



# CFE FIBRA E

*Santander "Cinco de Mayo" Conference  
New York, USA | May 2 – 3 2019*



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# Agenda

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**CFE, CFE *Transmisión***



**Investments needs in the power sector**



**FCFE results and strategy**

# Agenda

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**CFE, CFE *Transmisión***



Investments needs in the power sector



FCFE results and strategy

# 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, IPP<sup>1</sup>: 30)

Transmission and distribution

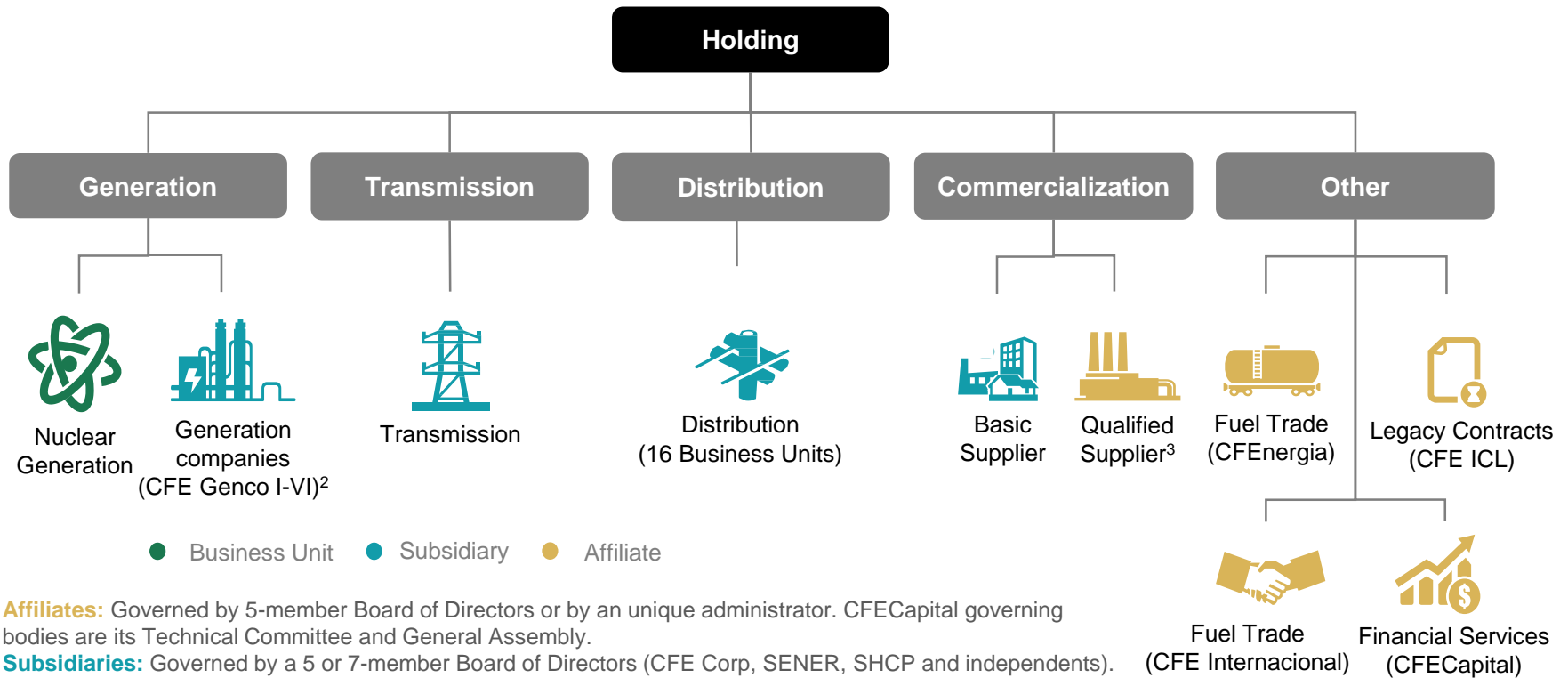
Transmission grid: 107,709 Km  
Distribution networks: 837,640 Km

Clients

43.1 million

Source: CFE. <sup>1</sup> 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.
- **CFEnergia 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).



# CFE Transmisión - 100% market share of electricity transmission in Mexico

## CFE Transmisión's Business Overview



- 🔌 Business with **stable cash flows** driven by a **regulated inflation-indexed transmission tariff**<sup>2</sup>
- 🔌 Unlike power generation, electricity transmission is **not impacted by fluctuations in the commodities markets**
- 🔌 CFE Transmisión will continue to **operate and control the assets**
- 🔌 **CFE Transmisión's key figures** as of and for the nine-month period ended September 30, 2017:

- Total Assets of **US\$19,665mm**<sup>3</sup>
- Total Revenues of **US\$2,467mm**<sup>4</sup>
- EBITDA of **US\$1,633mm**<sup>5</sup>

## 2016 Transmitted Energy Breakdown

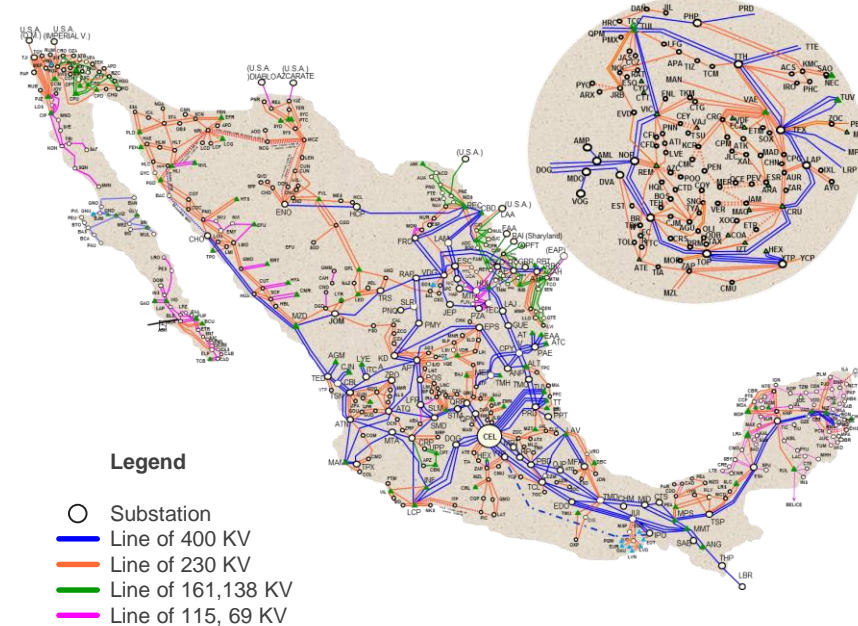
Energy Transported by the NTN	Power Plants ("Generators") (GWh <sup>6</sup> )	Wholesale Load Centers ("Consumers") (GWh <sup>6</sup> )
≥ 220 kV	249,385	15,202
< 220 kV	42,843	241,251 <sup>7</sup>
<b>Total</b>	<b>292,228</b>	<b>256,453</b>

Source: Offering filings

<sup>1</sup> Infrastructure for energy transport is classified as Distribution when tension level is less than 69 kV. <sup>2</sup> As stated in Acuerdo A/045/2015 published by CRE. <sup>3</sup> Ps.357.9bn, based on an FX rate of 18.198 MXN/USD. <sup>4</sup> Ps.44.9bn, based on an FX rate of 18.198 MXN/USD. <sup>5</sup>

Ps.29.7bn, based on an FX rate of 18.198 MXN/USD. For reconciliation of EBITDA to net income, see page 24. <sup>6</sup> Refers to gigawatt hour. <sup>7</sup> The transmission-distribution threshold is 69 kV. <sup>8</sup> Refers to megavolt ampere.

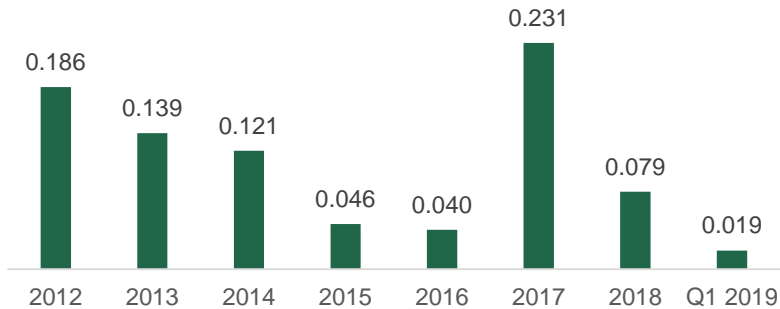
## The National Transmission Network



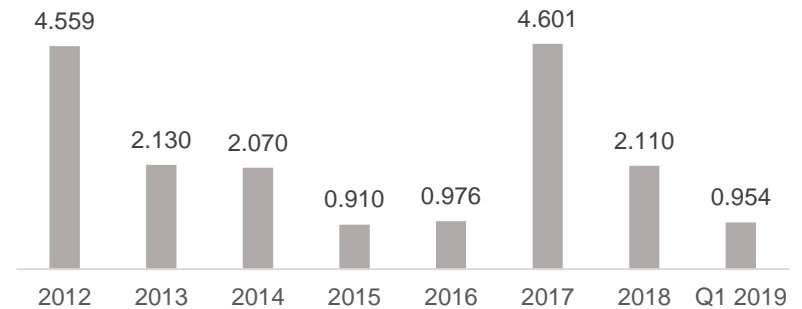
- 🔌 **~107,000 km** of transmission and sub transmission lines that cover Mexico's 31 states and Mexico City
- 🔌 **504 substations** with transformation capacity of 156,684 MVA<sup>8</sup>
- 🔌 **13 International Interconnections**

# CFE Transmisión kept its regular functioning during the period the last quarter of 2018

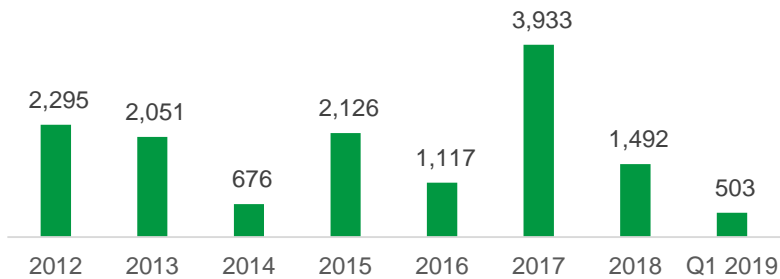
**System Average Interruption Frequency Index<sup>1</sup>**  
(interruptions)



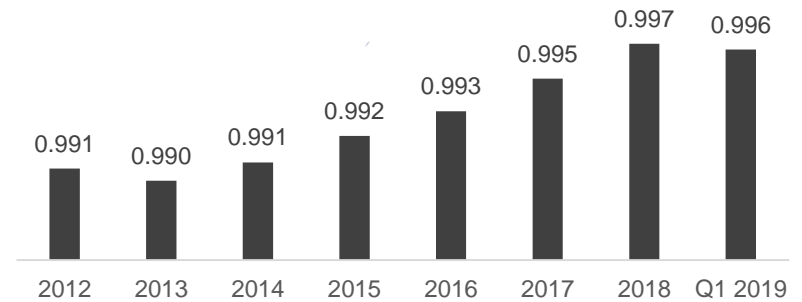
**System Average Interruption Duration Index<sup>2</sup>**  
(minutes)



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



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



Source: CFE Transmisión. <sup>1</sup>Average number of service interruptions due to failure in the National Transmission Network (NTN) 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 as a consequence of failures in the NTN. <sup>4</sup>Means megawatt-hour, or one thousand kilowatt-hours. <sup>5</sup>Availability of all component elements of the NTN. Information as of March 31 of 2019.



# Agenda

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CFE, CFE Transmisión



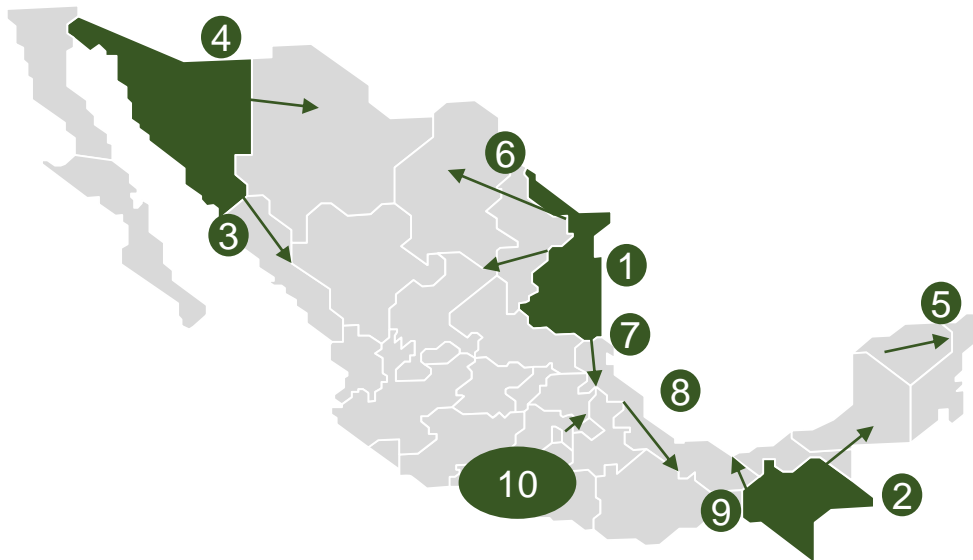
**Investments needs in the power sector**



FCFE results and strategy

There will be required investments for the transmission subsector in order to be able to reduce congestion costs and improve the system reliability.

**Congestion costs per congested line**  
(Thousand MXN per MW hour)

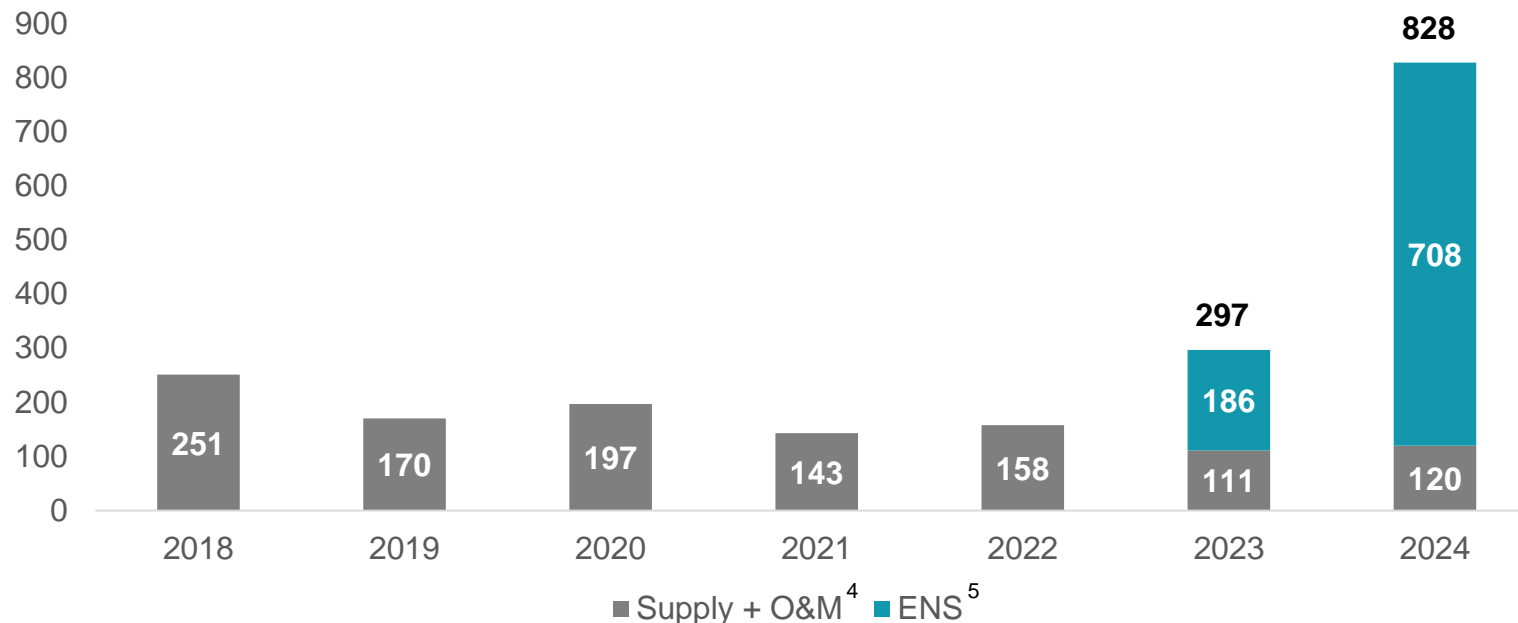


	Congested Line	Cost
1.	Monterrey – Saltillo	1,031
2.	SIN – Escárcega (Campeche)	857
3.	Hermosillo – SIN	588
4.	Nacozari (Sonora) – Nuevo Casas Grandes (Chihuahua)	503
5.	Ticul (Yucatán) – Dzitnup (Yucatán)	447
6.	Norte – Noroeste	433
7.	Champayán (Tamaulipas) – Altamira	105
8.	Manlio Fabio – Altamirano (Veracruz)	84
9.	Malpaso dos (Chiapas) – Tabasco	70
10.	Teotihuacan – Texcoco	56
	<b>Total</b>	<b>4,174</b>

- In 2017, the congestion costs were higher than **MXN 6.6 billion**.<sup>1</sup>
- Top ten congested lines represented **58%** of the total saturation in the Interconnected National System.
- 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**.

Furthermore, according to CENACE,<sup>1</sup> congestion costs are increasing yearly if no investments are made.

**Congestion costs in the RNT<sup>2</sup> without reinforcements**  
(Million USD)<sup>3</sup>



**USD \$2,004 million**

**Accumulated costs  
without reinforcements**

**USD \$978 million**

**Accumulated costs  
with reinforcements**

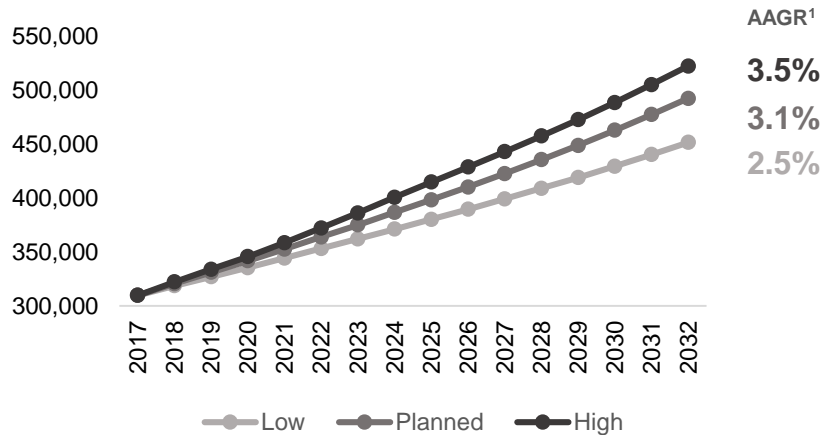
**USD \$1,065 million**

**Accumulated  
benefits from savings**

Notes: <sup>1</sup>CENACE: National Center for Energy Control, <sup>2</sup>RNT: National Transmission Grid, <sup>3</sup>Present Value of 2017, <sup>4</sup>O&M: Operation and Maintenance, <sup>5</sup>ENS: Energy Not Supplied.  
Source: CENACE page 465,466 (content in Spanish)  
<https://www.cenace.gob.mx/Docs/Planeacion/ProgramaRNT/Programa%20de%20Ampliacion/C3%B3n%20y%20Modernizacion/C3%B3n%20de%20la%20RNT%20y%20RGD%202018%20-%202032.pdf>

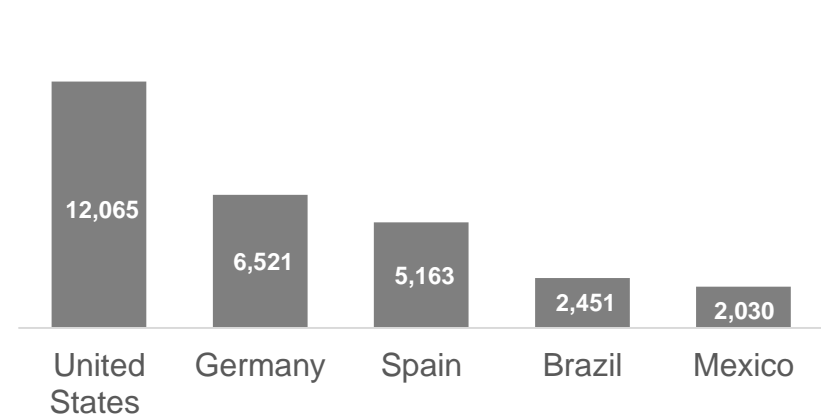
# Mexico's power sector will need strategic investments through the entire value chain to cover the future demand and reach its full potential.

**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**, as of June 30 2018 Mexico has achieved a 24.12%.
- Suppliers, qualified users and owners of interconnection contracts are bound to consume certain percentage of their demand in clean energy sources.<sup>2</sup>
- To be able to achieve it, a market for **Clean Energy Certificates (CELs)** was created.<sup>3</sup>

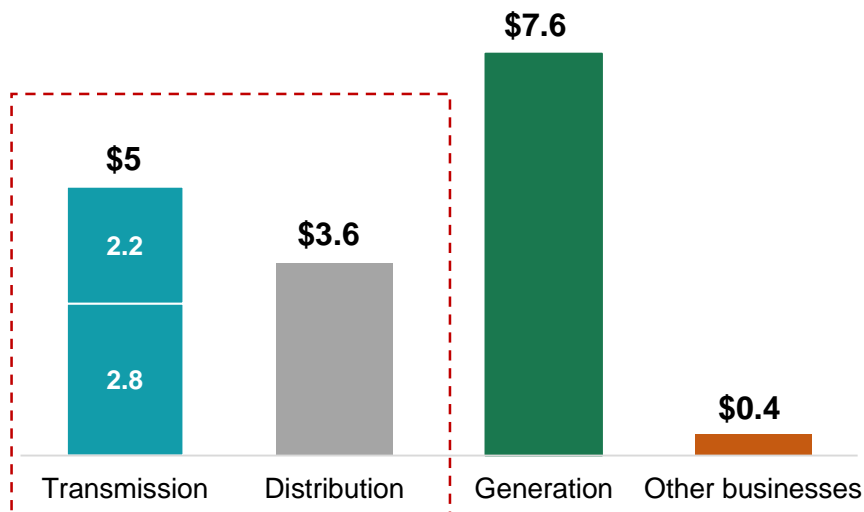
**Energy consumed per capita in 2016**  
(Consumption per Capita in kWh)







- According to the Energy Information Administration (EIA), **Mexico was ranked in place 14 for energy consumption** on 2016. The list was led by China.
- According to the PRODESEN Mexico obtained a **4.9 out of 7 in electricity quality** according to the World Economic Forum. Mexico is far from reaching its full potential in energy consumption, as shown in the chart above.

# CFE will play a crucial role investing on the energy sector, as stated in its business plan, the company is planning to invest USD \$16.6 billion in the next 5 years.

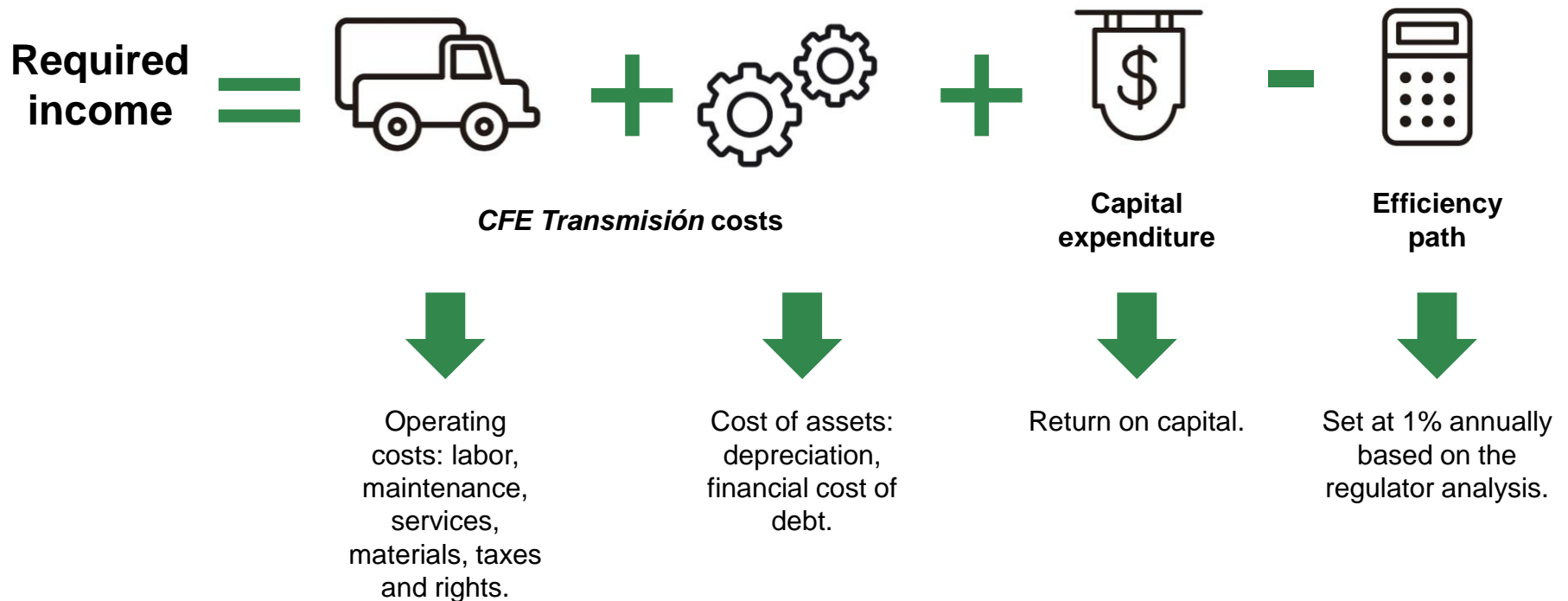
2018-2022 CFE planned investments by sector  
(billion USD)



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

# 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.<sup>1</sup>

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

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

Source: <sup>1</sup>Acuerdo A/045/2015 (content in Spanish) <http://www.cre.gob.mx/documento/acuerdos/A-045-2015.pdf>, CFE, and CFECapital.  
<sup>2</sup>PRODESEN 2018-2032, Secretaría de Energía.



## 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.

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CRE assumptions<sup>1</sup>:

1. Required Income for the year 2019 (MXN \$55,901 million).
2. Variation of the Producer Price Index<sup>2</sup> between October 2018 and October 2015 (22.53%).
3. Exchange rate variation<sup>3</sup> 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

# Agenda

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CFE, CFE Transmisión

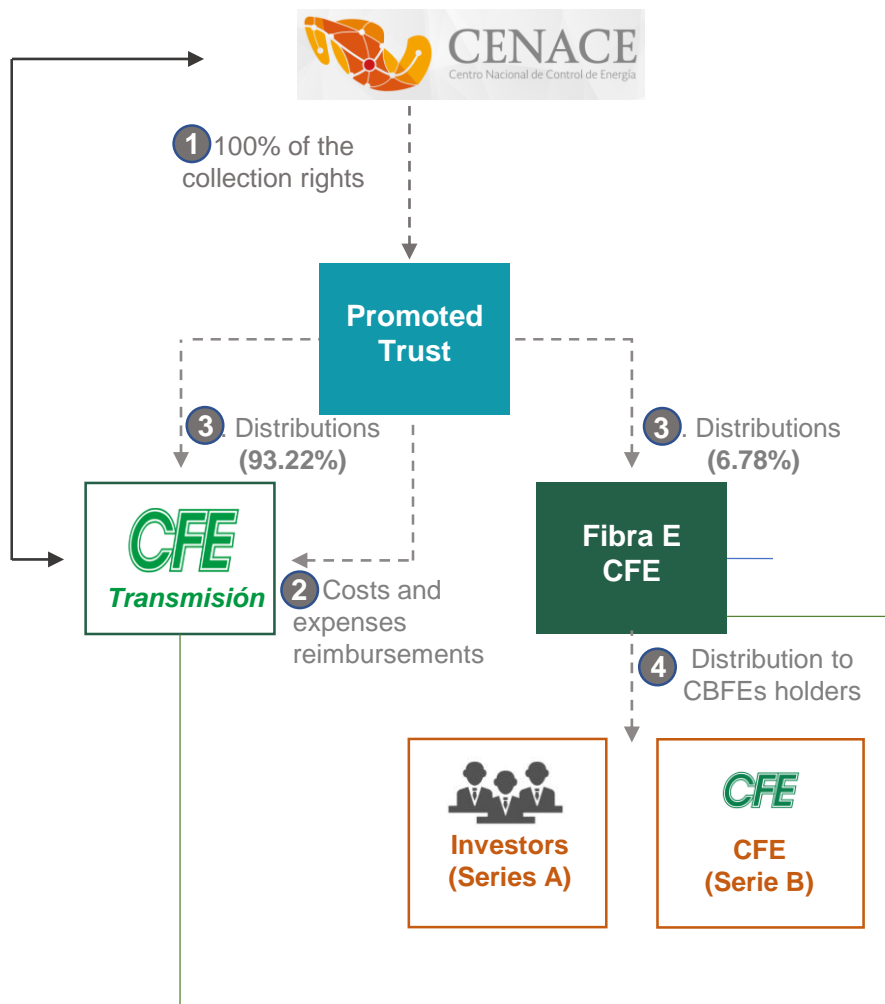


Investments needs in the power sector



**FCFE results and strategy**

# CFE Fibra E cash flows for 2018



The Promoted Trust received around MXN \$62.4<sup>1</sup> billion in 2018.

**Weekly collection rights were on average 10% higher** in comparison with 2017: tariffs increased 4.2%<sup>2</sup> and volume grew around 4% compared to 2017. An increment of **4.9% for 2019** has been announced.

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

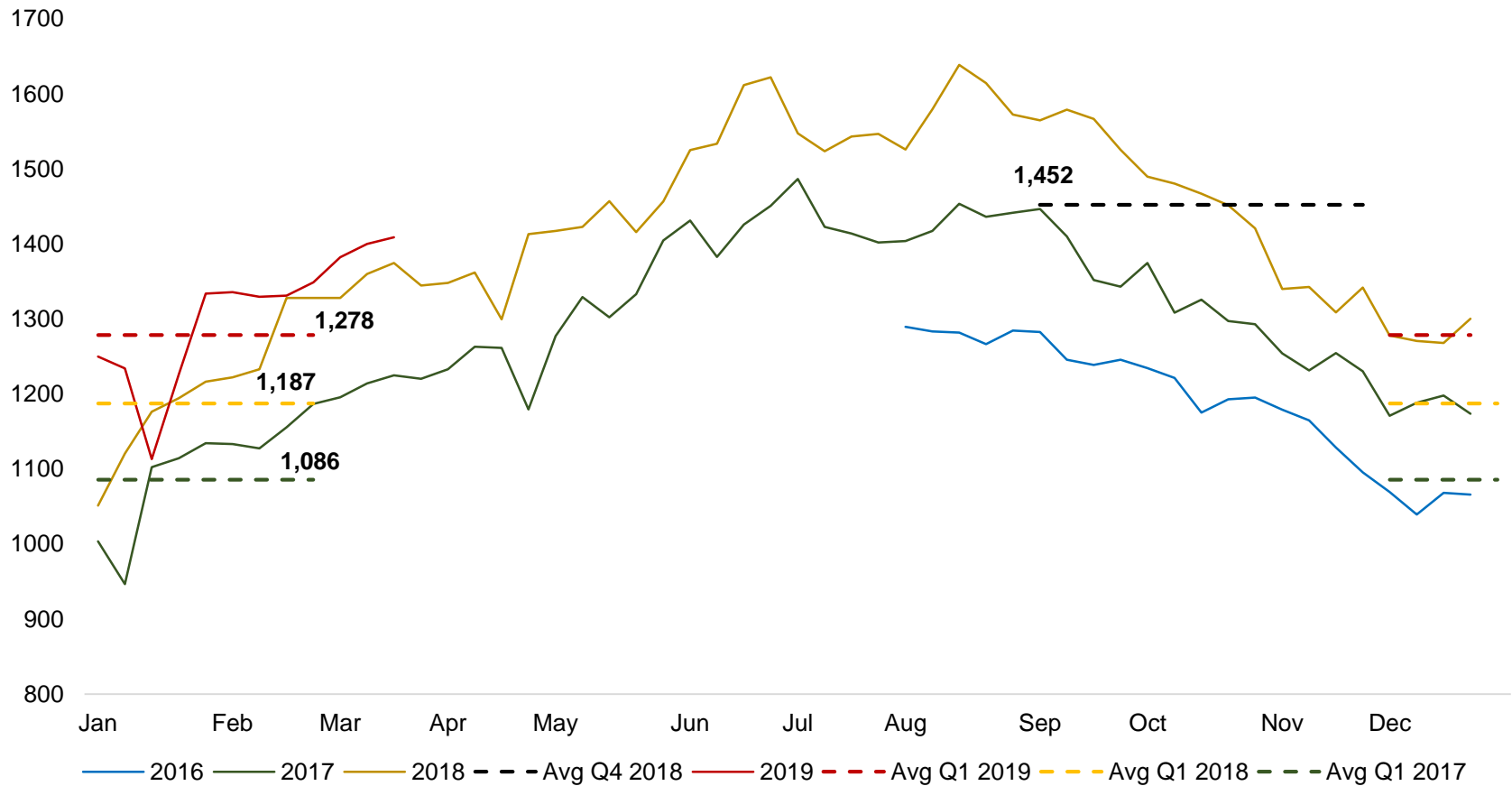
As of March 29, the Issuer Trust distributed MXN \$3.18<sup>3</sup> billion to CBFES<sup>4</sup> holders with **three of four distributions exceeding the MQD**.<sup>5</sup>

Source: CFECapital and CFE Transmisión.

Note: All rounded and preliminary figures. <sup>1</sup>Estimated amount since the Initial Public Offering in February 12 2018. <sup>2</sup>Approved by the Energy Regulatory Commission. <sup>3</sup>First distribution: 729 million MXN; Second distribution: 932 million MXN; Third distribution: 819 million MXN; Fourth distribution: 699 million MXN. <sup>4</sup>CBFE: Certificados Bursátiles Fiduciarios de Inversión en Energía e Infraestructura. <sup>5</sup>MQD: Minimum Quarterly Distribution.

# 1Q19 Distribution of confirms the growth tendency of the sector.

## Weekly revenues from CENACE (million MXN)



Source: Promoted Trust statement of account.

Note: Q4 2018: September 1 to November 30; Q1 2019: December 1 to February 28

Comparison for 2017 and 2018 considers equivalent periods. Rounded figures.

# Use of budget approved for 2019

## Promoted Trust

### Reimbursements made during 2019 first quarter vs Budget approved

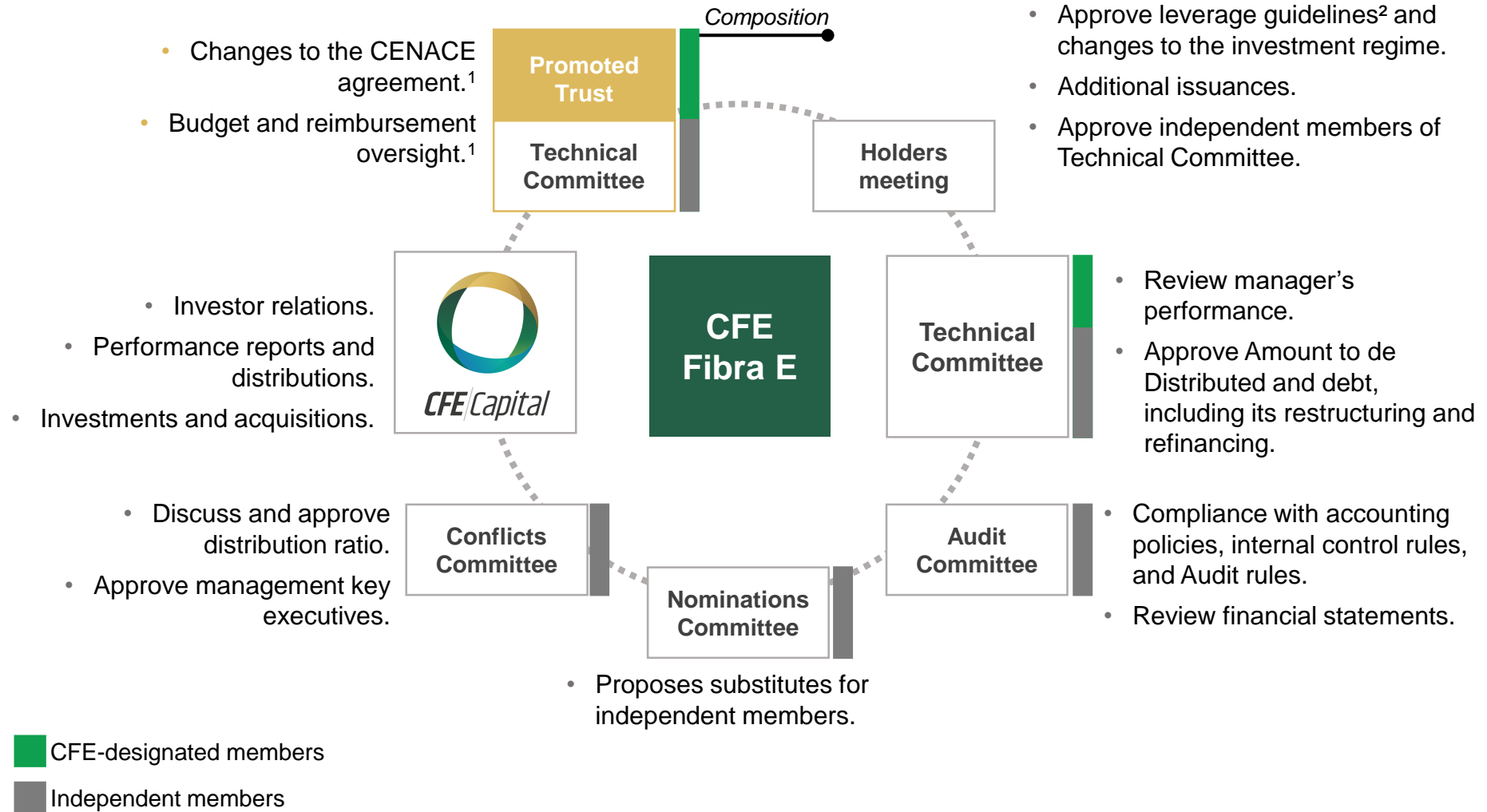
(million MXN)

Category	2019	1Q 2019	% against budget
Intercompany expenses	7,769	1,617	21%
Operation and maintenance	7,126	1,532	21%
Obligations expenses	3,471	701	20%
Major maintenance	2,027	325	16%
Trust expenses	17	0	0%
Financing Costs	0	0	0%
<b>Total</b>	<b>20,410</b>	<b>4,175</b>	<b>20%</b>

Budget approved for 2019 considers 52 weeks of operations, it is adjusted by inflation and looks for efficiency and reliability of operations.

Budget approved for 2019 increased 21.55% compared to 2018 Budget<sup>1</sup>.

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



Source: Offering filings and CFE Capital. <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.





# Distributable amount per Series “A” and Series “B” CBFEs

## 1Q19

Distributable amount **699.26**

Distribution to CFE Fibra E (6.776103%) 723.77

Trust expenses – earned interests<sup>1</sup> (24.51)

<b>Distribution amount to CFE Fibra E holders</b>	<b>699.26</b>
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(million MXN)

Distribution to Series “A” holders  
**490.58** (MXN 0.575 per CBF E<sup>2</sup>)

Unpaid MQD  
**0.00**

Distribution to Series “B” holders  
**163.52** (MXN 0.575 per CBF E)

Unpaid MQD  
**0.00**

Distribution to each Series “A”  
CBFE  
**0.61468**

Distribution to each Series “B”  
CBFE  
**0.61468**

Pro rata  
Series “A” (75%)

**33.85** (MXN 0.03968 per CBF E)

Pro rata  
Series “B” (25%)

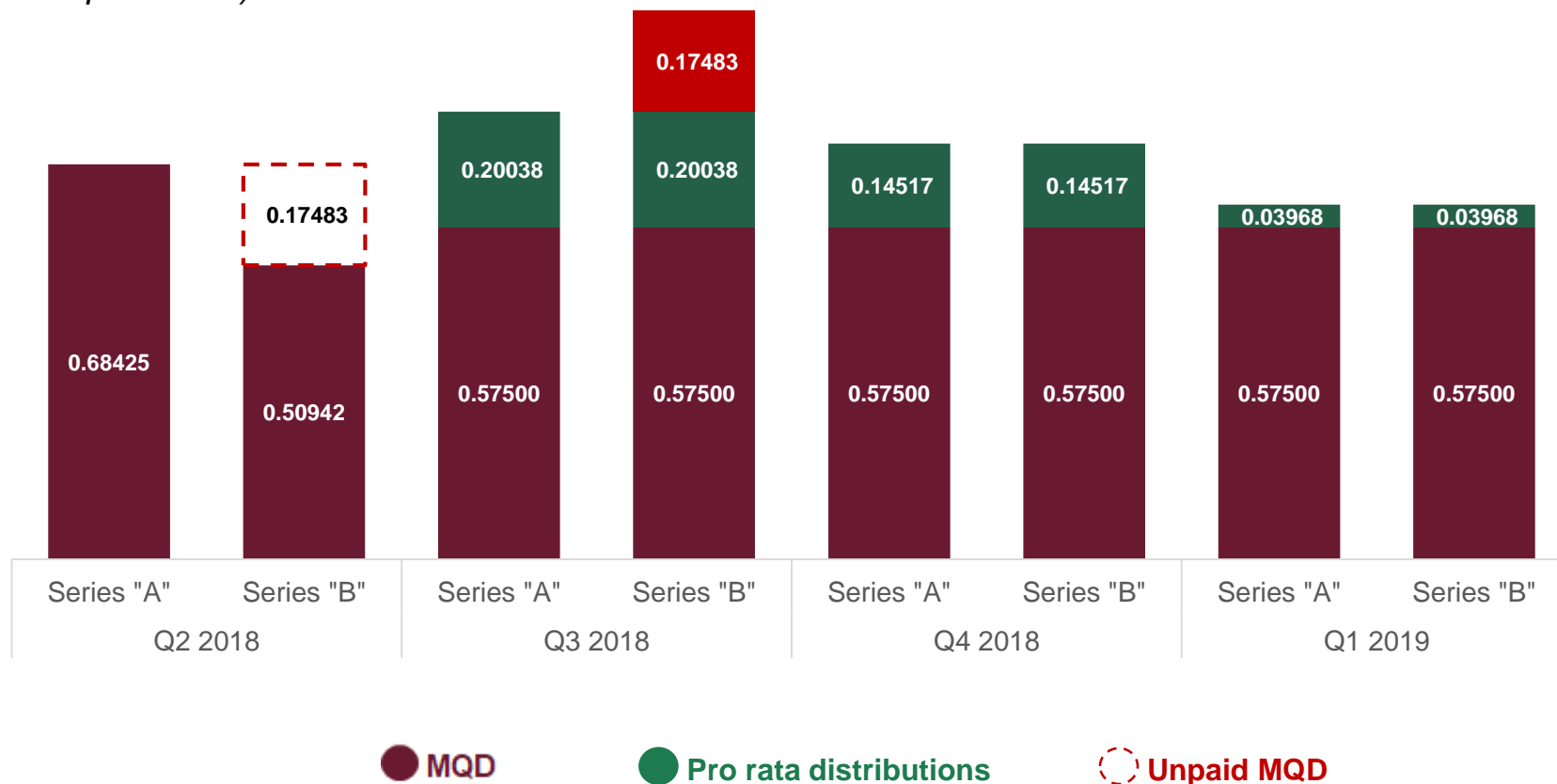
**11.28** (MXN 0.03968 per CBF E)



Source: CFE Capital. All information includes VAT, all information in MXN million. <sup>1</sup>As issuer's trust agreement establishes, it has to maintain a 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, CBF E s. Rounded figures.

# CFE Fibra E 1Q 2019 distribution covered MQD and pro rata distribution for all CBFE<sup>1</sup> holders

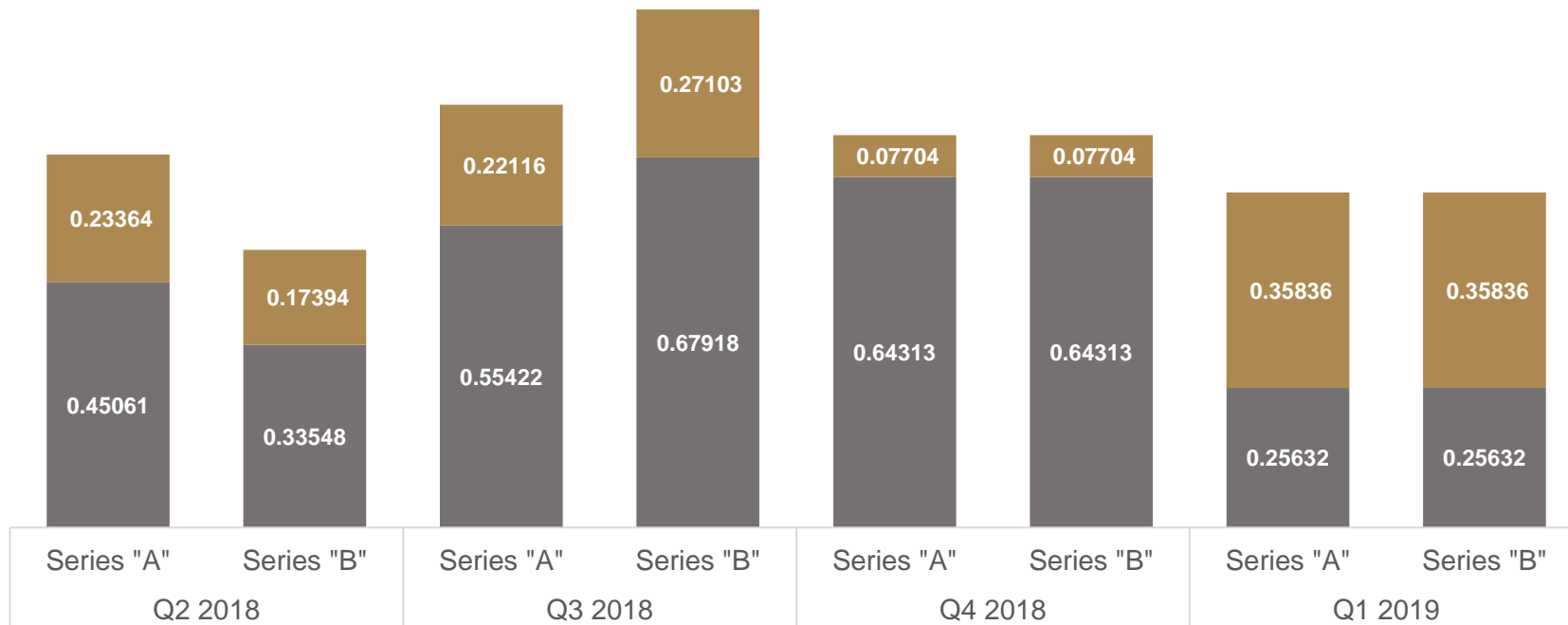
## Revenue composition of CFE Fibra E distributions for both Series (MXN per CBFE)



Note: <sup>1</sup>Certificado Bursatil 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.  
Source: CFECapital. Rounded figures.

# CFE Capital strategy is to take advantage of fiscal benefits for “Fibras E”

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



● Fiscal profit

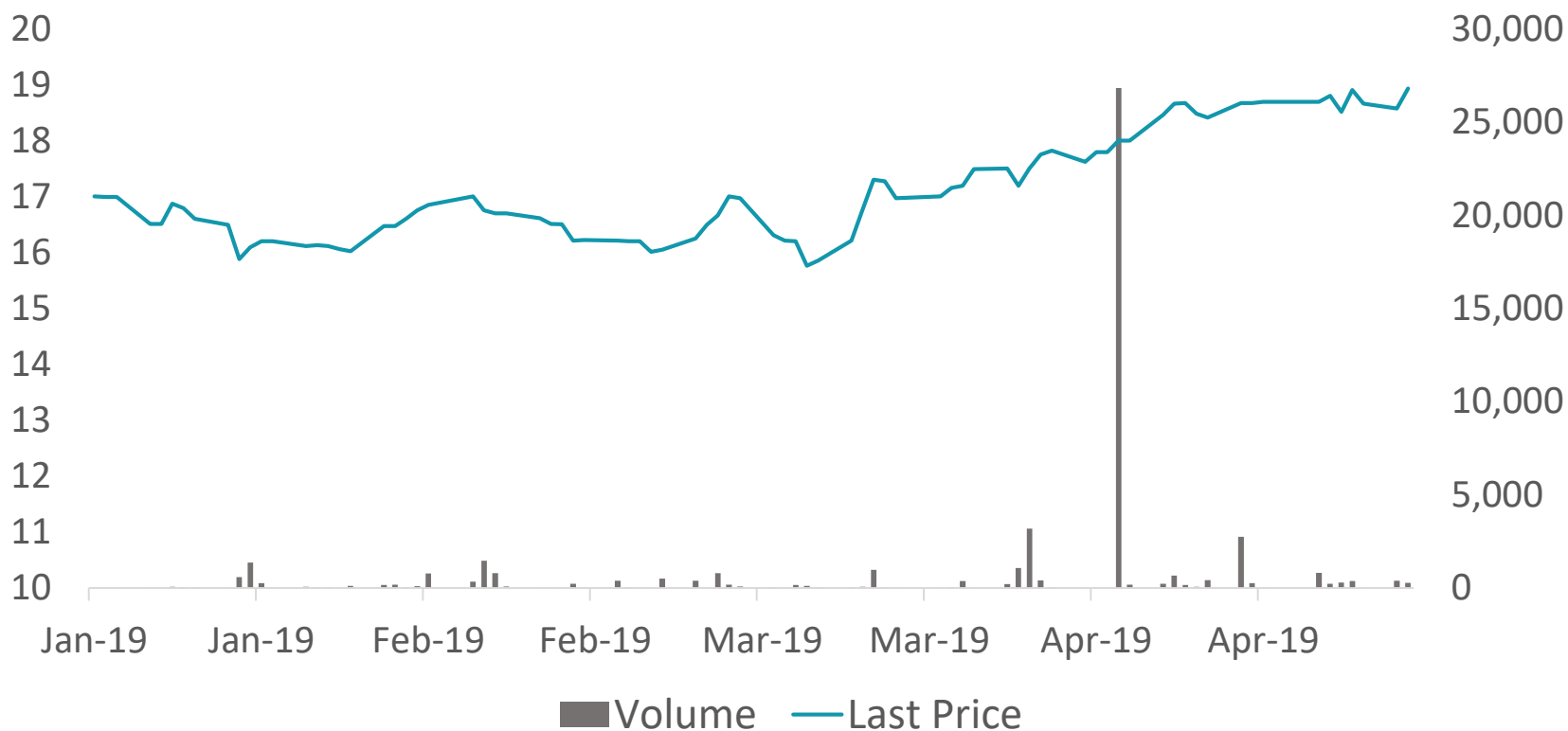
● Capital Reimbursement



Note: <sup>1</sup>Certificado Bursatil Fiduciario de Inversión en Energía e Infraestructura. CFE Fibra E distribution strategy is approved by its Technical Committee and it is determined based on the fiscal requirements for Mexico Income Tax Law.  
Source: CFE Capital. Rounded figures.

# CFE Fibra E Price and Volume

**CFE Fibra E performance in the stock market**  
(MXN per CBFE; thousand units)



● YTD: +15.12%<sup>1</sup>

● 2019 highest price: \$18.99

● 2019 highest volume:  
26.8 million of CBFEs



Source: CFE Capital.

Notes: Certificado Bursátil Fiduciario de Inversión en Energía e Infraestructura (CBFE).

<sup>1</sup> Source Bloomberg – Price Change Year to Date Percent: Calculated from the last close of the prior year to the last price.

# Investment Highlights

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**1**

**Highly strategic asset in Mexico**

**2**

**Unique business with stable demand and high-quality cash flows**

**3**

**Aligned interests through Corporate Governance mechanisms and structural guardrails**

**4**

**Untapped growth opportunities**

**5**

**Attractive tax structure**

## CFE Capital will continue to work in order promote CFE Fibra E and investments in the energy sector

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- ∴ Work tables to negotiate the tariff for transmission of electricity with the Energy Regulatory Commission will be retaken.
  - › *We expect to have a new methodology approved during the following months.*
  
- ∴ Next distribution will be on June 28 and will cover the distribution period of March, April and May.



## CONTACT

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