

QUARTERLY REPORT CFE FIBRA E

Q12018

Friday, April 27, 2018



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CFE Fibra E is a new investment vehicle managed by CFECapital.



Direct affiliate of
CFE Holding and
Manager of CFE
FIBRA E



Our objective is to invest in activities under CFE's mandate.



We will take advantage of the fiscal structure of a FIBRA E¹ in Mexico.²

Provides an **efficient and on-going funding** source to CFE.

First of its kind in the Mexican energy sector.



Our strategy is to provide attractive risk-adjusted returns to investors over the long term with exposure to the growing energy sector in Mexico.



Source: Offering filings and CFE. ¹ Energy and infrastructure investment trust. ² We intend to qualify and to be taxed as a FIBRA E (*Fideicomiso de Inversión en Energía e Infraestructura*) under the Mexican Tax Rules for FIBRAS E. Among other things, we must distribute annually at least 95% of CFE Fibra E Net Taxable Income.

The energy sector in Mexico has compelling opportunities for investors.

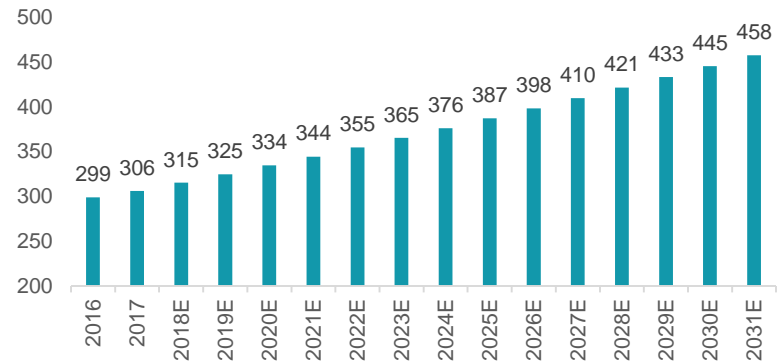
The electric power sector in Mexico grew at an average annual rate of **4.1%** from 2006 to 2016.¹

Gross power consumption is expected to grow at an annual average rate of **2.9%** on a base case scenario through 2031.²

- Higher demand for electricity and higher transmission volumes.



Graph 1. Expected gross energy consumption (TWh)



CFE is Mexico's national power company; engages in electricity generation, transmission, distribution, and commercialization across the country.

- Generates **81%** of the electricity in Mexico and provides power to **98.6%** of the population.

Initially, our activity is focused on collection rights related to electricity transmission services in Mexico.



Source: Offering filings and CFE. ¹Prospectiva del Sector Eléctrico 2017-2013, Secretaría de Energía. ²Programa de Desarrollo del Sistema Eléctrico Nacional 2017-2031 (PRODESEN), Secretaría de Energía.

Four key entities involved in the transaction.



Promoted
Trust

CFE
Fibra E



CFE Transmisión is a CFE Subsidiary that has proven industry experience and is currently the only provider of public electricity transmission in Mexico.



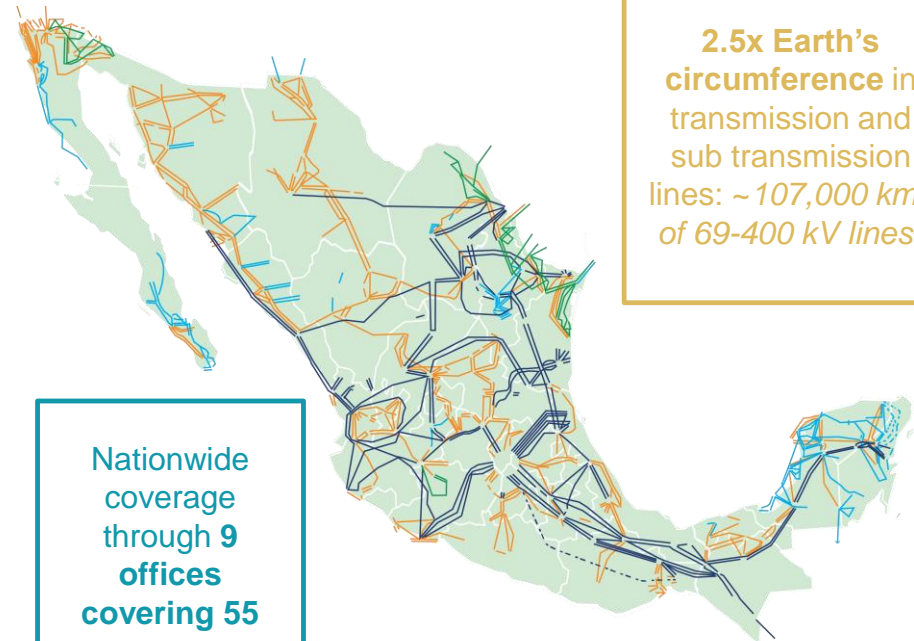
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CFE Transmisión manages the resources and infrastructure necessary for electricity transmission throughout the country.

CFE Transmisión has a **100% market share** of electricity transmission in Mexico.¹



2.5x Earth's circumference in transmission and sub transmission lines: ~107,000 kms of 69-400 kV lines²

Nationwide coverage through 9 offices covering 55 zones

- Line of 400 KV
- Line of 230 KV
- Line of 161, 138 KV
- Line of 115, 69 KV

Source: Offering filings and CFE. ¹Recent regulation provides other participants may enter the market. ²Transmission lines carry a high voltage ranging from 161kV to 400kV. Sub-transmission lines carry a voltage ranging from 69kV to 160kV.



Through the creation of a Promoted Trust, *CFE Transmisión* assigned its collection rights for a period of 30 years.

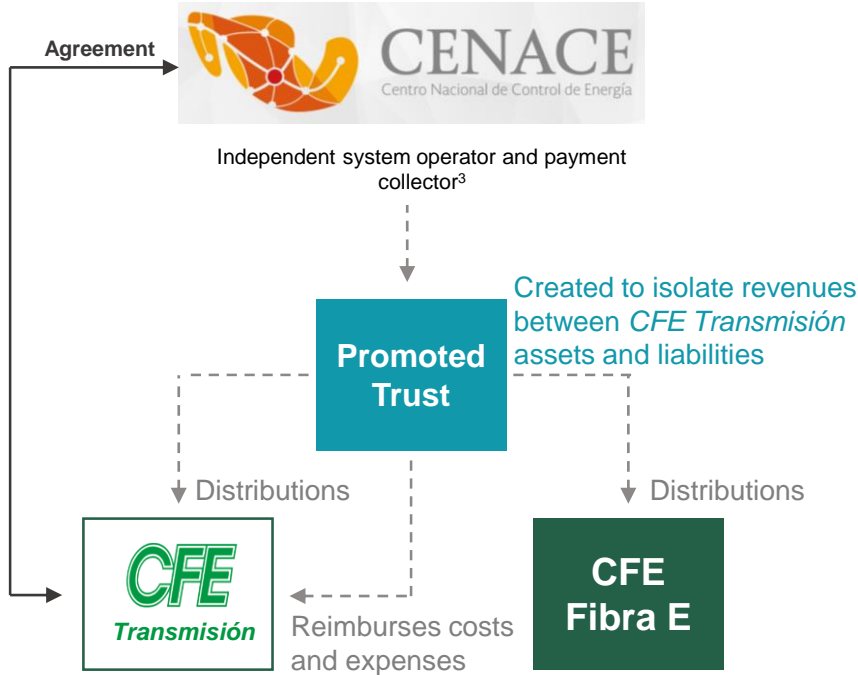


Promoted Trust

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Collection rights



Transmission tariffs

Transmission tariffs are determined and regulated by CRE¹ based on the Required Income,² which guarantees the return on capital investments.

Current tariff is designed to recognize investment costs, operating costs, and encourage cost efficiency, considering inflation and exchange rate exposure.²

The new tariff period and its corresponding methodology will be determined at the end of 2018, to become effective in 2019.



Source: Offering filings and CFE. ¹Energy Regulatory Commission (CRE). Is a regulatory body with a separate legal status and technical and administrative autonomy. Among other things, it regulates and issues applicable tariffs (transmission, distribution, basic supply service, and others). ²Current tariff includes capital expenditures, operating expenses, and efficiency. ³National Center for Energy Control.

On February 8, an initial public offering was made. After the stabilization period, and partially exercising the over-allotment option, MXN \$16,210 million pesos were raised.

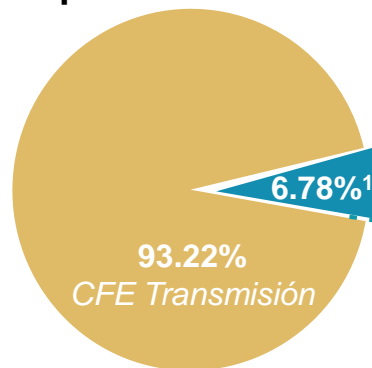


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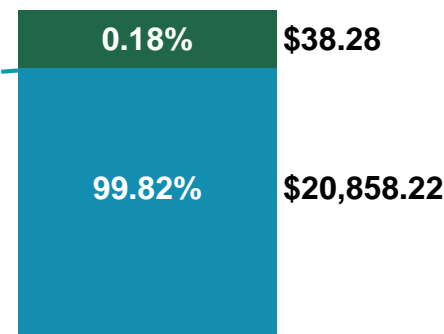
Beneficiary rights of the promoted trust



With the net proceeds of the offering, we acquired beneficiary rights representing economic ownership in the promoted trust

CFE FIBRA E

Assets as of March 31, 2018



	Total	CBFE Series "A"	CBFE Series "B"
CBFE ²	1,137,593,881 (100%)	853,195,411 (75%)	284,398,470 (25%)
Amount issued (million MXN)	\$21,614.28	\$16,210.71	\$5,403.57

Series "A" CBFEs, which amount to 75% of the total CBFEs, are held by public investors while Series "B" CBFEs are held by *CFE Transmisión* and they will be permanently subordinated to Series "A" CBFEs with respect to the payment of the minimum quarterly distribution.³

Aside from the initial public offering, we did not have other revenue sources. In addition, during the 1Q18 there were neither debt increase nor CBFEs repurchases.



Source: Offering filings and CFE Capital. The price for all the CBFEs was MXN \$19. ¹ 6.776103%, approx. 6.78%. ² CBFE are *Certificados Bursátiles Fiduciarios de Inversión en Energía e Infraestructura*. ³ We will make distributions to the extent we have cash available to make such distributions. The Minimum Quarterly Distribution is defined as MXN 0.575 per CBFE.

During the Q12018¹ the Promoted Trust started its operations. Its Technical Committee had the first session.



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- The CENACE Agreement operated as established.
 - This agreement allows *CFE Transmisión* to assign the Collection Rights in favor of the Promoted Trust.
 - The Promoted Trust received from the CENACE revenues of MXN \$5,406.87 million.²
- The Technical Committee of the Promoted Trust had its first session.
 - The reimbursements to *CFE Transmisión* were reviewed.³ The objective is to systematize the analysis and accelerate the payment. Reimbursements will be paid based on an annual budget and agreed limits for cost, expense and investment increases.
 - Deloitte (Galaz, Yamazaki, Ruiz Urquiza, S.C.) was selected to be the accounting and tax advisor.
 - CFECapital will be participating as a permanent guest.⁴



Source: Offering filings, CFE, and CFECapital. ¹Both the Promoted and the Issuer trusts were formed on January 22, 2018. Both began operations after the consummation of the global offering. Therefore, the period covered on the report is from January 22, 2018 to March 31, 2018. ²Revenues correspond to the operations starting on February 12. ³The independent members participate in both Technical Committees (Promoted and Issuer trusts). They will be able to exercise supervisory powers and oversight over reimbursements by the Promoted Trust of *CFE Transmisión*. ⁴With voice but no voting rights.

The proceeds from the initial public offering will be used for expansion and modernization of the national transmission network through projects included in the PRODESEN.¹



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- Investment in PRODESEN projects have a dual positive effect: 1) they enable the growth of transmission volumes, and 2) the capital expenditures for these projects are also recognized in the tariff as a return on equity. All projects must be approved by the Board of Directors of *CFE Transmisión*.
- CFE will publish on its webpage financial information with respect to *CFE Transmisión*. Financial information regarding the Promoted Trust will be published on the annual report of CFE Fibra E.

CFE Capital started operations, ensuring compliance with all regulatory obligations of CFE Fibra E and consolidating its corporate governance.



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- The first decision-making sessions of the governing bodies of CFE Fibra E took place: Technical¹ and Audit² committees.
 - The agreements included the approval of the service providers for auditing, legal, and accounting as well as the process for establishing internal mechanisms and controls in CFE Capital.

Legal advisor



Accounting advisor



External auditor

- Xavier María de Uriarte Berrón was selected as President of the Audit Committee and Leopoldo Eduardo Burillo Egualis as President of the Technical Committee.
- CFE Capital has established critical operations for CFE Fibra E including reports, offering investor relations services, and carrying out activities to comply with tax obligations, amongst others.



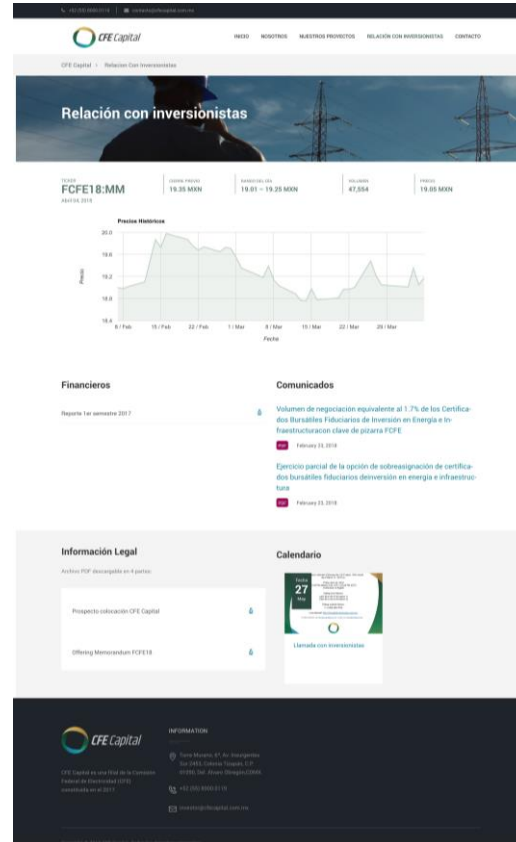
Source: Offering filings and CFE Capital. ¹Among other things, this committee has to: review the performance and duties of the manager, approve amount to be distributed to holders, and approve any debt, restructuring or refinancing proposed by the manager. ²Among other things, this committee has to: monitor compliance with accounting policies, internal control rules and audit rules, review financial statements and those of Eligible Entities.

CFE Capital is working to provide relevant information to our investors timely and efficiently.



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- On our website: www.cfecapital.com.mx, investors and interested audience may find information and assistance:
 - On the public site, we will be publishing financial statements, relevant communications to Mexico's stock commission and regulators, press releases, and presentations.
 - We are developing an investors site. In addition to the public site, you will find special analysis and it will be a specific communication channel.



Source: CFE Capital.

During 2018, we will be tracking key value drivers for the initial asset.

I. Transparency and oversight of the Promoted Trust expenditures

Collaborate with CFE¹ on following expenditures and reimburses in order to increase value for investors.

II. Distribution policy of CFE Fibra E

Our distribution dates: June 29, September 28, and December 31.

The first one will be a prorated distribution covering the period from the completion of the offering until May.²

III. A close follow-up on the establishment of new tariffs

Communicate to investors the tariff and parameters applicable to the next period.

IV. A close follow-up on the investments

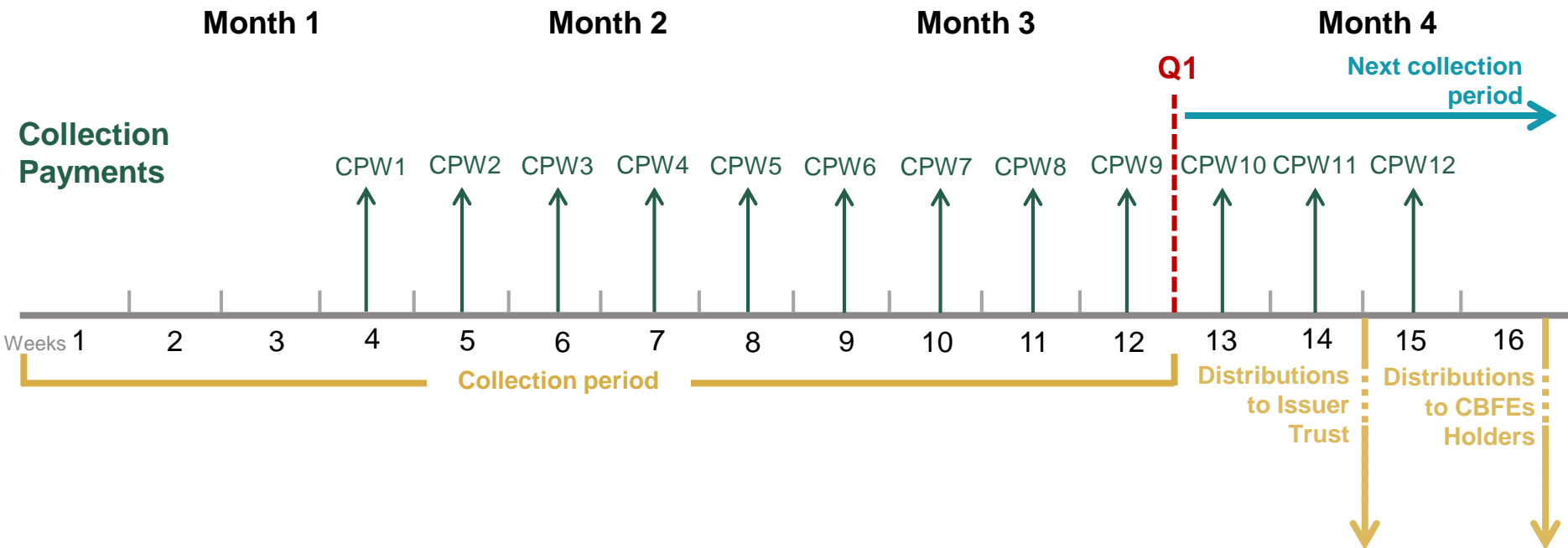
Collaborate with *CFE Transmisión* on following the infrastructure investments.

The regular¹ process for the payments from CENACE has four stages: electricity transmission, billing, invoice submitting, and payment.

1							2							3							4						
M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S
														■							■						
Electricity transmission							Billing and reconciliation							Deadline for invoice submitting							Collection Payment W1 (CP W1)						
<p>Days of operation of the wholesale electricity market. From Monday to Sunday each week (Period 1).</p>							<p>Daily account reports have the purpose of registering all buying and selling activities of market participants.</p>							<p>Each market participant and CENACE issue invoices according to the account report. These invoices can be issued daily no later than the following Wednesday after the account reports were made.</p>							<p>CENACE pays the invoices issued by the market participants for Period 1.</p>						

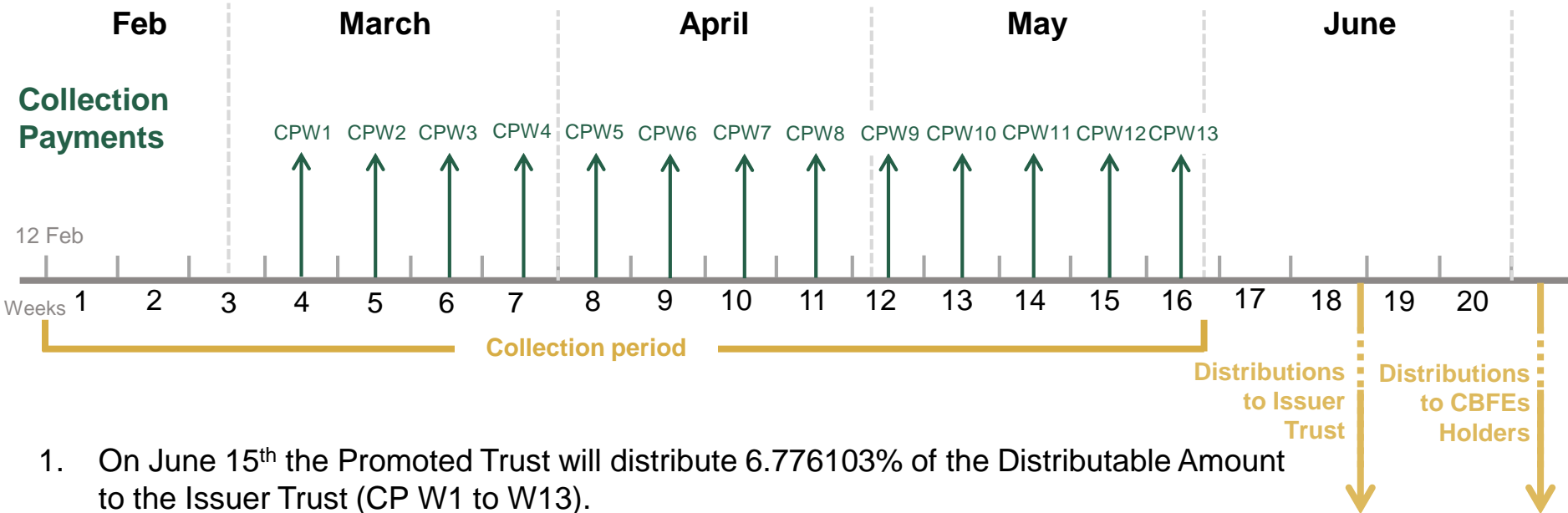
Payments are received during the fourth stage and after the electricity transmission takes place.

Therefore, the quarterly flow of revenues comprises, on a regular quarter, 12 weeks.



- Every Wednesday CENACE deposits Collection Payments into the Promoted Trust.
- CFE Transmission requests the cumulative reimbursements during the period.
- Every 15th of each month (or next business day) of March, June, September, and December, the Promoted Trust distributes 6.776103% of the Distributable Amount (DA) to the Issuer Trust.
- During the last business day of March, June, September and December the Issuer Trust distributes the Distributable Amount to the CBFES Holders.

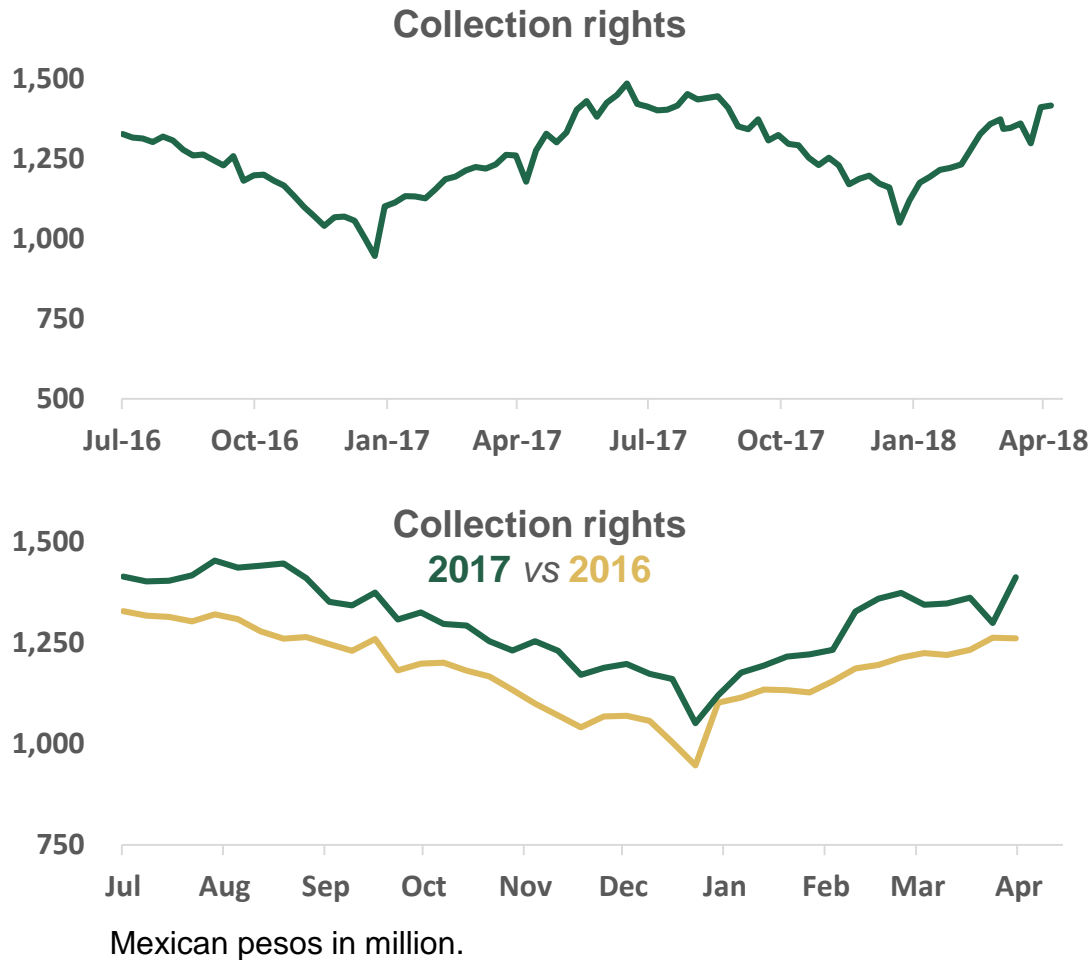
The minimum quarterly distribution¹ (MQD) for this collection period used as part of the waterfall calculations will be $MXN 0.575 \times (1.19)$ per CBEF.



1. On June 15th the Promoted Trust will distribute 6.776103% of the Distributable Amount to the Issuer Trust (CP W1 to W13).
2. On June 29th the Issuer Trust will distribute the Distributable Amount to the CBEFs Holders.

The MQD is not the amount we intend to pay nor a guidance for the distribution, is just an input required by the contract. The final calculation will be determined by the Technical Committee on June.

Revenues fluctuate during the year, primarily due to the impact that seasonal factors have on electricity consumption and demand.



The charts show the weekly Collecting Rights received from CENACE.

In summer the electricity demand is higher than winter, because of cooling demand especially in northern states of Mexico.

Comparing 2017 vs 2016, from April to July the average revenue difference is 10%.

Source: Offering filings. Data was provided by *CFE Transmisión* and the analysis was made by *CFE Capital*.



CFE/Capital