



Earnings Release 2Q20

CFE FIBRA E





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Dear Investors,

It is an honor for me to address you on behalf of the CFECapital team (CFECapital, S. de R.L. de C.V.) in our character as Trustee and Administrator duly constituted and validly existing in accordance with the laws of Mexico, to present the Second Quarterly Report of 2020 of the CFE FIBRA E (Irrevocable Trust Number CIB/2919). I then report on the company's vision of the most relevant events in the electricity sector during this time period, and its impact on the FIBRA E of the Federal Electricity Commission (CFE).

The second quarter of the current year, corresponding to the months of April, May and June, coincided with the highest period of confinement resulting from the pandemic caused by SARS-CoV-2 virus (COVID-19); however, the electric transmission service remained operating smoothly. Related to the above, on May 15, the Ministry of Energy published in the DOF¹, the Policy of Reliability, Safety, Continuity and Quality in the National Electric System, in order to avoid interruptions in the National Transmission Grid and ensure the supply of electricity to all regions of the country, which is essential under a context of health emergency. Additionally, in the Ordinary Session of the Board of Directors of CFE number 28, the Secretary of energy -Rocío Nahle- affirmed that the security of the National Electric System will be guaranteed by CFE, strengthening the company as a fundamental agent for the energy sector.

In the macroeconomic context, on June 25 of this year, the Bank of Mexico announced a 50-basis point reduction in its benchmark rate, to place it at 5%. Globally, volatility in the financial markets remains present due to the uncertainty that the health emergency still generates. However, in this quarter CFE FIBRA E has shown a positive cumulative return of 23.60% in the price of Certificates (CBFE), going from 19.85 MXN on April 1, to 24.51 MXN on June 30. It is relevant to mention the volume of operation exchanged intraday, exceeding 1% of the total CBFE Series "A" ¹ took place on 22 of June, with a traded volume of 1.7475%.

The distribution corresponding to 2Q2020 covered a total of 13 weeks of operation, was announced on June 19, and carried out on June 30, 2020. The Technical Committee of the Issuing Trust approved an amount to be distributed of 794,524,148 MXN for the holders of the CBFE of both Series (Series "A" and Series "B"), equivalent to MXN 0.6984 per certificate. This amount includes the Minimum Quarterly Distribution¹ and a pro rata amount of MXN 0.1234 per CBFE for both Series. The fiscal result corresponded to MXN 0.4378 /CBFE, while the capital repayment was MXN 0.2605/CBFE.

The second distribution of the year showed an increase compared to the previous quarter of 10.18% and compared to the equivalent period of the previous year, it presented an increase of 4.9%, this, in the middle of the global situation, shows the strengths of the fundamentals.

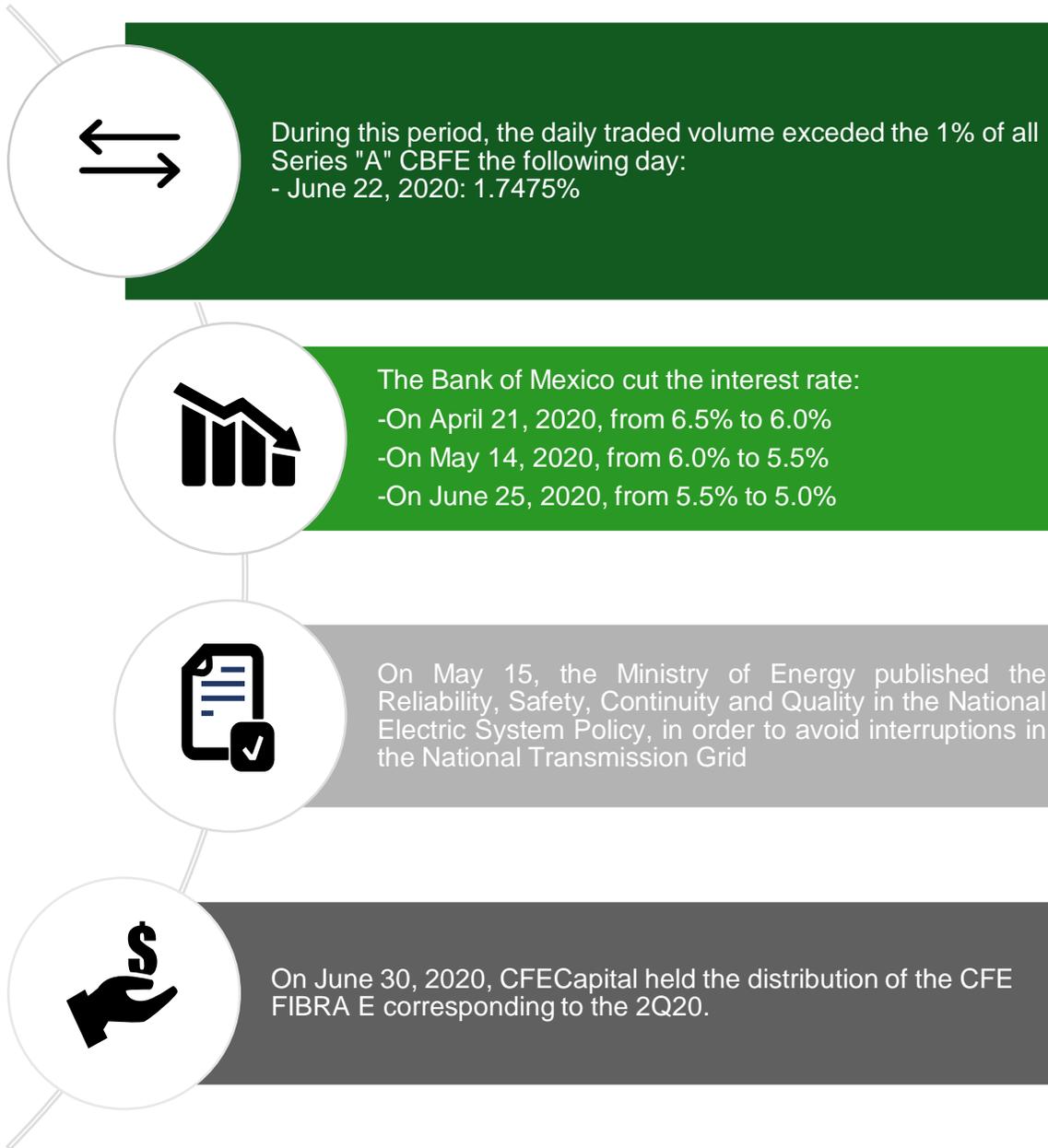
This report includes the criteria for compliance with the tax regulations of the investment regime, the tax treatment of distributions, information on account statements, investment indicators and reimbursements for the maintenance and operation of the National Transmission Network.

To conclude, I comment that CFECapital team works together with CFE with the aim of advising, and contributing the team's knowledge to projects that generate added value for the company. I am confident that this collaboration will generate positive externalities for CFECapital and CFE FIBRA E. We continue to work to present, promote and explain the advantages of financing infrastructure project through alternative capital instruments, such as CFE FIBRA E.

Sincerely,

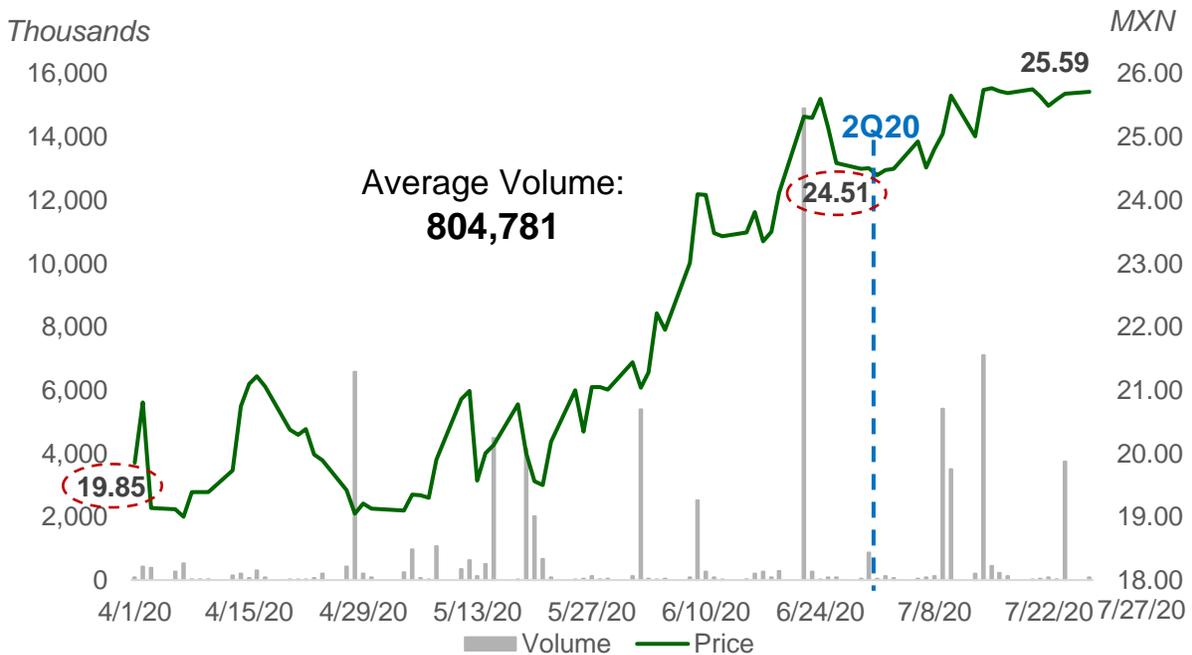
José Arturo Cerón Vargas
CFECapital CEO

1. Relevant events for CFE FIBRA E during the 2Q20



2. CFE FIBRA E performance 2Q20

Chart 1. FCFE18 Price and volume for 2Q20



Note: **2Q20** Weighted Average Price: **\$21.93 MXN**

Source: CFECapital with information from Bloomberg.

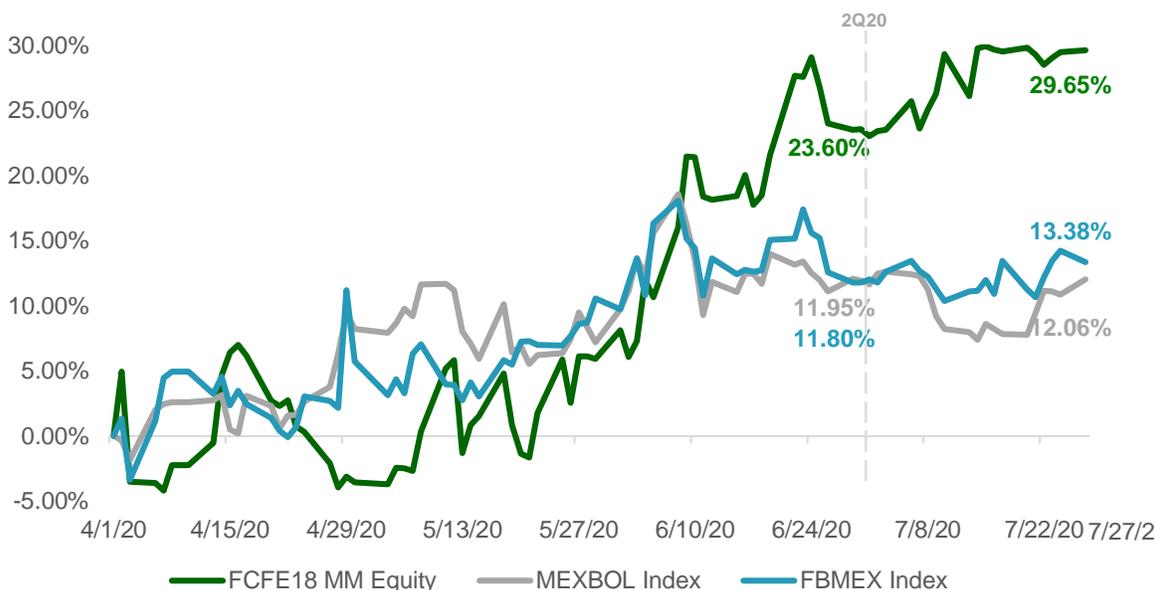
Days with more than 1% of total CFBEs traded:

(1) June 22: 14,909,764 CFBEs

Chart 1 compares the price and volume for the CFE FIBRA E from April 1st, 2020 up to July 27th, 2020. During 2Q20 the weighted average price of the instrument was of 21.93 MXN and had an end of quarter price higher than the previous quarter, showing the strength of the instrument, and resisting the effects of the world economic crises due to the pandemic by COVID-19. The price has been consistently increasing and it is expected to continue this trend for following quarters. The highest close price during 2Q20 was 25.60 on June 26, 2020.

The instruments' trades exceeded 1% on June 22nd, 2020, such event is considered relevant and CFECapital is mandated to inform investors. The document can be found in either the [Mexican Stock Exchange \(BMV\)](#) or [CFECapital website](#)

Chart 2. FCFE18 and comparable Indexes 2Q20



Source: CFE Capital with information from Bloomberg.

Chart 2 shows the comparable growth for the CFE FIBRA E (FCFE18 MM Equity) against indexes such as the MEXBOL Index (includes the 35 most liquid companies in the Mexican Stock Exchange) and the FBMEIX Index (reflects the behavior of the 10 main Real Estate Investment Trusts in Mexico).

During 2Q20, FCFE18 MM Equity showed an important increase of 23.60% after the 1Q20 drop due to uncertainty on markets, mainly provoked by the confinement caused by the pandemic COVID-19. The MEXBOL Index also had better performance, with a 11.80% increase, in which the start price was 33,691.88 MXN and the final price was 37,716.43 MXN. Finally, the FBMEIX Index the start price was 177.14, the final price was 198.04 MXN, resulting in an 27.07% decrease.

As said before, due to the strong fundamentals, resilience, and defensive behavior of the transmission sector, the performance of FCFE18 has been remarkably higher than the MEXBOL Index and the FBMEIX Index. The performance of FIBRA E reaffirms the premise of the instrument: a slightly vulnerable vehicle, capable of overcoming any adversity.

Chart 3. FCFE18 and comparable REITs 2Q20

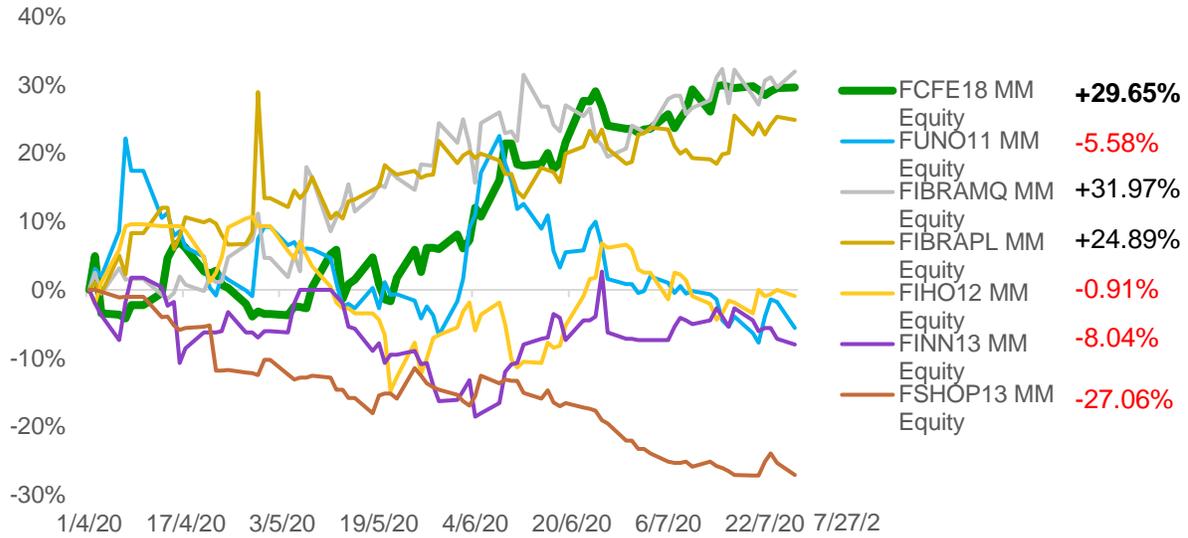
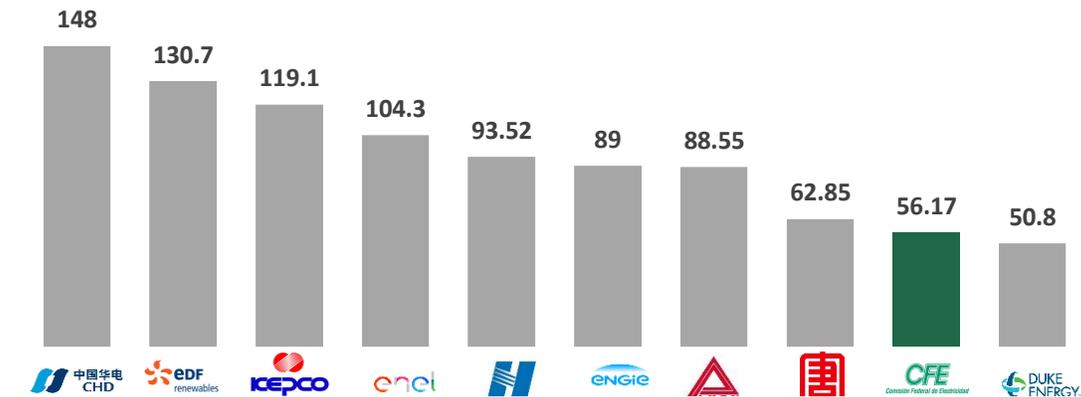


Chart 3 shows comparable growth for the CFE FIBRA E (FCFE18 MM Equity) against Real Estate Investment Trusts (REITs) such as: Fibra Uno, Fibra Macquarie, Fibra Prologis, Fibra Hotel, Fibra Inn, and Fibra Shop.

FIBRAS are one of the instruments with greatest stability on the market and have been resistant in comparison with other productive sectors as a result of the health contingency that has had adverse effects along all productive sectors in Mexico. Taking into account three main keys: i) the structure and advantages of financial instruments such as FIBRAS, ii) the resilient behavior of the electricity transmission sector and iii) the low rate performance of the risk free in the country; equity instruments, such as FCFE18, present an investment alternative for investors seeking attractive and stable returns.

It is important to highlight that FCFE18 between all the comparable, is the most stable and has had an important rebound

Chart 4. Largest power companies by installed capacity in the world (GW, 2019)



Source: CFE Capital with information from Bloomberg and CFE.

As showed in Chart 4, 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 5. CFE FIBRA E analyst coverage

Analyst	Target Price	Rating	Last Update
 Santander	30.14	Hold	03/25/20
 BBVA	27.70	Outperform	06/30/20
 BARCLAYS	19.00	Underweight	05/19/20
 monex	33.00	Buy	01/21/20
EVERCORE	19.00	Outperform	06/21/19
Morgan Stanley	24.00	Equalweight	07/28/20
 BANORTE	26.50	Buy	07/29/20
 BTGPactual	30.50	Buy	07/29/20

Source: CFECapital with information from Bloomberg.

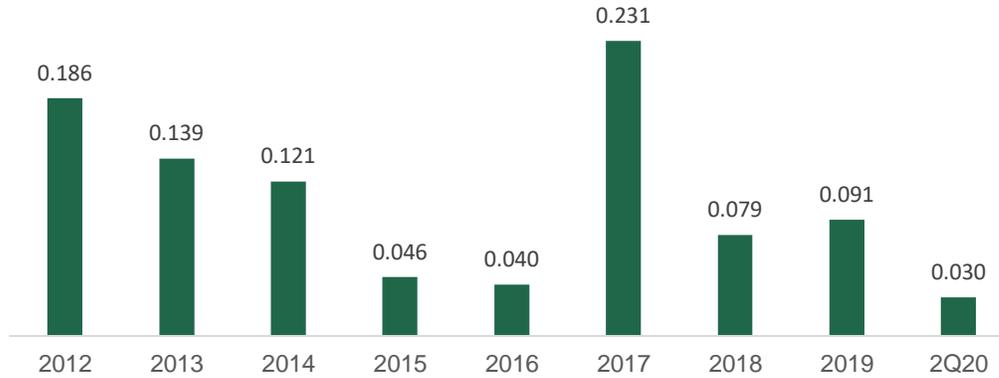
In Chart 5 it is displayed the analyst recommendations of the instrument. Banorte -with José Espitia and Eridani Ruibal- and BTGPactual –with Álvaro García- recently incorporated to give coverage to FCFE18. In average, the target price is 26.23 MXN/CBFE.

According to their analysis, they mainly recognize the resilience of the fundamentals despite the difficult environment caused by the sanitary contingency, the soundness of the distributions and the historical high dividend yield.

They are optimistic about the future of FIBRA E and the CFECapital Investor Relations Management is in constant communication with them to clear any doubt about the instrument.

3. Operating results of the transmission sector

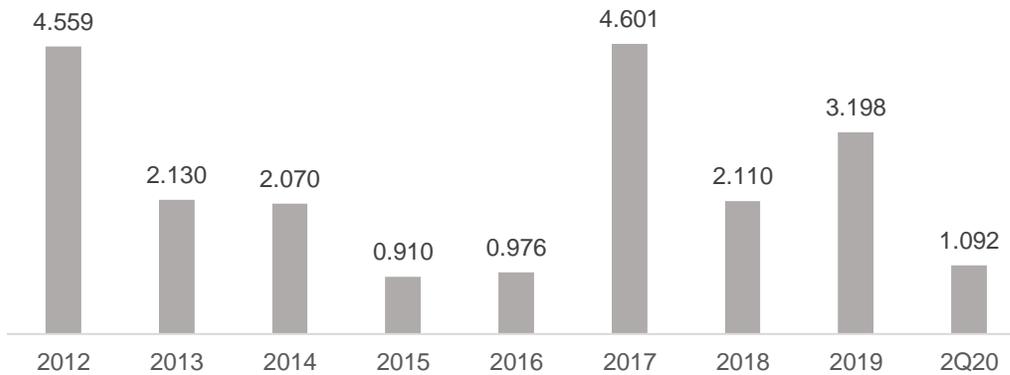
Chart 6. System Average Interruption Frequency Index
(interruptions)



Source: CFECapital with information from CFE Transmisión.

Chart 6 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.

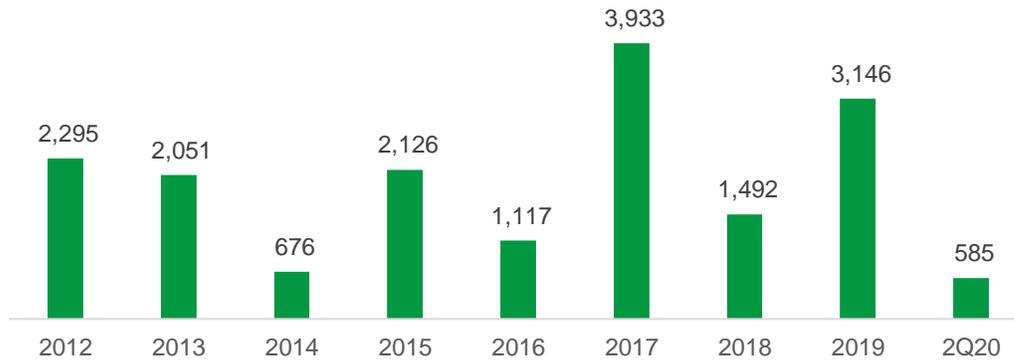
Chart 7. System Average Interruption Duration Index
(minutes)



Source: CFECapital with information from CFE Transmisión.

The index in Chart 7 shows the average interruption duration in minutes of electricity supply to a final user.

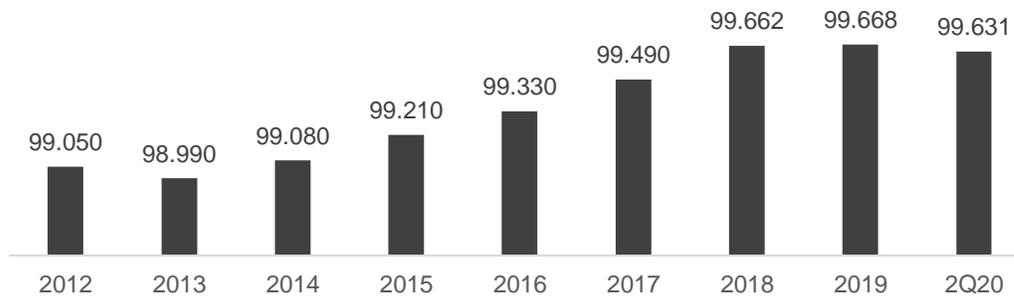
Chart 8. Energy not delivered
(MWh)



Source: CFECapital with information from CFE Transmisión.

The index in Chart 8 shows the energy not supplied to users due to interruptions for periods longer than five minutes that occur because of failures in the RNT. The units of measurement are megawatt-hour, or one thousand kilowatt-hours.

Chart 9. Transmission System Availability Index
(percentage)

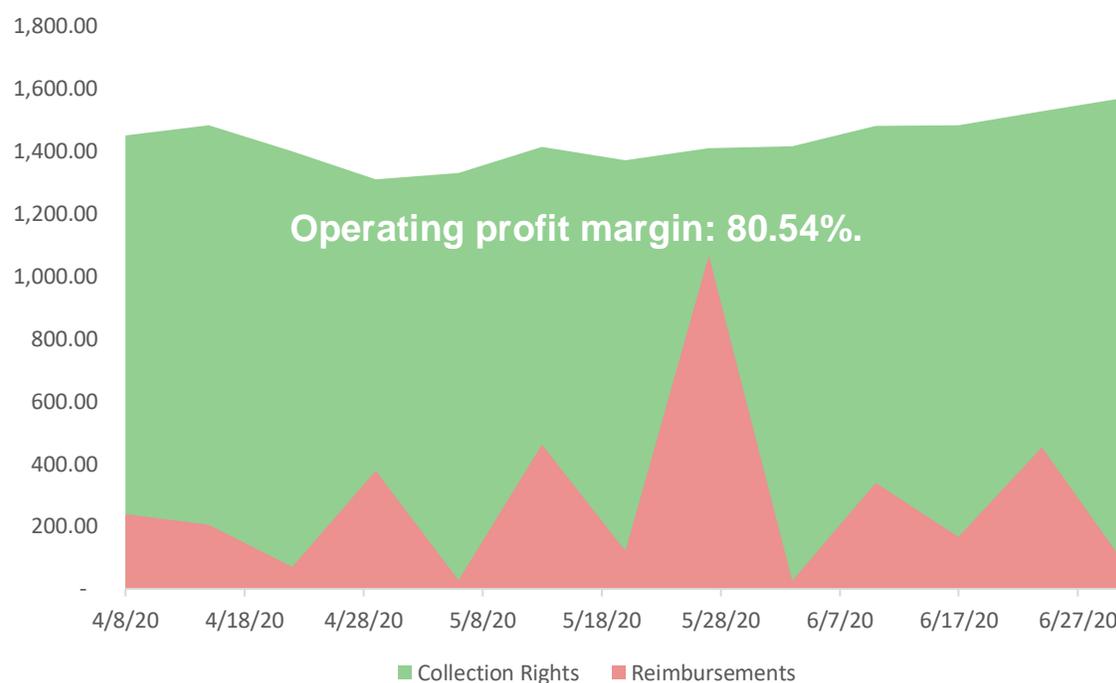


Source: CFECapital with information from CFE Transmisión.

The index in Chart 9 shows the energy not supplied to users due to interruptions for periods longer than five minutes that occur because of failures in the RNT.

These indicators show a good performance due to the efficient operation of the National Transmission Grid, that is, these positive results are independent of external factors.

Chart 10. Collection rights and reimbursements to CFE Transmisión 2Q20
(Million MXN)



Source: CFE Transmisión and CFECapital.

Chart 10 explains the collection rights and reimbursements to CFE Transmisión during 2Q20. On average, **weekly collection rights** from April 1st to June 30th, were 1,434.84 million MXN. During the same period, **average weekly reimbursements** were 297.24 million MXN, resulting in an **operating profit margin** for the period of 80.54%, which is calculated as profit once reimbursements have been subtracted from the collection rights.

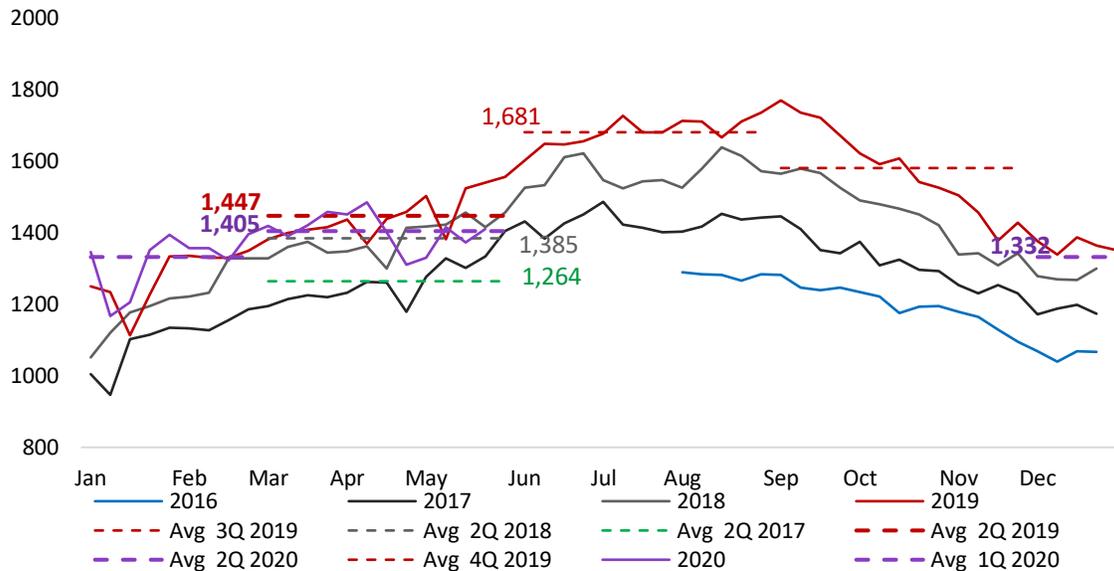
Table 1. Reimbursements made up to the end of 2Q20 vs Budget approved
(Million MXN)

Category	2020	2Q20	% Budget Utilization
Intercompany expenses	8,003.66	2,196.88	27.45%
Operation and maintenance	7,276.92	3,345.03	45.97%
Obligations expenses	3,638.02	1,550.80	42.63%
Major maintenance	1,520.87	396.80	26.09%
Trust expenses	17.18	3.14	18.27%
Financing costs	0.00	0.00	0.00%
Total	20,456.66	7,492.65	36.63%

Source: CFE Transmisión and CFECapital.

Table 1 compares the reimbursements made up to the end of the 2Q20 against the approved Budget of 20,457 million MXN. The equivalent of 36.63% was exercised, with total savings representing 13.37%, equal to 2,735.68 million MXN.

Chart 11. Weekly revenues of the Promoted Trust
(Million MXN)



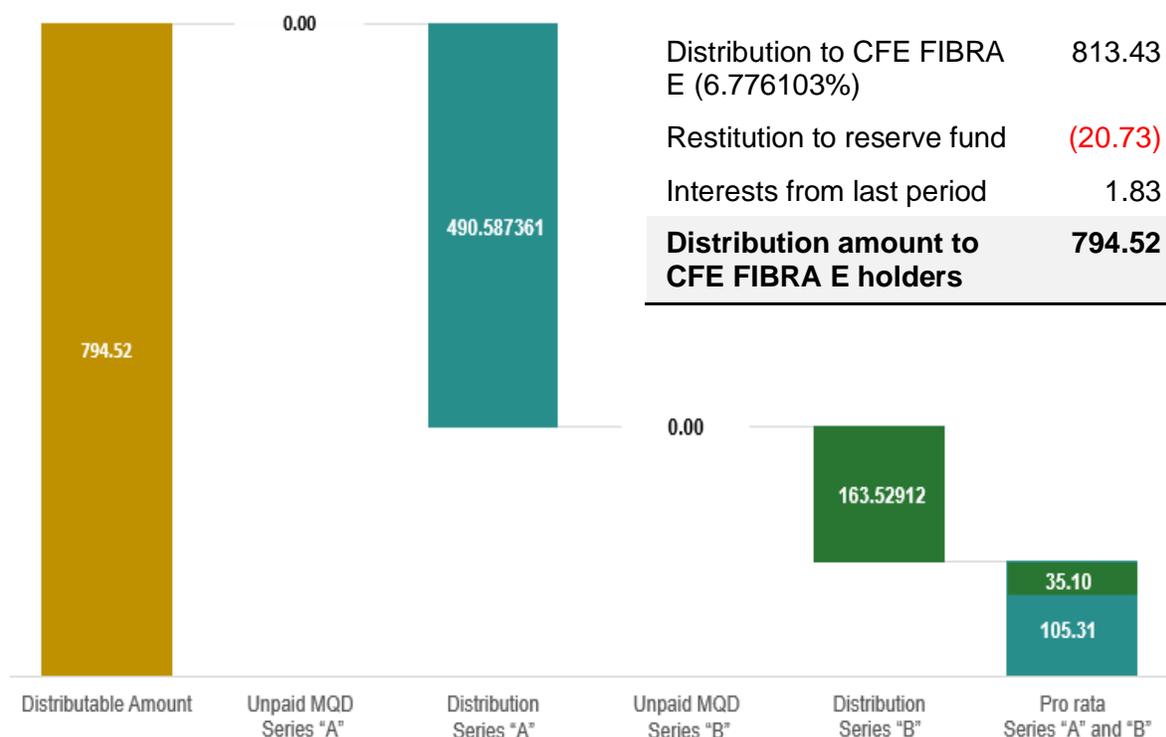
Source: CFE Capital and Promoted Trust statement of account.

Note: Distribution 2Q19: March 1 to May 31; 3Q19 Distribution: June 1 to August 31; Distribution 4Q19: September 1 to November 30; Distribution 1Q20: December 1, 2019 to February 29, 2020; Distribution 2Q20: March 1 to May 31
Comparatives for 2Q17, 2Q18 and 2Q19 considers equivalent periods. Rounded Figures. Last Update 06/30/2020.

In the 2Q20 distribution period, the electricity consumption showed a decrease compared to the equivalent period of last year, this reflects the effects from the period of confinement generated by the pandemic. However, once the economic productive sectors start operations again, it is expected that the volume on energy transmission recovers to its expected levels due to an expected increase in demand of electricity. It is important to remember that next quarter corresponds to the period with the highest electricity consumption in Mexico. Given this information, the weekly revenue **increased 5.44% compared to 1Q20**. This behavior is showed above in Chart 11.

4. CFE FIBRA E distribution 2Q20

Diagram 1. Amount distributed 2Q20
(Million MXN)



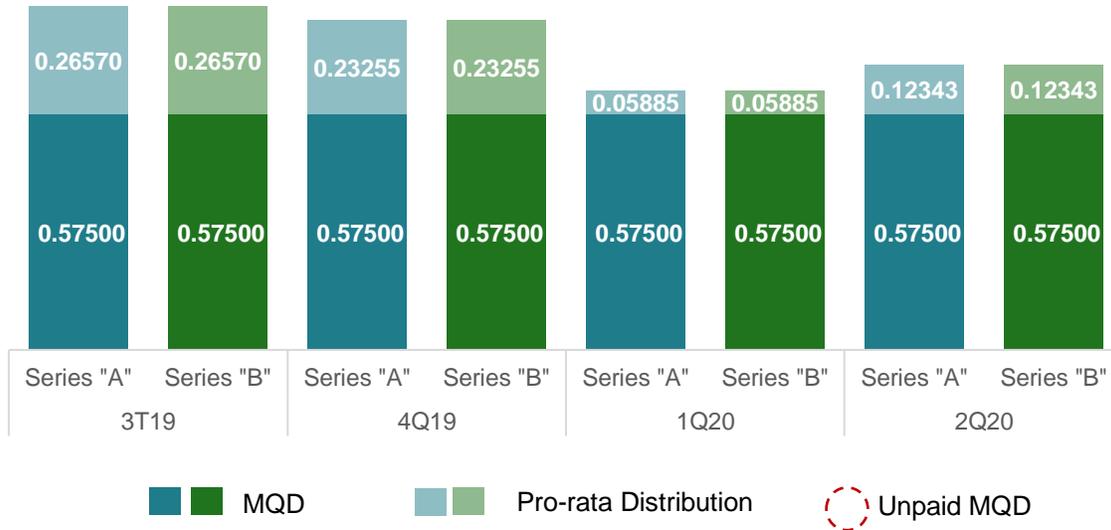
Source: CFECapital. All information includes VAT. Rounded figures.

The amount distributed for 2Q20 accounted for a total of 13 weeks of operations, from March 1 to May 31, 2020.

The distribution from the Promoted Trust was 813.43 million MXN, which after 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 794.52 million MXN.

Diagram 1 shows the distribution process for the 2Q20 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. Since there was not any unpaid MQD, the surplus of 0.123425 MXN/CBFE was distributed on a pro rata basis for both Series. The result was a distribution of 0.698425 MXN/CBFE for both Series "A" and Series "B".

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



Source: CFECapital. Rounded figures.

Chart 12 shows the last four distributions for CFE FIBRA E. As 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", 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 explained in Chart 9.

As of June 30, 2020 with a close price of 24.51 MXN/CBFE and starting on July 1, 2019 with a close price of 18.33 MXN/CBFE, the last 12-month total return of CFE FIBRA E has been 49.97%, which includes capital gains of 33.71% and a dividend yield of 16.26% considering the last four distributions from CFE FIBRA E to CBFE holders.

5. Quarterly financial statements

2.1 Promoted Trust

Table 2. Account balance Promoted Trust as June 30, 2020
(Million MXN)

	1Q20	April	May	June	2Q20
Initial balance		3,606.87	8,613.96	12,263.81	
+ Collection payments		7,102.46	5,526.97	5,910.70	18,540.13
- Withdrawals		2,121.28	1,917.21	1,809.16	5,847.65
- Distribution to holders		-	-	12,004.32	12,004.32
Gross balance		8,588.04	12,223.72	4,361.03	
+ Interest		33.43	48.13	43.77	125.33
- Interest tax		7.52	11.92	11.30	30.74
Final balance		8,613.96	12,259.93	4,393.50	
Accrued Interest		0.00	3.88	-3.89	
Final balance		8,613.96	12,263.81	4,389.61	

Table 2 shows the balance for the Promoted Trust started this period with 3,606.87 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 18,540.13 million MXN, the withdrawals summed up 5,847.65 million MXN and the distribution was of 12,004.32 million MXN.

2.2 Issuer Trust

Table 3. Account balance Issuer Trust as June 30, 2020
(Million MXN)

	1Q20	April	May	June	2Q20
Initial Balance		43.42	26.14	26.06	
+ Promoted trust distribution	742.71	-	-	813.43	813.43
- Distribution to holders	721.06	-	-	794.52	794.52
- Trust Expenses	25.29	17.43	0.19	0.36	17.98
Gross balance		25.99	25.95	44.59	
+ Interest	1.85	0.15	0.11	1.57	1.83
Final balance		26.14	26.06	46.17	
Accrued interest	-	-	-	-	
Portfolio value		26.14	26.06	46.17	

Source: CFE Capital. Rounded Figures.

The balance for the Issuer Trust, that is shown in Table 3, started this quarter with 43.42 million MXN. As it can be seen in the Table 2, the total amount distributed among the CFE FIBRA E CBFES holders was 813.43 million MXN.

6. Issuer Trust administration and expenses

Table 4. Maintenance expenses
(Million MXN)

	1Q20	April	May	June	2Q20	Cumulative 2020
Administration fee	22.13	11.88	-	-	11.88	34.01
Fiduciary and common representative fees	0.56	0.04	-	-	0.04	0.60
Independent members fee	0.57	0.21	0.07	0.31	0.59	1.16
Expenditures of maintenance and registration of CBFEs	1.75	-	-	-	-	-
External audit fees, accounting services, fiscal advisers and any other professional services	0.03	0.37	0.01	0.01	0.39	0.42
Insurance	-	4.69	-	-	4.69	4.69
External audit fees tax	0.25	0.23	0.11	0.04	0.38	0.63
Other expenses	-	0.02	-	-	0.02	0.02
Total	25.29					43.28

Source: CFECapital.

Note: Rounded figures

Diagram 2. Administration fee annual budget vs utilization

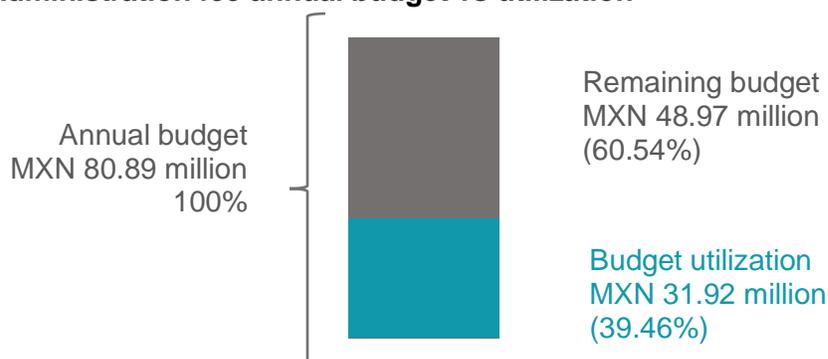


Table 4 shows the detail of CFECapital expenditures, the highest expense for CFECapital is the Administration fee. This periods' administration fee was 11.88 million MXN, which is integrated from the use of the budget for MXN 11.73 million, plus the commission for administration of 2Q20 for MXN 0.16 million, it corresponds to 31.92% of the approved annual budget of 80.89 million MXN and it's represented on Diagram 2.



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