

# Earning Release

Fourth Quarter 2022



## Index

	2
I. Letter from CFECapital Director General	3
II. Relevant Events for CFE	6
III. Operating Results of the Transmission Sector	7
IV. Quarterly Financial Statements	11
IV.1 Promoted Trust	
IV.2 Issuer Trust	
V. CFE FIBRA E Performance	
VI. CFE FIBRA E Distribution 4Q22	18
VII. Issuer Trust Administration and Expenses	20
VIII. Corporate Governance Activities	21



Mexico City, 28 de febrero de 2023

Dear Investors:

It is a pleasure for me to address you on behalf of the CFECapital team (CFECapital, S. de R.L. de C.V.) in our capacity as Settlor and Administrator, to present the report for the Fourth Quarter of 2022 of the CFE FIBRA E (Irrevocable Trust Number CIB/2919).

During the period corresponding to the fourth quarter of 2022, the world energy sector has developed under a world economy that continued with inflationary signs that had not occurred in decades, mainly generated by increases in energy costs and effects on supply chains. Most central banks have raised their reference rates to control inflation, which has caused, according to the International Monetary Fund, the cost of debt and financing to rise.

In the macroeconomic context, it is also worth highlighting that Bank of Mexico, in line with the United States Federal Reserve, has increased the target interest rate by 200 basis points during this period, settling at 10.50%.

These worldwide economic challenges have not stopped the efforts for the Federal Electricity Commission (CFE by its initials in Spanish) to continue consolidating as an electrical and energy company. With an investment of 9,000 million dollars, the CFE adds 9,000 MW of capacity through the modernization of hydroelectric plants, installs 16,000 solar panels in the Photovoltaic Power Plant of Puerto Peñasco, the largest in Latin America, builds plants that will total 7,400 MW of capacity thanks to the use of natural gas, and among other actions, it signs strategic alliances with transnational companies that have made it a partner in the transportation and export of natural gas.

This is the environment of the most relevant events of the CFE that happened during the fourth quarter of 2022 presented below:

- On **October 5th**, CFE Distribution reported that, by August 2022, they reached 99.24% electricity coverage.

- On **October 7th**, CFE announced the strengthening of the generation park in Baja California with the construction and commissioning of the Internal Combustion Plant located in Mexicali, Oriental.
- On **October 28th**, CFE presented financial statements for 3Q22, showing accumulated revenues 8.2% higher than 2021 revenues.
- On **November 8th**, in an appearance before Committees of the Chamber of Deputies, Director General of CFE, highlighted that CFE has 48,997 MW of installed capacity for clean energy generation compared to only 39,959 MW in the private sector.
- On **November 19th**, CFE successfully carried out its first placement of Stock Certificates with a social and green focus for an amount of 10,000 million pesos on the Mexican Stock Exchange.
- On **December 2nd**, CFE announced that it will expand the NTN in Veracruz, with a total investment of 3,077 million pesos, with the installation of a 500 MVA transformation bank and the construction of 274.7 km of transmission lines.

On the other hand, compared to other stock market instruments such as Real Estate Investment Trusts (FIBRAs), the CFE FIBRA E certificates have maintained a solid dividend payment, evidencing the profitability of the electricity transmission sector with stable cash flows. During the months of October, November and December 2022, the dividend yield of CFE FIBRA E has maintained a double-digit performance reaching 12.52%; yield well above the 7.50% average of comparable instruments.

Regarding the distribution, it comprised 13 weeks of operation, where the Technical Committee of the Issuing Trust approved the amount to be distributed to the holders of the certificates for \$961,810,191 MXN. The four distributions of the CFE FIBRA E in 2022 reflect a growth of 4.39% with respect to the distributions delivered during 2021, demonstrating the strengthening of the Mexican electricity sector, the CFE, and the transmission sector.

The distribution for the fourth quarter of 2022 was \$0.845 MXN/CBFE, of which \$0.803 MXN/CBFE corresponds to fiscal results, while \$0.042 MXN/CBFE is capital reimbursement. The purpose of this composition is to ensure compliance with the CFE FIBRA E regime.

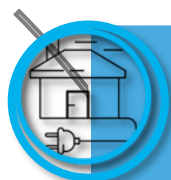
Likewise, this report highlights the criteria for compliance with the tax regulations of the investment regime, the tax treatment of distributions, information on account statements, financial statements, investment indicators and reimbursements for the maintenance and operation of the National Transmission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

To conclude, I want to highlight that in 2022 the Federal Electricity Commission is consolidated as a company that guarantees Mexico's energy security throughout its value chain, in this way, CFE FIBRA E continues to be an attractive financing strategy for projects of productive infrastructure. Five years after its creation, CFE FIBRA E is consolidated as an attractive capital instrument that has allowed investors to have exposure to the electric power transmission business in Mexico, which has demonstrated its solidity and stability even in complex environments such as the one that equity markets currently face.

**Carmen Serdán Banda**  
**CFE Capital CEO**



## II. Relevant Events for CFE



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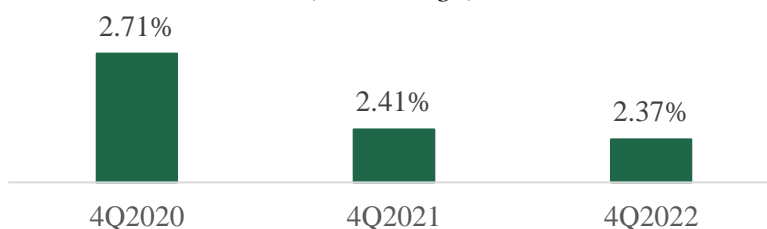
On **December 20th** the CFE presented, in the Board of Directors, the main achievements obtained in 2022, highlighting (i) **Savings and benefits of the subsidiaries CFENERGÍA and CFE International for 24 billion dollars**, profits that are being invested in strengthening the infrastructure of the company; and the fundamental participation in **strategic projects** of the Federal government: **Mayan Train, Interoceanic Corridor in the Isthmus of Tehuantepec and the Internet for All program.**

**Source:** CFECapital with information from CFE Press Releases from October to December 2022.

## I. Operating results of the Transmission Sector

Chart 1 shows the index that corresponds to the percentage of transmission losses as of December 31st, 2022. This indicator refers to technical losses that correspond to the nature of energy. The decrease in transmission losses is due to the actions carried out by the CFE to make electric power transmission more efficient. As of 4Q22, technical losses were reduced by 1.7% and 12.5% compared to the same period of 2021 and 2020, respectively. These results are compliant with the international standard to keep power losses below 3%.

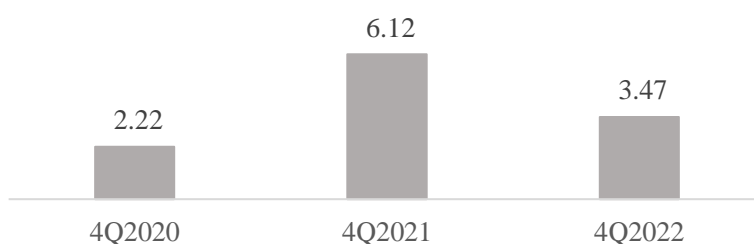
**Chart 1. Transmission Losses**  
(Percentage)



**Source:** CFE Transmission December 31<sup>st</sup>, 2022.

Chart 2 shows the average length of the interruptions in minutes of the electricity supply for an end user. These interruptions are attributable to the transmission process of the National Transmission Network (NTN). This indicator, at the end of 2022, reports 3.47 minutes of system interruptions, 43% lower than that reported in the same period of 2021.

**Chart 2. System Average Interruption Duration Index<sup>1</sup>**  
(Minutes)

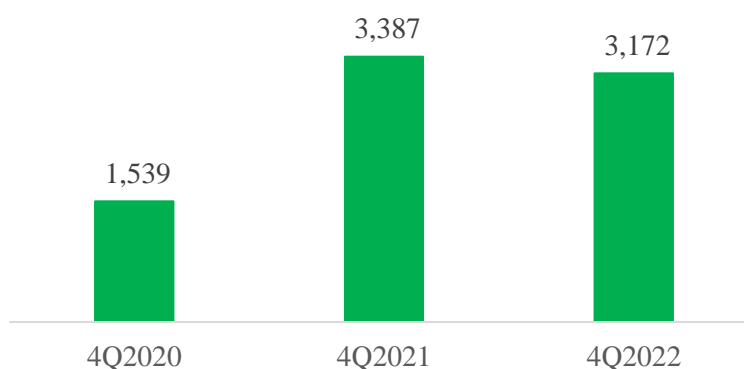


**Source:** CFE Transmission, December 31<sup>st</sup>, 2022.

<sup>1</sup> Average duration of interruption of electricity supply to a final user.

The power not supplied to users due to interruptions for periods greater than five minutes that occur due to failures in the NTN, at lower voltages or due to lack of coverage through radial networks. This indicator presented a decrease of 6.3% compared to the previous year.

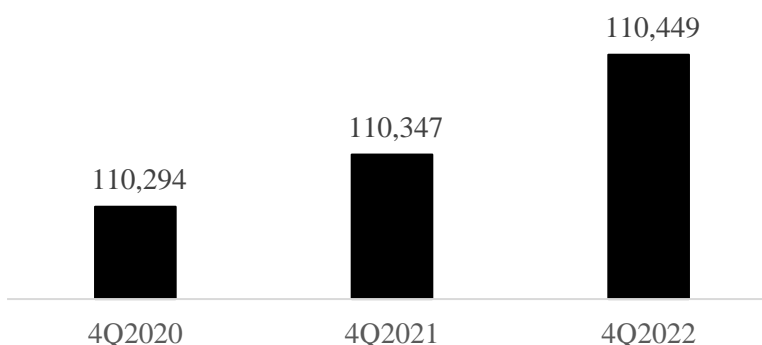
**Chart 3. Power not delivered**  
(MWh)<sup>2</sup>



**Source:** CFE Transmission, December 31<sup>st</sup>, 2022.

Chart 4 shows the number of kilometers that have increased in the NTN, which as of December 31<sup>st</sup>, 2022, has reached 110,449 kilometers, that is 102 kilometers more with respect to the same period of the previous year.

**Chart 4. Transmission Lines**  
(Kilometres)



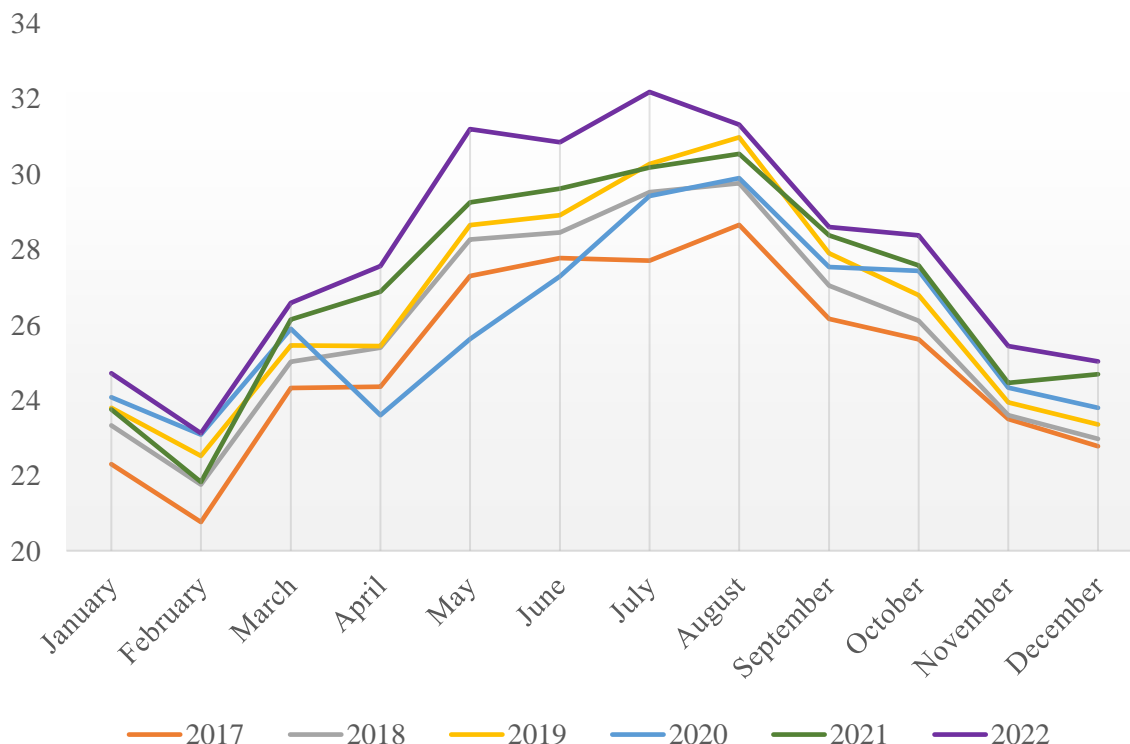
**Source:** CFE Transmission, December 31<sup>st</sup>, 2022.

<sup>2</sup> Megawatt per hour or 1000 kilowatt hours.



During the months of October, November and December, the volumes of electric power increased **3.61%** with respect to the same period of the previous year, and if compared to the fourth quarter of 2020 and 2019, there were increases of 7.36% and 5.33% respectively.

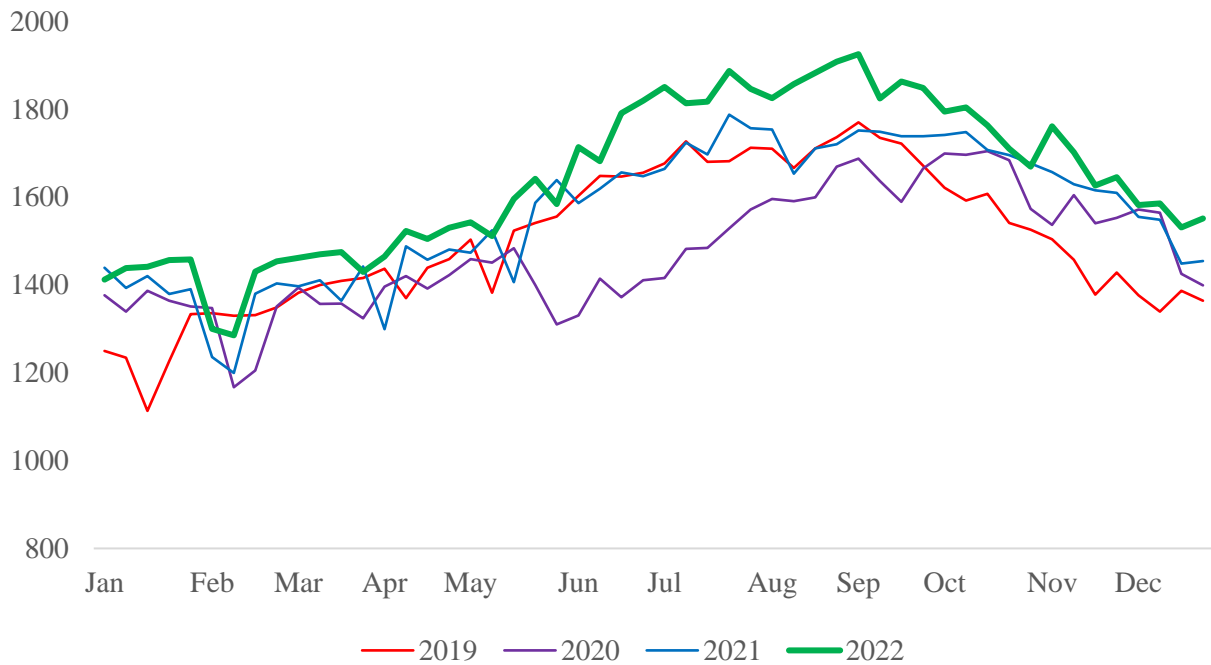
**Chart 5. Volume of Electric Power in the NTN**  
(TWh)



**Source:** CFE Transmission with information as of December 31<sup>st</sup>, 2022.

Chart 6 shows the performance of collection rights. In the winter period electricity consumption in Mexico decreases compared to the third quarter, this due to the seasonality of the sector. In the fourth quarter 2022, collection rights had an increase of **3.69%** compared to the equivalent period of the previous year.

**Chart 6. Collection rights by CENACE by Calendar Quarter**  
 (January 2019 – October 2022)  
 (Million MXN)



**Source:** CFE Transmission with information as of December 31<sup>st</sup>, 2022).

**Note:** Distribution 4” includes September 1<sup>st</sup> to November 30<sup>th</sup>, applicable to all for year shown.



## II. Quarterly Financial Statements

### II.1 Promoted Trust

The fourth quarter began with a balance of \$4,499,368,788 pesos, to which \$6,758,962,108 pesos were added, for the collection rights for the period received from CENACE (VAT included), withdrawals for the period amounted to \$1,946,919,127 pesos. In October, the distribution of the Promoted Trust corresponding to September was carried out for \$4,249 million pesos, in November the distribution corresponding to October for \$4,852 million pesos, and in December the distribution corresponding to November for \$5,194 million pesos, which gives us a total distribution for 4Q22 for \$14,296 million pesos. Through the period, interest was generated for \$106,042,523 pesos and which ISR amounted to \$874,526 pesos.

**Table 1. Account Balance Promoted Trust F/80758**  
(MXN)

	October	November	December	4Q22
<b>Initial Balance</b>	<b>4,499,368,788</b>	<b>5,102,515,997</b>	<b>5,444,740,744</b>	
+ Collection Rights	6,758,962,108	7,894,468,479	6,025,202,328	<b>20,678,632,915</b>
– Withdrawals	1,946,919,127	2,740,648,976	5,511,782,537	<b>10,199,350,640</b>
– Distribution to holders	4,249,282,474	4,852,285,784	5,194,285,102	<b>14,295,853,360</b>
<b>Gross Balance</b>	<b>5,062,129,295</b>	<b>5,404,049,716</b>	<b>763,875,433</b>	
+ Interest	40,735,125	41,026,410	24,280,988	<b>106,042,523</b>
– Interest tax	348,408	335,391	190,727	<b>874,526</b>
<b>Final Balance</b>	<b>5,102,516,012</b>	<b>5,444,740,735</b>	<b>787,965,694</b>	
Accrued Interest	-15	9	229,599	
<b>Portfolio Value</b>	<b>5,102,515,997</b>	<b>5,444,740,744</b>	<b>788,195,293</b>	

**Note:** Rounded figures in MXN.

**Source:** Account Statements of the Promoted Trust (F/80758) consulted in the Fiduciary System NAFIN.

From the total approved budget of the Promoted Trust for 2022, the equivalent of 71% of the total budget was exercised to the fourth quarter.

**Table 2. Approved Budget vs. exercised as of December 31<sup>st</sup>, 2022**  
(MXN)

Category	Budget 2022	Exercised 4Q2022	%
Intercompany Expenses	8,850,867,412	6,238,839,861	70%
Operation and minor maintenance	9,394,016,047	7,267,245,757	77%
Obligation expenses	4,441,042,701	4,310,413,907	97%
Major maintenance	8,006,916,238	3,897,277,369	49%
Trust expenses	19,001,646	11,304,970	59%
Financing costs	0	0	0%
<b>Total</b>	<b>30,711,844,044</b>	<b>21,725,081,865</b>	<b>71%</b>

**Note:** Rounded figures in MXN.

**Source:** CFE Transmission.

## II.2 Issuer Trust

Regarding the Issuer Trust the fourth quarter began with a balance of \$50.9 million pesos, to which \$969 million pesos were added, corresponding to the distributions of September, October and November approved in the Nineteenth Ordinary Session, in the 4th Extraordinary Session and 20th Ordinary Session of the Technical Committee of the Promoted Trust. These distributions were received on October 17<sup>th</sup>, November 16<sup>th</sup> and December 15<sup>th</sup>, 2022, respectively.

As of December 31st, disbursements amounted to \$18.4 million pesos that are Issuer Trust Expenses, with a final balance in the quarter of \$50.6 million pesos. In addition, during the fourth quarter interest was generated for \$11.2 million pesos.

The distributed amount in the 4Q22 was for \$961,810,191 pesos on December 31<sup>st</sup>, 2022.

**Table 4. Account balance Issuer Trust as of December 31<sup>st</sup>, 2022**  
(MXN)

	October	November	December	4Q22
<b>Initial Balance</b>	50,860,768	<b>322,796,891</b>	654,582,330	
+ Promoted Trust Distribution	287,935,757	328,795,881	351,970,109	968,701,748
- Trust Expenses	17,209,787	577,036	619,668	18,397,491
- Distribution to Holders	-	-	961,810,191	961,810,191
<b>Gross Balance</b>	321,586,738	<b>651,015,737</b>	<b>44,131,580</b>	
+ Interest Charged	1,210,153	3,566,593	6,457,218	11,233,964
<b>Final Balance</b>	<b>322,796,891</b>	<b>654,582,330</b>	<b>50,588,798</b>	

**Note:** Rounded figures in MXN.

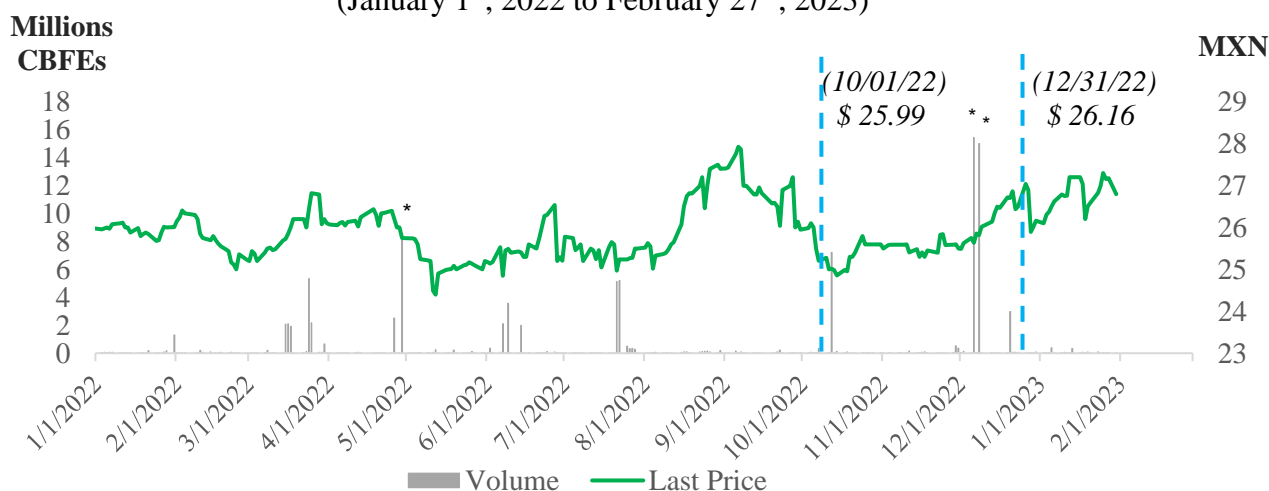
**Source:** CFECapital with information from the Account Statements of the Issuing Trust CIB/2919 as of December 31<sup>st</sup>, 2022.



## II. CFE FIBRA E performance

The price of the Stock Exchange Trust Certificate for Investment in Energy and Infrastructure (CBFEs by its initials in Spanish) during the Fourth Quarter of 2022, oscillated in a range between \$25.99 and \$26.16, showing a weighted average price of \$25.67 MXN/CBFE and the average daily volume was 695,389 certificates. Which shows the positive performance of the instrument, despite the challenges raised by the current macroeconomic framework.

**Chart 7. Price and Volume of CFE FIBRA E**  
(January 1<sup>st</sup>, 2022 to February 27<sup>th</sup>, 2023)



Maximum Price 12/26/22:	<b>\$27.04</b>		
Minimum Price 10/14/22:	<b>\$24.86</b>	<b>4Q22<sup>1</sup></b> Average daily volume:	<b>695,389</b>
Closing Price 02/17/23:	<b>\$27.35</b>	<b>4Q22<sup>1</sup></b> Weighted Average Price	<b>\$25.67</b>

**Note:** <sup>1</sup>The fourth calendar quarter of 2022 is from October 1<sup>st</sup> to December 31<sup>st</sup>, 2022.

\* The volume of certificates traded exceeded 1% of the securities in circulation on April 29<sup>th</sup>, December 6<sup>th</sup> and 8<sup>th</sup>, 2022.

----- Indicates 4Q2022, calendar year.

**Source:** Own elaboration with data from Bloomberg on February 27<sup>th</sup>, 2023.

CFE FIBRA E has achieved outstanding performance compared to its peers on the Mexican Stock Exchange.

Table 4 shows the dividend yield of CFE FIBRA E in comparison with other FIBRAs, through the fourth quarter of this year. With this dividend, CFE FIBRA E represents a very attractive investment option for investors seeking stable returns in a period of uncertainty in the equity markets. It is important to mention that CFE FIBRA E, among other FIBRAs, is unique in its kind, as well as being one with the most solid performance, since it has shown constant and sustained growth, with an attractive price and dividend yield since its Initial Public Offering (2018) to date.

**Table 4. Dividend Yield<sup>3</sup> Indicative of the CFE FIBRA E vs other FIBRAs**  
(October 1<sup>st</sup> to December 31<sup>st</sup>, 2022)

Instrument	October	November	December
<b>FCFE18 MM Equity</b>	<b>12.80</b>	<b>12.85</b>	<b>12.52</b>
FUNO11 MM Equity	9.79	9.44	9.86
DANHOS13 MM Equity	9.80	10.29	10.26
FNOVA17 MM Equity	7.96	7.80	7.52
FIBRAMQ MM Equity	7.53	7.88	8.24
FIBRAPL MM Equity	4.71	4.03	4.30
TERRA13 MM Equity	7.11	7.79	6.78
FBMEX Index	7.36	7.01	7.04

**Source:** Own elaboration with data from Bloomberg on February 7<sup>th</sup>, 2023.

The performance of CFE FIBRA E has been outstanding in comparison with stock market instruments such as Real Estate Investment Trusts, maintaining a solid dividend payment. Since 2019, it has offered a double-digit dividend yield, which as of December 2022 was **12.52%**. This situation makes it a defensive instrument that provides a return above the inflationary hedge.

<sup>3</sup> It is calculated by multiplying the most recent dividend by the number of dividends issued each year and dividing by the current price of the instrument.

CFE FIBRA E receives coverage from analysts from different banking institutions, who have determined an average target price of **\$29.93** pesos per CBFE, which reflects that they see a potential for price growth per CBFE of 10% compared to the price of February 17<sup>th</sup>, 2023 which was \$27.24.

**Table 5. Analyst coverage of CFE FIBRA E**

Banking Institution	Target Price estimated by analysts <sup>4</sup>	Recommendation	Last update
 BBVA	\$32.00	Buy	01/22/2023
 BANORTE	\$32.50	Buy	11/30/2022
 BARCLAYS	\$25.00	Underweight	10/31/2022
Morgan Stanley	\$25.00	Sell	08/01/2022
 Santander	\$30.00	Hold	01/12/2023
 BTGPactual	\$33.00	Buy	02/21/2023
 monex	\$32.00	Hold	21/12/2022

**Source:** Own elaboration with data from Bloomberg as of February 24<sup>th</sup>, 2023.

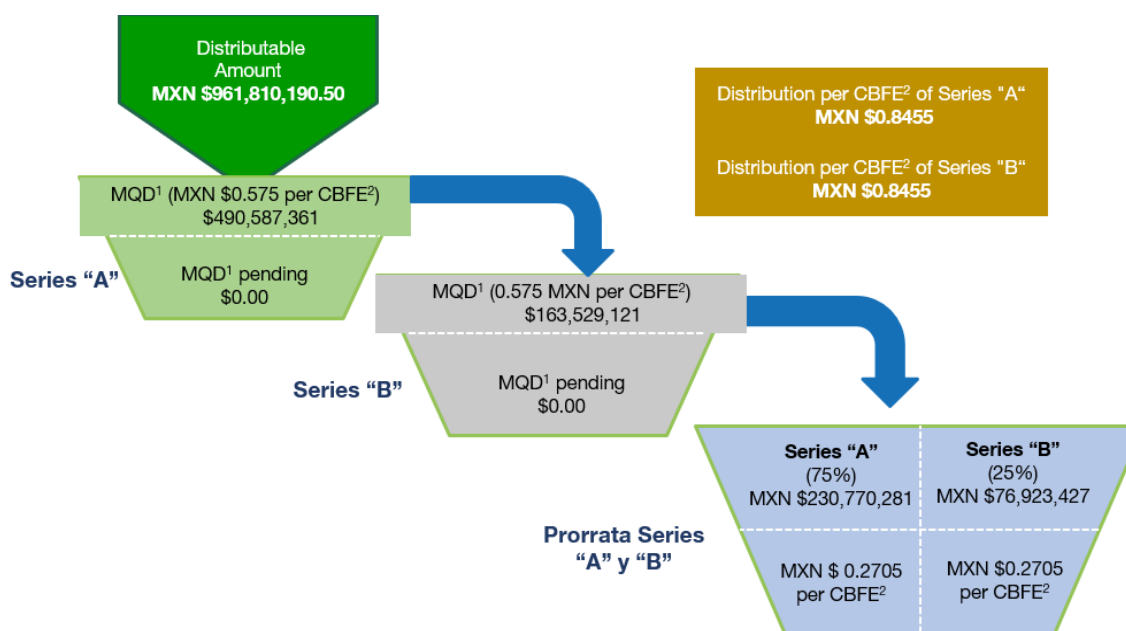
<sup>4</sup> Target Prices are defined by analysts for those banking institutions they represent.



## VI. CFE FIBRA E Distribution 4Q22

The distribution period of the fourth quarter of 2022 includes 13 weeks of operation corresponding to the months of September, October and November. The distribution of the Promoted Trust was for \$961,810,190.50 pesos, which includes the restitution of the expense reserve fund and the interest generated in the period.

**Diagram 1. Amount distributed 4Q22**  
(Million MXN)



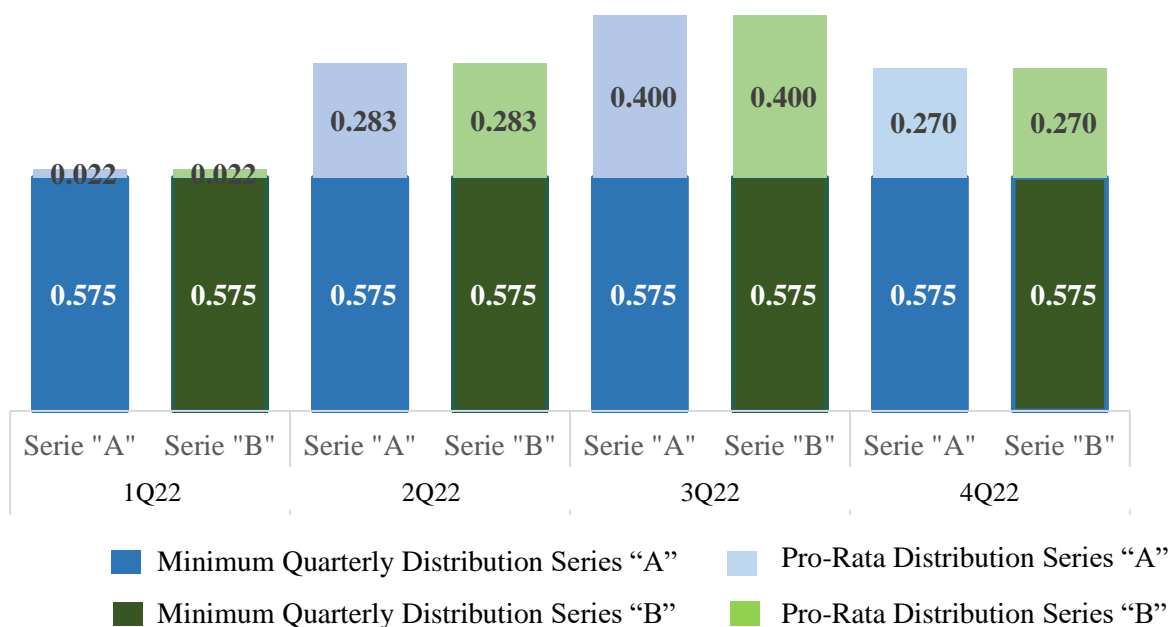
**Notes:** <sup>1</sup> Minimum Quarterly Distribution.

**Source:** Technical Committee Issuer Trust (December 16<sup>th</sup>, 2022).

Chart 8 shows the distribution composition for 4Q22. The result was a total distribution of \$0.8455 MXN/CBFE that includes by the Minimum Quarter Distribution \$0.575 MXN/CBFE for both Series "A" and for Series "B" and \$0.270 MXN/CBFE of pro rata distribution for both series.



**Chart 8. Revenue Composition of CFE FIBRA E Distribution for Both series**  
(MXN per CBFE)

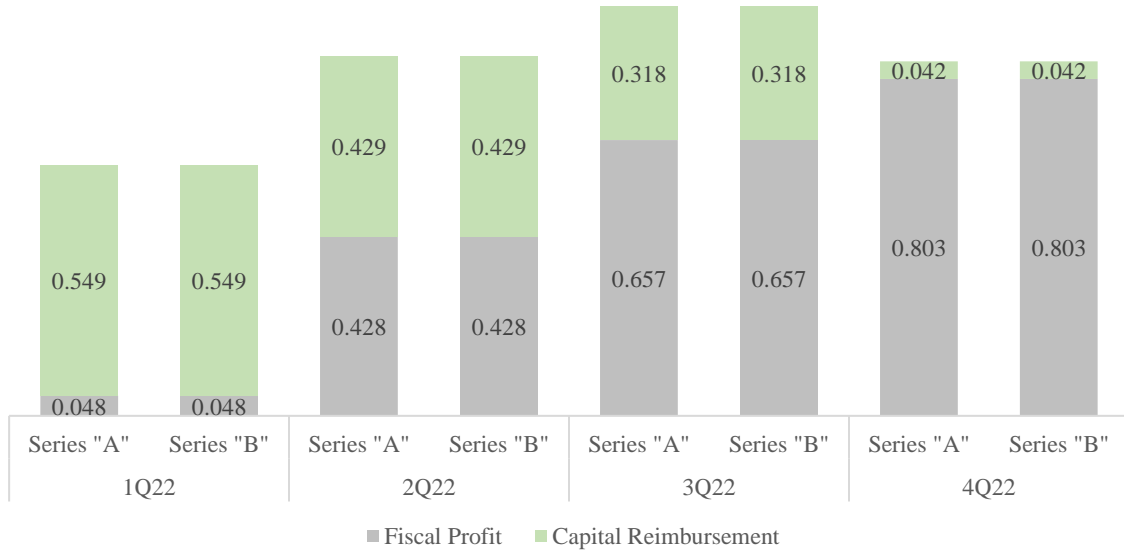


**Note:** Rounded figures in MXN.

**Source:** Technical Committee Issuer Trust (2021 and 2022).

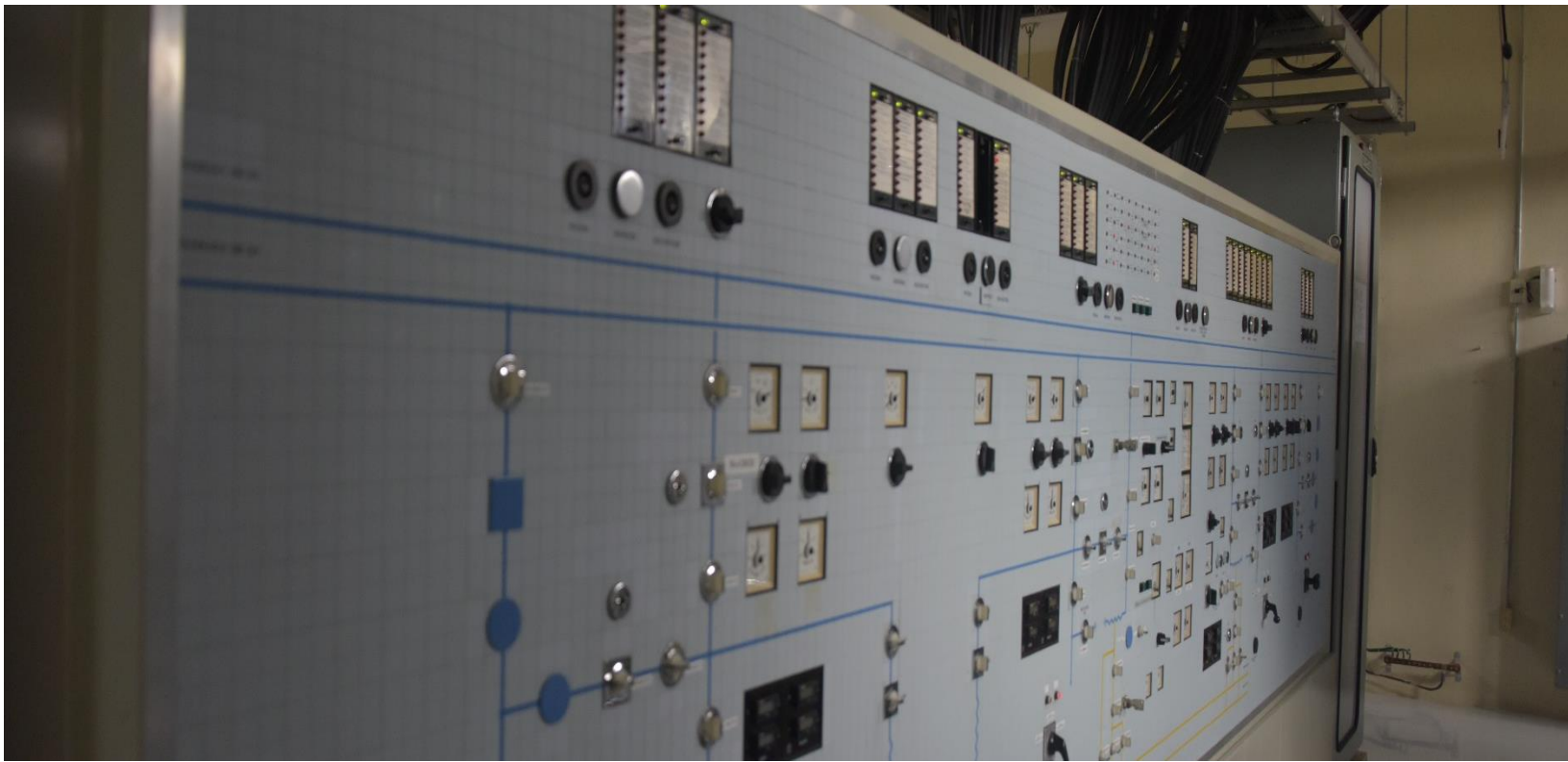
Chart 9 shows the fiscal composition of the distribution, the amount corresponding to the fiscal utility was \$0.803 cents per certificate for Series “A” and for Series “B”. The corresponding part for capital reimbursement was \$0.042 cents per certificate for both series. It is important to mention that the distribution strategy is approved by the Technical Committee of the Trust and is determined based on the tax requirements of the current Income Tax Law.

**Chart 9. Fiscal Composition per CBFE of CFE FIBRA E Distribution for both series (MXN per CBFE)**



**Note:** The distribution strategy is approved by the Technical Committee and is determined based of the fiscal requirements of the Income Tax Law. Rounded Figures.

**Source:** Technical Committee Issuer Trust (2021 and 2022).



## VII. Issuer Trust Administration and Expenses

During the fourth quarter the expenses amounted to \$18,397,491 pesos the main disbursement corresponded to external Fees, which amounted to \$965,108. Common Representative and Trustee Fees \$5,800 pesos, Compensation to Independent Members for \$454,741 pesos and Income Tax Withholding fees assimilated to independent \$244,862 pesos and other expenses \$27,840 pesos.

**Table 6. Maintenance expenses by the Fourth Quarter of 2022**

(MXN)

	October	November	December	4Q22
Administration Fee (i)	16,699,140	0	0	16,699,140
Fiduciary and Common Representation Fees	0	5,800	0	5,800
Independent Members Fees	81,554	121,334	251,854	454,741
Expenditures of Maintenance and Registration of CBFES	0	0	0	0
Independent appraiser fees and price provider	0	0	0	0
External Audit Fees, Accounting services, Fiscal Advisers, and any other Professional Services	293,480	378,148	293,480	965,108
Fees of specialists who advise the Holders Assembly and the Trust Committees (ii)	0	0	0	0
Insurance (ii)	0	0	0	0
Income tax withholding on fees assimilated to independent	135,614	43,914	65,334	244,862
Other Expenses	0	27,840	0	27,840
<b>Total</b>	<b>17,209,787</b>	<b>577,036</b>	<b>610,668</b>	<b>18,397,491</b>

**Source:** Finance and Administration Management of CFECapital.

**Notes:** <sup>(i)</sup>Includes the payment of advances to CFECapital and the 7% commission for administration. The administration fee amount corresponds to MXN \$1,449,370 pesos. Rounded figures in MXN.

## VIII. Corporate Governance Activities

### VIII.1 Technical Committee of the Irrevocable Trust CIB/2919 (Issuer Trust)

In the 25th Ordinary Session of the Technical Committee of the Issuing Trust, held on December 16th, 2022, the following topic was addressed for approval:

- Discussion and approval of the amount to be distributed and the distribution proposed by the Administrator in terms of Clause VI of the Trust Agreement.

In topics for knowledge were addressed:

- Presentation of the Investor Relations Department.
- Presentation of the Manager's performance report, corresponding to the Third Quarter of 2022.

### VIII.2 Audit Committee of the Irrevocable Trust CIB/2919 (Issuer Trust)

In the 8th Ordinary Session of the Conflicts Committee held on October 24th, 2022, the following topics were discussed for approval:

- Removal of Mr. José Arturo Cerón Vargas, as Key Official of the Trust.
- Proposal, discussion and, if applicable, approval of the appointment of Ms. Carmen Serdán Banda, as Key Official of the Issuing Trust, in terms of Clause XI, section 11.01, numeral (vi) of the Trust Agreement.

In the 9th Ordinary Session of the Conflict Committee held on December 5th, 2022, the following topics were addressed:

- Presentation of the 2023 Annual Budget of the CFECapital Administrator.

**Source:** CFECapital (2023).

