia Juárez, 06600 México, D.F., México, and Deutsche Bank Trust Company Americas, as trustee (the “Trustee”).

W I T N E S S E T H:

WHEREAS, the Issuer and the Trustee previously have entered into an Indenture, dated as of May 26, 2011, among the Issuer and the Trustee (the “Original Indenture” and, as supplemented by the First Supplemental Indenture (the “First Supplemental Indenture”), dated as of May 26, 2011, the Second Supplemental Indenture (the “Second Supplemental Indenture”), dated as of February 14, 2012, the Third Supplemental Indenture (the “Third Supplemental Indenture”), dated as of October 24, 2013, in each case (except for the Original Indenture) among the Issuer, the Trustee and Deutsche Bank Luxembourg S.A, and by this Fourth Supplemental Indenture and by any further supplements thereto, the “Indenture”), providing for the issuance from time to time of debt securities (the “Securities”) of the Issuer to be issued in one or more series as provided in the Indenture;

WHEREAS, pursuant to Section 902 of the Original Indenture, the Issuer and the Trustee may amend or supplement certain provisions, including the definition of Optional Purchase Event, of the Indenture and the Securities with the consent of Holders of not less than a majority in aggregate principal amount of the then Outstanding Securities;

WHEREAS, the Issuer desires to amend certain provisions of the Indenture;

WHEREAS, pursuant to a Consent Solicitation Statement dated June 23, 2014 (the “Consent Solicitation Statement”), the Issuer solicited the consents (“Consents”) of the Holders of each of the series of Securities listed in Exhibit A to this Fourth Supplemental Indenture (the “Solicited Series”) to a proposed amendment to the Indenture (the “Amendment”) in exchange for a payment to each Holder whose validly delivered Consent is accepted (the “Consent Fee”) and the Holders of at least a majority in aggregate principal amount of one or more of the Solicited Series (with respect to any Solicited Series, the “Required Consents”) duly consented to the Amendment pursuant to Section 902 of the Original Indenture at or prior to 5:00 p.m. (New York City time) on July 8, 2014 (or as extended by the Issuer with respect to such Solicited Series, the “Expiration Time”);

WHEREAS, the Issuer has heretofore delivered, or is delivering contemporaneously herewith, to the Trustee (i) a Board Resolution authorizing the execution of this Fourth Supplemental Indenture, (ii) evidence of the written consent of the Holders of not less than a majority in aggregate principal amount Outstanding of each Solicited Series and (iii) the Opinion of Counsel described in Section 903 of the Original Indenture;

WHEREAS, the Issuer has duly authorized the execution and delivery of this Fourth Supplemental Indenture for the foregoing purposes;

WHEREAS, all conditions necessary to authorize the execution and delivery of this Fourth Supplemental Indenture and to make this Fourth Supplemental Indenture valid and binding have been complied with or have been done or performed; and

WHEREAS, the Issuer has requested that the Trustee execute and deliver this Fourth Supplemental Indenture.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein and in the Indenture and for other good and valuable consideration, the receipt and sufficiency of which are herein acknowledged, the Issuer and the Trustee hereby agree, for the equal and ratable benefit of all Holders, as follows:

ARTICLE ONE

DEFINITIONS

Section 1.01. *Defined Terms.* All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Indenture, as supplemented and amended hereby. As used in this Fourth Supplemental Indenture, “Consent Solicitation Completion Date” shall mean, with respect to any Solicited Series, such time as each of the following events shall have occurred with respect to such Solicited Series in accordance with the terms and conditions of the Consent Solicitation Statement: (i) the Required Consents for such Solicited Series shall have been accepted at or prior to the applicable Expiration Time for such series; and (ii) each Holder of such Solicited Series whose validly delivered Consent has been accepted shall have received payment of the applicable Consent Fee. All definitions in the Original Indenture shall be read in a manner consistent with the terms of this Fourth Supplemental Indenture.

ARTICLE TWO

AMENDMENT TO INDENTURE

Section 2.01. With respect to any Solicited Series, upon the occurrence of a Consent Solicitation Completion Date with respect to such Solicited Series, the definition of Optional Purchase Event shall be amended and restated in its entirety as follows:

“ “Optional Purchase Event” means, and shall be deemed to have occurred at the time, after the date of this Indenture, that the Issuer ceases to:

- (i) be a public-sector entity of the Mexican Government;
- (ii) be majority-owned by the Mexican Government;
- (iii) 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
- (iv) 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 (iv), if permitted by Mexican law, the Mexican Government shall have assumed or guaranteed the Issuer’s obligations under the Securities and this Indenture).”

ARTICLE THREE

MISCELLANEOUS

Section 3.01. *Effect of Supplemental Indenture.* This Fourth Supplemental Indenture supplements the Original Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, and shall be a part, and subject to all the terms, thereof with respect to the Solicited Series. The Original Indenture, as supplemented and amended by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and this Fourth Supplemental Indenture, is in all respects ratified and confirmed, and the Original Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and this Fourth Supplemental Indenture, shall be read, taken and construed as one and the same instrument. All provisions included in this Fourth Supplemental Indenture supersede any conflicting provisions included in the Original Indenture unless not permitted by law. The

Trustee accepts the trusts created by the Original Indenture, as supplemented by this Fourth Supplemental Indenture, and agrees to perform the same upon the terms and conditions of the Original Indenture, as supplemented by this Fourth Supplemental Indenture.

Section 3.02. *Governing Law.* This Fourth Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York, except that all matters relating to the authorization and execution of this Fourth Supplemental Indenture and the Securities by the Issuer will be governed by the laws of Mexico.

Section 3.03. *Notices.* All notices and communications hereunder shall be given in the manner set forth in Section 105 of the Original Indenture.

Section 3.04. *Effect of Headings.* The section headings herein are for convenience only and shall not affect the construction of this Fourth Supplemental Indenture.

Section 3.05. *Counterparts.* The parties may sign any number of copies of this Fourth Supplemental Indenture. Each signed copy shall be an original, but all of them shall represent the same agreement.

Section 3.06. *Liability of Trustee.* The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fourth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Issuer.

[SIGNATURE PAGE TO FOLLOW IMMEDIATELY]

IN WITNESS WHEREOF, the parties have caused this Fourth Supplemental Indenture to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

COMISIÓN FEDERAL DE ELECTRICIDAD

By: _____
Name:
Title:

DEUTSCHE BANK TRUST COMPANY
AMERICAS, as Trustee
By: Deutsche Bank National Trust Company

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT A

SOLICITED SERIES

4.875% Notes due 2021
4.875% Notes due 2024
5.750% Notes due 2042

Requests for assistance in completing and delivering Consents or requests for additional copies of this Consent Solicitation Statement and other related documents should be directed to the Information and Tabulation Agent at its address and telephone number below:

Information and Tabulation Agent

D. F. King & Co., Inc.

www.dfking.com/cfe

In New York:

*By Mail, Hand or
Overnight Delivery:*
D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, New York 10005
Attention: Krystal Scrudato

*By Facsimile Transmission
(for Eligible Institutions Only):*
+1-212-709-3328
Attention: Krystal Scrudato

In London:

D.F. King (Europe) Limited
11th Floor, Citypoint
1 Ropemaker Street
London EC2Y 9AW

Banks and Brokers Call:
+1-212-269-5550

Email: **cfe@dfking.com**

By Telephone:

All Others:
800-769-4414 (U.S. Toll-Free)
+44-20-7920-9700 (International)

*For Confirmation of Facsimile
Transmission by Telephone:*
+1-212-493-6940

Global Coordinator and Solicitation Agent

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