

# CFE Fibra E Investor Presentation



## DISCLAIMER

---

IMPORTANT: You must read the following before continuing. This presentation has been prepared by CFECapital, S. de R.L. de C.V. ("CFE Capital" or the "Manager") and is being provided to you for informational purposes only.

Neither the Manager nor any of its affiliates or representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein or in any other written or oral communication transmitted or made available to any recipient, and nothing shall be relied upon as a promise or representation as to the performance of any investment or otherwise. The Manager and its affiliates and representatives expressly disclaim any and all liability based, in whole or in part, on such information, errors therein or omissions therefrom. This presentation does not constitute an offer to sell or a solicitation of an offer to buy any securities and may not be used or relied upon in evaluating the merits of any investment. The information in this presentation is current only as of the date hereof. For any time after the date hereof, the information, including information concerning the CFE Fibra E's business, financial condition, results of operations and prospects may have changed. The delivery of this presentation shall not, under any circumstances, create any implication that there have been no changes in the Company's affairs after the date hereof.

This presentation contains forward-looking statements. All statements other than statements of historical fact included in the presentation are forward-looking statements. Forward-looking statements give the CFE Fibra E's current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target," "believe," "expect," "aim," "intend," "may," "anticipate," "assume," "budget," "continue," "estimate," "future," "objective," "outlook," "plan," "potential," "predict," "project," "will," "can have," "likely," "should," "would," "could" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the CFE Fibra E's control that could cause the CFE Fibra E's actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the CFE Fibra E's present and future business strategies and the environment in which it will operate in the future.

The presentation is confidential and may not be reproduced, redistributed, published or passed on to any other person, directly or indirectly, in whole or in part, for any purpose. This document may not be removed from the premises. If this document has been received in error it must be returned immediately to the Manager.

# Agenda

---

- 1** Mexican power industry
- 2** Transmission of electricity
- 3** CFE Fibra E structure
- 4** CFE Fibra E important results
- 5** CFE Fibra E expectations

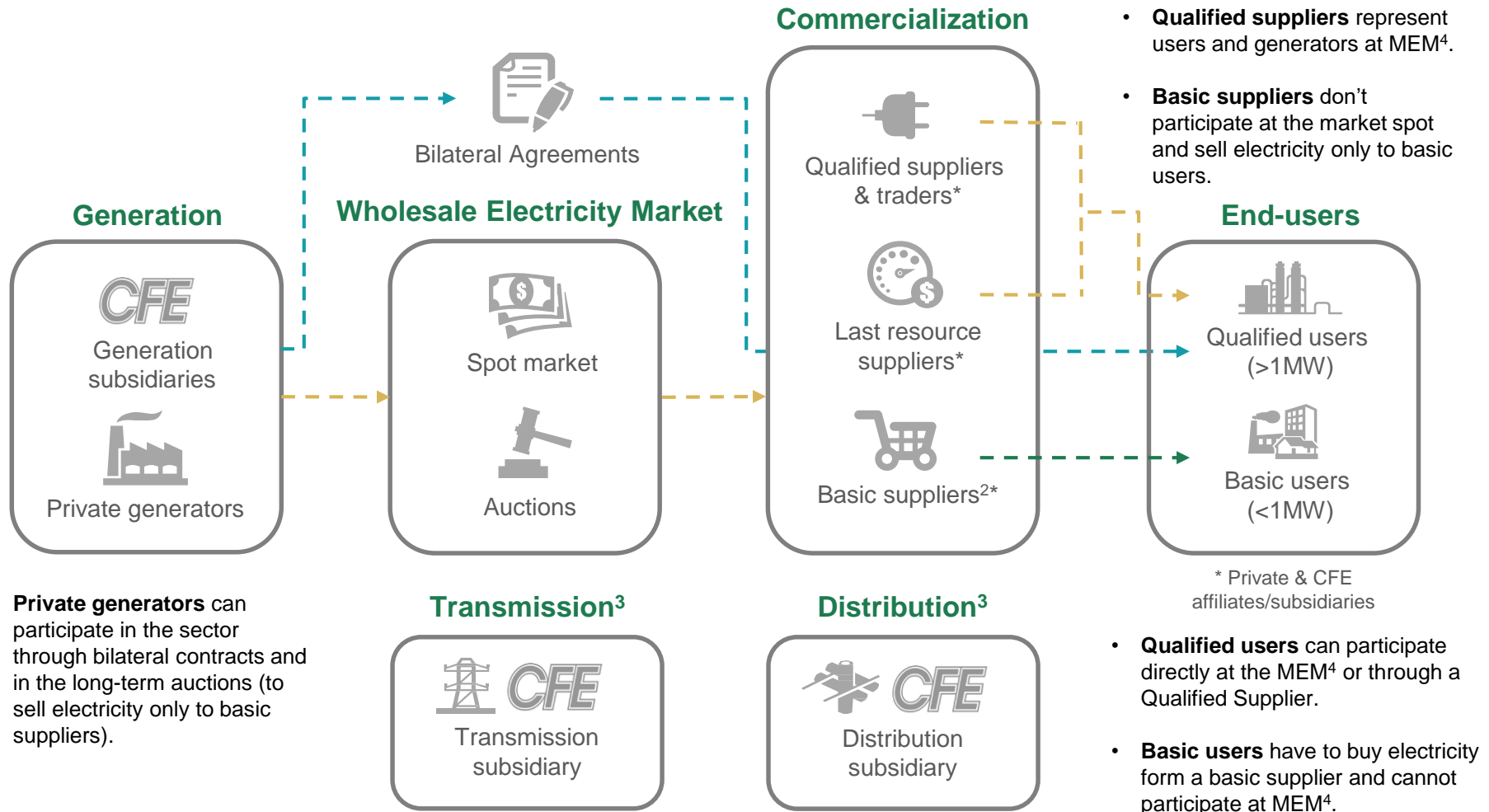
# Agenda

---

- 1 Mexican power industry**
- 2 Transmission of electricity
- 3 CFE Fibra E structure
- 4 CFE Fibra E important results
- 5 CFE Fibra E expectations



# Market structure of the power sector in Mexico

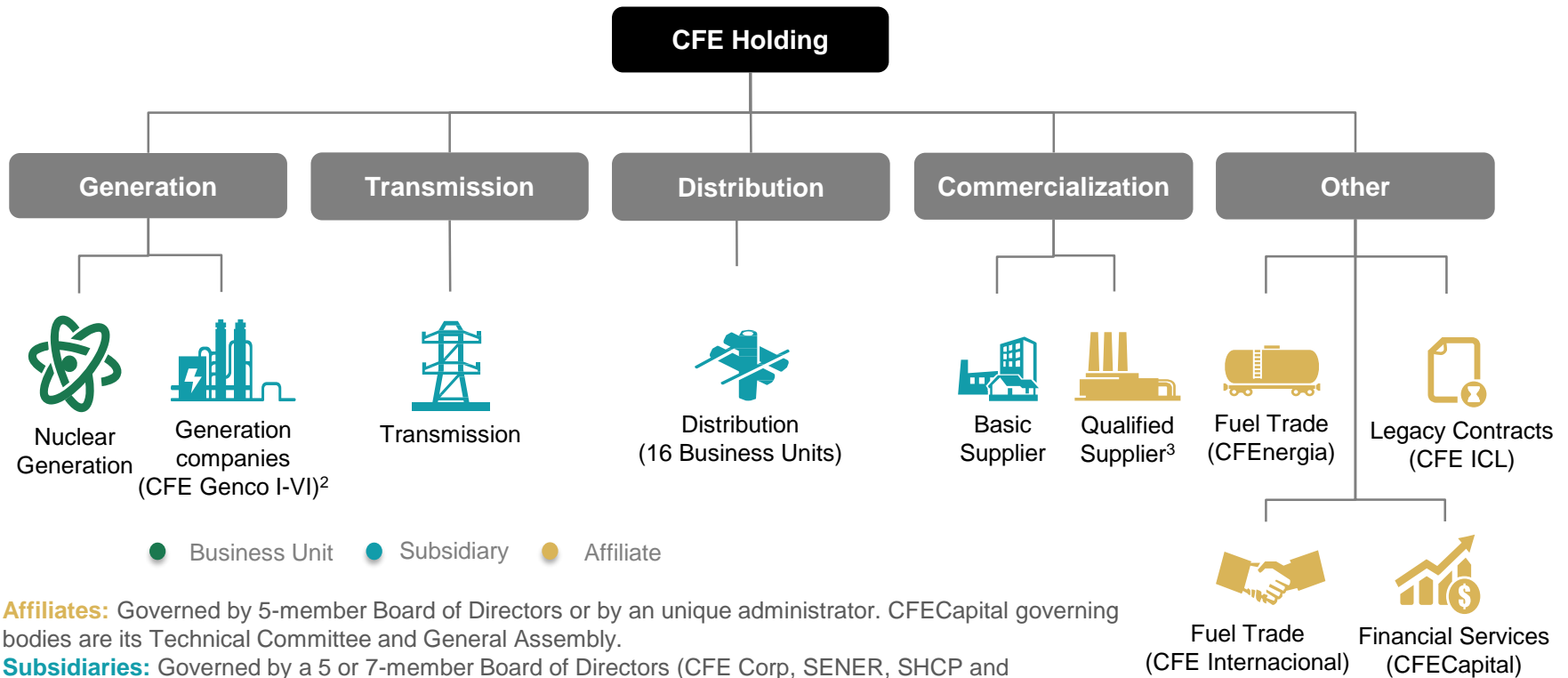


- Private generators** can participate in the sector through bilateral contracts and in the long-term auctions (to sell electricity only to basic suppliers).

Source: (Content in Spanish) - DOF, [Law of the Electric Power Industry](#). DOF, [Wholesale Electricity Market Rules](#).

Note: <sup>1</sup>Private investment is allowed through partnerships, joint ventures or bilateral agreements. CFE-owned and Independent Power Producers were assigned to a new subsidiary and are allowed to provide electricity to the Basic Supplier Subsidiary. Non-CFE Power Purchase Agreements (PPAs) can remain as Legacy Contracts or migrate to the new framework. <sup>2</sup>Currently, CFE is the only Basic Supplier, although CRE [has granted permits to three new competitors](#). <sup>3</sup>Rates are defined by the CRE. <sup>4</sup>Wholesale Electricity Market by its acronym in Spanish *Mercado Electrico Mayorista*.

# CFE division in subsidiaries and affiliates



**Affiliates:** Governed by 5-member Board of Directors or by an unique administrator. CFECapital governing bodies are its Technical Committee and General Assembly.

**Subsidiaries:** Governed by a 5 or 7-member Board of Directors (CFE Corp, SENER, SHCP and independents).

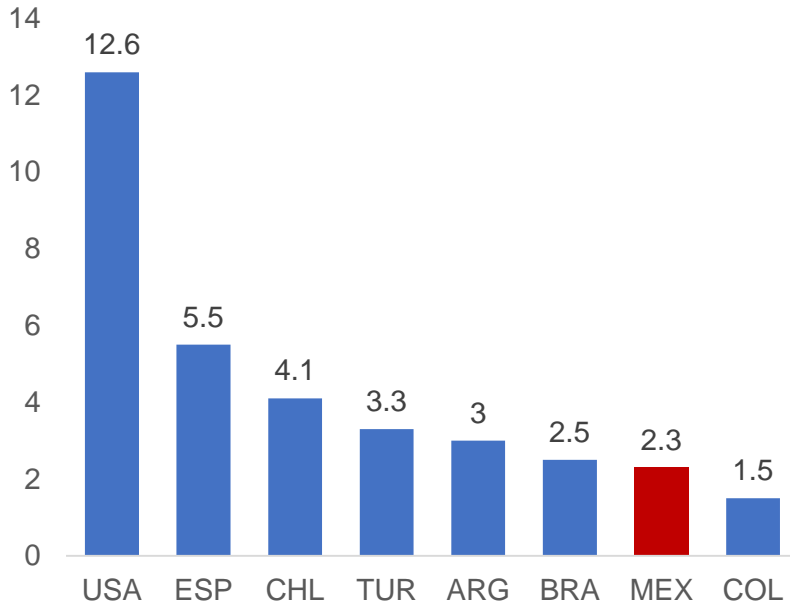
- **CFE ICL:** manages contracts created under the former regulation and represents these power plants at the MEM.
- **CFEnergía and CFE Internacional:** national and international energy traders in charge of supplying CFE Gencos (and third parties) of fuel at competitive prices.<sup>4</sup>
- **CFE Capital:** creates value for CFE through the promotion of investments on energy infrastructure, currently manages the first vehicle to monetize the cash flows generated by the energy transmission assets of CFE (CFE Fibra E).

Source: (Content in Spanish) - DOF, *Law of the Federal Electricity Commission*. DOF, *Terms for the strict legal separation of the Federal Electricity Commission*. CFE, *Annual Report 2017*.

Note: <sup>1</sup>Partnerships, joint ventures or bilateral agreements are allowed to carry out the operation, maintenance and expansion of infrastructure. <sup>2</sup>Genco V Subsidiary covers all CFE's IPPs contracts through external legacy power plants. <sup>3</sup>Qualified Supplier also operates as energy trader and last resource supplier. <sup>4</sup>Natural gas, LNG, fuel oil, diesel and coal.

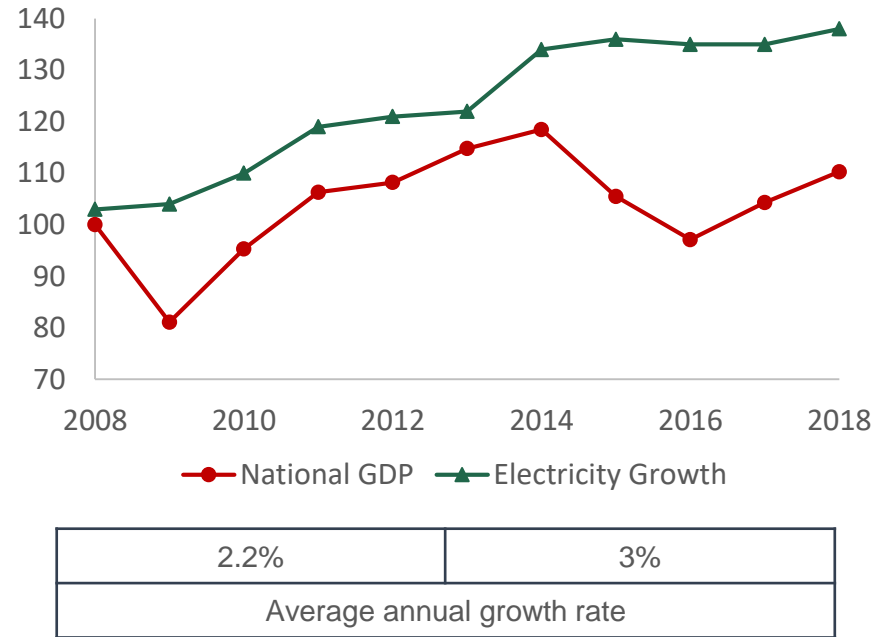
# Power sector growth expectations

**Electric power consumption<sup>2</sup>**  
(MWh per capita, 2017)



**Energy intensity in Mexico is below its potential.** Per capita energy consumption is lower than comparable economies such as Spain, Turkey and Brazil.

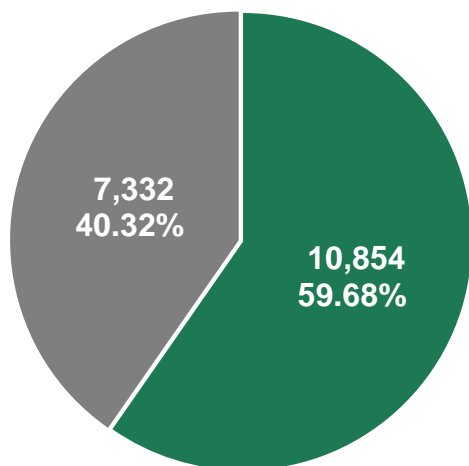
**National GDP and electricity industry growth index<sup>3</sup>**  
(2008-2018)



**Mexican electricity industry keeps growing,** and its growth showed greater dynamism than other sectors, including the national economy. Also presents a greater average annual growth rate.

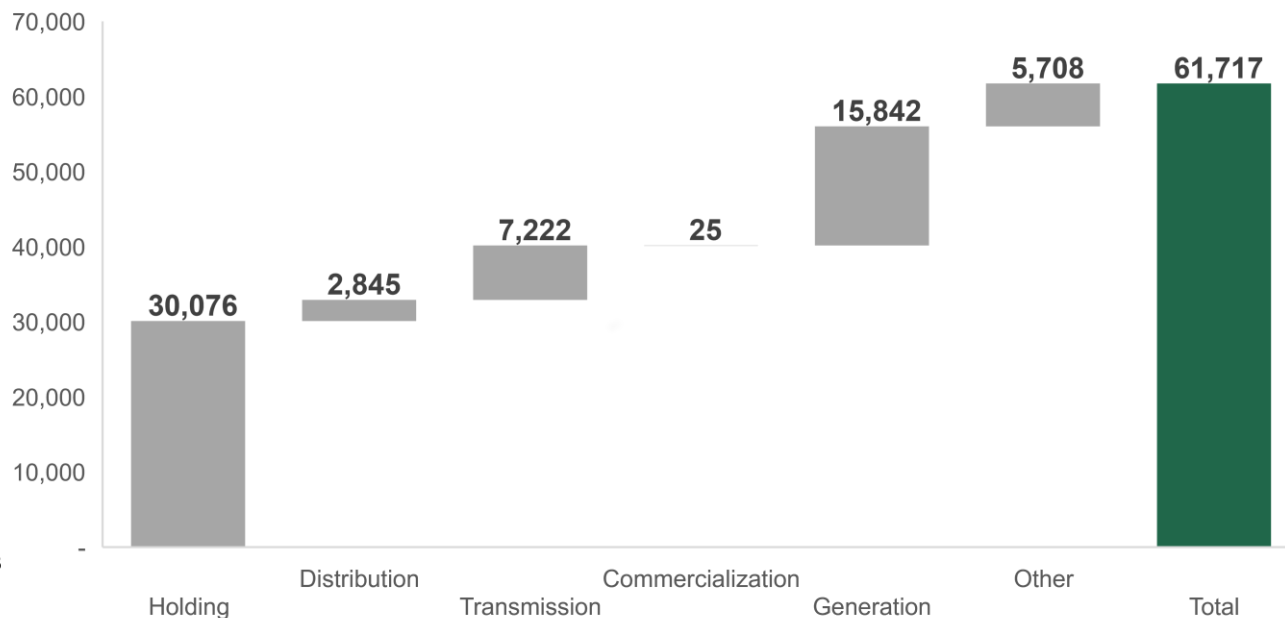
# Investment requirements of CFE

**Debt composition<sup>1</sup>**  
(million USD)



■ Documented debt ■ Pidiregas<sup>3</sup>

**Investments projects requirements by business unit 2019<sup>2</sup>**  
(million MXN)



**CFE debt limit for 2019 was \$19.48 billion MXN.** It is not enough to cover the needs of the company; therefore, **other sources of financing are required.**



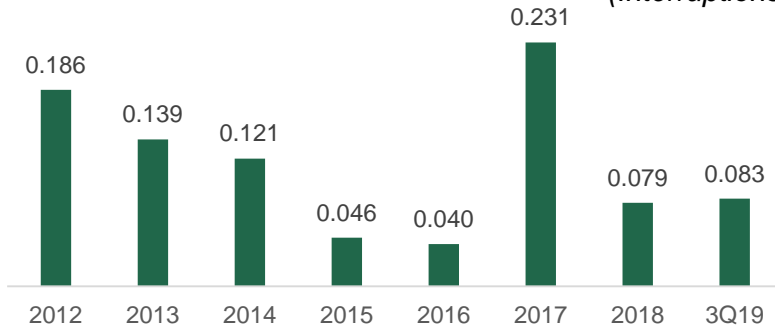
# Agenda

---

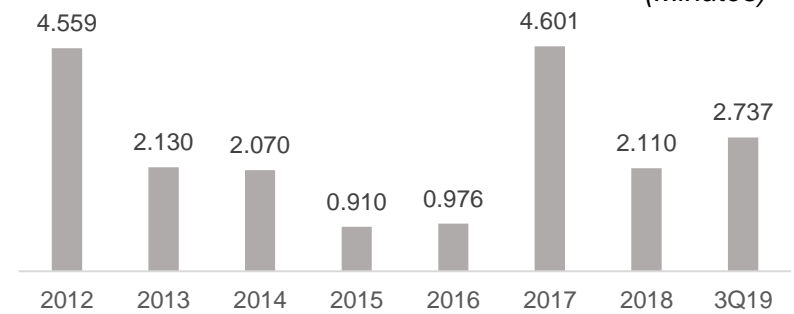
- 1 Mexican power industry
- 2 Transmission of electricity**
- 3 CFE Fibra E structure
- 4 CFE Fibra E important results
- 5 CFE Fibra E expectations

# CFE Transmisión performance indicators

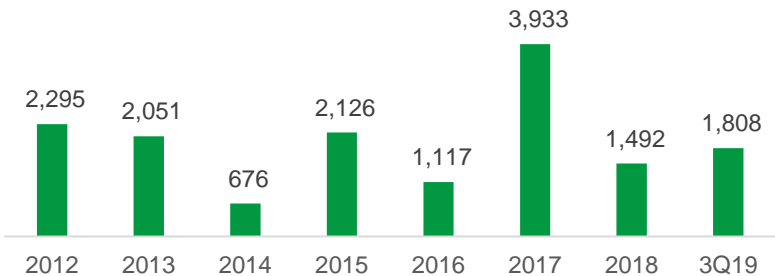
**System Average Interruption Frequency Index<sup>1</sup>**  
(Interruptions)



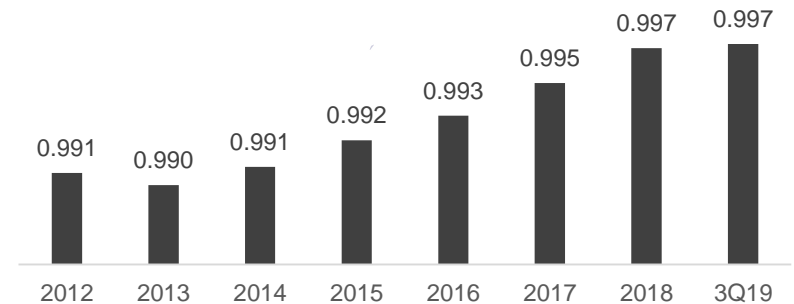
**System Average Interruption Duration Index<sup>2</sup>**  
(Minutes)



**Energy not delivered<sup>3</sup>**  
(MWh<sup>4</sup>)



**Transmission System Availability Index<sup>5</sup>**  
(Percentage)

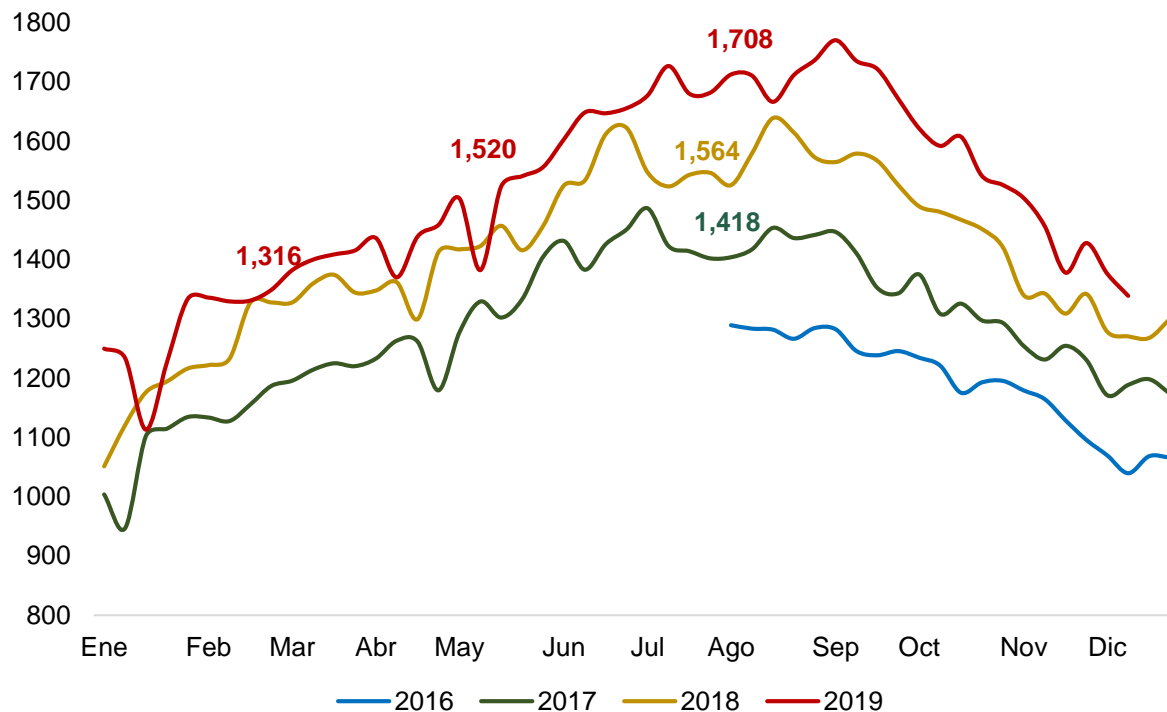


Source: CFE Transmisión.

Notes: <sup>1</sup>Average number of service interruptions due to failure in the National Transmission Grid (RNT) for a final user. <sup>2</sup>Average interruption duration of electricity supply to a final user. <sup>3</sup>Energy not supplied to users due to interruptions for periods longer than five minutes that occur because of failures in the RNT. <sup>4</sup>Means megawatt-hour, or one thousand kilowatt-hours. <sup>5</sup>Availability of all component elements of the RNT. Information as of September 30<sup>th</sup> 2019.

# Collection rights performance until november 2019

## Collection rights from CENACE<sup>1</sup> (Million MXN)



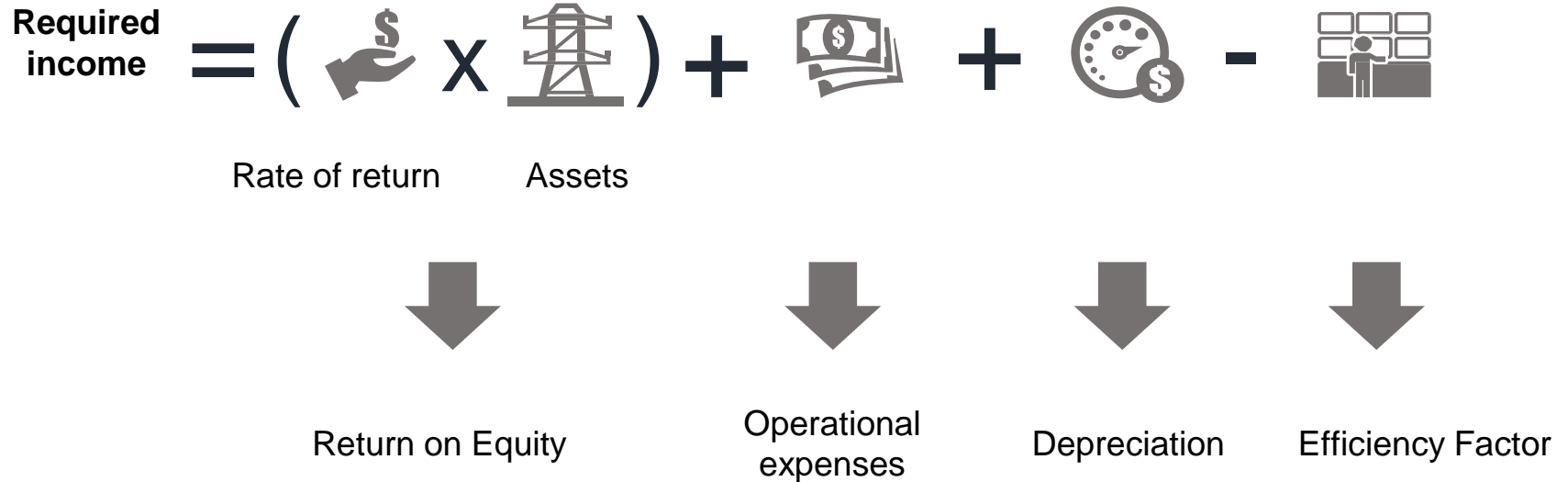
Until november 2019 weekly collection rights:

- Have totalized 72.725 billion MXN.
- Have increased 6.74% compared to the same period of 2018.

Note: The figures shown in the chart correspond to the quarterly average of weekly collection rights.

Source: CFE Transmisión, CFECapital and PRODESEN. Revenues in the graph include VAT (IVA).  
Note: <sup>1</sup>Centro Nacional de Control de Energía (CENACE).

# Current tariff methodology



Required income is **assigned to consumers and generators** (70% and 30%, respectively) and **divided by volume** at two different tension levels.<sup>1</sup>

**Annual adjustments:** 90% weight on inflation and 10% on exchange rate.  
Annual Adjustments for 2020 was 0.98%.

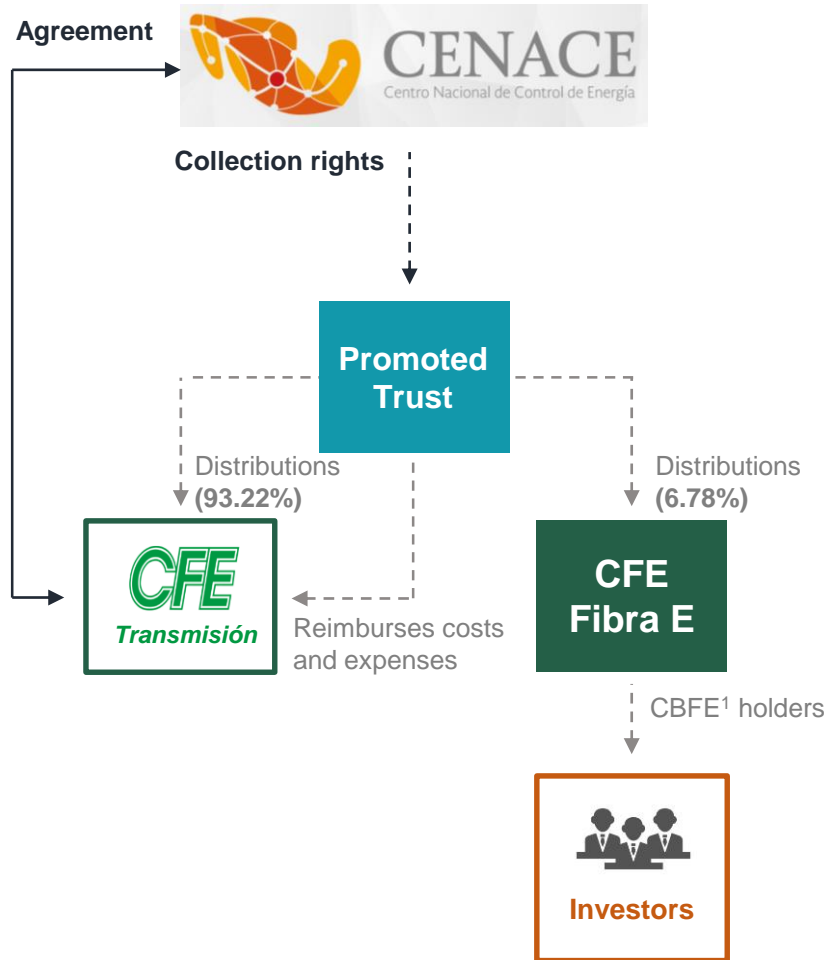
**New investments** have to be included in the National Electric System Development Program<sup>2</sup> (PRODESEN).

# Agenda

---

- 1 Mexican power industry
- 2 Transmission of electricity
- 3 CFE Fibra E structure**
- 4 CFE Fibra E important results
- 5 CFE Fibra E expectations

# CFE Fibra E: structural soundness



**CFE Transmisión assigned its collection rights for a period of 30 years.**

**It receives reimbursements for the operation of the Transmission grid based on an annual budget.**

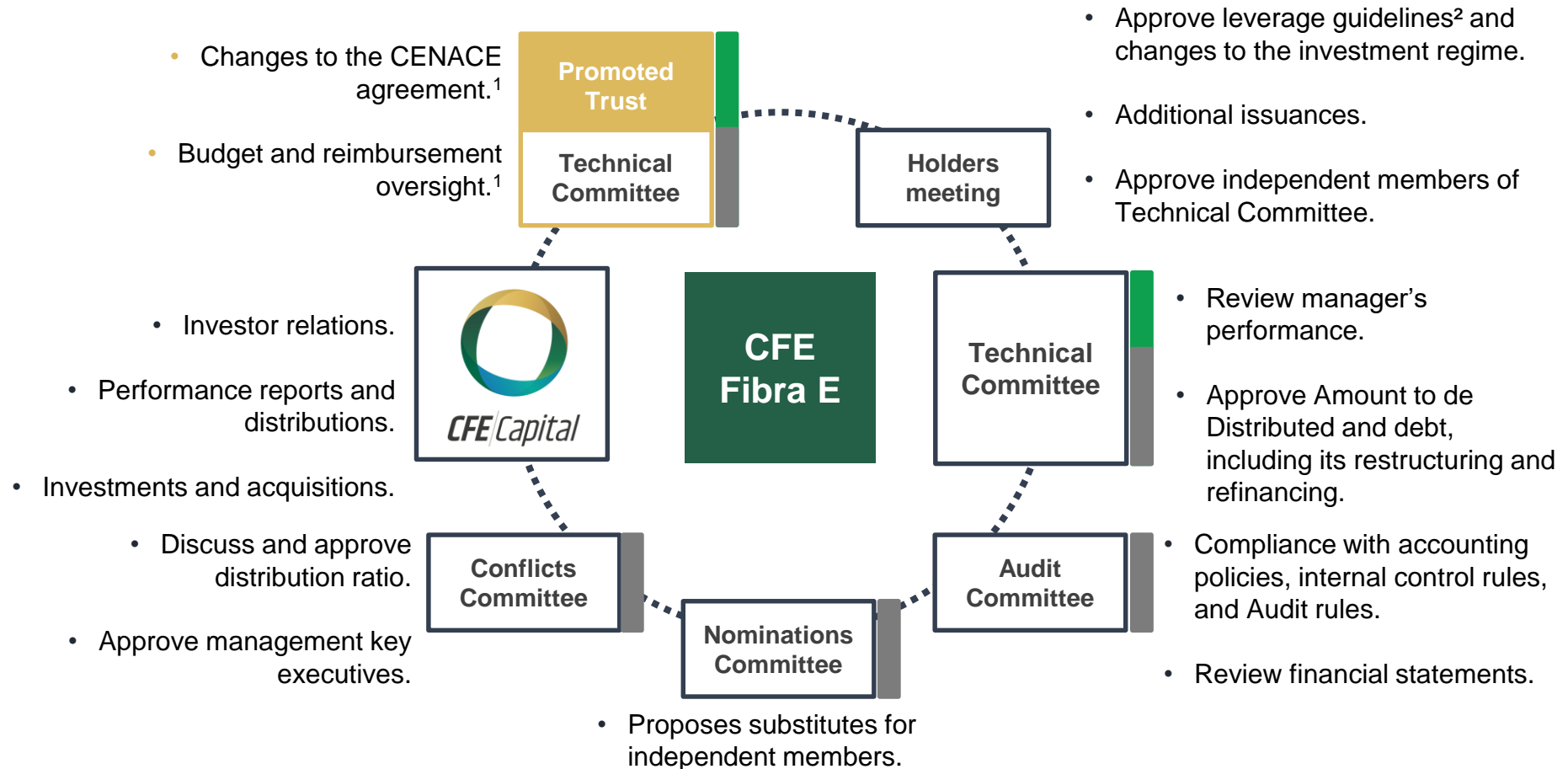
**CFE Fibra E has strong Corporate Governance mechanisms and establishes subordination to public investors.**



Source: CFECapital.

Note: <sup>1</sup>Certificados Bursátiles Fiduciarios de Inversión en Energía e Infraestructura.



# Corporate governance of CFE Fibra E

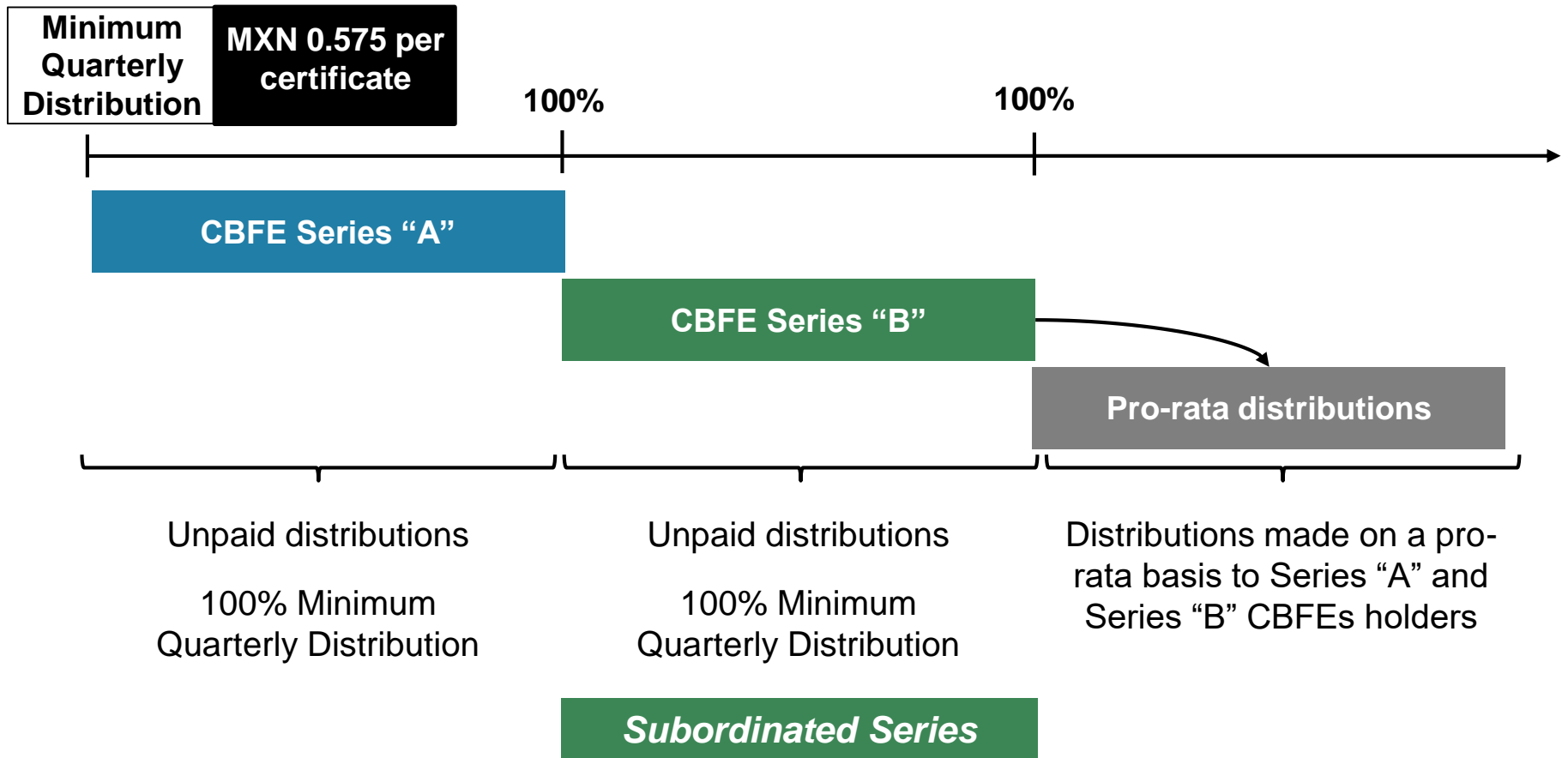


-  CFE-designated members
-  Independent members



Source: Offering filings and CFECapital. <sup>1</sup>All decisions require independent members approval. <sup>2</sup>Leverage rules require approval of the Technical Committee and the corrective plan needs approval of the Conflicts Committee.

# Distribution process to the CBFE<sup>1</sup> holders



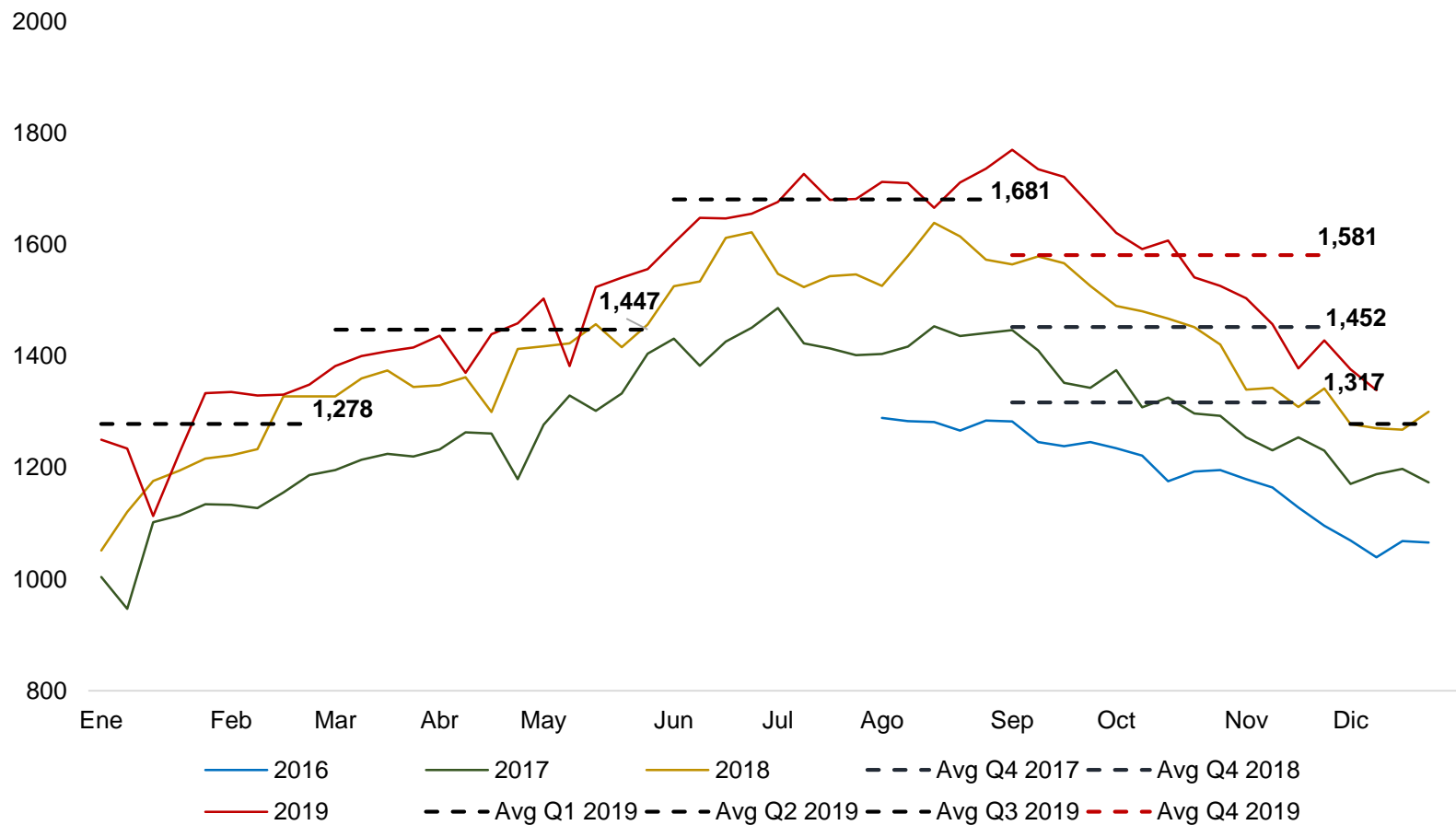
# Agenda

---

- 1 Mexican power industry
- 2 Transmission of electricity
- 3 CFE Fibra E structure
- 4 CFE Fibra E important results**
- 5 CFE Fibra E expectations

# Average collection rights per distribution period

**Weekly revenues from CENACE August 2016 – November 2019**  
(Million MXN)

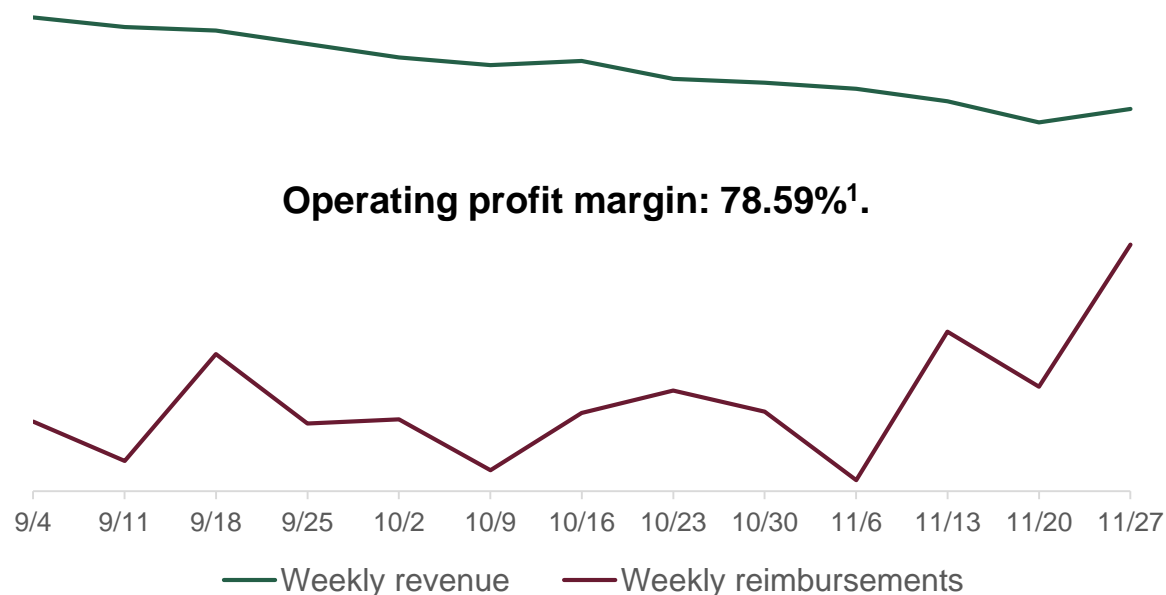


Source: CFE Capital and Promoted Trust Statement

Note: 1Q19 Distribution: December 1, 2018 to February 28; 2Q19 Distribution: March 1 to May 31; 3Q19 Distribution: June 1 to August 31; 4Q19 Distribution: September 1 to November 30. Comparison for 4Q17 and 4Q18 considers equivalent periods. Rounded Figures.

# Reimbursements and collections rights of the Promoted Trust

Collection rights and reimbursements to *CFE Transmisión* during fourth distribution period  
(Million MXN)



During fourth distribution period:

- Average collection rights per week: **1,580.95 millions MXN.**
- Average reimbursements per week: **338.40 millions MXN.**
- Average operating profit per week: **1,242.55 millions MXN.**

Last update: 18/12/19. Reimbursements according to annual budget.

# Utilization of Promoted Trust budget

## Reimbursements made until November 2019 vs approved budget (Million MXN)

Category	2019	November 2019	% Budget
Intercompany expenses	7,769	6,307	81%
Operation and maintenance	7,126	5,942	83%
Obligations expenses	3,471	2,746	79%
Major maintenance	2,027	1,043	51%
Trust expenses	17	0	0%
Financing Costs	0	0	0%
<b>Total</b>	<b>20,410</b>	<b>16,038</b>	<b>79%</b>

Up to November 30<sup>th</sup>, total savings from the approved budget represent a 21%, equivalent to 3,401 million MXN, considering that 11 months have passed.



## Distributed amount to Series “A” and Series “B” 4Q19

Amount to be distributed **918.66**

Distribution to CFE Fibra E (6.776103%)	930.1
Reserve fund restitution <sup>1</sup>	(14.5)
Interest from the previous period	3.0
<b>Amount to be distributed</b>	<b>918.6</b>

Distribution to Series “A” holders  
**490.58**

Unpaid MQD  
**0.00**

Distribution to Series “B” holders  
**163.53**

Unpaid MQD  
**0.00**

Distribution to each Series “A” CBFE<sup>2</sup>  
**0.80754842**

Distribution to each Series “B” CBFE  
**0.80754842**

Pro rata  
Series “A” (75%)

**198.41**

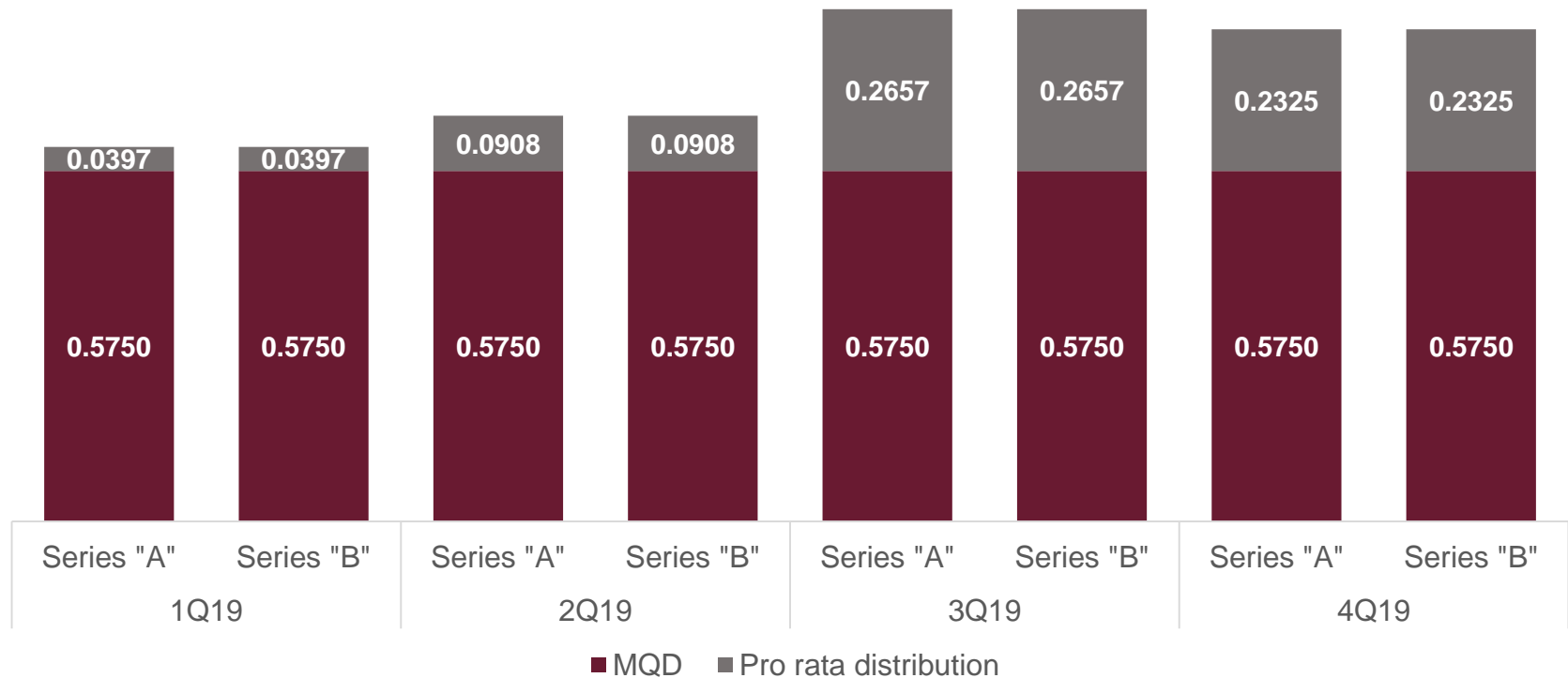
Pro rata  
Series “B” (25%)

**66.14**

Source: CFECapital. All information includes VAT, all information in MXN million. <sup>1</sup>As issuer’s trust agreement establishes, it has to maintain an MXN 45 million expenses reserve fund. Thus, the Trust Technical Committee approved its replenishment. <sup>2</sup>Certificados Bursátiles Fiduciarios de Inversión en Energía e Infraestructura, CBFE. Rounded figures.

# Composition of the 4Q19 distribution per CBFE<sup>1</sup>

**Revenue composition of CFE Fibra E distributions for both Series**  
(MXN per CBFE)

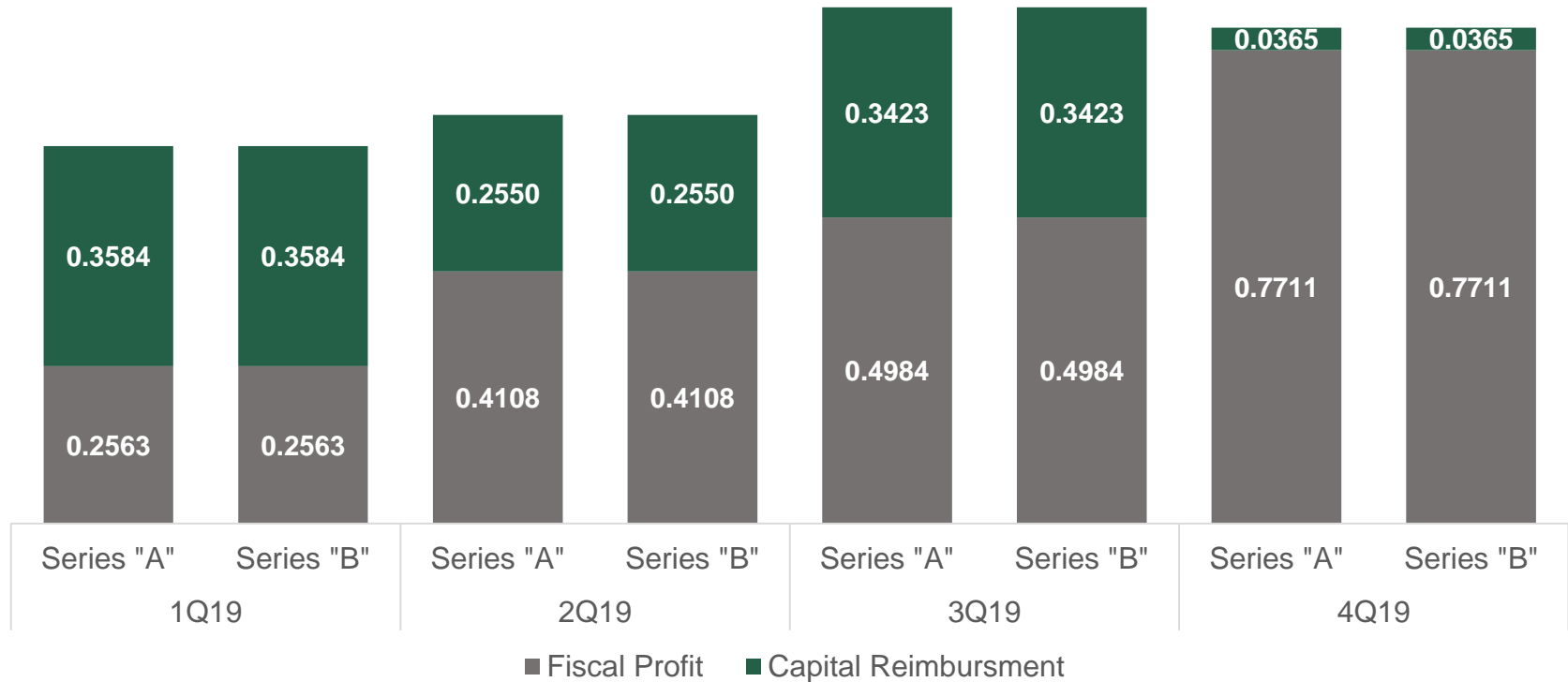


Source: CFECapital.

Note: <sup>1</sup>Certificado Bursátil Fiduciario de Inversión en Energía e Infraestructura. CFECapital gives the reimbursement instruction to the Trustee, who makes the deposit at INDEVAL, the central securities depository for the Mexican securities market. The custodian acts as the tax withholding agent. <sup>2</sup> There has been no Unpaid MQD on either 2019 distributions. <sup>3</sup> Minimum Quarterly Distribution. Rounded figures.

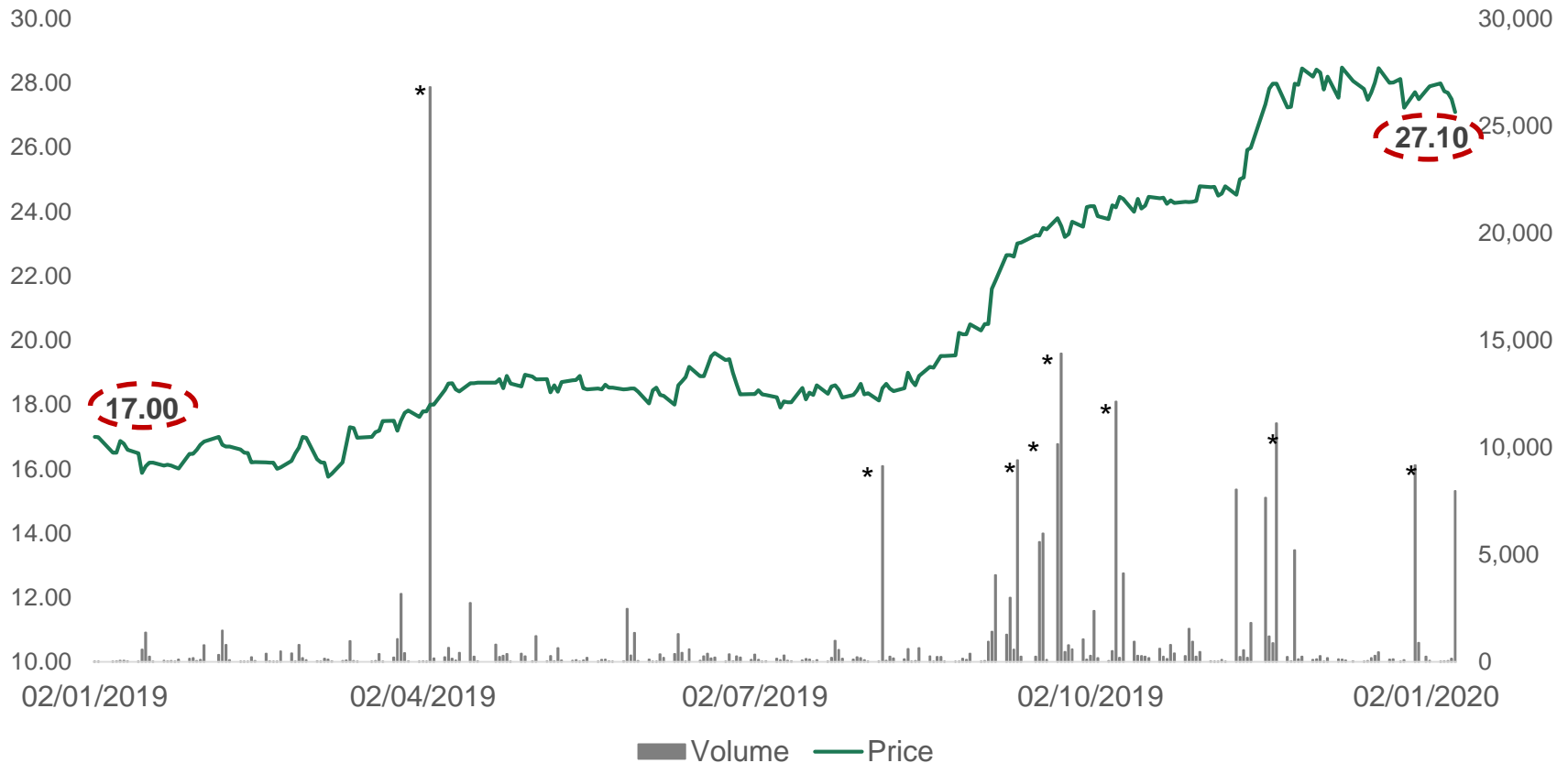
# Fiscal composition of 4Q19 distribution per CBFE<sup>1</sup>

**Fiscal composition of CFE Fibra E distributions for both Series**  
(MXN per CBFE)



# CFE Fibra E performance

## FCFE18 price and volume during 2019



Source: CFECapital with information from Bloomberg.

Notes: CBFE: *Certificado Bursátil Fiduciario de Inversión en Energía e Infraestructura*. \*Intraday operated volume over 1% of all Series "A" CBFE (853,195,411 CBFE).



# Agenda

---

- 1 Mexican power industry
- 2 Transmission of electricity
- 3 CFE Fibra E structure
- 4 CFE Fibra E important results
- 5 CFE Fibra E expectations**

## Positives effects for CFE Fibra E during 2019

---

Reduction of interest rates on 100 bps during 2019

New President Commissioner at Energy Regulatory Commission

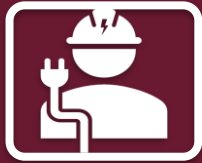
Agreement between CFE and pipeline companies

FCFE18 distributions above expectations



## Following events

---



1Q20 distribution: March 31, 2019



4Q19 Investor call: end of February 2019



Tariff methodology approval during 2020

**investor@cfecapital.com.mx**

**<http://cfecapital.com.mx/>**



***CFE/Capital***

# Promoted Trust Q319 Account Balance

## Promoted Trust Account Balance as of September 30<sup>th</sup>, 2019 (Million MXN)

	July	August	September	3Q19
<b>Initial balance</b>	<b>4,726.98</b> <sup>(1)</sup>	<b>10,594.75</b>	<b>14,634.19</b>	
+ Collection rights	8,476.85	6,823.94	6,897.66	22,198.46 <sup>(2)</sup>
- Withdrawals	2,656.93	2,861.41	2,092.34	7,610.67 <sup>(3)</sup>
- Distribution to holders	-	-	14,384.19	14,384.19 <sup>(4)</sup>
<b>Gross balance</b>	<b>10,546.90</b>	<b>14,557.28</b>	<b>5,055.33</b>	
+ Interest	54.62	87.54	73.97	216.14 <sup>(5)</sup>
- Interest tax	6.78	10.63	9.87	27.29 <sup>(6)</sup>
<b>Final balance</b>	<b>10,594.75</b>	<b>14,634.19</b>	<b>5,119.42</b>	

The third quarter balance began with MXN 4,726.98 million<sup>(1)</sup>, to which were added collection rights received from CENACE<sup>1</sup> for the period for MXN 22,198.46 million<sup>(2)</sup>, withdrawals for the period summed up to MXN 7,610.67 million<sup>(3)</sup>. In September was realized the distribution to holders, before reliquidations, it was for MXN 14,384.19<sup>(4)</sup>. During the period interest generated add up to MXN 216.14 million<sup>(5)</sup> and interest tax summed up to MXN 27.29 million<sup>(6)</sup>.

# Issuer Trust Q319 Account Balance

## Issuer Trust Account Balance as of September 30<sup>th</sup> of 2019

(Million MXN)

	2Q19	July	August	September	3Q19
Initial Balance		42.71 <sup>(1)</sup>	25.77	25.72	
+ Promoted trust distribution	782.61	-	-	974.01	974.01 <sup>(2)</sup>
- Distribution to holders	757.41	-	-	956.37	956.37 <sup>(3)</sup>
- Trust Expenses	31.19	17.19	0.21	0.49	17.89 <sup>(4)</sup>
<b>Gross balance</b>		<b>25.52</b>	<b>25.56</b>	<b>42.87</b>	
+ Interest	2.06	0.25	0.16	2.59	3.00 <sup>(5)</sup>
<b>Final balance</b>		<b>25.77</b>	<b>25.72</b>	<b>45.45</b>	
Accrued interest	-	-	-	-	
Portfolio value		25.77	25.72	45.45	

The Q3 began with a balance of MXN 42.71 million<sup>(1)</sup>, to which were added MXN 974.01 million<sup>(2)</sup>, corresponding to the distributed amount of the Promoted Trust (F/80758), of which the holders finally received MXN 956.37 million<sup>(3)</sup>. The expenses of the trust were 17.89 million pesos<sup>(4)</sup>. During the quarter, the interests generated were MXN 3.00 million<sup>(5)</sup>.