

An aerial photograph showing a series of high-voltage power transmission towers stretching across a large body of water. The towers are steel lattice structures. In the background, there are green mountains under a clear sky. The foreground shows a lush green shoreline with palm trees and a small boat in the water.

CFE FIBRA E

Evercore ISI Utility Retreat One-on-One Conference 2019

Palm Beach, Florida | 10-11 January, 2019



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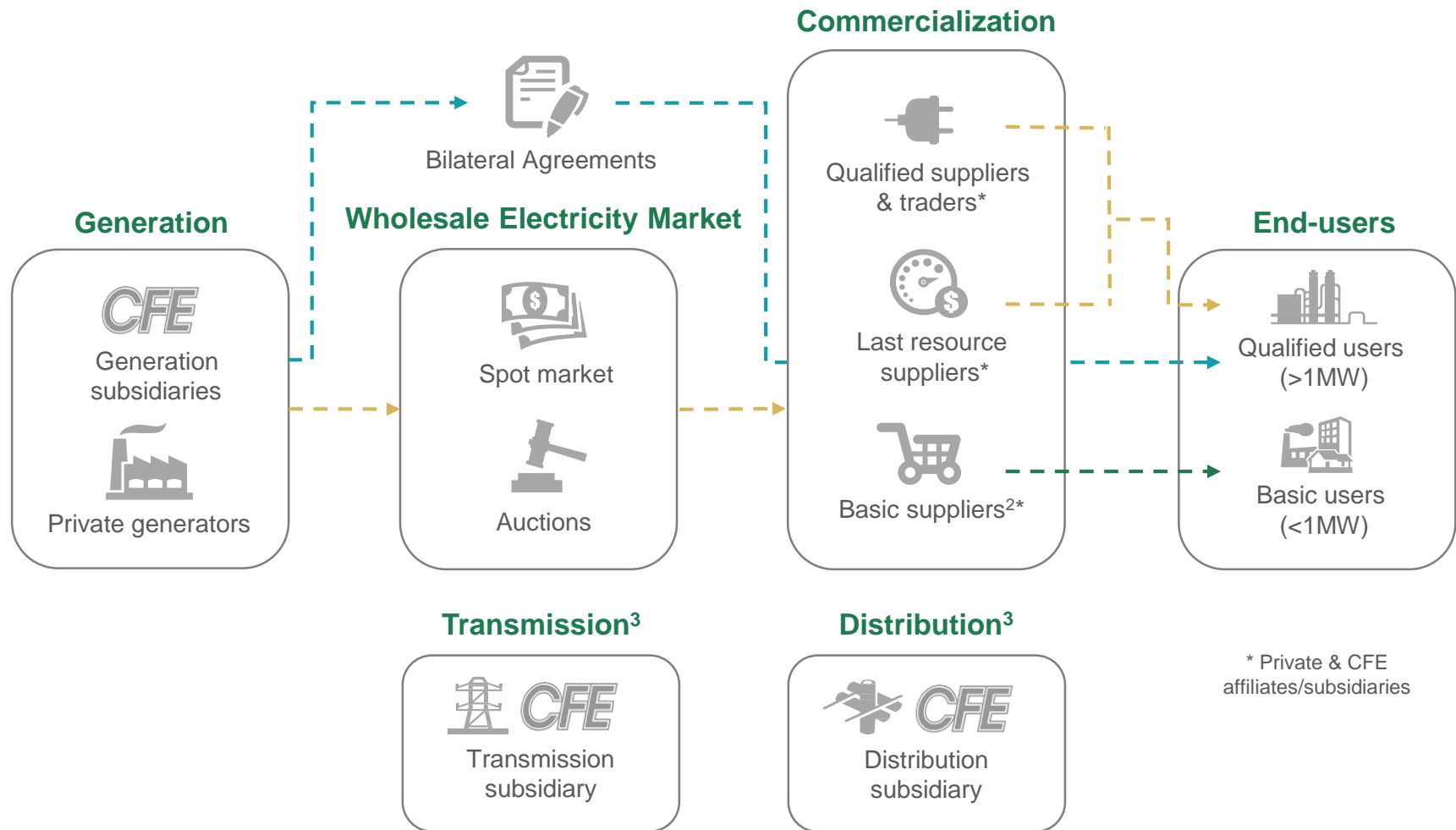
Agenda

- 1** Mexican power sector
- 2** CFE at a glance
- 3** CFE *Transmisión*
- 4** FCFE results and prospective

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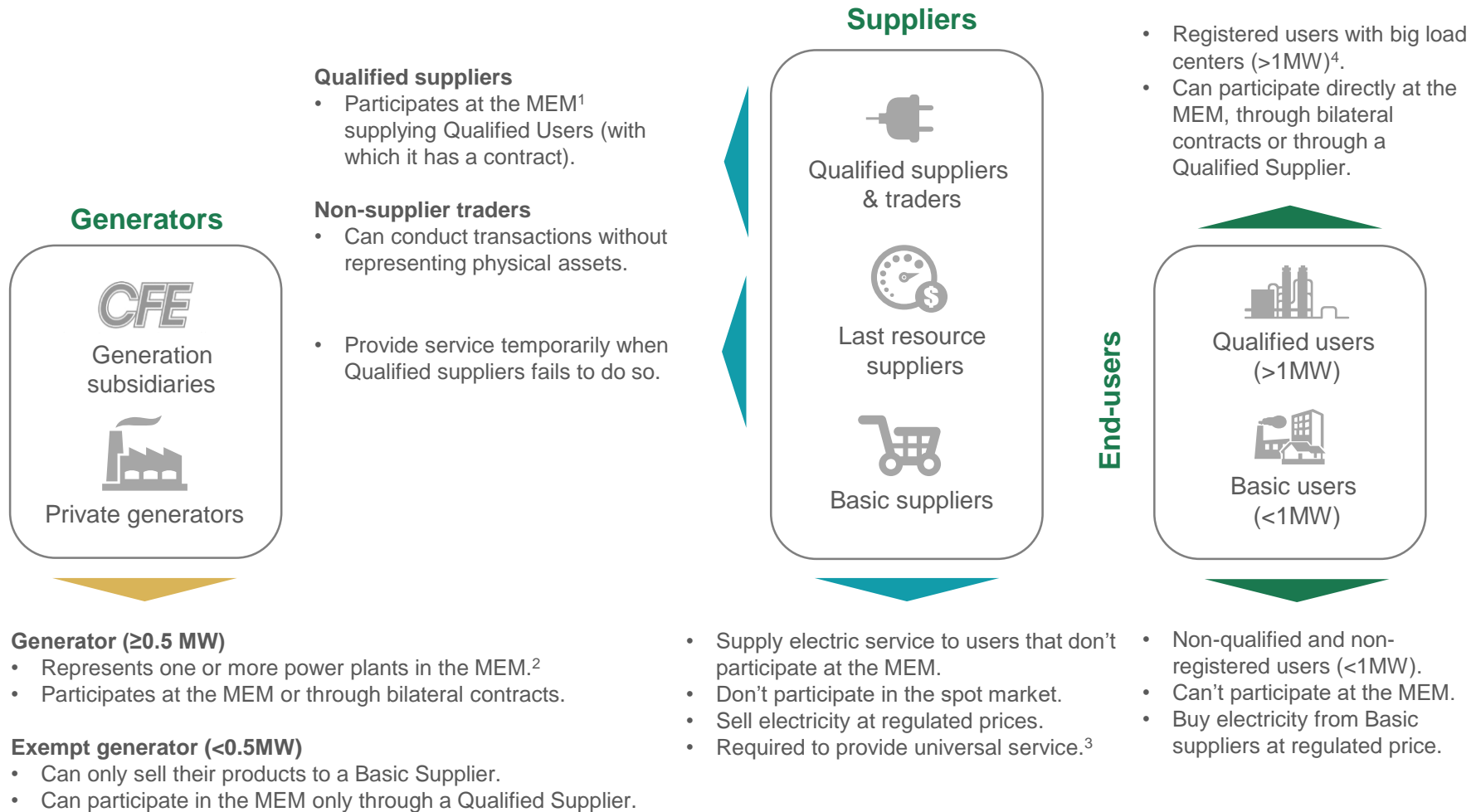
Generation and commercialization are open to competition while transmission and distribution operations remain exclusive for CFE.¹



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

Note: ¹Although private investment is allowed through partnerships, joint ventures or bilateral agreements. CFE-owned and Independent Power Producers (IPPs, which include self-supply and co-generation figures, among others) were assigned to a new subsidiary (Genco V) and are allowed to sign electricity coverage contracts with the Basic Supplier Subsidiary. Non-CFE Power Purchase Agreements (PPAs) can remain as Legacy Contracts or migrate to the new framework. ²Currently, CFE is the only Basic Supplier, although CRE has granted permits to three new competitors. ³Rates are defined by the CRE.

Three categories of market participants exist: generators, suppliers and end-users, which have very different attributes amongst them.



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

Note: ¹Wholesale Electricity Market by its acronym in Spanish *Mercado Eléctrico Mayorista*. ²The Intermediation Generator represents those legacy power plants and load centers included in legacy contracts. ³For this purpose, they can access the Universal Electric Service Fund (FSUE). ⁴Also, legacy contracts' load centers.

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Comisión Federal de Electricidad (CFE): more than 80 years of history.

1937



Population in Mexico with electricity

38.0%

Installed capacity

64 kW

Generation

1 plant

Transmission and distribution

Without its own network

Clients

In 1942:
~105,000

3Q18



Population in Mexico with electricity

98.7%

Installed capacity

55,240 MW

Generation

187 Plants
(CFE: 157, IPP¹: 30)

Transmission and distribution

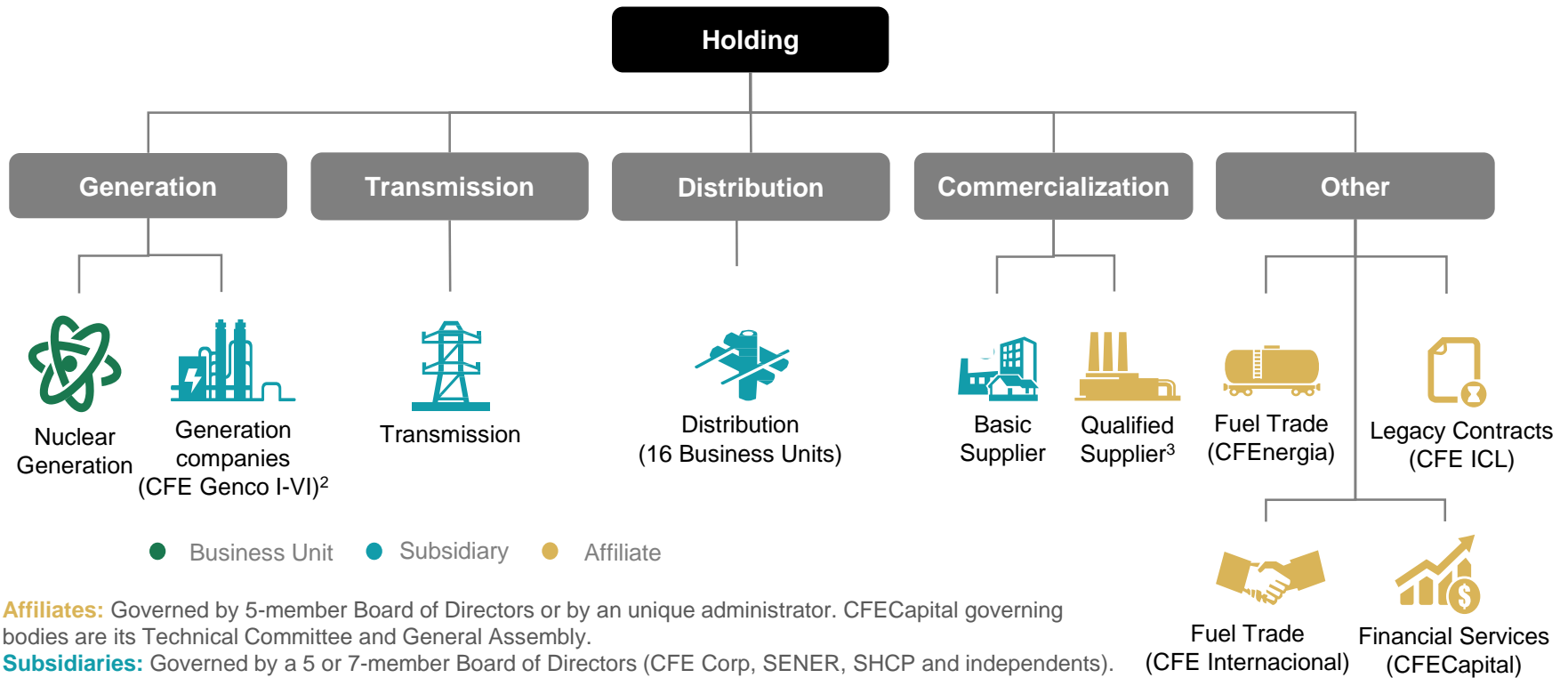
Transmission grid: 107,709 Km
Distribution networks: 837,640 Km

Clients

43.1 million

Source: CFE. ¹ Independent Power Producers.

Company snapshot: 14 subsidiaries and affiliates plus specific business units.



- **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.⁴
- **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).

CFE is looking forward to regain its position as a relevant global player in the energy sector.

On December 8, key objectives for the National Electricity Program were presented by the new CFE leadership and the Federal Government. The program aims to achieve, among others, the next objectives:

Improve audit and accountability processes and increase anti-corruption measures.

Boost the generation capacity.

Increase investment.

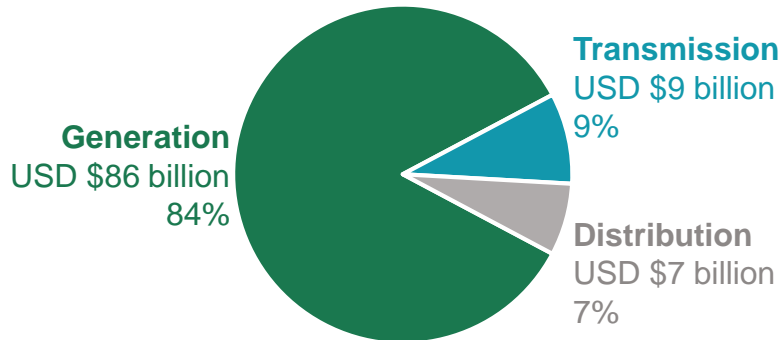
Promote clean energy sources.

Offer competitive prices for the end-user.

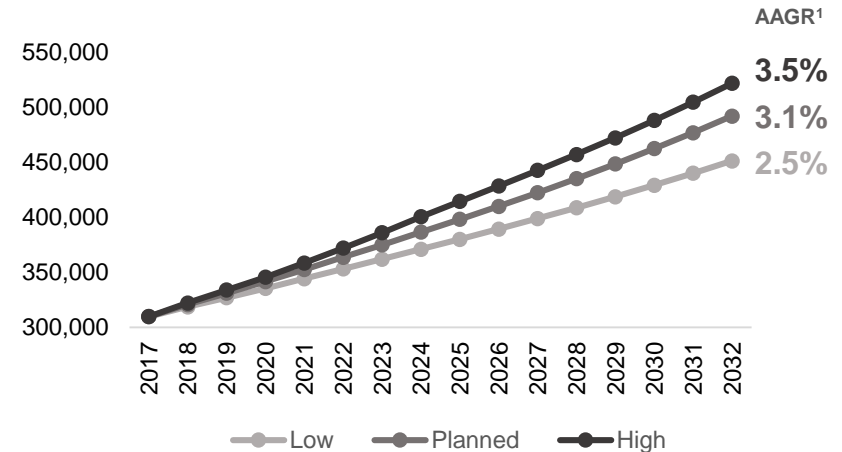
Source: Presentation of the National Electricity Program. Media available [here](#).

Mexico's power sector will need strategic investments through the entire value chain.

Investment requirements 2018-2032
(billion USD)



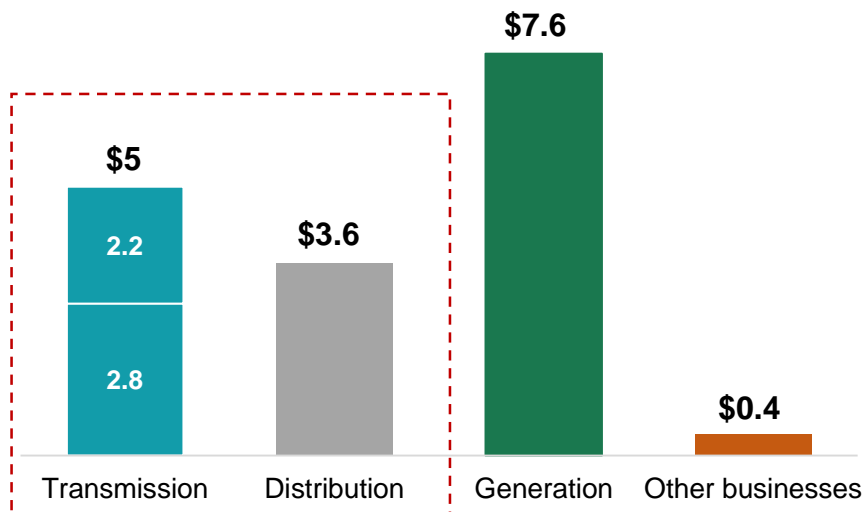
Gross energy consumption forecast by scenario
(Consumption in GWh)







- Additionally, the Law of Climate Change establishes a **35% goal of clean energy generation** in the country's energy matrix **by 2024**.
- Suppliers, qualified users and owners of interconnection contracts are bound to consume certain percentage of their demand in clean energy sources.²
- To be able to achieve it, a market for **Clean Energy Certificates (CELs)** was created.³

CFE is planning to invest USD \$16.6 billion in the next 5 years.

2018-2022 CFE planned investments by business
(billion USD)



- USD \$2.8 billion for the Transmission sector are expected to come from CFE Fibra E.

Process	Notable projects
 Generation	<ul style="list-style-type: none"> • Norte III, Cd. Juárez (CC 907 MW). • Topolobampo II, Ahome (CC 887 MW). • Chicoasén II, Chicoasén (HEP 240 MW).
 Transmission	<ul style="list-style-type: none"> • SIN-BC Interconnection. • HVDC Ixtepec-Yautepec. • Wholesale Electricity Market (MEM). Measurement Systems.
 Distribution	<ul style="list-style-type: none"> • Acquisition of connections and meters. • Measurement scaling. • Remote operation and automation.
 Other businesses ¹	<ul style="list-style-type: none"> • Commercial Model Transformation Program (Basic Supplier). • Intelligent meters (Basic Supplier). • Telecommunications infrastructure and assets market and lease (CFE Telecom).

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CFE Transmisión has proven industry experience and is a business with stable cash flows driven by a regulated tariff.



Financial objectives

- Generate value and profits for CFE and the Federal Government.
- Celebrate contracts with the private sector/affiliates to finance infrastructure.¹

Client-focused objectives

- Grant open access under non-discriminatory conditions.
- Share energy measurements with suppliers.

Operation objectives

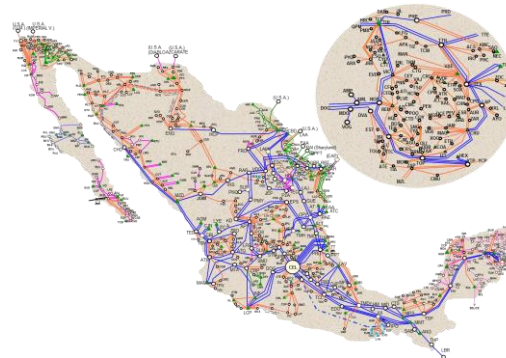
- Fulfill service requirements on quality, reliability, continuance, and security.
- Expand and modernize the RNT as instructed by the Energy Ministry.

CFE Transmisión infrastructure (end-2017)

Concept	Unit	Total
Transmission lines ²	Km-c	107,709
Substations ³	No.	507
Transformation capacity	MVA	158,035
Optical fiber capacity	Km	43,803
Employees	No.	8,335

The National Transmission Network (RNT) has **three independent systems**:

1. The Baja California (BC) System is interconnected with the Western Electric Coordinating Council.⁴
2. The Baja California Sur (BCS) System is subdivided among two isolated systems.⁵
3. The National Interconnected System (SIN) includes the rest of the country.

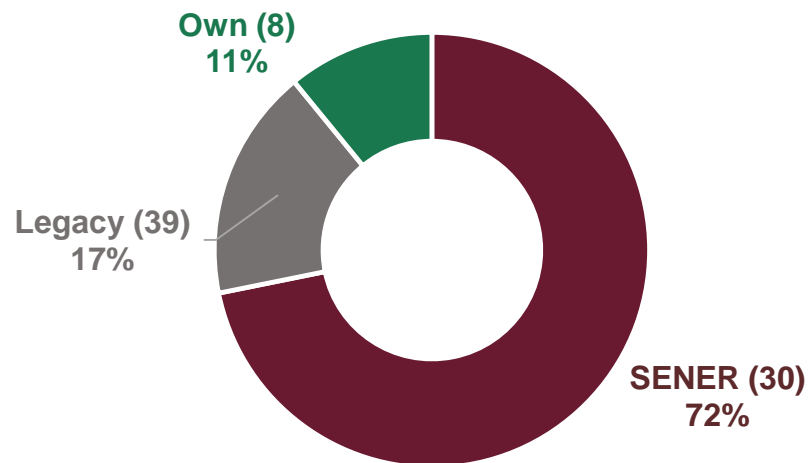


Source: (Content in Spanish) - *Organic Statutes of CFE Transmisión*. CFE Transmisión, *Business Plan 2018 – 2022*. SENER, *International Public Tender SENER-01-2018*. Mexico Projects, *0689 CFE: SIN-BCS Interconnection Transmission Line*. Note: ¹Installation, maintenance, management, operation and expansion (Build-Lease-Transfer or Build-Operate-Transfer). ²Includes 46,789 sub-transmission lines previously handled by Distribution. ³Additionally, 1,615 substations previously handled by Distribution and 133 by Generation will be added. ⁴A tender was held in 2018 to interconnect the BC System to the SIN (HVDC 1,400 km-c, 500 kV and 1,500 MW capacity). ⁵A tender will be held in 2019 to interconnect the BCS System to the SIN.

The company is planning to invest around USD \$5 billion during the next five years in 77 expansion and/or modernization projects.

Most of the projects are instructed by the Ministry of Energy (SENER)

And they are focused in overcome key challenges in the power transmission sector



- All 77 projects are financed either partially¹ or totally public budget². Additionally, SENER projects have access to other financing mechanisms such as Fibra E³, CAT⁴, and other CFE funds.

1. Expansion

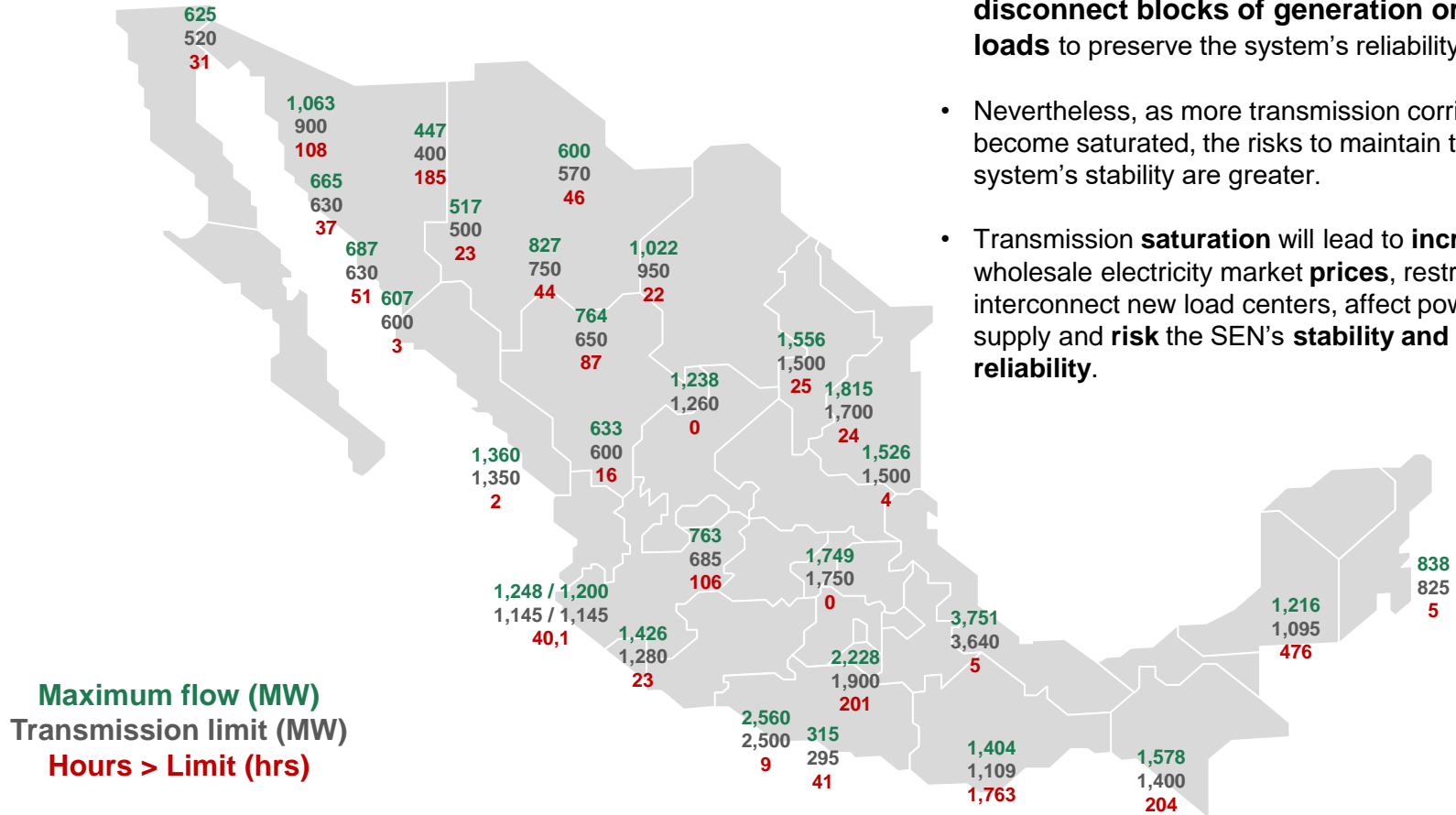
- **Transport energy from windfarms** in the Northeast and Southeast regions.
- **Deal with incremental demand** in the Northwest, North, Northeast, Center, West, Baja California and Peninsular regions.

2. Modernization

- **Reduce maintenance costs and avoid failures in service** through equipment replacement, protections, insulation and infrastructure improvement. Represents approximately 60% of investment.
- Other investments: optical fiber and information and Communications Technology (ICT).

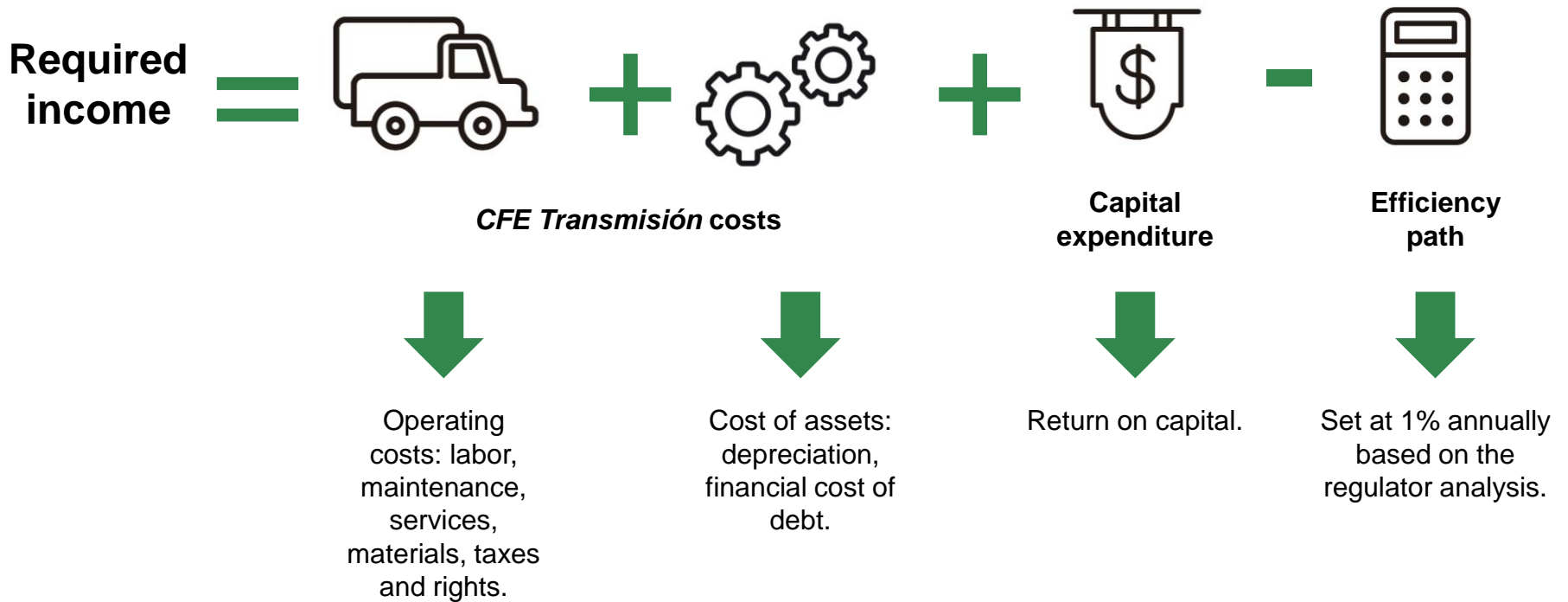
Amongst the most important objectives of the power transmission projects is to reduce congestion costs.

National electric system transmission corridors, 2017



- **50%** of these connections **automatically disconnect blocks of generation or of loads** to preserve the system's reliability.
- Nevertheless, as more transmission corridors become saturated, the risks to maintain the system's stability are greater.
- Transmission **saturation** will lead to **increases** in wholesale electricity market **prices**, restrictions to interconnect new load centers, affect power supply and **risk** the SEN's **stability and reliability**.

2016-2018 tariff methodology uses a reimbursement model: recognizes costs, retributes investments, and directs an efficiency path.



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

Annual adjustments: 90% weight on inflation and 10% on exchange rate.

New investments have to be included in the National Electric System Development Program² (PRODESEN).

On December 28, CRE decided to extend the validity of the current methodology. For 2019, the average increase will be of 4.9% versus 2018.

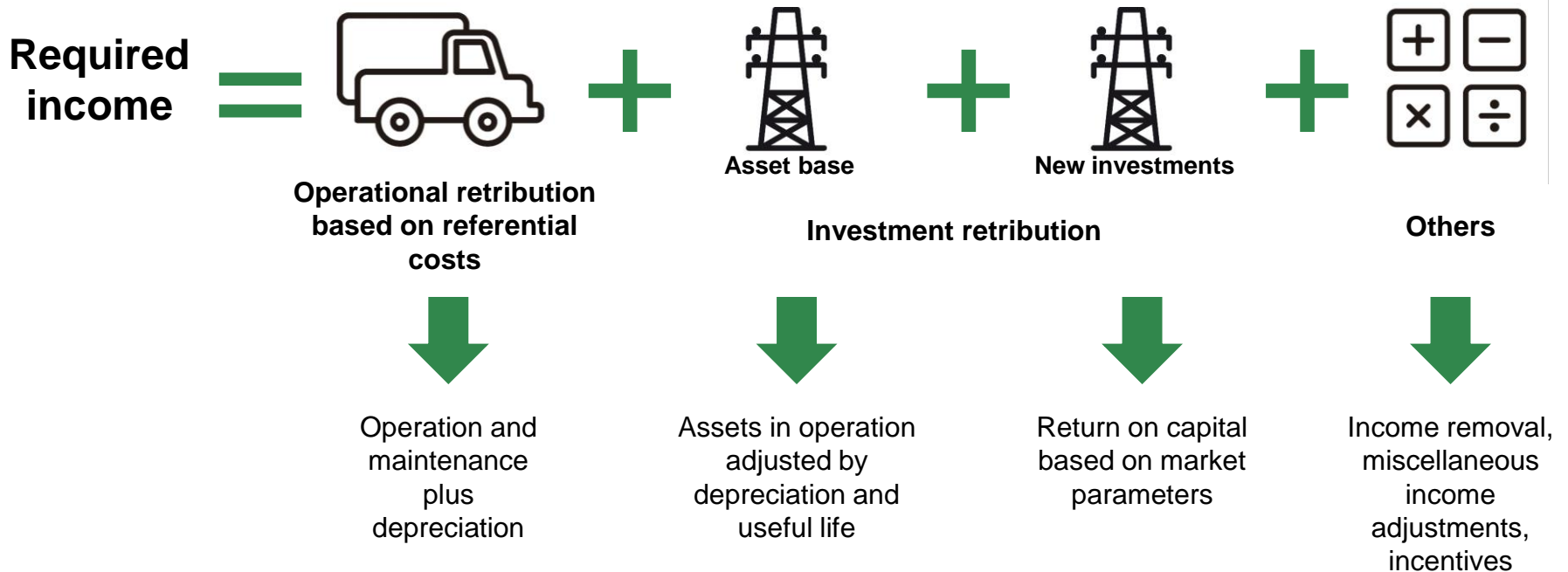
CRE assumptions¹:

1. Required Income for the year 2019 (MXN \$55,901 million).
2. Variation of the Producer Price Index² between October 2018 and October 2015 (22.53%).
3. Exchange rate variation³ between October 2018 and October 2015 (15.29%).
4. Update factor of 21.81%.
5. There are not approved projects that start operations in 2019, hence there are no new investments recognized in the Required Income.
6. Energy demand based on the low scenario growth rate: 2.6%.

These rates will be valid as long as the new methodology is not issued. Rate chart that valid since January 1, 2019:

Tension level	Producers (MXN / kWh)	Consumers (MXN / kWh)
Tension > 220 kV	0.0580	0.0730
Tension < 220 kV	0.1051	0.1663

CFE keeps working with CRE on the new methodology. While it still uses required revenue, it becomes referential to market parameters.¹

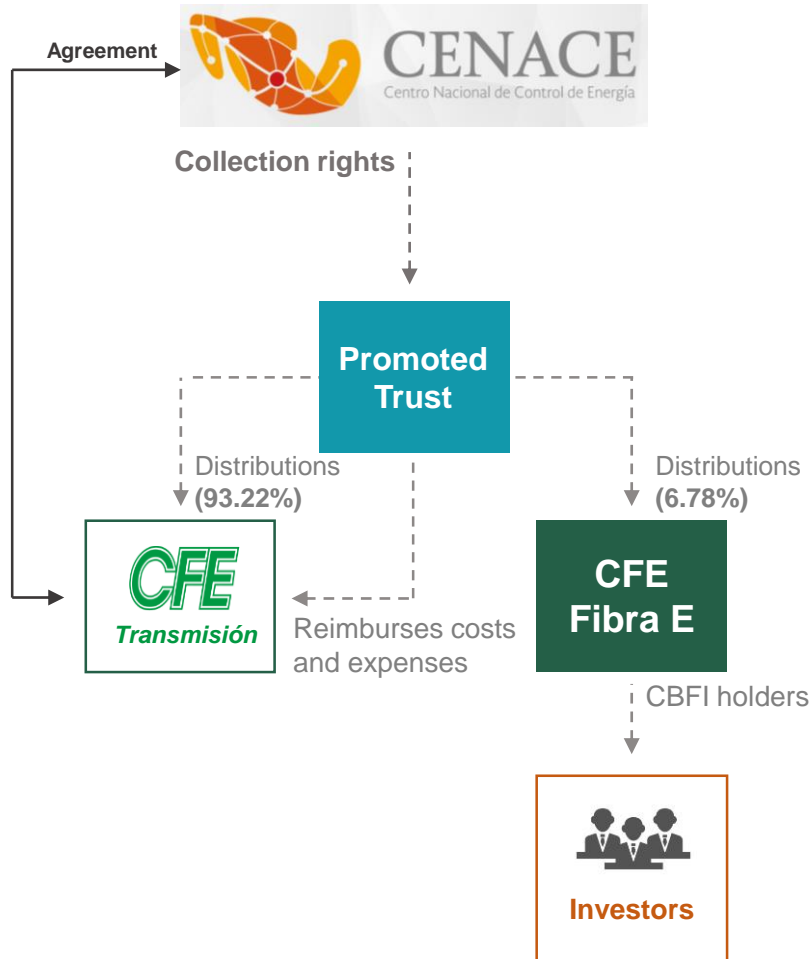


The **next steps in the process** are: 1) revision and approval by the regulatory agency of the Federal Government (methodology draft will be public), simultaneously, CFE and CRE are working on the numbers source for each component; 2) CRE governing body will approve it and decide when to enact new rates.

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CFE Fibra E objective during 2018 was to consolidate operations and deliver results to investors.



The Promoted Trust received around **MXN \$62.4¹ billion** in 2018.

Weekly collection rights were on average 10% higher in comparison with 2017: tariffs increased 4.2%² and volume grew around 4% compared to 2017.

In 2018, **reimbursements to CFE Transmisión summed up MXN \$13.2 billion**, saving 21% of the approved budget.

The Issuer Trust distributed MXN \$2.48³ billion to CBFE⁴ holders. **Two of the three distributions have exceeded the MQD.**⁵

Source: CFECapital and CFE Transmisión.

Note: All rounded and preliminary figures. ¹Estimated amount since the Initial Public Offering in February 12 2018. ²Approved by the Energy Regulatory Commission. ³First distribution: 729 million MXN; Second distribution: 932 million MXN; Third distribution: 819 million MXN. ⁴CBFE: Certificados Bursátiles Fiduciarios de Inversión en Energía e Infraestructura. ⁵MQD: Minimum Quarterly Distribution.

Preliminary figures show reimbursement savings of around MXN \$3.5 billion for the end 2018.¹ Budget approved for 2019 only considered a inflation increase.²

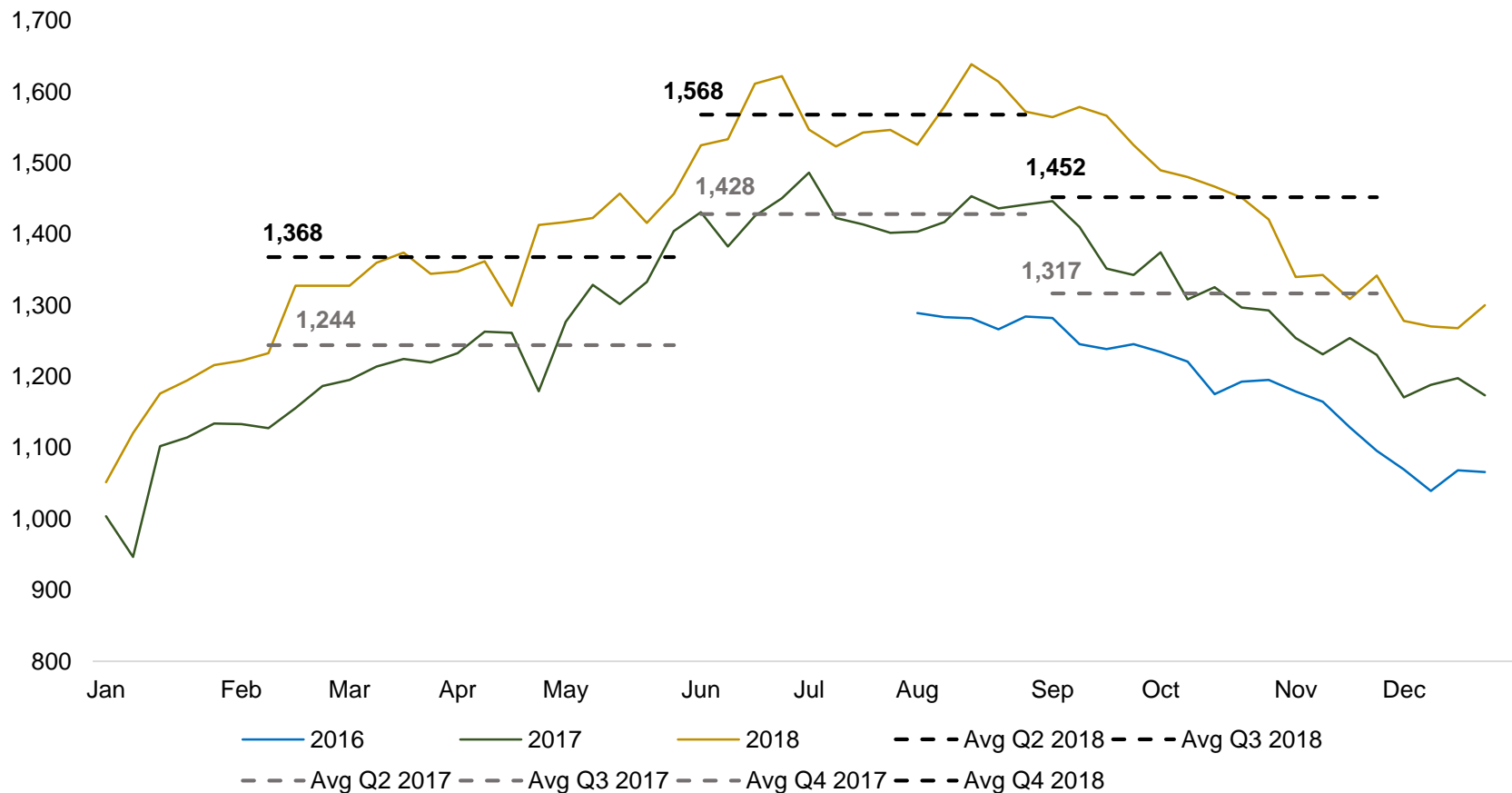
Reimbursements made vs 2018 budget
(million MXN)

Category	2018 budget	End of 2018	% against budget
Intercompany expenses	6,789	4,926	73%
Operation and maintenance	5,998	5,623	94%
Obligations expenses	3,134	2,480	79%
Major maintenance	856	210	25%
Trust expenses	15	1	4%
Financing	0	0	0%
Total	16,792	13,240	79%

The budget approved for the promoted trust contemplates 46 weeks of operations since February 12 2018 until the end of 2018.

Last distribution reflected the consolidation of the growth path showed earlier in the year.

Weekly revenues from CENACE (million MXN)



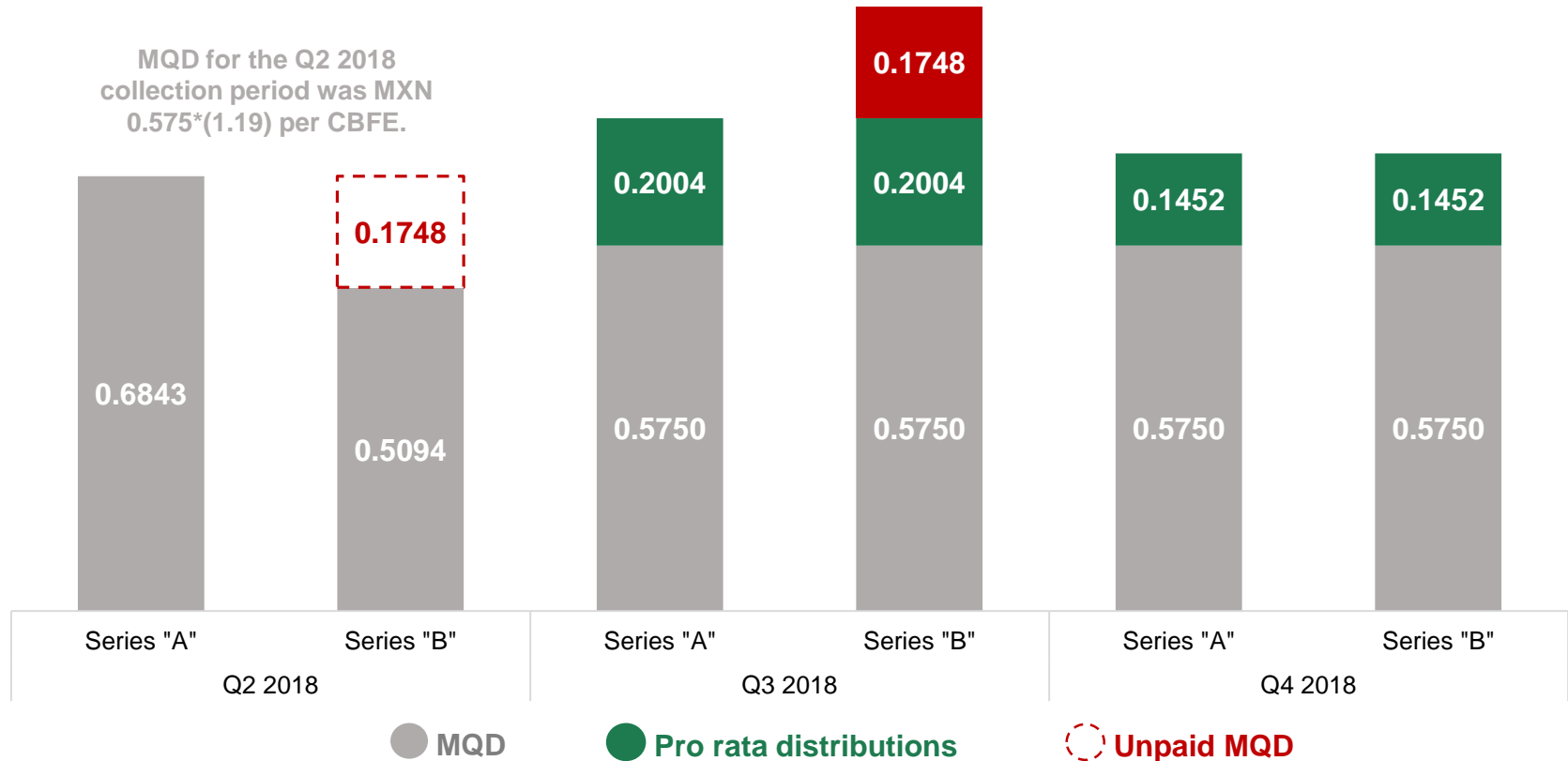
Source: Promoted Trust statement of account.

Note: Q2 2018 distribution: February 12 to May 31; Q3 2018 distribution: June 1 to August 31; Q4 2018: September 1 to November 30. Comparison for 2017 considers equivalent periods. Rounded figures.

Last distribution (Q4): 0.7202 per CBFE of each series.

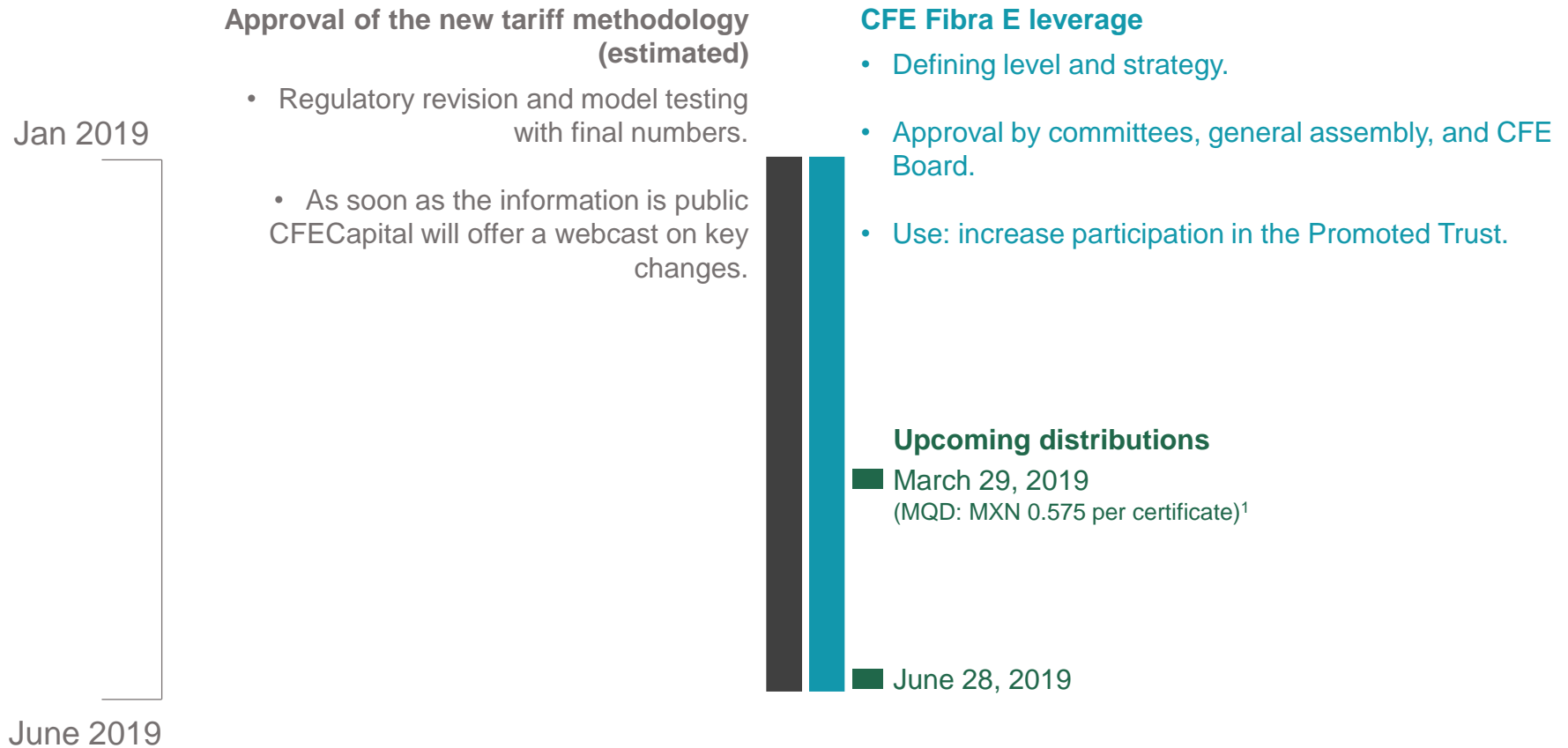
Revenue composition of distributions on 2018

(MXN per CBFE¹)



Note: ¹Certificado Bursátil Fiduciario de Inversión en Energía e Infraestructura (CBFE). Q2 2018 distribution: February 12 to May 31; Q3 2018 distribution: June 1 to August 31; Q4 2018: September 1 to November 30.

Key activities for 1H 2019.



Source: CFECapital. ¹MQD established in the offering documents. ² Comisión Nacional de Mejora Regulatoria.

CONTACT

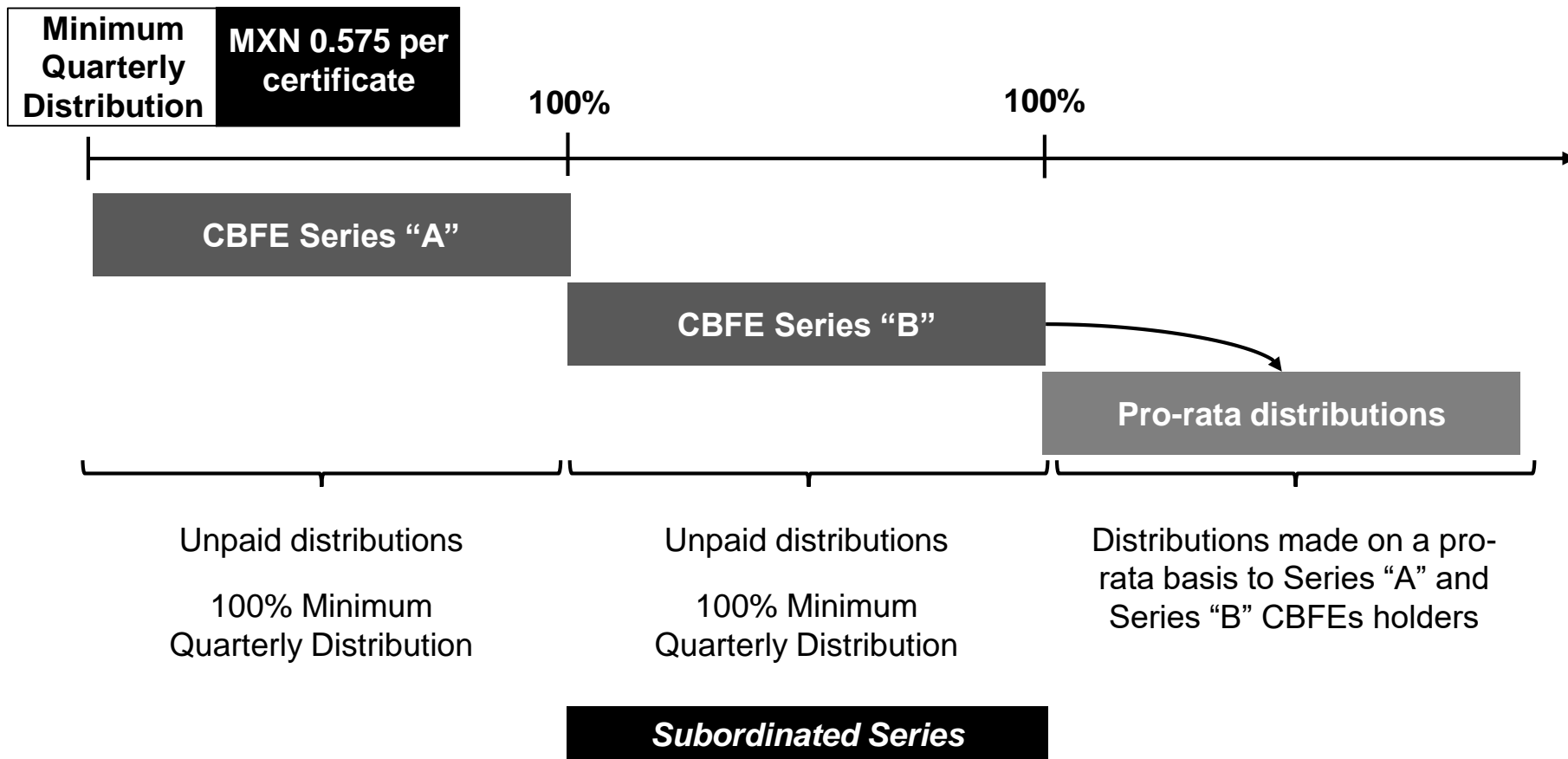
investor@cfecapital.com.mx

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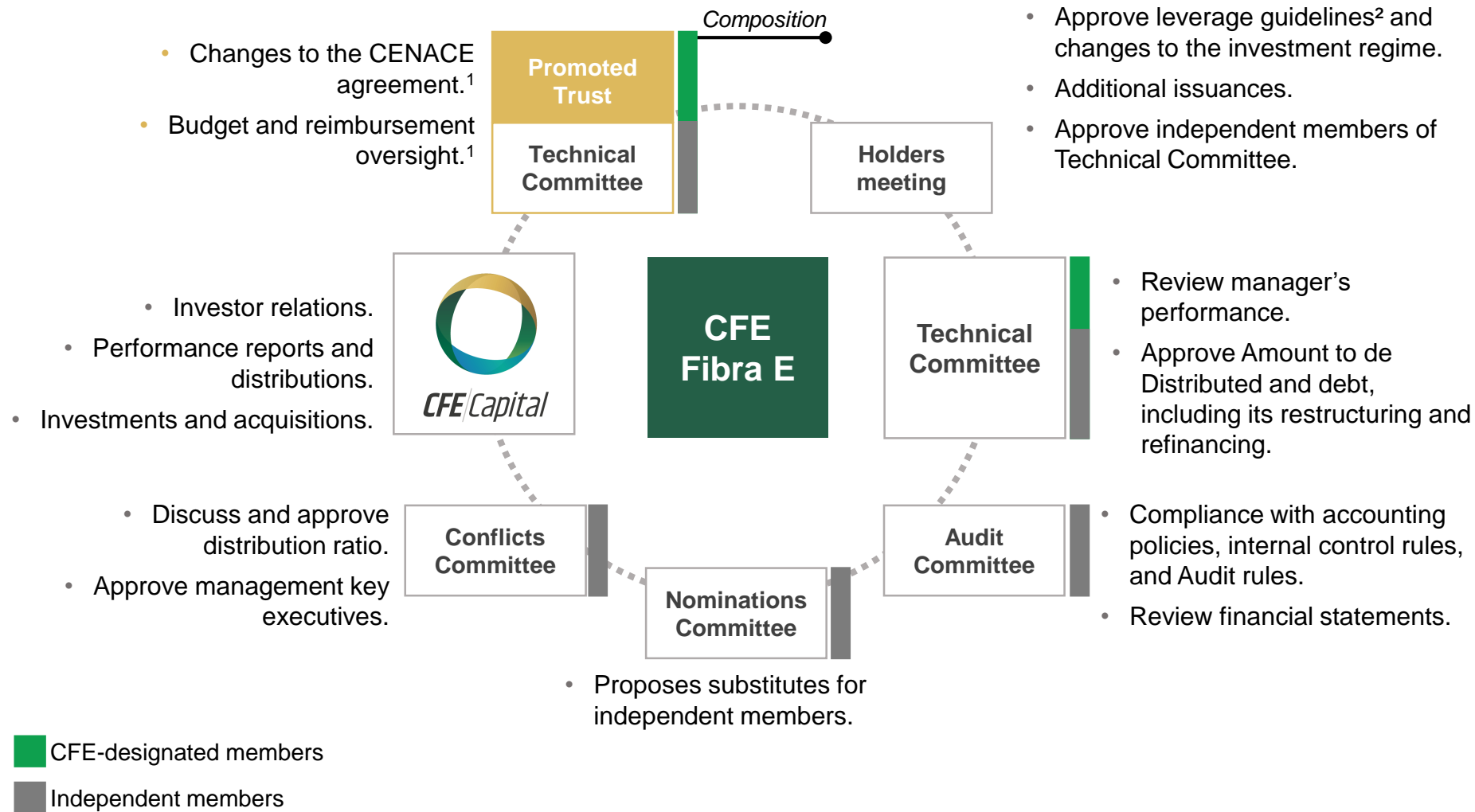


CFE/Capital

Series “B” CBFEs hold by CFE are permanently subordinated to the Series “A” hold by investors with respect to distributions.¹



Corporate governance of CFE Fibra E guarantees transparency, efficiency in the operation, and shared responsibility.



Source: Offering filings and CFE Capital. ¹All decisions require independent members approval. ²Leverage rules require approval of the Technical Committee and the corrective plan needs approval of the Conflicts Committee.



Transmission Line Yautepec – Ixtepec and the Baja California (BC) – National Interconnected System (SIN) interconnection.

BC-SIN Interconnection

(MXN \$22,000 million)*

What? Interconnect the SIN to the isolated BC Systems.

Where? The project will go from Seri, Sonora to Cucapah, Baja California.

When? Feb 2019 – tender called on; Feb 2019 – offering proposals; Mar 2019– contract assigned.

Why? To reduce potential wind and solar PV generation costs, improve BC System's efficiency and reliability and modernize it through smart grid technologies.

How? The project will be 700 km long, use bipolar point to point High Voltage Direct Current (HVDC) with a 1,500 MW capacity, at ± 500 kV voltage. It will also have two Voltage Source Converters (VSC) with an 1,800 MVA transformation capacity.

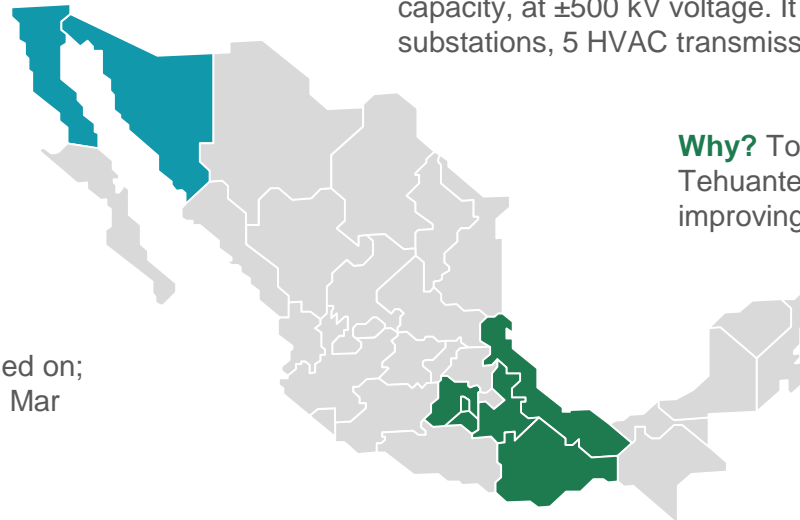
How? The project consists on the construction, modernization operation and maintenance of 1,221 km of transmission lines with a 3,000 MW capacity, at ± 500 kV voltage. It includes 2 converter stations, 7 substations, 5 HVAC transmission lines and 1 HVDC transmission line.¹

Why? To transport wind energy generated in the Tehuantepec Istmo to Central Mexico whilst improving the transmission system along the way.

When? Feb 2018 – tender called on; Feb 2019 – offering proposals; Mar 2019– contract assigned.

Where? The project will go from Ixtepec, Oaxaca to Yautepec, Morelos, crossing Oaxaca, Veracruz, Puebla, State of Mexico, Mexico City and Morelos.

What? To interconnect existing wind generation in Mexico Southeast to Central Mexico.



HVDC Yautepec-Ixtepec

(MXN \$24,000)*

* Initial project estimates. These might be adjusted as the project evolves. More detailed information can be found on the official project's webpages.

PRODESEN relevant figures.

Variable	Period	Value	Observations
GDP forecasted annual growth rate	2008-2032	3.2%	High 3.6% Low 2.5%
Total investment	2018-2032	MXN \$2.004 trillion	Generation 84% Transmission 9% Distribution 7%
SEN electricity gross consumption	2017	309,727 GWh	-
SEN electricity gross consumption forecasted average annual growth rate	2018-2032	3.1%	High 3.5% Low 2.5%
SIN maximum instantaneous demand	2017	44,668 MW	June
SIN maximum simultaneous demand ¹	2017	43,319 MWh/h	June 23, 16:00-17:00
Total installed capacity ²	2017	75.7 GW	Fossil fuels 70.5% Renewables 24.4% Other clean 5.1%

Source: (Content in Spanish) - SENER, *National Electric System Development Program*.

Note:¹The maximum simultaneous demand is the maximum demand of a set of combined systems; it is equivalent to the maximum demand if the system was unique. It is lower than the annual maximum demands observed in each region as maximum regional demands happen in different instants. It is a unit of average power during certain period, and it shows energy consumption. ²Fossil fuels include combined cycle, thermoelectric, carboelectric, turbo gas, internal combustion and fluidized bed. Renewable includes hydroelectric, wind, geothermal, solar PV and distributed generation. Other clean include nuclear, bioenergy, efficient cogeneration and regenerative breaks.

Energy Minister²



- Norma Rocío Nahle García
- Born April 14, 1964, Río Grande, Zacatecas.

Education:

- B.S. in Chemical Engineering, (concentration in Petrochemistry) at Zacatecas Autonomous University³.

Professional Experience:

- Has worked in PEMEX's administrative, financial, processes, planning and quality control areas.
- Has worked in Resistol Industries in projects and planning.
- Has been Energy Advisor for the Chamber of Deputies (LIX and LXI leg) and the Senate (LXII leg).
- Deputy for MORENA (LXIII leg).
- Senator for MORENA (LXIV leg).

Affiliations:

- PEMEX Engineers Group (C-17).
- LAC⁴ National Committee of Energy Studies (CNEE).
- LAC Workers' Energy Studies Institute (IEETALC).

Energy Regulatory Commissioners



- **President** Guillermo Ignacio García Alcocer (2016 – 2022)
- Specializes in technical and economic regulation, public policy design, evaluation and business development.



- Guillermo Zúñiga Martínez (2013 – 2017) & (2017 – 2023)
- Focuses in regulation and competitiveness of the energy sector.



- Jesús Serrano Landeros (2014 – 2018)
- Focuses in finance, public finances, political economy, policy analysis, heavy industry and the power sector.



- Cecilia Monserrat Ramiro Ximénez (2014 – 2019)
- Focuses on energy, energy finance, environmental economy and natural resources.



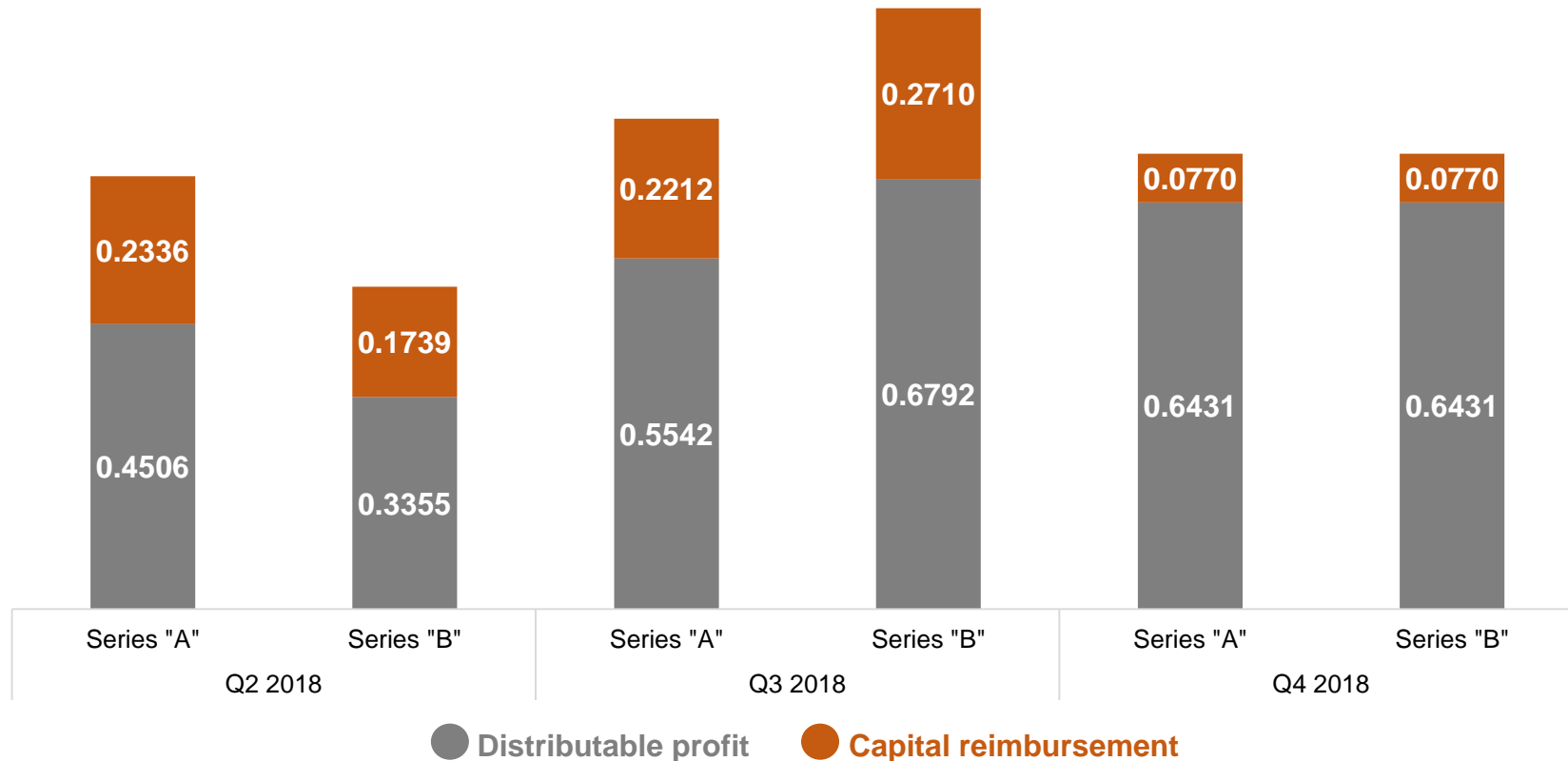
- Marcelino Madrigal Martínez (2014 – 2021)
- Specializes in development banking operation, technical and economic planning of electricity markets.



- Luis Guillermo Pineda Bernal (2016 – 2022)
- Focuses on public finance and the energy sector, with emphasis on oil.

Fiscal result of distributions has been the result of CFECapital strategy to meet the tax requirements of the instrument.

Fiscal composition of 2018 distributions
(MXN per CBFE)



Source: CFECapital.