



Earnings Release 4Q19

CFE FIBRA E



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Dear Investors,

I address you on behalf of the CFECapital team (CFECapital, S. de R.L. de C.V.) to present the quarterly results of the CFE FIBRA E (Irrevocable Trust CIB/2919), corresponding to the fourth quarter of 2019. In addition, I would also like to inform you about the vision that the CFECapital team has, regarding the most relevant events in the energy sector in this time period and their consequences for the CFE FIBRA E.

During the fourth quarter of 2019, events of great relevance were presented for the energy sector, and consequently for the CFE FIBRA E. From these events, allow me to highlight the publication in the Official Journal of the Federation, on November 25, 2019, of the terms for the reallocation of assets and contracts for the generation to the Subsidiary and Affiliates of the CFE. Thus, it seeks to contribute to the efficient development of the National Electricity Sector and to rescue the generation capacity for the CFE, ensuring the financial viability of its Subsidiaries and Affiliates, being CFECapital one of these Affiliates.

Furthermore, in December 2019, the Management Board of *CFE Transmisión* approved the 2019 Maintenance Program for the Transmission Grid. The investment amount is over 602 million MXN. Also, Eng. Noé Peña Silva, Head of *CFE Transmisión*, mentioned that there are investment projects for year 2020. These projects are meant to satisfy the growing demand on electricity and to improve its supply, therefore, it will encourage the investment on the National Transmission Grid.

At the macroeconomic level, it is essential to mention the two interests cuts to the Bank of Mexico's target rate (of 25 basis points each) announced on November 14 and December 19, 2019 respectively. This situation makes equity instruments more attractive compared to fixed income instruments; especially to alternative instruments such as FIBRA E.

Specifically, in relation to the results of the CFE FIBRA E, there was an increment of 13.87% in the price of the Energy and Infrastructure Investment Trust Certificates (CBFE in spanish) during the fourth quarter of 2019, since it went from 24.15 MXN/CBFE on October 1, to 27.50 MXN/CBFE on December 31, resulting in a weighted average price per CBFE of 16.75% higher than the previous quarter. Additionally, the average daily traded volume increased by 4.53% compared to the previous quarter. It is also worth mentioning that, during this quarter, there were three occasions in which the operational volume exchanged intraday, exceeded 1% of the total of Series "A" CBFEs (853,195,411 CBFE).

The distribution of the fourth quarter of 2019, corresponding to the months of September, October and November, was announced on December 17, and took place on December 31, 2019. The amount approved by the Issuer Trust Technical Committee to be distributed to CBFE holders, both Series "A" and Series "B", was 918,662,137.53 MXN, which equals to 0.80754842 MXN/CBFE. The distribution per CBFE considered the Minimum Quarterly Distribution of 0.575 MXN/CBFE for both series plus a pro rata amount of 0.23254842 MXN/CBFE. The fiscal profit was 0.77105605 MXN/CBFE, while the capital reimbursement was 0.03649237 MXN/CBFE. The purpose of this distribution composition is to ensure the compliance with the fiscal regime of FIBRA E.

This distribution covered the 13 weeks of operations when, according to the seasonality of the electricity market in Mexico, the demand for electricity diminishes, given that summer ends and the extra consumption of that period coming from cooling and air conditionings is not necessary anymore. Compared to the previous distribution period, that corresponds to the months of June, July and August of 2019, the average weekly income decreased by 5.96%. Moreover, in relation to the same period of the previous year, the weekly revenue increased by 8.86%, resulting in a growth rate above the 1% tariff adjustment.

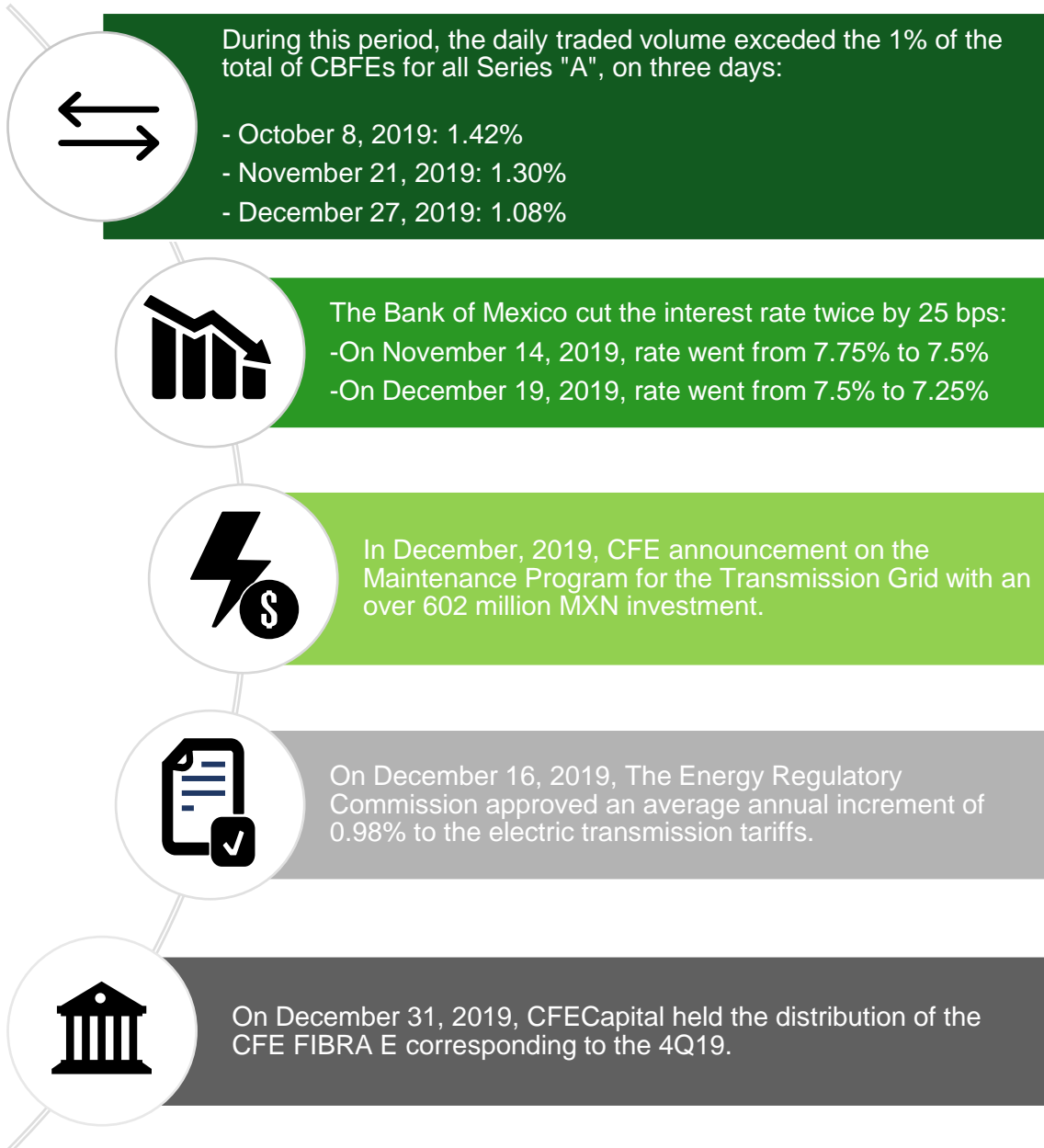
This report includes the compliance criteria of the tax legislation of the investment regime, the detail of the fiscal treatment of distributions, information on movements in statements, investment indicators and reimbursements for the maintenance and operation of the National Transmission Grid (RNT in spanish).

To conclude, I would like to say that the CFECapital team has integrated into the structure of the CFE with the objective of advising and providing the knowledge of the team to projects that generate value for the company. I am confident that this collaboration will generate positive externalities for CFECapital and for the CFE FIBRA E. We continue to work to present, promote and explain the benefits of financing infrastructure projects through alternative capital instruments, such as the CFE FIBRA E.

Sincerely,

José Arturo Cerón Vargas
CFECapital CEO

1. Relevant events for CFE FIBRA E during the 4Q19



2. Quarterly financial statements

2.1 Promoted Trust

Table 1. Account balance Promoted Trust as December 31, 2019
(Million MXN)

	October	November	December	4Q19
Initial balance	5,119.42	10,651.06	13,992.87	
+ Collection payments	7,887.64	5,767.06	5,466.11	19,120.81
- Withdrawals	2,402.35	2,495.17	2,649.81	7,547.32
- Distribution to holders	-	-	13,727.12	13,727.12
Gross balance	10,604.71	13,922.96	3,082.05	
+ Interest	53.41	77.24	61.29	191.94
- Interest tax	7.06	10.26	8.38	25.71
Final balance	10,651.06	13,989.94	3,134.96	
Accrued Interest	0.00	2.93	-2.93	
Final balance	10,651.06	13,992.87	3,132.03	

Source: CFECapital. Rounded Figures.

Table 1 shows the balance for the Promoted Trust started this period with 5,119.42 million MXN. In the previous table, detail for each month of this period can be seen. Additionally, in the last column the following totals are found to be most relevant: The collection payments accumulate to 19,120.81 million MXN, the withdrawals summed up 7,547.32 million MXN and the distribution was of 13,727.12 million MXN.

2.2 Issuer Trust

Table 2. Account balance Issuer Trust as December 31, 2019
(Million MXN)

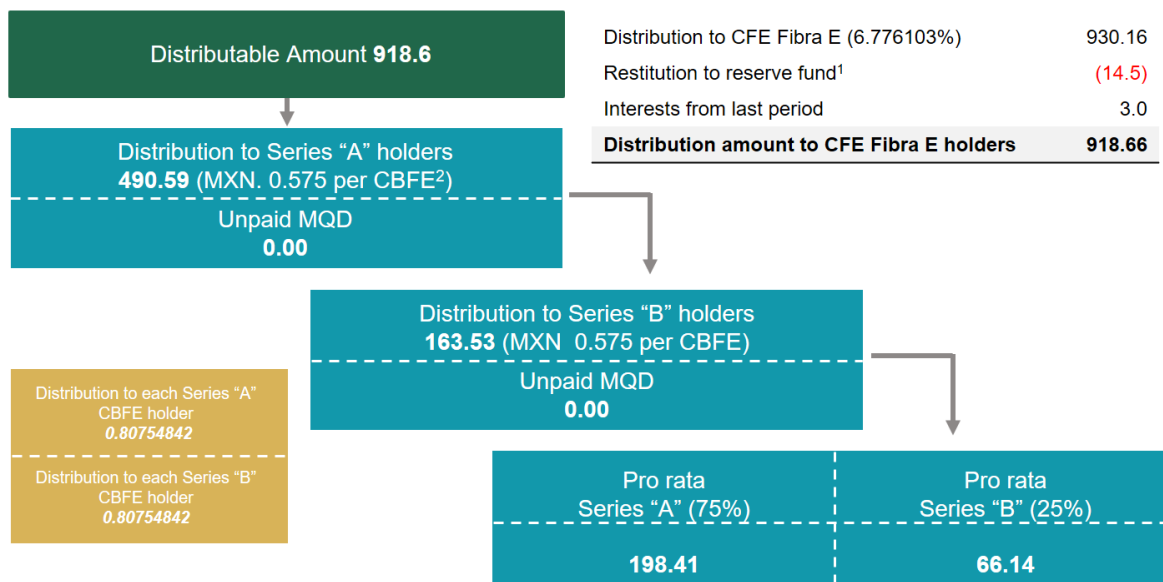
	3Q19	October	November	December	4Q19
Initial Balance		45.45	32.24	33.47	
+ Promoted trust distribution	974.01	-	-	930.16	930.16
- Distribution to holders	956.37	-	-	918.66	918.66
- Trust Expenses	17.89	11.44	0.97	2.51	14.92
Gross balance		34.01	33.28	42.46	
+ Interest	3.00	0.23	0.19	2.74	3.17
Final balance		34.24	33.47	45.20	
Accrued interest	-	-	-	-	
Portfolio value		34.24	33.47	45.2	

Source: CFECapital. Rounded Figures.

The balance for the Issuer Trust, that is shown in Table 2, started this quarter with 45.45 million MXN, and resulted in a balance of 45.20 million MXN at the end of the period. As it can be seen in Table 2, the total amount distributed among the CFE FIBRA E CBFES holders was 918.66 million MXN.

3. CFE FIBRA E distribution 4Q19

Diagram 1. Amount distributed 4Q19
(Million MXN)



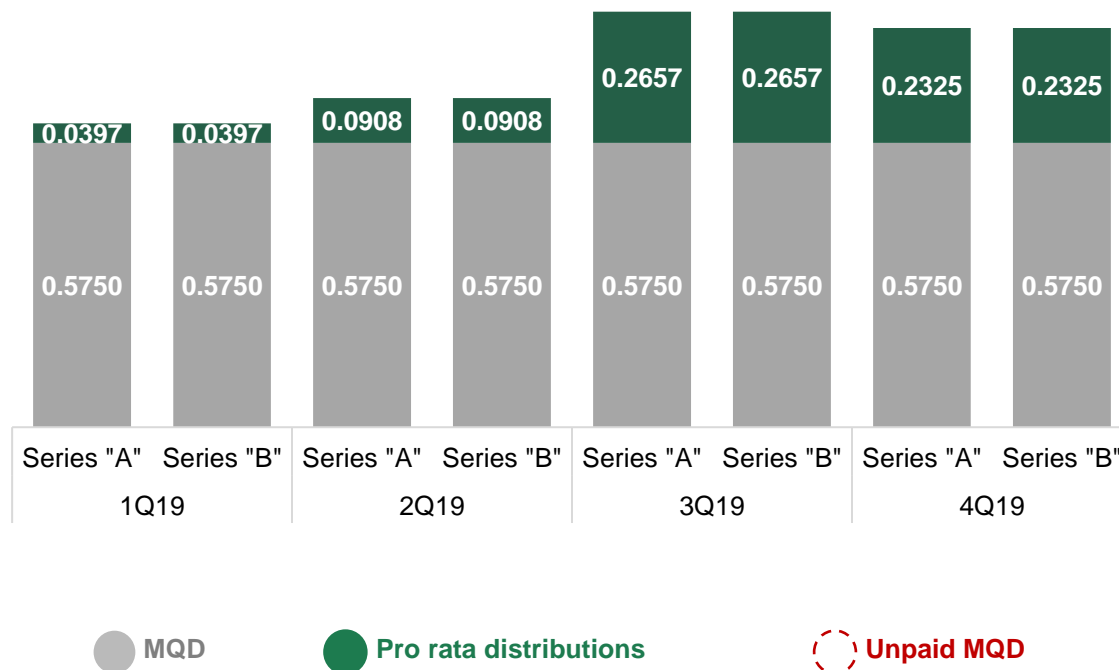
Source: CFECapital. All information includes VAT. Rounded figures.

The amount distributed for 4Q19 comprised 13 weeks of operations, from September 1, 2019, to November 31, 2019.

The distribution from the Promoted Trust was 930.16 million MXN, which after the reimbursement of management expenses of CFECapital and the interests earned from the previous period, resulted in an amount to be distributed, to CBFE (*Certificado Bursátil Fiduciario de Inversión en Energía e Infraestructura*) holders, of 918.66 million MXN.

Diagram 1 shows the distribution process for the 4Q19 as stated in the Offering Memorandum for the CFE FIBRA E. This defines the Series "B" subordination to Series "A", which means that Series "A" has priority of payment for the Minimum Quarterly Distribution (MQD) of 0.575 MXN/CBFE for both series. Since there was not any unpaid MQD, the surplus of 0.23254842 MXN/CBFE was distributed on a pro rata basis for both series. The result was a distribution of 0.80754842 MXN/CBFE for both Series "A" and Series "B".

Chart 1. CFE FIBRA E last 12-month distributions
(MXN per CBFE)

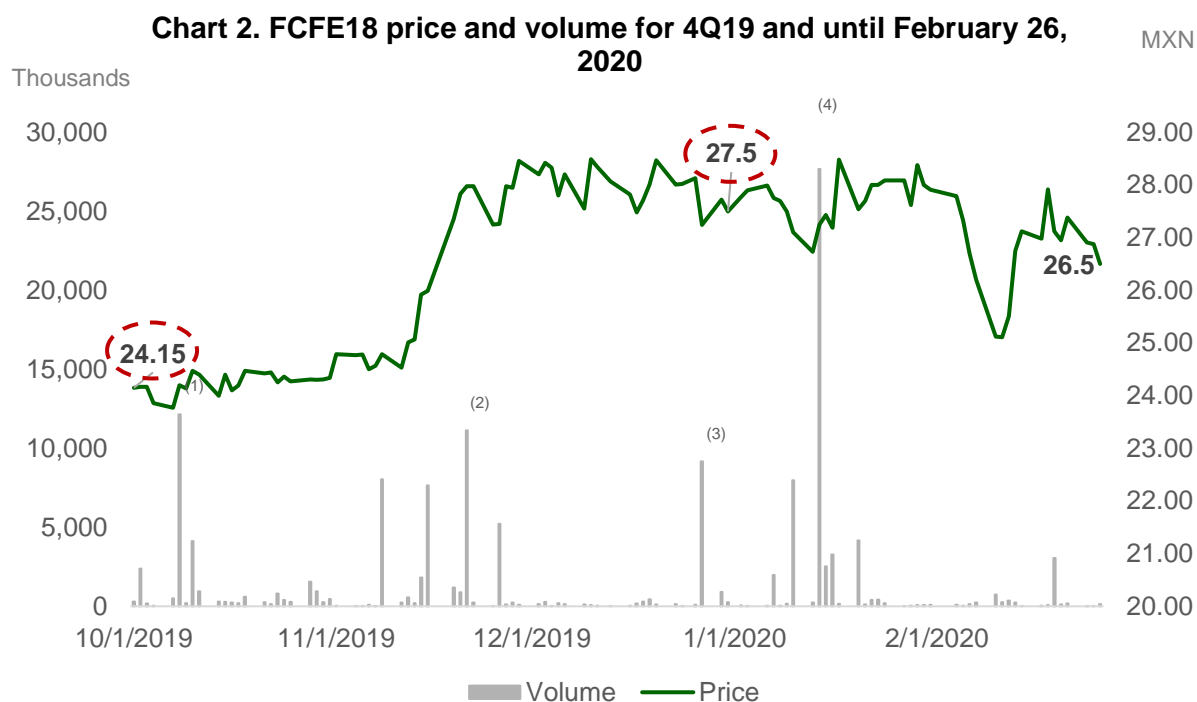


Source: CFECapital. Rounded figures.

Chart 1 shows the last four distributions for CFE FIBRA E. According to the distribution process explained previously in Diagram 1, for the last four periods there was no unpaid MQD. The MQD of 0.5750 MXN/CBFE was covered for both Series "A" and Series "B", and there was also a pro rata distribution. The behavior for the last four quarters can be explained by the seasonality of electricity consumption in Mexico, which can be seen in Chart 9.

As of December 31, 2019 with a close price of 27.50 MXN/CBFE and starting on January 2, 2019 with a close price of 17.00 MXN/CBFE, the last 12-month total return of CFE FIBRA E has been 78.99%, which includes capital gains of 61.76% and a dividend yield of 17.23% considering the last four distributions from CFE FIBRA E to CBFE holders.

4. CFE FIBRA E performance 4Q19



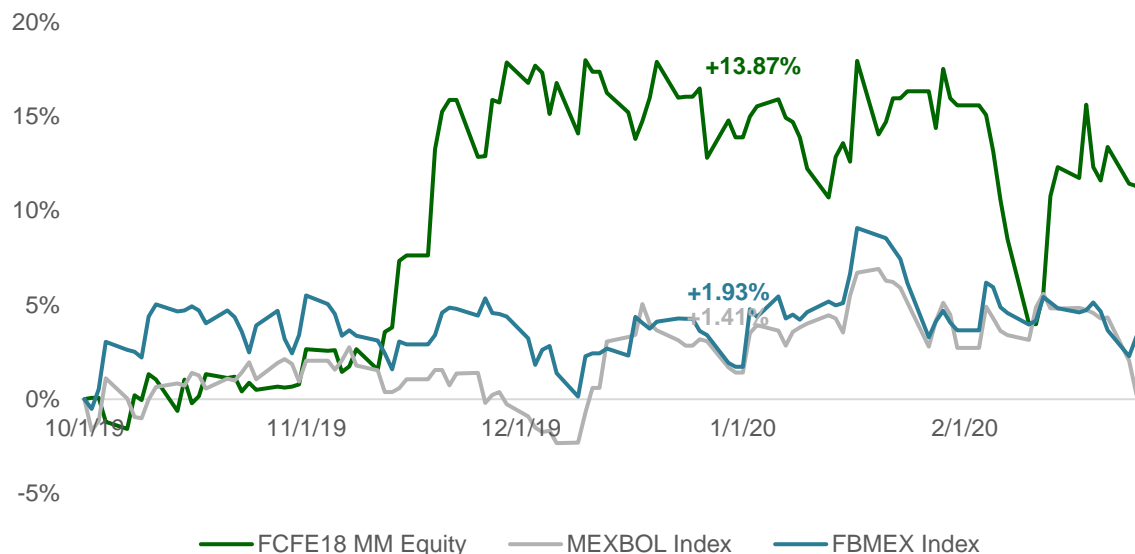
Source: CFECapital with information from Bloomberg. Last Price Update shown in chart: 26.50 MXN February 26, 2020.

Days with more than 1% of total CFBEs traded:

- (1) October 8: 12,148,285 CBFES
- (2) November 21: 11,131,202 CBFES
- (3) December 27: 9,176,221 CBFES
- (4) January 14: 27,683,039 CBFES

Chart 2 compares the price and volume for the CFE FIBRA E from October 1st, 2019 up to February 26, 2020. During 4Q19, the instrument rose from 24.15 MXN/CBFE to 27.50 MXN/CBFE, resulting in a 13.87% return in capital gains. It is worth mentioning that the highest close price, since the IPO, was registered during this quarter at 28.49 MXN/CBFE on December 10, 2019.

The instruments' trades exceeded 1% of the total number of CBFES in Series "A" in the previous dates listed, such events are considered relevant and CFECapital is mandated to inform investors. The documents can be found in either the Mexican Stock Exchange (BMV in Spanish) or CFECapital website.

Chart 3. FCFE18 and comparable Indexes 4Q19

Source: CFECapital with information from Bloomberg. Last Update: February 26, 2020.

Chart 3 shows the comparable growth for the CFE FIBRA E (FCFE18 MM Equity) against indexes such as the MEXBOL Index (which includes the 35 most liquid companies in the Mexican Stock Exchange) and the FBME X Index (reflects the behavior of the Real Estate Investment Trusts in Mexico).

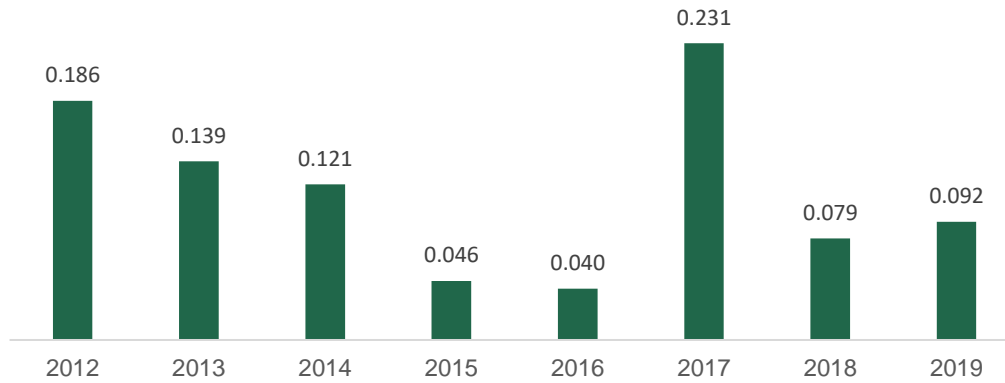
During 4Q19, FCFE18 MM Equity showed a 13.87% growth, in which the start price was 24.15 MXN/CBFE and the final price was 27.50 MXN/CBFE. The MEXBOL Index grew 1.41%, in which the start price was 42,937.16 MXN and the final price was 43,541.02 MXN. Finally, the FBME X Index start price, at the beginning of this quarter, was 241.89 MXN and the final price was 246.04 MXN, resulting in an 1.93% growth.

From October 1st, 2019 until February 26, 2020 FCFE18 MM Equity, MEXBOL Index and FBME X Index had a loss in price. CFE FIBRA E keeps showing a positive return and we are confident it will soon return to grow.

Given to the current situation in the Mexican Economy and Stock Market, a series of policy decisions resulted in lower investment and diminished business confidence, along with uncertainty surrounding the world economy and a recent worldwide outbreak of COVID-19. Given the previous information the MEXBOL Index and FBME X Index behaviors were to be expected. While FCFE18 MM Equity showed to be a solid instrument with exceptional growth for 4Q19 but diminished its growth because of the fear surrounding the COVID-19. CFECapital is confident that this situation will soon pass and CFE FIBRA E will continue to prove to be a solid instrument for investors.

5. Operating results of the transmission sector

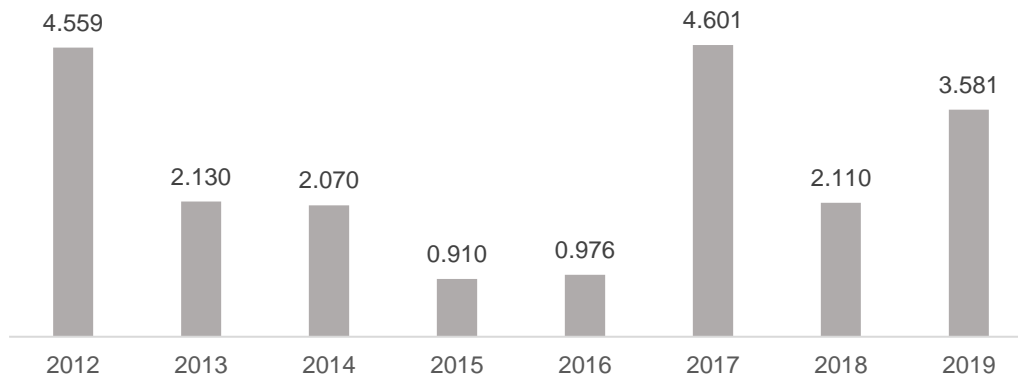
Chart 4. System Average Interruption Frequency Index
(interruptions)



Source: CFECapital with information from CFE Transmisión.

Chart 4 shows the index that corresponds to the average number of service interruptions due to failure in the National Transmission Grid (RNT) for a final user.

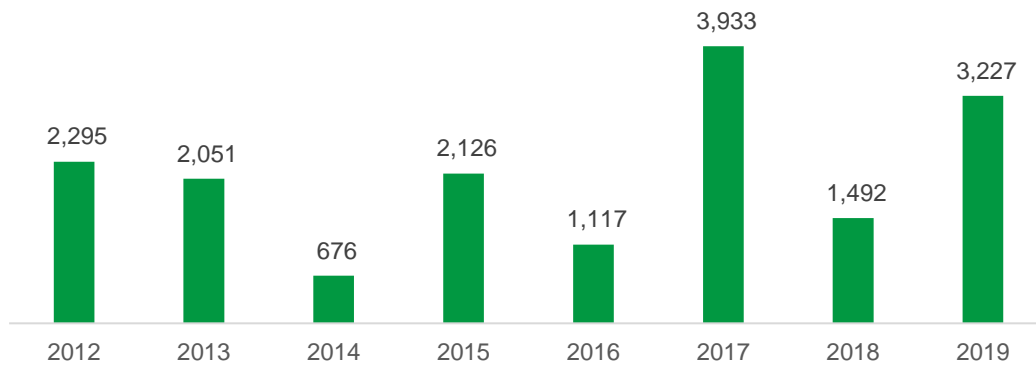
Chart 5. System Average Interruption Duration Index
(minutes)



Source: CFECapital with information from CFE Transmisión.

The index in Chart 5 shows the average interruption duration in minutes of electricity supply to a final user.

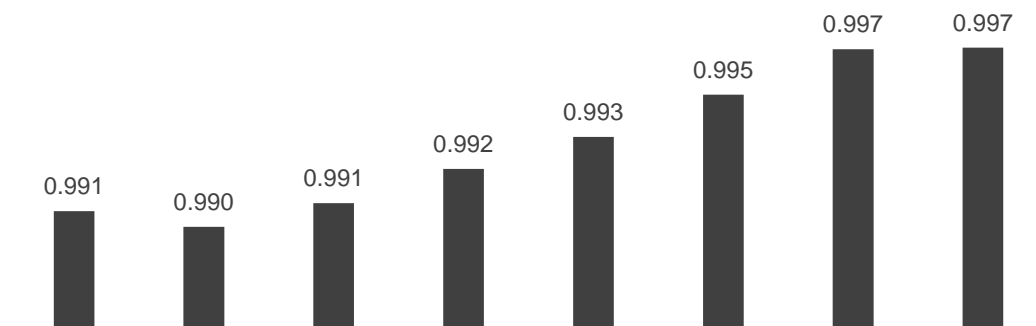
Chart 6. Energy not delivered
(MWh)



Source: CFECapital with information from CFE Transmisión.

The index in Chart 6 shows the energy not supplied to users due to interruptions for periods longer than five minutes that occurs because of failures in the RNT. The units of measurement are megawatt-hour, or one thousand kilowatt-hours.

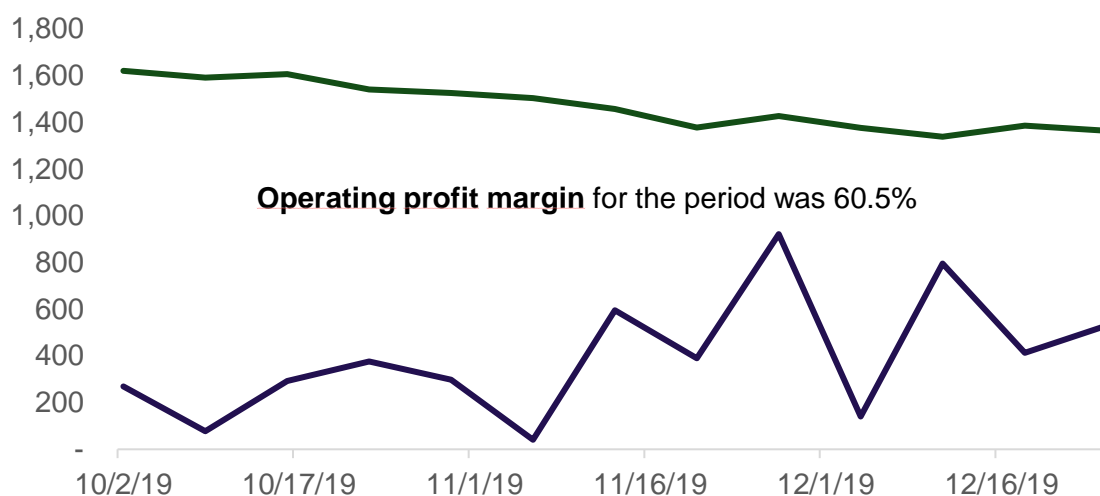
Chart 7. Transmission System Availability Index
(percentage)



Source: CFECapital with information from CFE Transmisión.

The index in Chart 7 shows the energy not supplied to users due to interruptions for periods longer than five minutes that occur because of failures in the RNT.

Chart 8. Collection rights and reimbursements to CFE Transmisión 4Q19
(Million MXN)



Source: CFE Transmisión and CFECapital. Last update: December 31, 2019

Chart 8 explains the collection rights and reimbursements to CFE Transmisión during the distribution period. On average, **weekly collection rights** from October to December were 1,470.83 million MXN. During the same period, **average weekly reimbursements** were 580.96 million MXN, resulting in an **operating profit margin** for the period of 60.5%, which is calculated as profit once reimbursements have been subtracted from the collection rights.

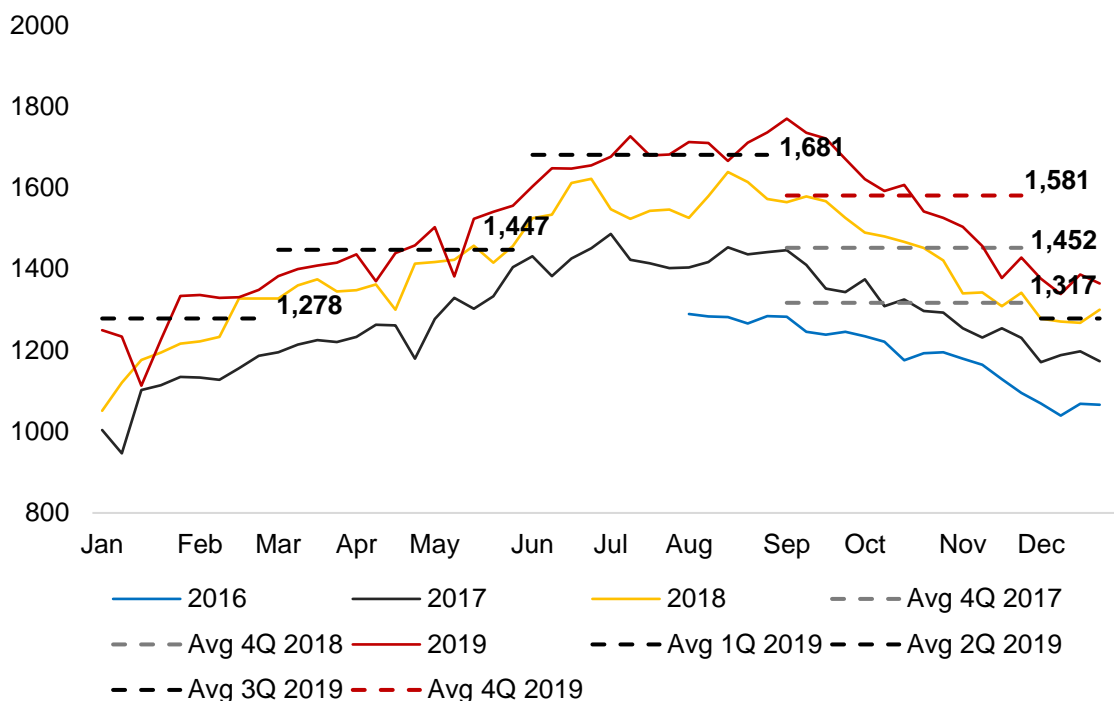
Table 3. Reimbursements made up to the end of 4Q19 vs Budget approved
(Million MXN)

Category	2019	4Q19	% Against budget
Intercompany expenses	7,769	6,699	86%
Operation and maintenance	7,126	6,778	95%
Obligations expenses	3,471	2,969	86%
Major maintenance	2,027	1,471	73%
Trust expenses	17	0	0%
Financing Costs	0	0	0%
Total	20,410	17,917	88%

Source: CFE Transmisión and CFECapital. Rounded Figures.

Table 3 compares the reimbursements made up to the end of 2019 against the approved Budget of 20,410 million MXN. The equivalent of 87.7854% was exercised, with total savings representing 12.2146%, equivalent to 2,493 million MXN.

Chart 9. Weekly revenues of the Promoted Trust
(Million MXN)

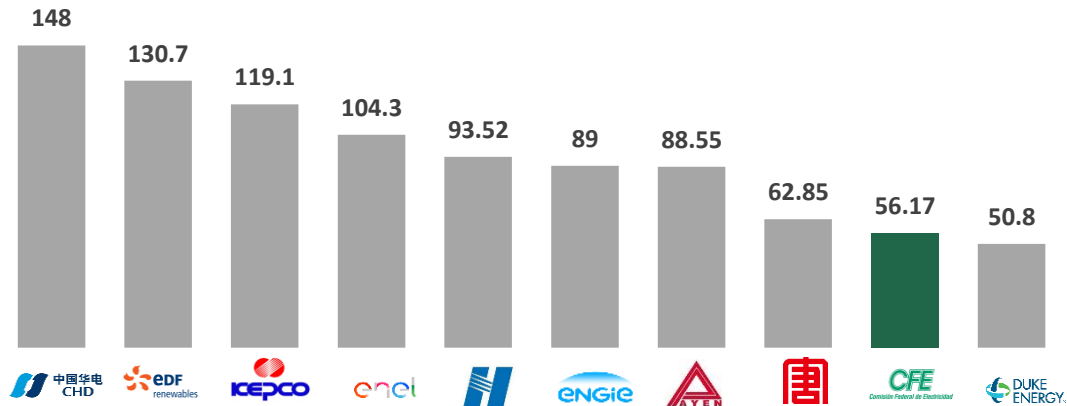


Source: CFE Capital and Promoted Trust statement of account.
 Note: Distribution 2Q19: March 1 to May 31; 3Q19 Distribution: June 1 to August 31; Distribution 4Q19: September 1 to November 30; Comparatives for 4Q17 and 4Q18 considers equivalent periods. Rounded Figures. Last Update: December 31, 2019.

In the distribution period 4Q19, the power market behaved according to the seasonality of electricity consumption, which can be found on Chart 9. The seasonality of electricity tends to grow during the summer, and the fourth quarter follows the end of summer, therefore the electricity consumption decreases. Given this information, **the weekly revenue decreased 5.96% compared to 3Q19 and increased 8.86% compared to 4Q18**, which shows that the power market keeps growing at a sustainable rate.

6. CFE FIBRA E growth environment

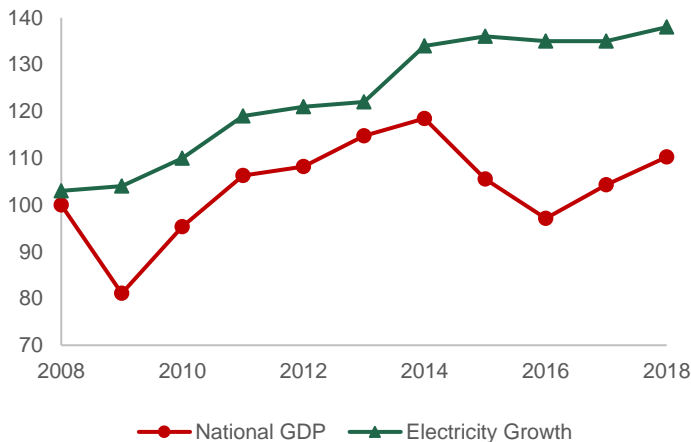
Chart 10. Largest power companies by installed capacity in the world (GW, 2019)



Source: CFECapital with information from Bloomberg and CFE.

As shown in Chart 10, the CFE is a relevant player in the global landscape of power companies in terms of installed capacity. The energy sector in Mexico is growing. Gross power consumption is expected to grow at an annual average rate of 3% for the base planned scenario through 2033 according to PRODESEN 2019-2033 (National Electric System Development Program).

Chart 11. National GDP and electricity industry growth index (2008-2018)



In Chart 11, it can be observed that the Mexican electricity industry has been growing at a higher rate than the Mexican GDP, in average from 2009 to 2018, the electricity demand and the GDP had an average growth of 3% and 2.2%, respectively.

It is expected that this trend will continue according to the forecast made in PRODESEN 2019 – 2033.

¹Electric industry includes generation, transmission and distribution.
Source: CFECapital with data from the World Bank and International Energy Agency and PRODESEN 2019-2033.

According to PRODESEN 2019-2033, specifically in the transmission sector, the growth opportunities are focused on satisfying the following needs:

1. Satisfy the demand supply of electricity.
2. Preserve and improve the confidence in the SEN (National Electric System) reliability.
3. Reduce the supply costs of electricity.
4. Contribute to the achievement of clean energy production goals.
5. Operate with energy efficiency, minimizing congestion in the transmission grid and the energy losses.
6. Incorporate Smart Grid technologies.

24 projects enlisted in the Development Program of the National Electric System 2019 - 2033, 18 projects are for the expansion of the RNT and 6 are projects for the modernization and maintenance of the RNT.

Table 4 reads the modernization projects. The process of modernization of the National Transmission Grid (RNT) and the General Distribution Grid (RGD) is realized by the transmission and the distributor in coordination with the CENACE.

Modernization is defined as every substitution of any existing equipment or elements motivated by the end of its useful life, incapacity to adjust to new technologies or to comply with minimum requirements or an upgrade in specifications of installations surrounding such equipment or element. The process of identification starts with an evaluation of the situation of the equipment and the elements that shape the respective grid in order to identify the needs and estimate the amount for the investment.

Table 4. Identified projects for the National Grid modernization in PRODESEN 2019-2033

Modernization Project	Regional Control Management CFE	Necessary Date	Doable Date
Substitution of power transformers in Poza Rica electrical substation	Eastern	December-18	December-22
Modernization of three control panels to incorporate switches	North	April-19	December-20
Replacement of equipment with low short circuit capacity (KA) (in Juarez and Torreon areas)	North	January-19	December-21
Bar arrangement modernization in 230kV of the Technological electrical	Baja California	January-19	April-21
Modernization of transmission links required to increase capacity of transmission lines limited by serial	Multiple	Multiple	Multiple
Modernization of the electricity network associated with Humeros	Eastern	June-22	June-22

Source: PRODESEN 2019-2033, Program of expansion and modernization of the RNT and RGD of the MEM.

PRODESEN 2019-2033 explains how the expansion projects are identified, such process is briefly explained as follows:

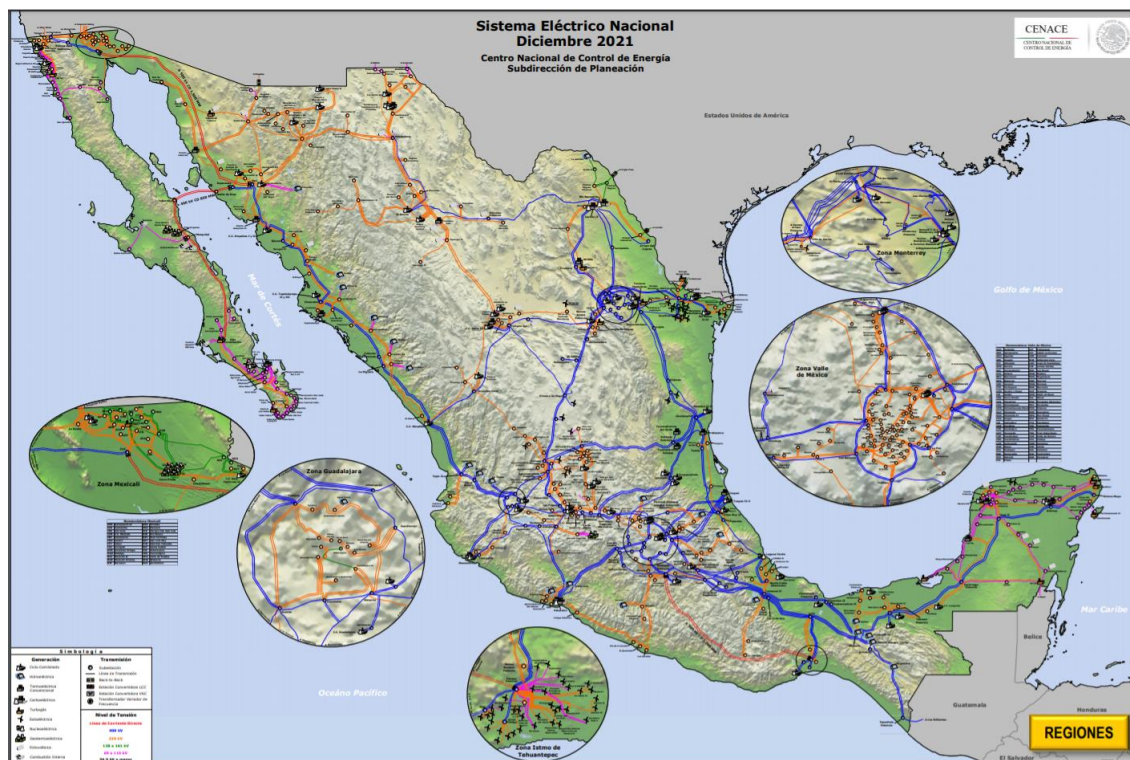
1. The process of expansion starts with an operational study from the previous year, identifying the problems in every Regional Control Management. Before these cases are studied singularly, simulations are created considering seasonal scenarios, expected conditions and operational restrictions in order to visualize the systematic implications of the problems identified.
2. Such cases are then studied for the short, medium and long term, then they are integrated in the simulations to study the power flow, optimal flows and voltage stability with the purpose of evaluating the behavior of the grid in different scenarios.
3. Finally, alternatives are defined with their economic valuation that allows to quantify its benefits for the grid in terms of aggregated value for society and financial profitability.

Table 5. Identified projects for the National Grid expansion in PRODESEN 2019-2033

Regional Control Management	Expansion Project	Necessary Date
Peninsular	Increase in the transmission capacity in order to attend the needs from the Riviera Maya and Cancun zones	April-20
Western	Dynamic reactive power compensation in the Bajío	April-25
Central, Western, Northeast	Increase in the transmission capacity of the northeastern region to the central region	April-25
Eastern and Peninsular	Interconnection Southeast - Peninsular	April-22
Northeast	Reduction in the level of short circuit of the electricity network of the Metropolitan area of Monterrey	April-21
Northwest	Solution to Northwest underground cable transmission	April-19
Northwest	Culiacan Poniente junction Choacahui – La Higuera (A3N40)	April-20
Northwest	Derramadero junction Ramos Arizpe Potencia - Salero	April-19
Northeast	San Jeronimo Power Bank 2	April-23
Baja California	Tijuana I Power Bank 4	April-23
North	Terranova Power Bank 2	April-23
Western	San Jose Iturbide Power Bank 4	April-23
Eastern	Energy supply for Huatulco and Costa Chica regions	June-19
Western	Increase in the transmission capacity for Las Delicias - Querétaro	April-23
Northeast	Extension of the 115 kV grid of the Tecnológico-Lajas corridor	April-18
Northwest	El Mayo junction Navojoa Industrial - El Carrizo	April-20
Eastern	Puebla Dos Mil junction Puebla II 73890 Guadalupe Analco	June-19
Northwest	Viñedos MVar	April-20

Source: PRODESEN 2019-2033, Program of expansion and modernization of the RNT and RGD of the MEM.

Figure 1. National Electric System encompasses the National Transmission Grid (RNT) and the General Distribution Grid (RGD).



Source: CENACE.

According to the Illustrative Program for the Installation and Removal of Electric Substations (PIIRCE – PRODESEN 2019-2033), the goal is to promote the installation of enough resources to satisfy the demand of the SEN (showed in Figure 1) and accomplish the goals of clean energy generation. The illustrative programs and relevant aspects will be included in the PRODESEN. To define the PIIRCE projects, an exhaustive revision was made for the generation projects of the multiple participants from the sector, in order to determine priority of those projects which are most feasible.

In the PIIRCE – PRODESEN 2019-2033 no removals are considered. With the goal to restore the development of the Electric Substations in *CFE Generación*, the program considers the implementation of combined cycle substations, geothermal substations and efficient cogeneration. It also considers the rehabilitation and modernization of some hydroelectric substations that are currently operating, as well as renewal of equipment in other installations in the existing hydraulic substations.

Table 6 reads *CFE Generación (I, II, III, IV, V and VI)* identified projects, it differentiates the projects by status, the ones that are about to start operations and those that still are in the bidding process.

Table 6. CFE Generación identified projects in PRODESEN 2019-2033

Project Status	Technology	Project	Capacity (MW)
Start of operations	Combined Cycle	North III	907
	Combined Cycle	CCC Center	642
	Cogeneration	Tula Cogeneration	320
	Combined Cycle	CC Topolobampo III	765
	Combined Cycle	CCC EVM II	850
	Combined Cycle	CC Tierra Mojada	874
Bidding process	Combined Cycle	Salamanca	757
	Combined Cycle	San Luis Potosí	740
	Isolated diesel unit	Baja California Sur	42
	Combined Cycle	Lerdo	911
	Combined Cycle	San Luis Río Colorado	450
	Combined Cycle	Mérida Expansion	500

Source: PRODESEN 2019-2023

Table 7 reads the possible scenarios for the Regional Control Management (RCM) systems, the scenarios consider a high, planned and low forecast for the integrated maximum demand for the National Electric System (SEN). For those three scenarios, expected growth is shown for each region of the SEN.

Table 7. Scenarios for possible integrated demand 2019 – 2033

System / RCM*	AAGR** (%)		
	High	Planned	Low
SIN	3.6	3.1	2.8
Central	2.9	2.4	2.2
Oriental	3.4	3.3	2.5
Occidental	4.2	3.5	3.3
Noroeste	3.9	3.4	3.2
Norte	3.7	3.1	2.9
Noreste	3.7	3	2.8
Peninsular	4.1	3.4	3.2
Baja California	4	3.2	3
Baja California Sur	3.7	3	2.7
Mulegé	4.3	3.9	3.4

*RCM (Regional Control Management)

**AAGR (Average Annual Growth Rate)

Source: PRODESEN 2019-2023.

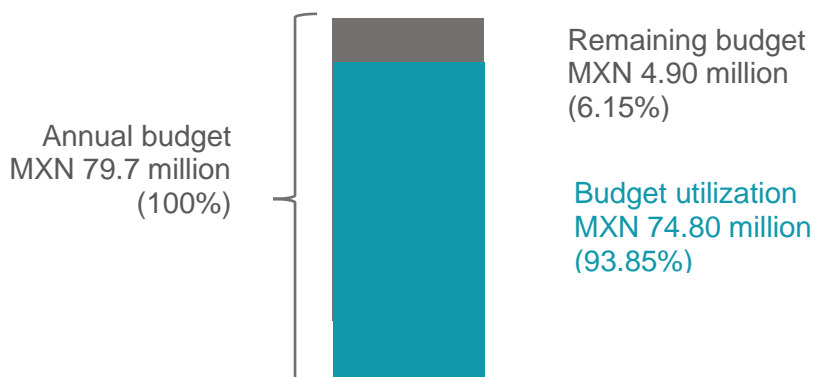
7. Issuer Trust administration and expenses

Table 8. Maintenance expenses
(Million MXN)

	3Q19	October	November	December	4Q19	Cumulative 2019
Administration fee	15.18	10.72	-	-	10.72	74.80
Fiduciary and common representative fees	0.04	-	-	-	-	0.62
Technical independent members fees	0.68	0.12	0.07	0.32	0.51	2.37
External audit fees, accounting services, fiscal advisers and any other professional services	1.05	0.4	0.84	2.15	3.39	5.74
Specialists advisory fees for the trust committees and shareholders meeting	0.48	-	-	-	-	0.48
Insurance	-	-	-	-	-	3.36
External audit fees tax	0.34	0.20	0.06	0.04	0.30	1.32
Other expenses	0.12	-	-	-	-	1.36
Total	17.89	11.44	0.97	2.51	14.92	90.05

Source: CFE Capital.

Diagram 2. Administration fee annual budget vs utilization



Source: CFE Capital.

Table 8 shows the detail of CFECapital expenditures, the highest expense for CFECapital is the Administration fee. This periods' administration fee was 10.72 million MXN, resulting in a cumulative amount of 74.80 million MXN for 2019, which is integrated from the use of the budget for MXN 68.43 million, plus the commission for administration accumulated to 4Q19 for MXN 6.37 million, it corresponds to 93.85% of the approved annual budget of 79.7 million MXN and it's represented on Diagram 2.



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