

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 on the water.

CFE FIBRA E

Santander EuroLatam Infrastructure & Utilities Conference

New York | 25-26 September 2018



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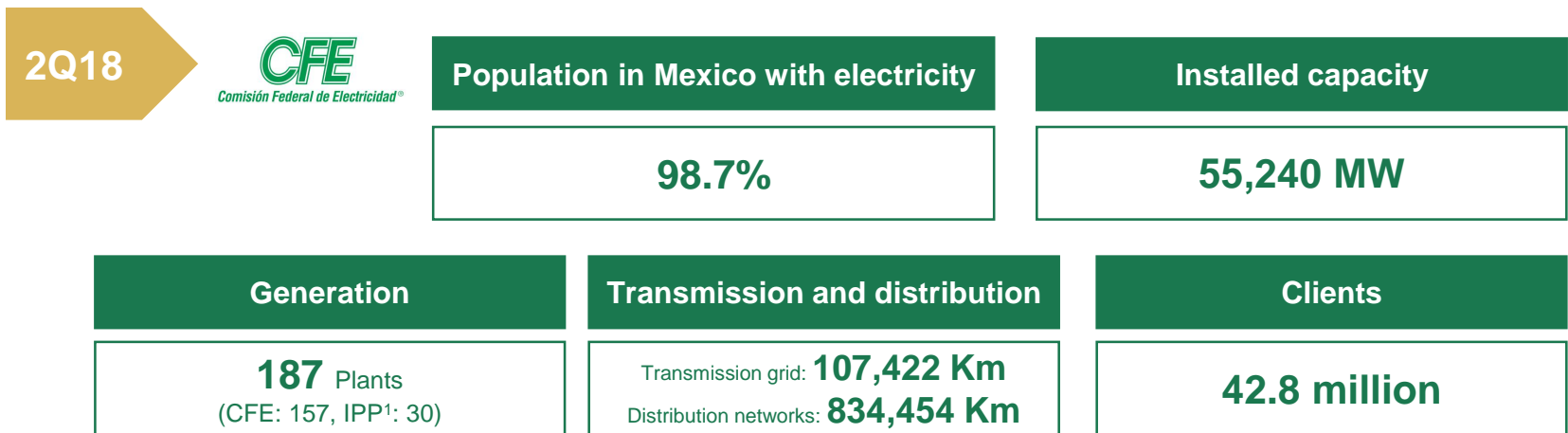
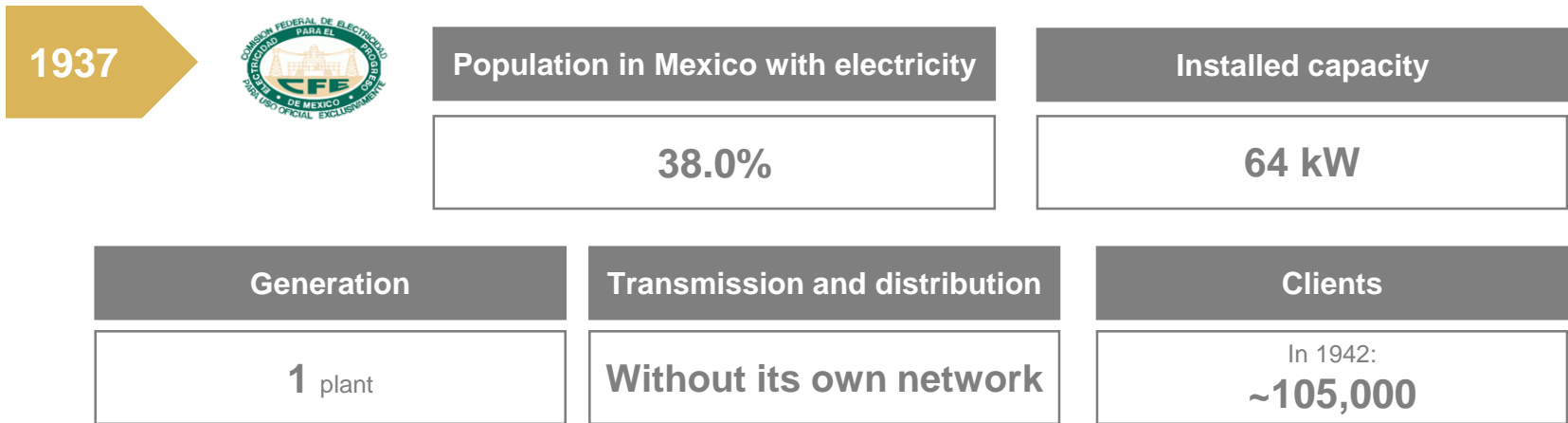
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- 1 CFE at a glance
- 2 Mexican power sector
- 3 CFE *Transmisión* – regulated tariff
- 4 CFE Fibra E structure
- 5 2018 results and prospective

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Comisión Federal de Electricidad (CFE): more than 80 years of history, public service, progress, and innovation.

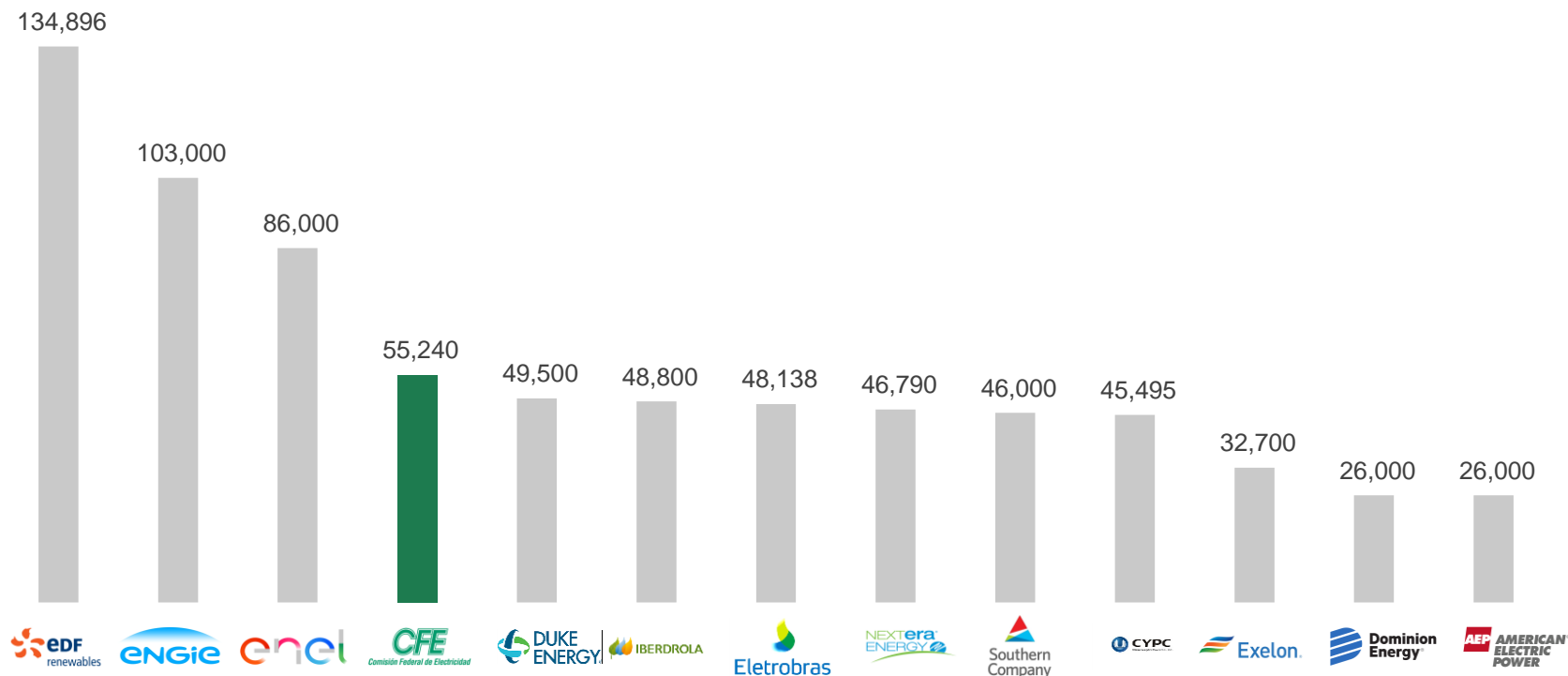


Source: CFE. ¹ Independent Power Producers.

CFE is a relevant player compared to the largest electricity companies in the world.

Installed capacity*

(MW, end 2017)



* Selected companies based on the *Global Industry Classification Standard* by MSCI and Standard & Poor's.



Source: EDF, Engie, Enel, CFE, Duke Energy, Iberdrola Electrobras, Nextera Energy, Southern Company, CYPC, Exelon, Dominion, American Electric Power.

Note: Installed capacity for CFE corresponds to Q2 2018; for Iberdrola corresponds to Q1 2018.

In recent years, CFE has been through a profound transformation.

CFE as a state-owned company

Electricity company

Vertically integrated **monopoly**

Responsible for the **public power service**

No differentiation between activities

Budget control with low flexibility

CFE as a state-owned productive enterprise

Energy company

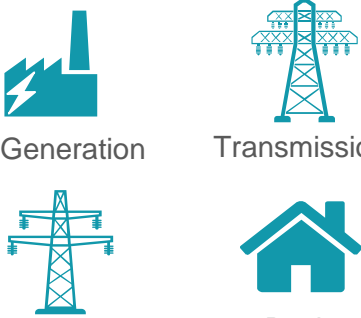
Competition in generation and supply

Generates **value and profitability** for Mexico

Dynamic structure with subsidiaries, affiliates, and business units

Financial balance target with **economic decisions based on profitability**

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




6X Generation

Transmission

Distribution

Basic Supply

Subsidiaries



Legacy contracts

Fuel trade (2X, national and abroad)

Qualified Supplier

CFECapital

Affiliates

- Transmission and distribution are **activities exclusively reserved for CFE** as stated in the Mexican Constitution.
- Basic supply is carried out very closely with distribution, as it **includes the billing and its processing.**

- Each subsidiary and affiliate operates with its own governing body and cannot perform activities outside of its scope.

- CFE is consolidating a **new fuel trading business.**
- Affiliate of legacy contracts is in charge of the administration of contracts created under the former regulation.

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CFE at a glance



Mexican power sector



CFE *Transmisión* – regulated tariff



CFE Fibra E structure



2018 results and prospective

New regulatory and institutional framework attracts capital and technology.

Generation



Open to competition among private and public generators.

No legal barriers to entry.

Transmission and distribution



Open access to the transmission network and the distribution grids.

Property and operations remain exclusive for CFE.

Commercialization



Two different types of services:
1) basic supply and 2) qualified supply.

Private participation schemes

1. Sell in the wholesale electricity market.¹
2. Bilateral contracts.
3. Auctions and tenders organized by CENACE.²

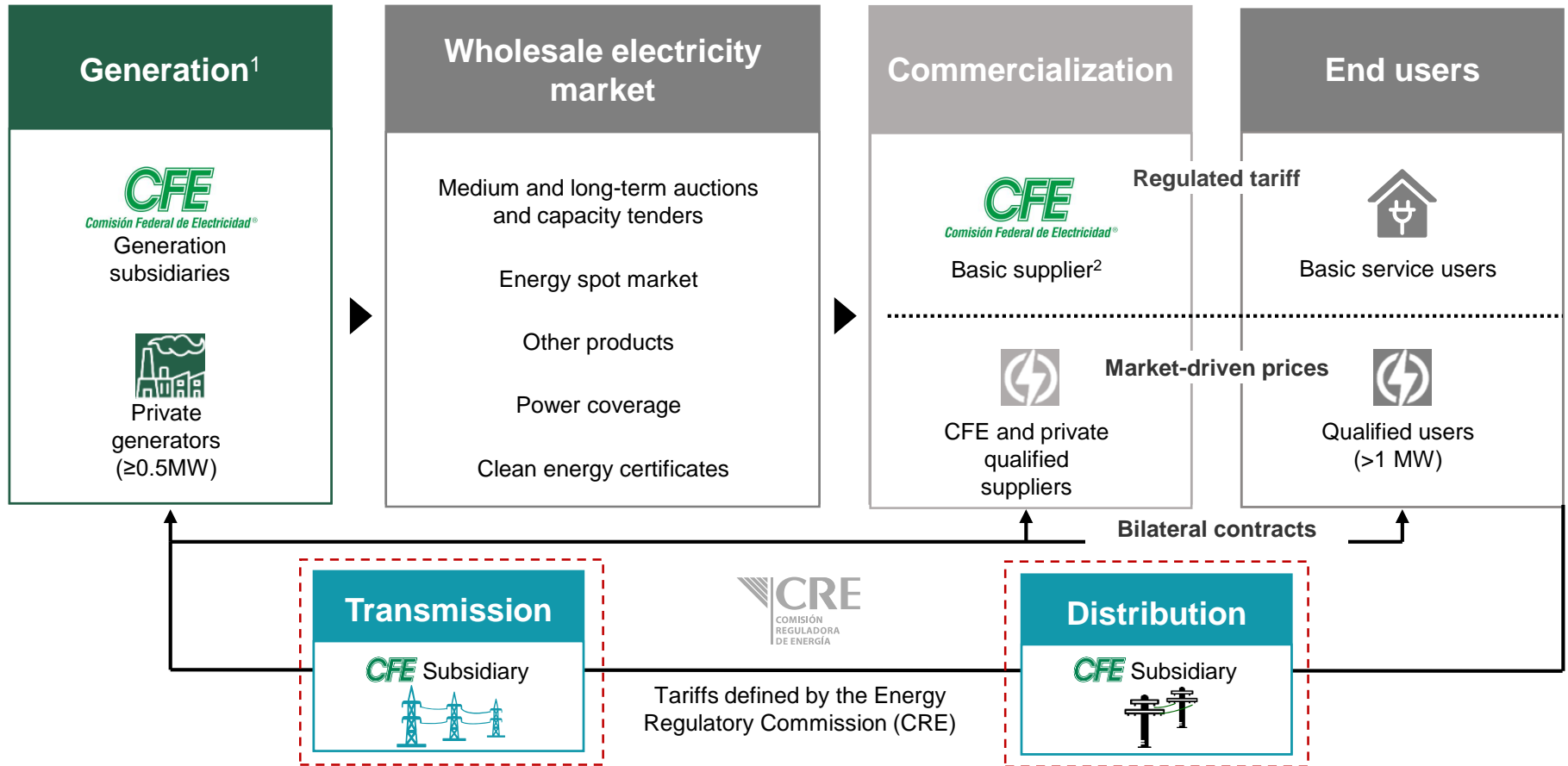
1. Partnerships, joint ventures or bilateral agreements with the State.³
2. Second carrier figure.⁴

1. Register as basic supplier.
2. Open to competition among private and public qualified suppliers (>1MW).
3. Qualified users can represent themselves.

Market structure.



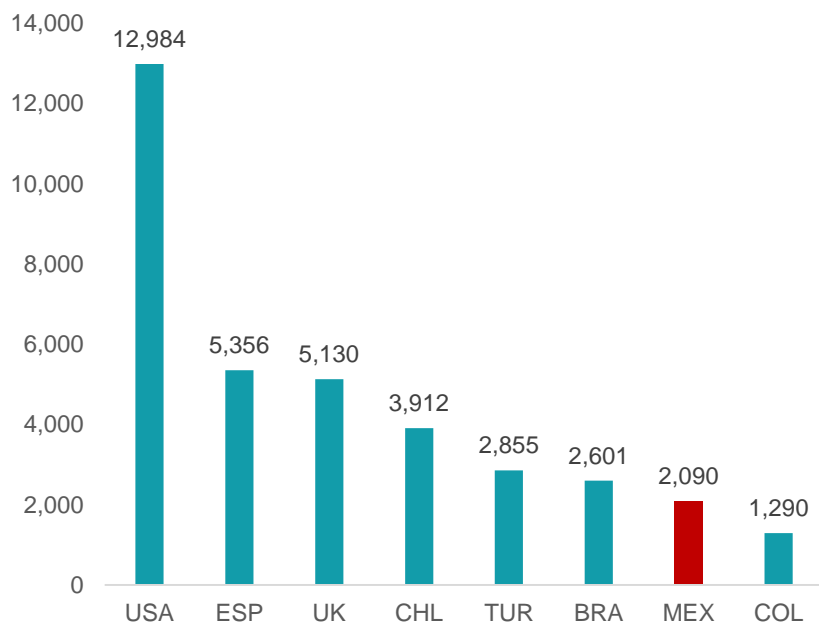
Independent system operator and payment collector



Source: CFE and CFECapital. ¹Power plants under the pre-reform scheme (Public Electricity Service Law) are now encompassed in the Legacy Contract Affiliate and are allowed to sign electricity coverage contracts with basic supplier and include figures of self-supply, co-generation, among others. ²Currently CFE is the only Basic Supplier, but any other party could request a permit to the CRE in order to provide such service.

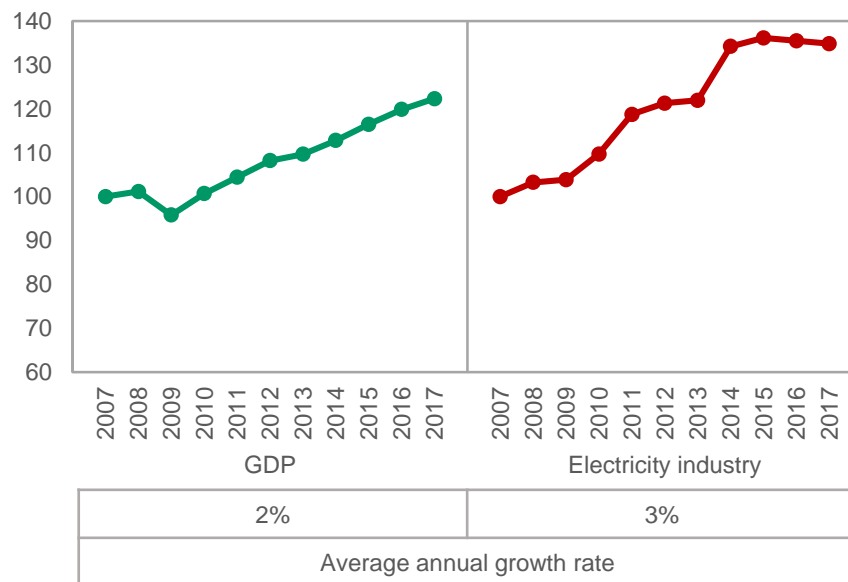
The energy sector in Mexico is growing, gross power consumption is expected to grow at an annual average rate of 3.1% through 2032.¹

Electric power consumption²
(kWh per capita, 2014)



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

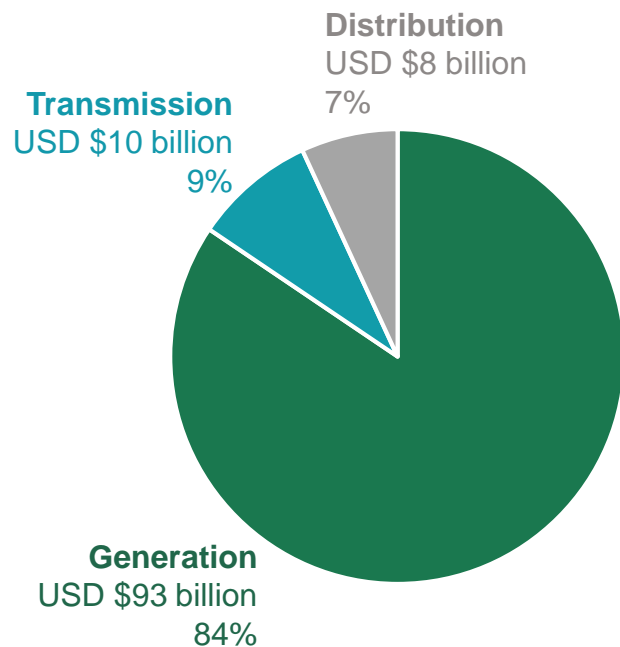
National GDP and electricity industry growth index³
(2007-2017)



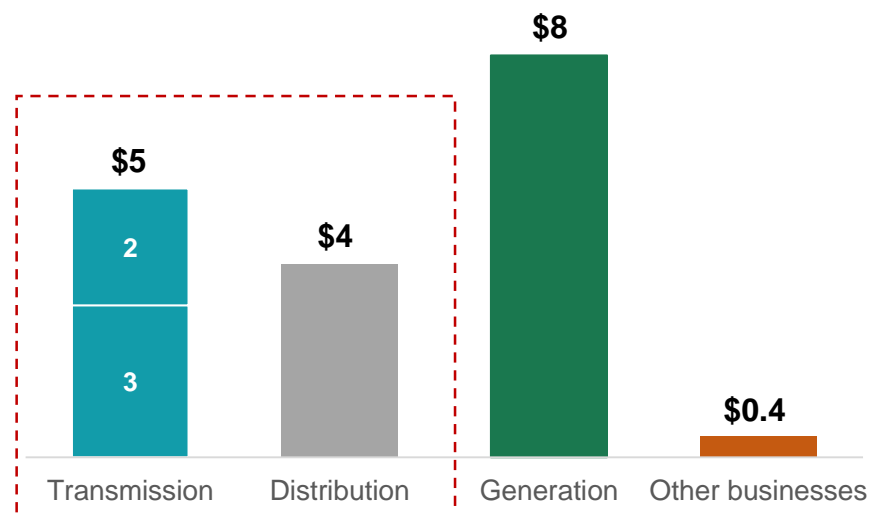
Mexican electricity industry keeps growing. During the last decade, it reached an average share of 1.2% of the national GDP and its growth showed greater dynamism than other sectors, including the national economy.

To meet the requirements, Mexico's power sector will need strategic investments through the entire value chain.

Investment requirements 2018-2032¹
(billion USD)



2018-2022 CFE planned investments by business²
(billion USD)



- CFE is planning to invest USD \$17.4 billion in the next 5 years.
- USD \$3 billion for the Transmission sector are expected to come from CFE Fibra E.

Source: ¹PRODESEN 2018-2032, *Secretaría de Energía*. ²CFE Business Plan 2018 - 2022.

Note: Other businesses refer to investments on energy saving programs and laboratories for research and development.

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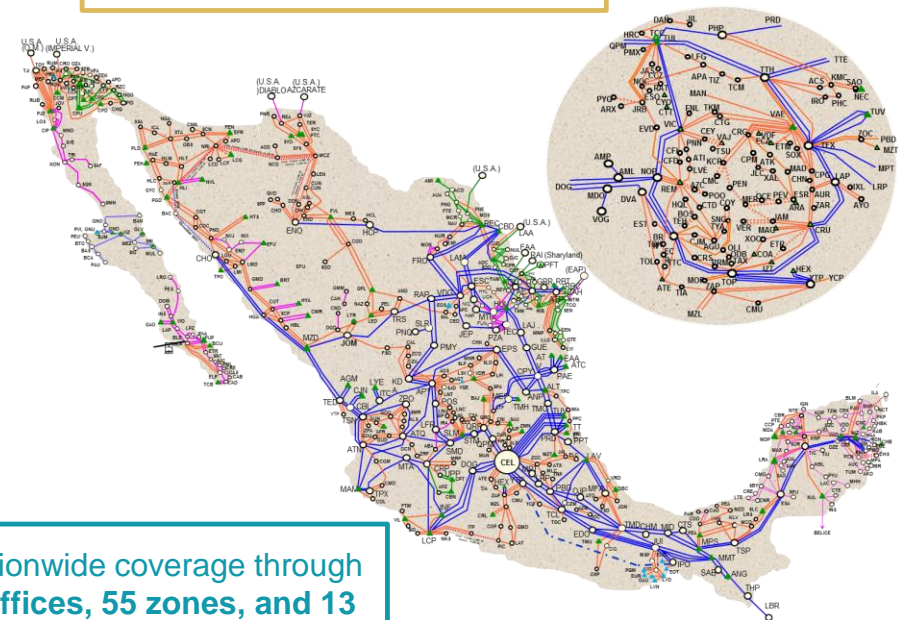
CFE Transmisión has proven industry experience and is a business with stable cash flows driven by a regulated tariff.

CFE Transmisión manages the resources and infrastructure necessary for electricity transmission throughout the country.

CFE Transmisión has a **100% market share** of the electricity transmission activity in Mexico.¹

Unlike power generation, power transmission is **not impacted by fluctuations in the commodities markets.**

2.5x Earth's circumference in transmission and sub transmission lines²: ~ 107,000 kms



Nationwide coverage through 9 offices, 55 zones, and 13 international connections

Legend

- Substation
- Line of 400 KV
- Line of 230 KV
- Line of 161, 138 KV
- Line of 115, 69 KV

Source: CFE and CFECapital. ¹Recent regulation provides other participants may enter the market. ²Transmission lines carry a high voltage ranging from 161kV to 400kV. Sub-transmission lines carry a voltage ranging from 69kV to 160kV.

Current transmission tariffs methodology overview.

Objective

Postage stamp model¹ that recognizes costs and incentivizes investments. It guarantees access to all market participants and pursues reliability, efficiency, and quality in the service.

Who?

The Energy Regulatory Commission (**CRE**) is an **autonomous agency**. Its governing body is composed by seven Commissioners. It establishes all the tariffs and regulations for the activities of transmission and distribution.

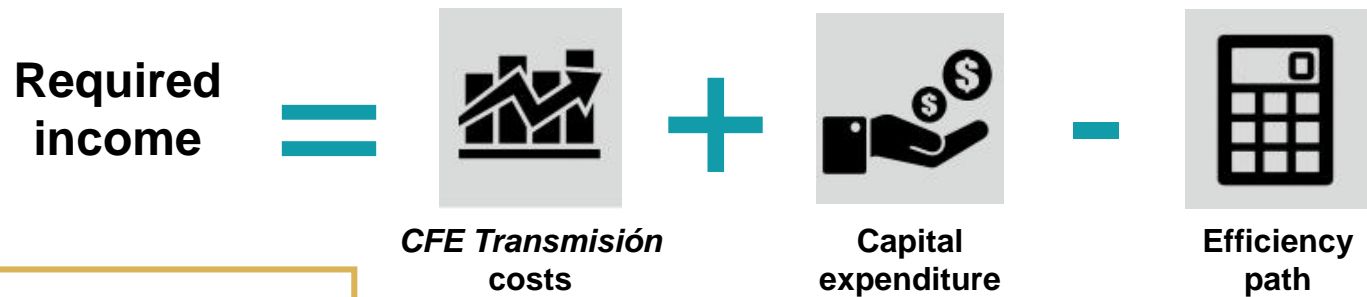
When?

The **new tariff** period and its corresponding methodology will be determined by the **end of 2018**, to become effective in 2019.

How?

The tariff is set based on the **total Required Income divided by the total energy transported**¹ through the Transmission grid.

Required income: i) recognizes operating costs, ii) rewards capital investment, and iii) encourages cost efficiency.



Required income is **assigned to consumers and generators** (70% and 30%, respectively) and divided by volume at two different tension levels¹.

Energy losses as reported by CFE were recognized by the regulator but they **remain constant**.

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).

Operating costs:
labor, maintenance,
services, materials,
taxes and rights.

Cost of assets:
depreciation,
financial cost of
debt.

Return on capital.

Set at 1% annually
based on the
regulator analysis.

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CFE Capital and CFE Fibra E.

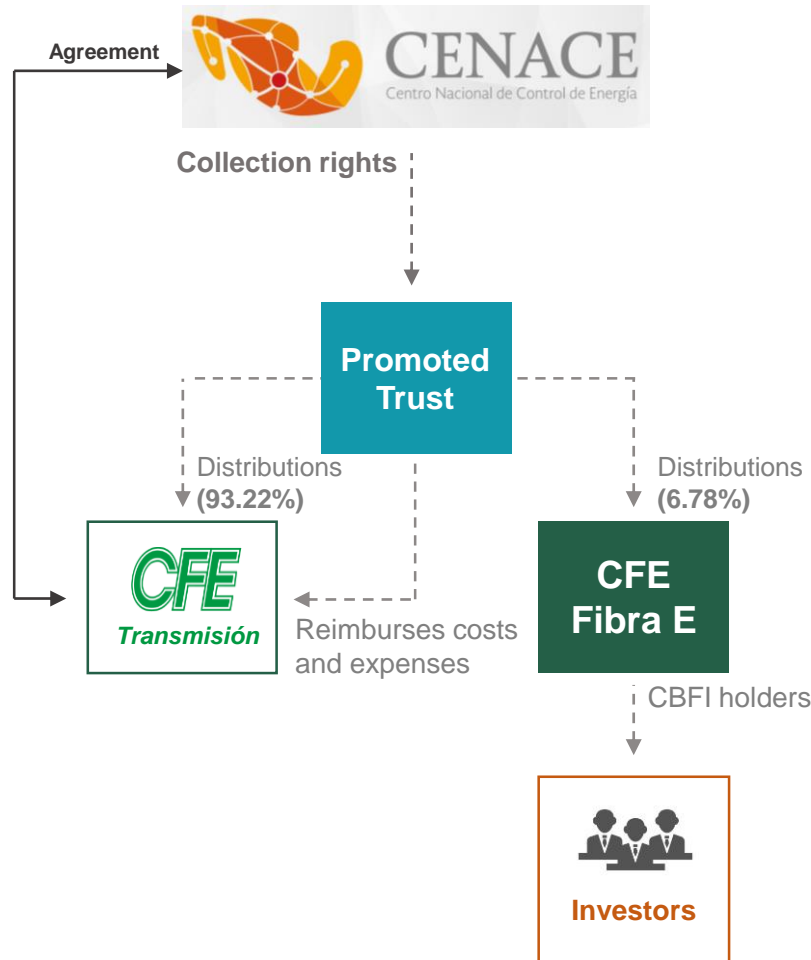


- 1 Our objective is to invest in activities under CFE's mandate.
- 2 We will take advantage of the fiscal structure of a FIBRA E¹ in Mexico.²



Source: CFE and CFECapital. ¹Energy and infrastructure investment trust. ²We intend to qualify and to be taxed as a FIBRA E (*Fideicomiso de Inversión en Energía e Infraestructura*) under the Mexican Tax Rules for FIBRAS E. Among other things, we must distribute annually at least 95% of CFE Fibra E Net Taxable Income.

CFE Fibra E: structural soundness



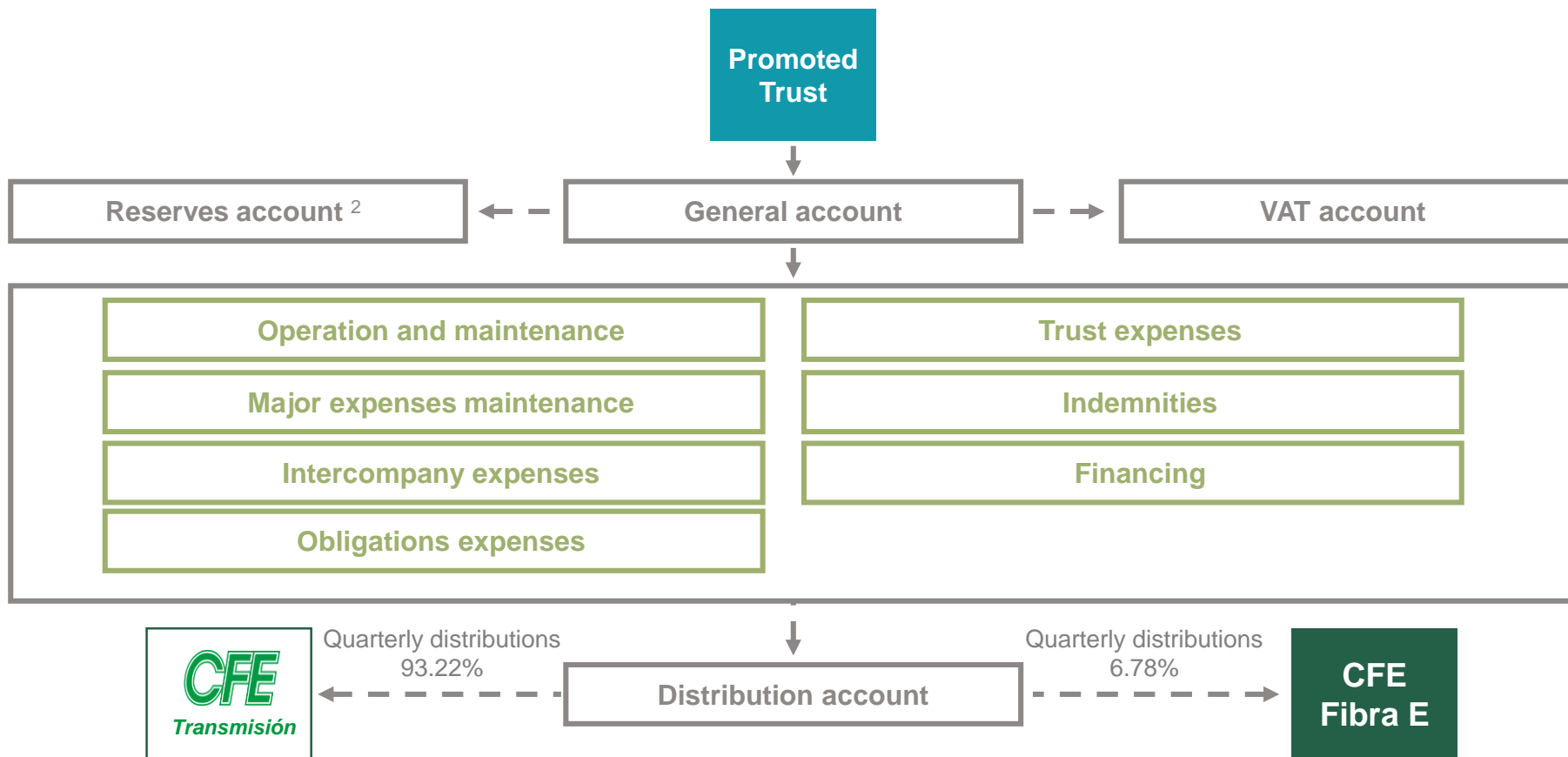
CFE Transmisión assigned its collection rights for a period of 30 years.

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

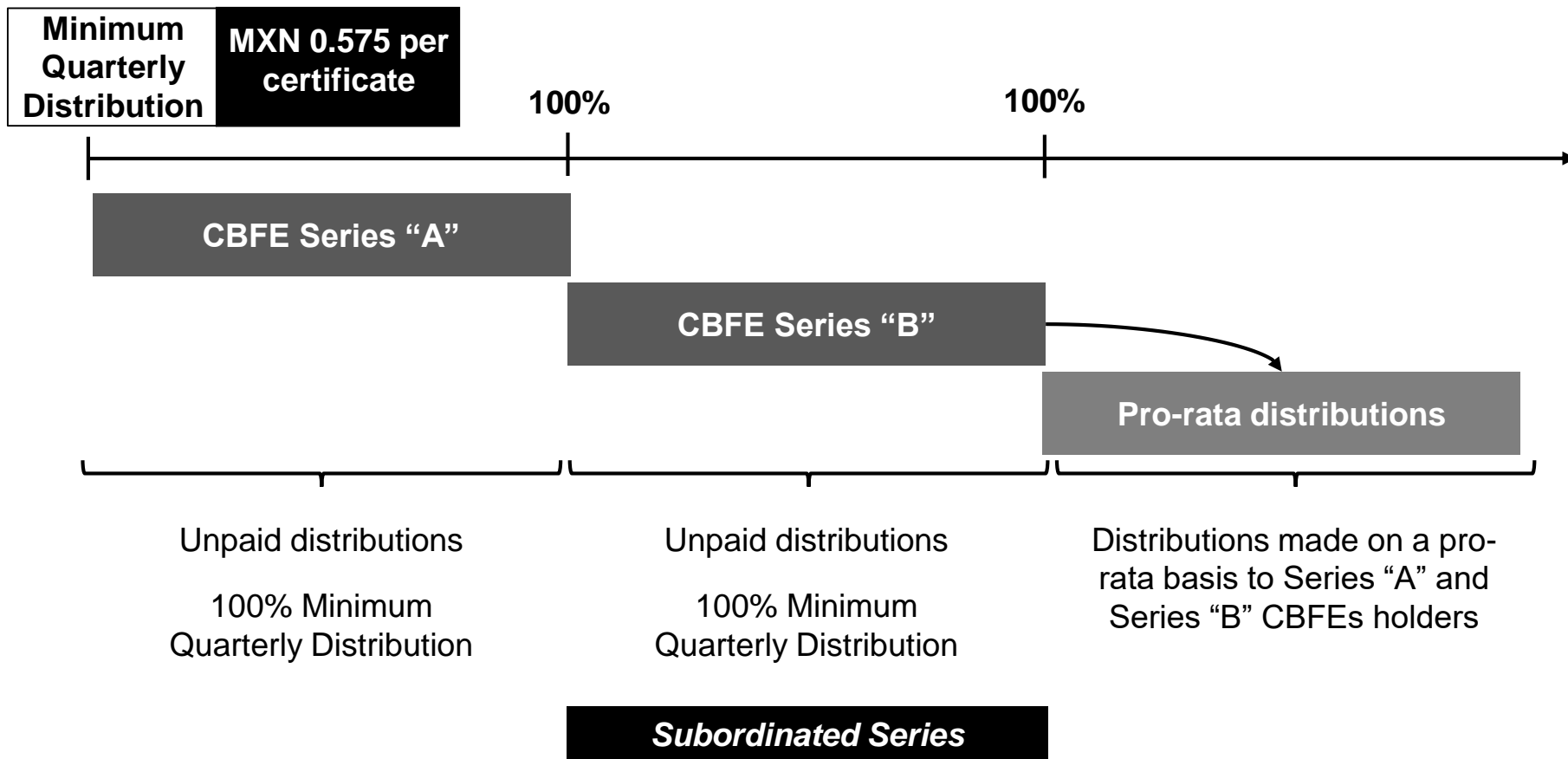
CFE Fibra E has strong **Corporate Governance mechanisms** and establishes **subordination to public investors**.

Source: CFECapital. CBFI: Certificados Bursátiles Fiduciarios de Inversión en Energía e Infraestructura.

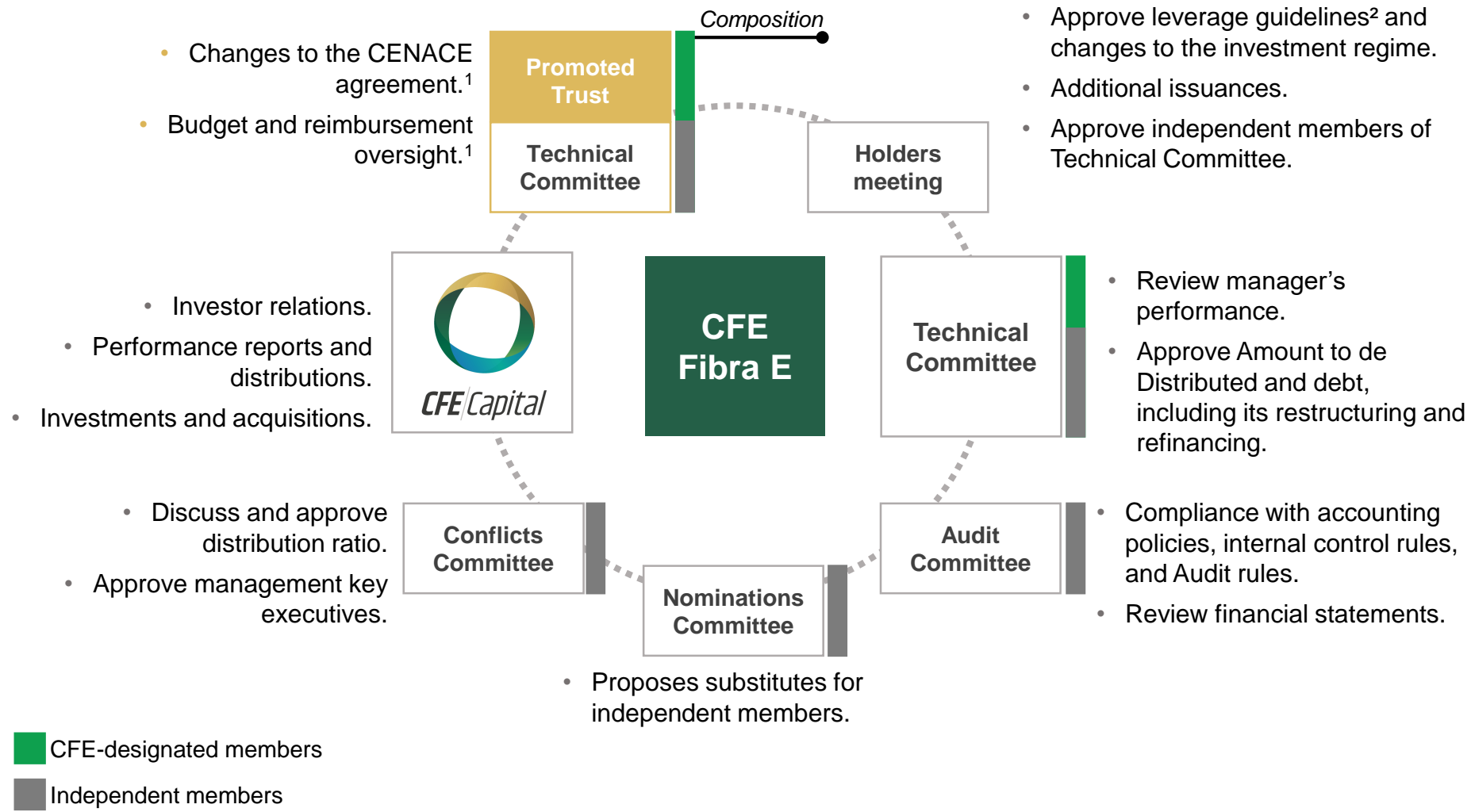
The Promoted Trust reimburses to *CFE Transmisión* costs and expenses for the operation of the Transmission grid.



Series “B” CBFEs hold by CFE are permanently subordinated to the Series “A” hold by investors with respect to distributions¹.



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



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

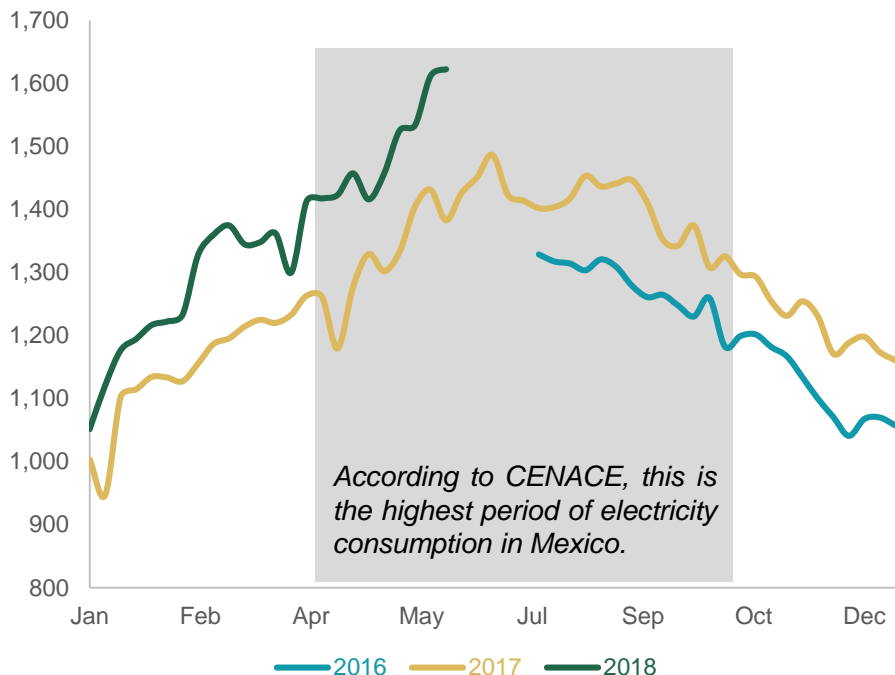


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Revenues fluctuate during the year, primarily due to the impact that seasonal factors have on electricity consumption and demand.

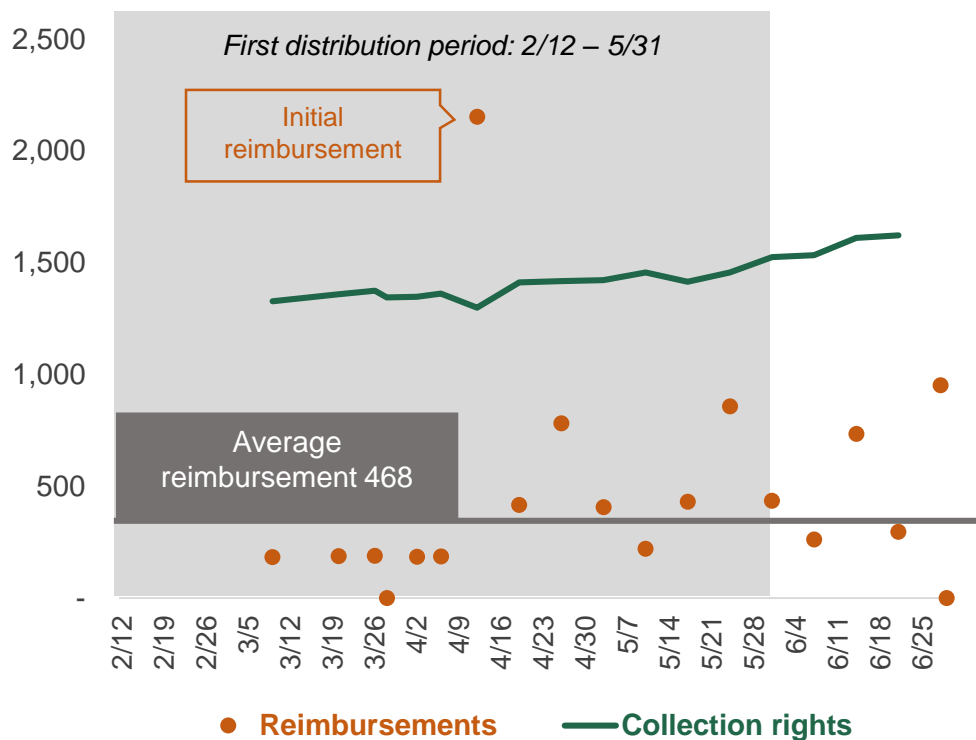
Collection rights from CENACE
(million MXN)



- Weekly collection rights were deposited on the Promoted Trust on a regular basis with **neither delay nor deviations from the planned scenario.**
- Comparing **2018 vs 2017**, from January to June, **the average revenue difference is around 10%.**
 - **Transmission tariffs increased, on average, 4.21% between 2017 and 2018¹.**
 - **Transmitted energy volume grew at an average 3.95% YoY².**

Both collection rights and reimbursements behave according to plans, showing no deviations.

Collection rights and reimbursements to *CFE Transmisión*
(million MXN)



- On average, **weekly collection rights** from March to June sum up **MXN 1,429 million pesos.**
- As expected, this period includes the first portion of higher revenues due to seasonality.

- On average, **each reimbursement** covers around **MXN 468 million pesos.**
- Cyclicity is driven by intercompany charges and operation and maintenance expenditures.



Source: *CFE Transmisión* and CFECapital.

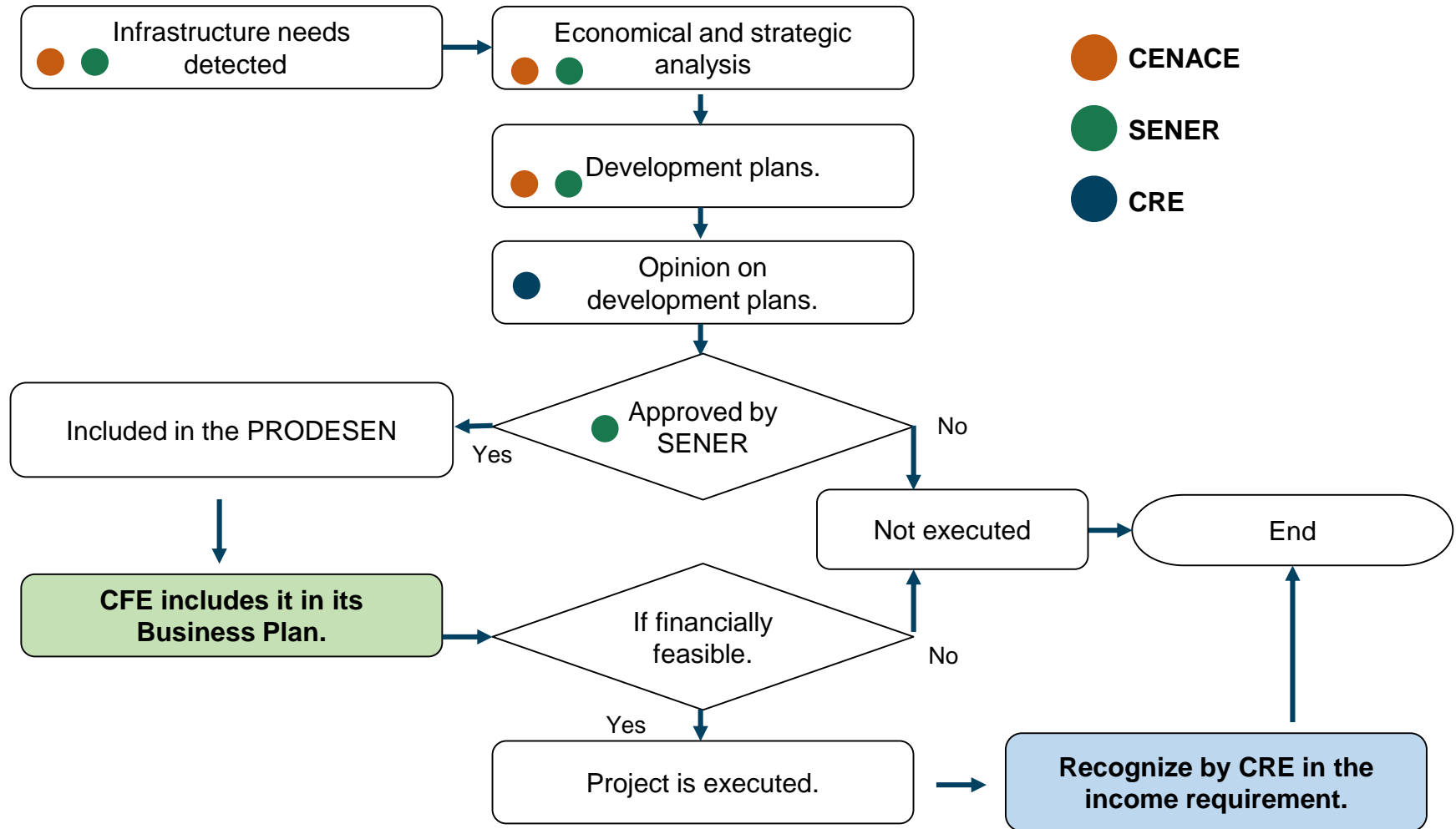
Reimbursements are going in line with budget.

Reimbursements made vs 2018 budget (million MXN)

Category	2018 Budget	As of June 30	% against budget
Intercompany expenses	6,789	2,362	35%
Operation and maintenance	5,998	1,955	33%
Obligations expenses	3,134	896	29%
Major maintenance	856	41	5%
Trust expenses	15	2	13%
Financing	0	0	0
Total	16,792	5,256	31%

From February 12, 2018 to June 30, 2018 there are 20 weeks of operation out of the 46 operation weeks of 2018. This is equivalent to the **43.4%** of the time.

For a project to be recognized by the regulator in the tariff, it should follow the next process



Source: PRODESEN 2018-2032, *Secretaría de Energía*.

CFE Transmisión projects pipeline was approved by the Board of Directors.

24 projects

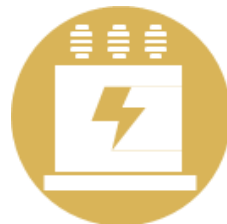
approved by CFE's Board
on April 26, 2018



Expected investments for **12.8 billion pesos**.
With entry into operation between 2019 and 2023 .



Smart Energy Grid with an estimated investment of MXN \$4.9 billion pesos will start operations between 2019 and 2020.

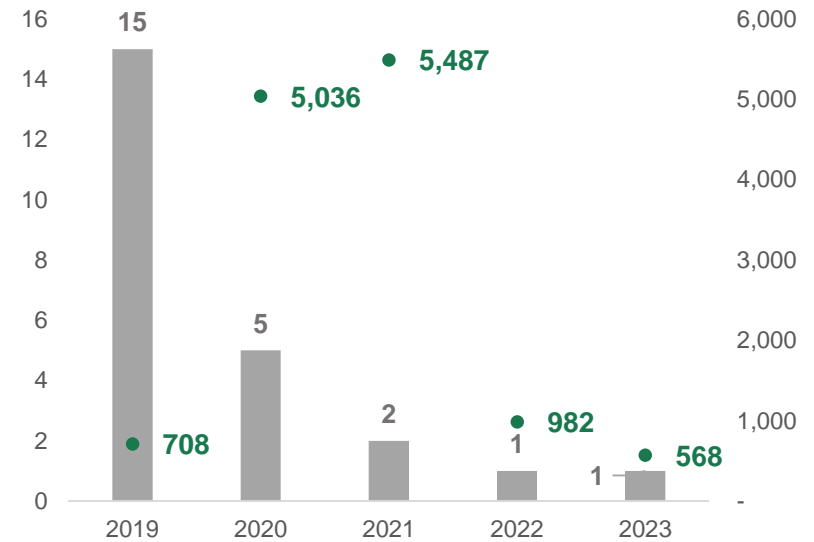


The rest of the projects include **transmission capacity expansions and voltage and reactive power projects**, scheduled to be operating between 2019 and 2023.

CFE Transmisión projects pipeline was approved by the Board of Directors.

Projects	Investment (million MXN)
Red Eléctrica Inteligente (REI)	4,895
Sistema de Medición del MEM	2,764
Incremento capacidad de transmisión Puebla, Temascal, Coatzacoalcos, Grijalva y Tabasco	1,162
El Arrajal Banco 1	982
Suministro Oaxaca Huatulco	592
Potreriillos Banco 4	573
Zona La Laguna	568
Chichi Suárez Bco. 1	526
Compensación Reactiva Inductiva en Seri	120
Interconexión Baja California - Imperial Irrigation District	108
Querétaro Banco 1	94
Ascención II Banco 2	68
Kilómetro 110 – Tulancingo	53
Tabasco Potencia MVAR	49
Donato Guerra MVAR	46
Maneadero entronque Ciprés – Canón	46
El Habal Banco 2	32
Amozoc y Acatzingo MVAR	24
Alvarado II y San Andrés II MVAR	23
Compensación Reactiva Inductiva en Esperanza	13
Izúcar de Matamoros MVAR	12
Esfuerzo MVAR	12
Frontera Comalapa MVAR	11
El Carrizo MVAR	8

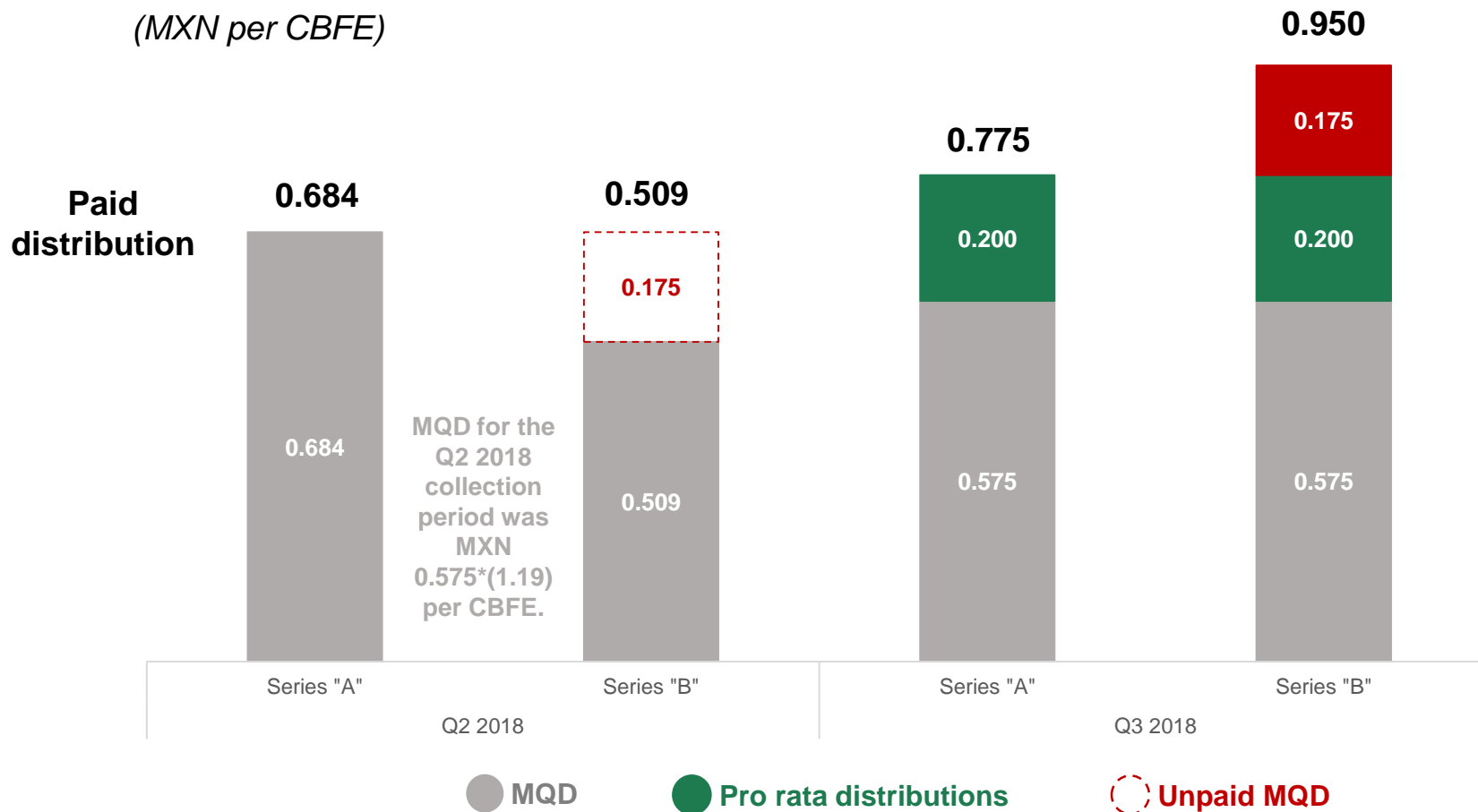
Planned entry into operation and cumulative investment
(projects, million MXN)



Source: CFE Transmisión and CFE.

Delivering results: reaching MQD for both Series and IRR: 12.48%

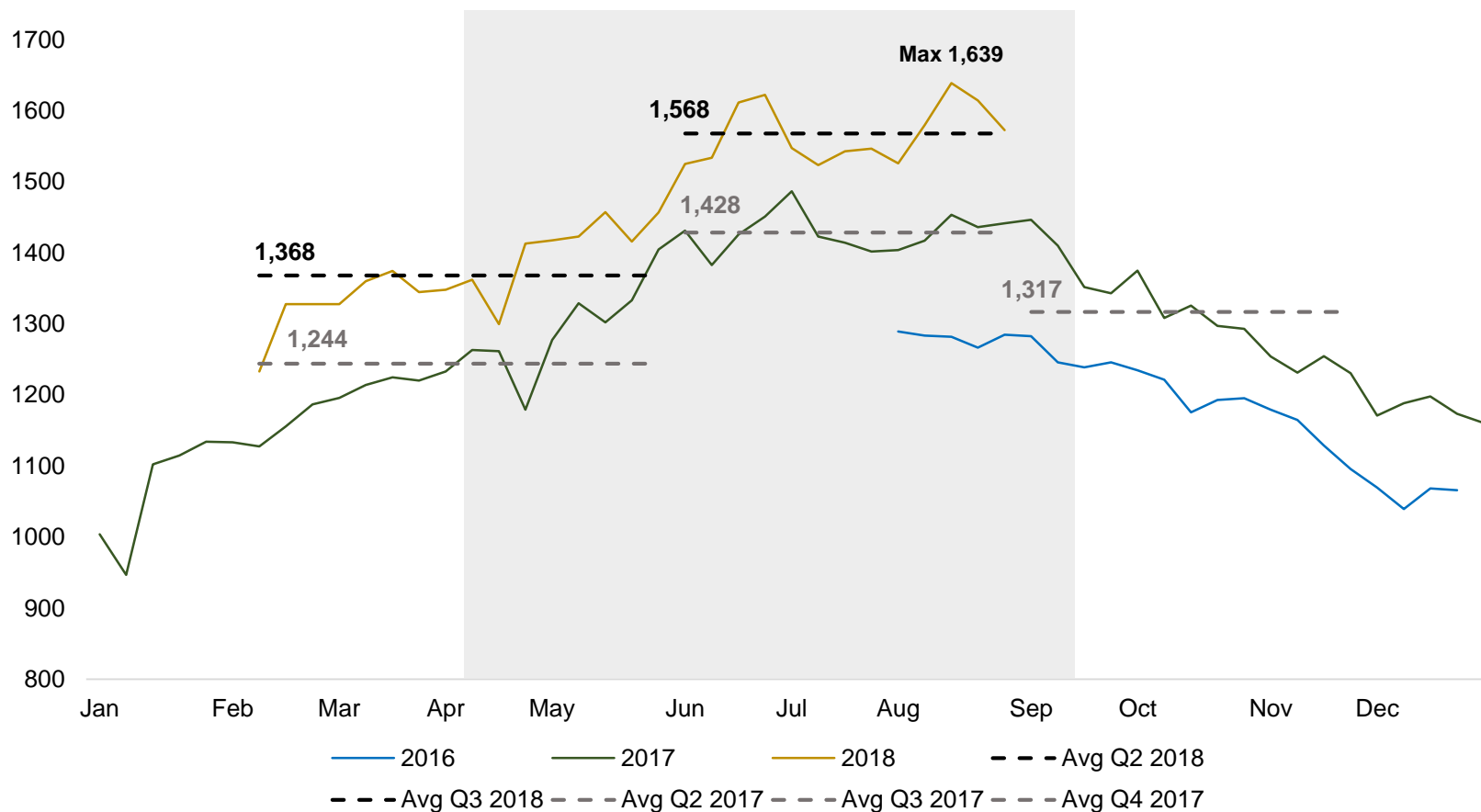
FCFE 2018 distributions (MXN per CBFE)



Source: CFE Capital. Rounded figures.
Note: For the IRR, the IPO price was taken.

The September 28 distribution covers the highest power consumption period of the year. Income 14.62% higher than previous period.

Weekly revenues from CENACE (million MXN)



Source: CFE Capital and Promoted Trust statement of account.

Note: Q2 distribution: February 12 to May 31; Q3 distribution: June 1 to August 31; Comparison for 2017 considers 2018 equivalent periods.

Key activities for 2018

I. One more distribution

December 31.

MQD: MXN 0.575 per certificate¹.

II. New transmission tariffs

CFE – CRE: 1) asset value, 2) return on capital, and 3) dynamic adjustments.

New tariffs are expected to be determined towards the 4Q 2018. They will become effective in 2019.

III. Transition process

On July 1, Presidential elections were held in Mexico.

CFE Capital works with CFE and the transition team.

CFE has extensive investment needs and a financial balance target. CFE Fibra E is a way to deploy new investments.

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