CFE Capital

QUARTERLY REPORT
CFE FIBRA E

Q2 2018

Friday, July 27, 2018

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Executive summary

For the 2Q 2018 of CFE Fibra E, we highlight **the normal and in-time flow of the collection rights to the Promoted Trust** as well as **the regular reimbursements to *CFE Transmisión* according to the annual budget. There were no deviations from the planned scenario.**

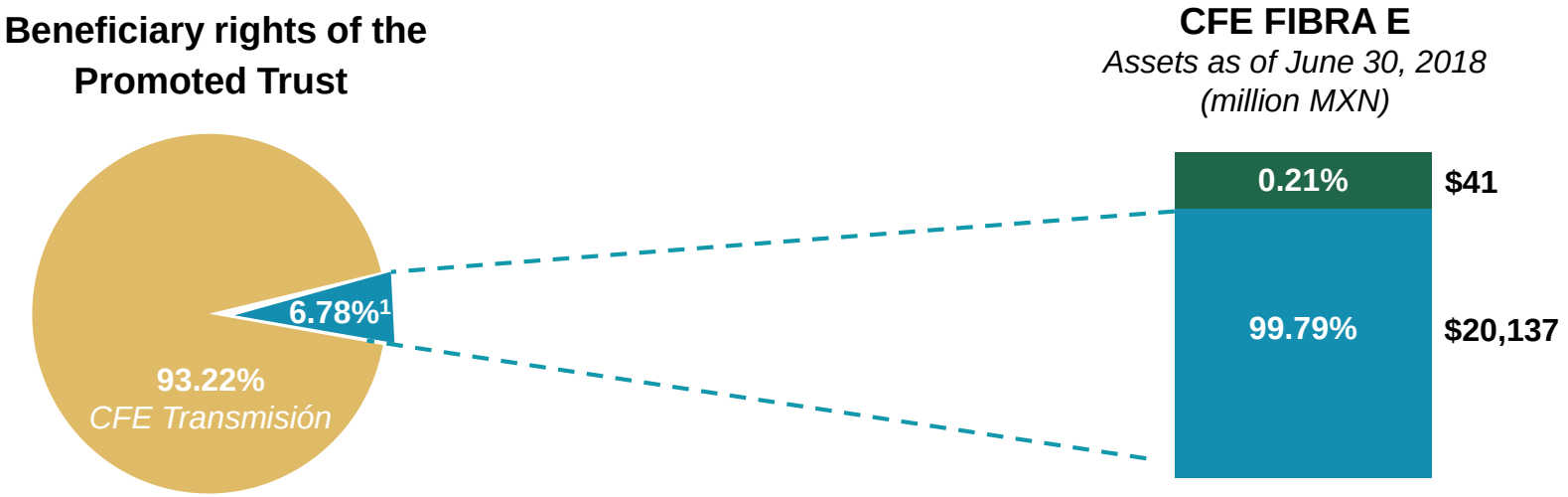
Also, the first distribution was carried out as planned in a timely manner. The amount distributed to Series “A” (18) holders was MXN 0.68 per certificate, while Series “B” (18-2) holders received MXN 0.51 per certificate. The first distribution demonstrated the soundness of CFE Fibra E structure and the proper functioning of the subordination towards Series “A” holders.

Finally, CFECapital keeps collaborating with CFE and the regulator in the definition of the new transmission tariffs that will be applied starting 2019.

CFE Capital

CFE Fibra E is the first investment trust in energy and infrastructure specialized in the energy sector in Mexico.

Aside from our initial asset, we did not have other revenue sources for the 2Q 2018.



Source: CFECapital. [1] 6.776103%, approx. 6.78%. The beneficiary rights represent economic ownership in the Promoted Trust.

Promoted Trust, 2Q 2018 account balance

Account balance Promoted Trust as of June 30, 2018
(million MXN)

	April	May	June	Total	
Initial balance	**4,857** (1)	**6,591**	**11,464**		
+ Collection payments	5,422	7,170	6,293	18,885	(2)
- Reimbursements	3,725	2,352	2,246	8,323	(3)
- Distribution to holders			10,937	10,937	(4)
Gross balance	**6,554**	**11,409**	**4,574**		
+ Interest	39	59	50	148	(5)
- Interest tax	2	4	3	9	(6)
Final balance	**6,591**	**11,464**	**4,621**		
Accrued interest			**1**		
Portfolio value			**4,622**		

2Q balance began with MXN 4,857 million$_{(1)}$. Collection payments for the period sum up MXN 18,885 million$_{(2)}$, with accrued interests of MXN 148 million$_{(5)}$ and generated MXN 9 million$_{(6)}$ of interest tax. Reinbursements for the period sum up MXN 8,323 million$_{(3)}$, and the distribution amount to holders was MXN 10,937 $_{(4)}$ million.

Source: CFECapital.

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Issuer Trust, 2Q 2018 account balance

Account balance Issuer Trust as of June 30, 2018
(million MXN)

	April	May	June	Total
	38.28 (1)	**35.37**	**32.60**	
+ Promoted trust distribution	-	-	741.08	741.08 (2)
- Distribution to Holders	-	-	728.68	728.68 (3)
- Administration Fees	3.05	2.88	5.79	11.72 (4)
- Trust Expenses	-	0.05	0.04	0.09 (5)
Gross balance	**35.23**	**32.44**	**39.17**	
+ Interest	0.14	0.16	2.22	2.52
Final balance	**35.37**	**32.60**	**41.39**	
Accrued interest	-	-	0.02	
Portfolio value	35.37	32.60	41.41	

2Q balance began with a balance of MXN 38.28 million(1). A deposit of MXN 741.09(2) million was received on June 15th, which corresponded to the distribution amount from the Promoted Trust (F/80758).

From the distribution's taxable result, the reserve fund for maintenance expenses was restituted. Therefore, the final distribution to holders that took place on June 29th, resulted in MXN 728.68 million(3). Administration Fees sum up MXN 11.72 million(4), and trust expenses MXN 0.09 (5).

Source: CFECapital.

CFE Capital

Agenda

CFE Transmisión performance indicators

Promoted Trust income flow and reimbursements

First distribution calculation and financial information

CFECapital administration and corporate governance

Moving forward

Agenda

***CFE Transmisión* performance indicators**

Promoted Trust income flow and reimbursements

First distribution calculation and financial information

CFECapital administration and corporate governance

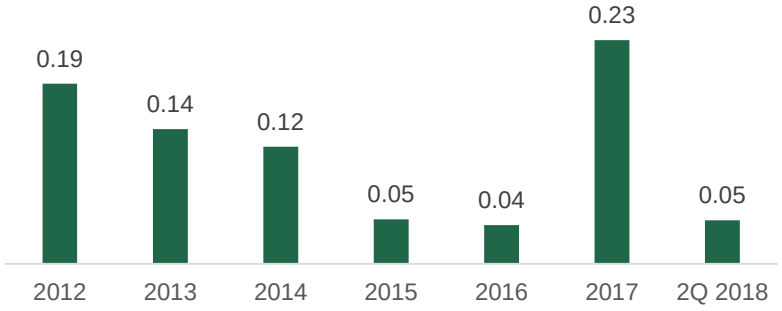
Moving forward

CFE Capital

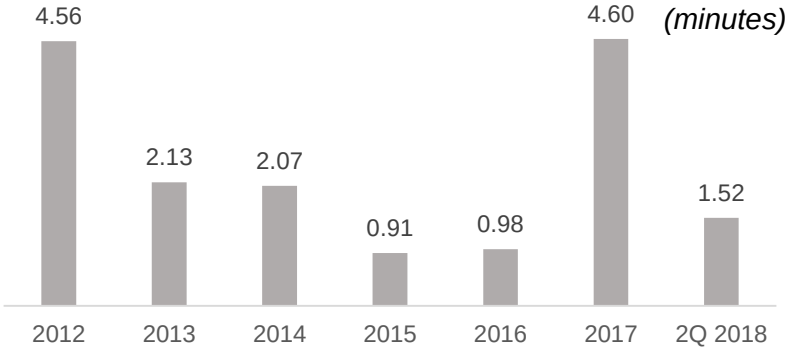
CFE Transmisión continually improves its operations through key performance indicators.

CFE Transmisión | Promoted Trust | CFE Fibra E | CFE Capital

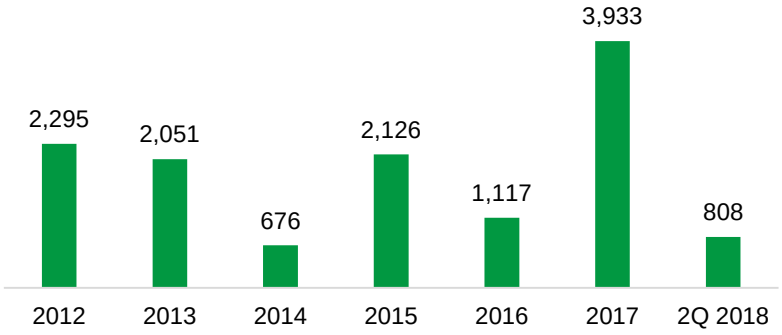
System Average Interruption Frequency Index[1]
(interruptions)



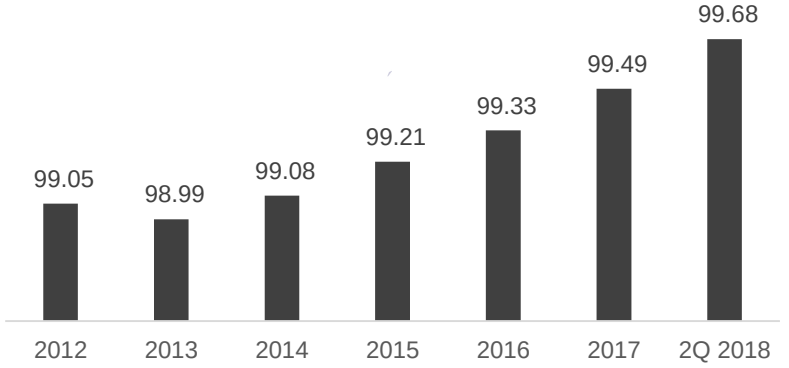
System Average Interruption Duration Index[2]
(minutes)



Energy not delivered[3]
(MWh[4])



Transmission System Availability Index[5]
(percentage)



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Source: *CFE Transmisión*. [1]Average number of interruptions of service from the National Transmission Network (NTN) for a final user. [2]Average interruption duration of electricity supply to a final user. [3]Energy not supplied to users due to interruptions for periods longer than five minutes that occur as a consequence of failures in the NTN. [4]Means megawatt-hour, or one thousand kilowatt-hours. [5]Availability of all component elements of the NTN. Information as of June 30 of 2018.

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

CFE Transmisión | Promoted Trust | CFE Fibra E | CFE Capital

- On April 26, 2018, CFE's Board approved **24 projects to be financed through CFE Fibra E.**
  - The estimated investment amount of those projects will be around **MXN 12.8 billion pesos.**
  - The biggest project is the **Smart Energy Grid** with an estimated investment of MXN $4.9 billion pesos. Its entry into operation goes from 2018 to 2020.
  - The rest of the projects include **transmission capacity expansions and voltage and reactive power projects**. These are scheduled to be operating between 2019 and 2023.

Source: *CFE Transmisión* and CFE.

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

CFE Transmisión | Promoted Trust | CFE Fibra E | CFE Capital

Projects	Investment *(million MXN)*	Estimated date of entry into operation
Potrerillos Banco 4	573	april-20
Chichi Suárez Bco. 1	526	march-20
Zona La Laguna	568	april-23
Sistema de Medición del MEM	2,764	2018-2020
Red Eléctrica Inteligente (REI)	4,895	2018-2021
Ascención II Banco 2	68	april-19
El Habal Banco 2	32	april-19
Tabasco Potencia MVAr	49	december-19
Donato Guerra MVAr	46	december-19
El Carrizo MVAr	8	april-19
Izúcar de Matamoros MVAr	12	april-19
Esfuerzo MVAr	12	april-19
Frontera Comalapa MVAr	11	april-20
Alvarado II y San Andrés II MVAr	23	april-19
Amozoc y Acatzingo MVAr	24	april-19
Compensación Reactiva Inductiva en Esperanza	13	april-19
Compensación Reactiva Inductiva en Seri	120	april-19
El Arrajal Banco 1	982	april-22
Querétaro Banco 1	94	april-19
Interconexión Baja California - Imperial Irrigation District	108	april-19
Incremento capacidad de transmisión Puebla, Temascal, Coatzacoalcos, Grijalva y Tabasco	1,162	april-20
Maneadero entronque Ciprés – Canón	46	april-19
Kilómetro 110 – Tulancingo	53	september-19
Suministro Oaxaca Huatulco	592	april-21

Source: *CFE Transmisión* and CFE.

CFE Capital

Agenda

CFE Transmisión performance indicators

Promoted Trust income flow and reimbursements

First distribution calculation and financial information

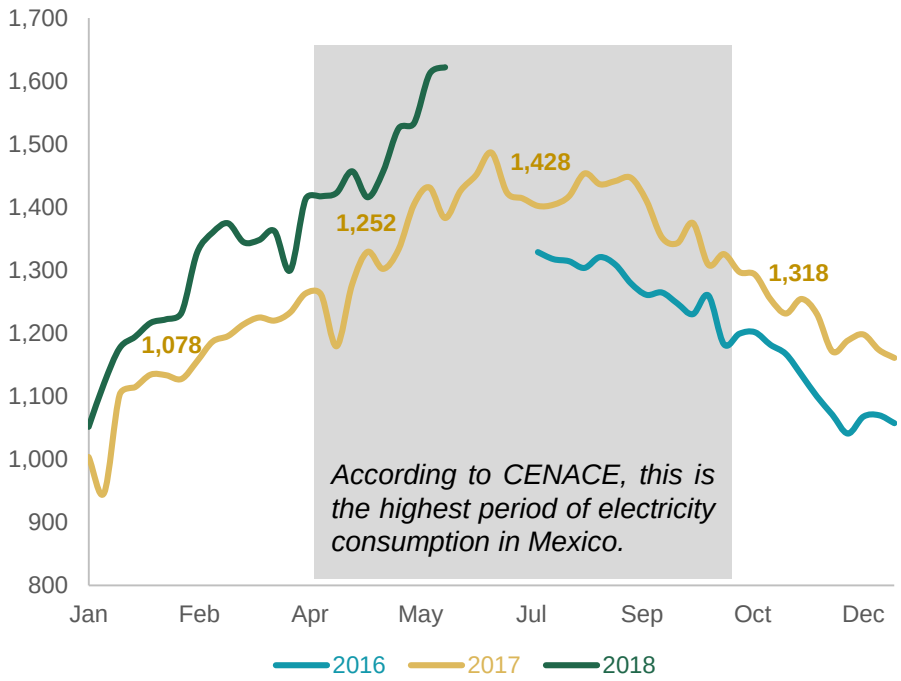
CFECapital administration and corporate governance

Moving forward

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

CFE Transmisión | **Promoted Trust** | CFE Fibra E | CFE Capital

Collection rights from CENACE[1]
(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 2018[2].
  - Transmitted **energy volume grew at an average 3.95% YoY**[3].

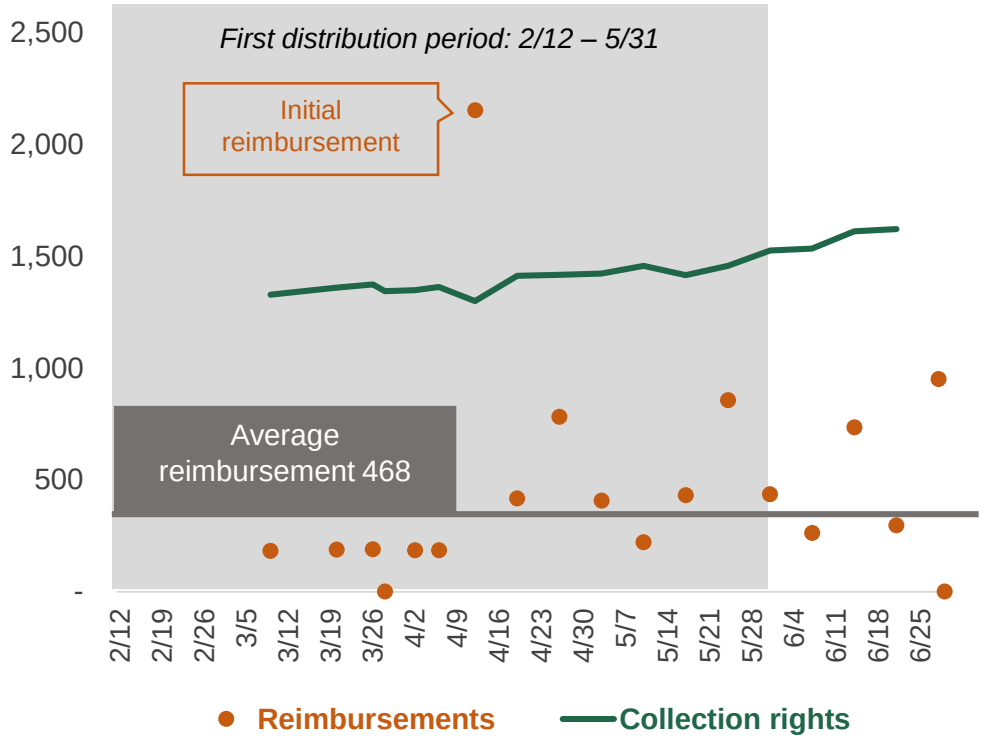
CFE Capital

Source: *CFE Transmisión* and CFECapital. Revenues in the graph include VAT (IVA). [1]*Centro Nacional de Control de Energía* (CENACE). [2]Calculated as a simple average of the changes for each tariff bracket. [3]Comparing information as of June 2018 vs 2017.

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

CFE Transmisión | **Promoted Trust** | CFE Fibra E | CFE Capital

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.

CFE Capital

Reimbursements are going in line with budget.

CFE Transmisión | **Promoted Trust** | CFE Fibra E | CFE Capital

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%**

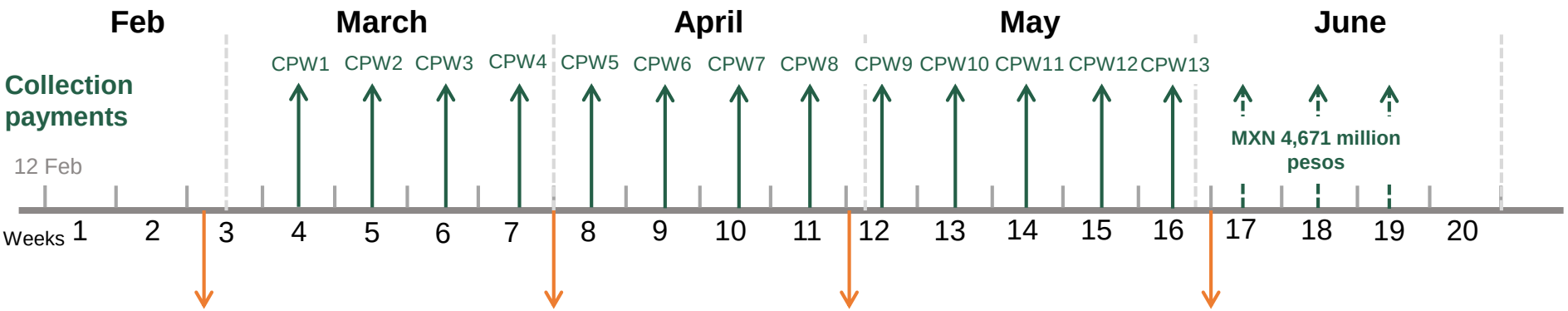
From February 12, 2018 to June 30, 2018 there are 20 weeks of operation out of the 46 operation weeks of 2018. This is equivalent to the **43.4%** of the time.

Source: *CFE Transmisión* and CFECapital.

CFE Capital

The Promoted Trust has received all income derived from the collection rights minus approved reimbursements.

CFE Transmisión | **Promoted Trust** | CFE Fibra E | CFE Capital



Account balance Promoted Trust
(million MXN)

	Feb	Mar	Apr	May	Total
Initial balance	**-**	**-**	**4,856**	**6,591**	
+ Collection payments	-	5,407	5,422	7,170	17,999
- Reinbursements	-	560	3,725	2,352	6,637
Gross balance	**-**	**4,846**	**6,554**	**11,409**	
+ Accrued interest	-	11	39	59	109
- Interest tax	-	1	2	4	7
Final balance		**4,856**	**6,591**	**11,464**	

CFE Capital

Source: Promoted Trust accounting advisor. [1]Estimated, there are no specific reimbursement dates.

Agenda

CFE Transmisión performance indicators

Promoted Trust income flow and reimbursements

First distribution calculation and financial information

CFECapital administration and corporate governance

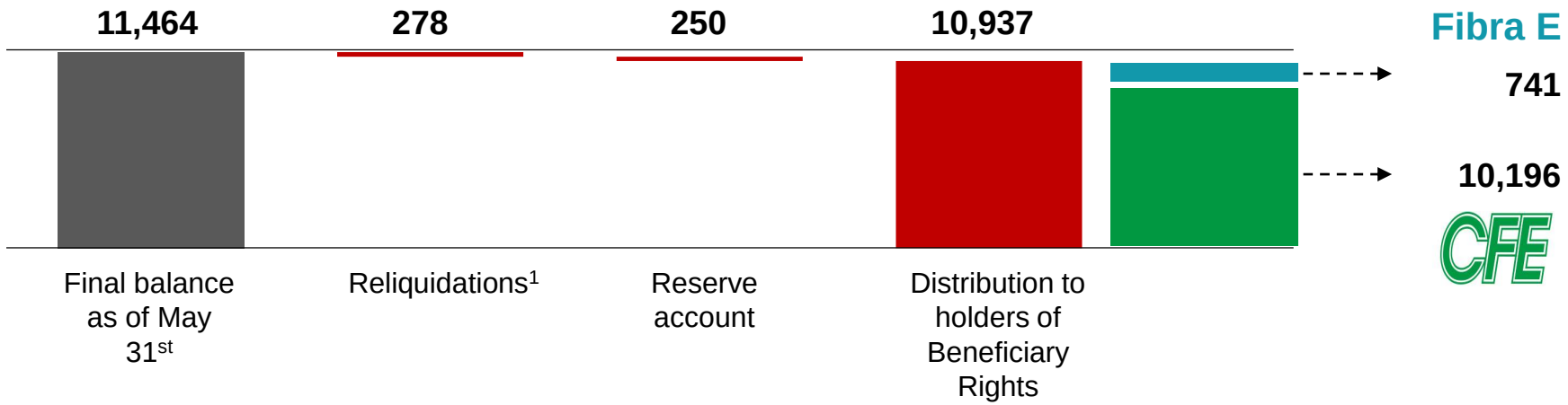
Moving forward

The distribution was in line with CFECapital expectations and with CFE Fibra E structure.

CFE Transmisión | Promoted Trust | CFE Fibra E | CFE Capital

The distribution amount was approved by the Technical Committee of the Promoted Trust in its second ordinary session on June 5, 2018.

Calculation of the distribution amount
(million MXN)



The final reliquidation date for February 12, 2018 is September 10, 2018.

Source: CFECapital.[1]Defined as adjusted payments resulting from disputes due to discrepancies. Reliquidations generate credit or debit notes in the daily account statements. There are 4 types: initial (49 days after the operation), intermediate (105 days), final (210 days) or controversy (no defined term). This item was approved to be reimbursed on the Technical Committee session of the Promoted Trust on June 5th 2018.

Taxable treatment of distributions that maximizes value for our investors and increases transparency in operations.

CFE Transmisión | **Promoted Trust** | **CFE Fibra E** | CFE Capital

Promoted Trust taxable result
(million MXN)

Income from CENACE	15,517
Interests	109
Reimbursements	(4,388)
Trust expenses	(2)
Intangible asset amortization	(3,971)
Taxable income	***7,265***
Capital reimbursements	***3,672***
CFE Distribution	**10,937**

6.776103%

Issuer Trust taxable result
(million MXN)

Taxable income from the Promoted Trust	492
Trust expenses – earned interests	(12)
Taxable income	***480***

Source: CFECapital. Income from CENACE and reimbursements exclude Value Added Tax (IVA).

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Distributable amount per Series.

CFE Transmisión | Promoted Trust | **CFE Fibra E** | CFE Capital

Distributable amount **729**[2]

Distribution to CFE Fibra E (6.776103%)	741
Trust expenses – earned interests[1]	(12)
Distribution amount to CFE Fibra E holders	**729**

(million MXN)

Distribution to Series "A" holders
584 (MXN. 0.68 per CBFE[3])

Missing MQD
0.00

Distribution to Series "B" holders
145 (MXN 0.51 per CBFE)

Missing MQD
50 (MXN 0.17 per CBFE)

Pro rata Series "A" (75%)	Pro rata Series "B" (25%)
0	**0**

CFE Capital

Source: CFECapital. All information includes VAT, all information in MXN million. [1]As Issuer's trust agreement establishes, Issuer Trust has to maintain a MXN 45 million expenses reserve fund. Thus, the Trust Technical Committee approved its replenishment. [2]The cash Reserve was used to complete the distributable amount. [3]*Certificados Bursátiles Fiduciarios de Inversión en Energía e Infraestructura*, CBFEs

CBFE[1] Series "A" holders received MXN 0.68 per certificate and Series "B" holders MXN 0.51 per certificate.

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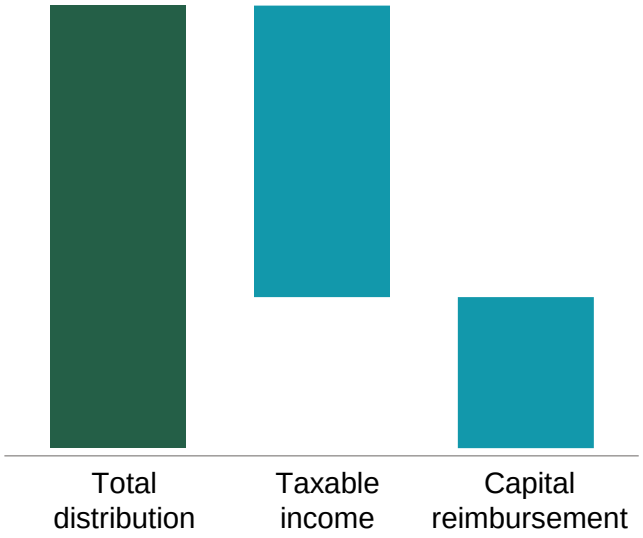
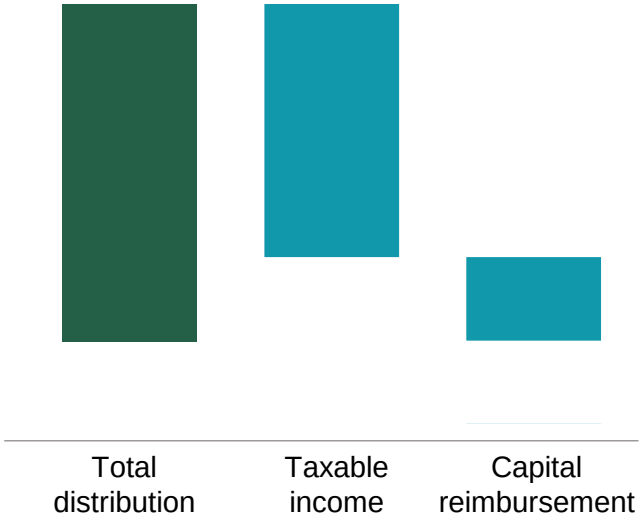
Distribution Series 18 ("A")[2]
(MXN per CBFE)

0.68 = 0.45 + 0.23



Distribution Series 18-2 ("B")[3]
(MXN per CBFE)

0.51 = 0.34 + 0.17

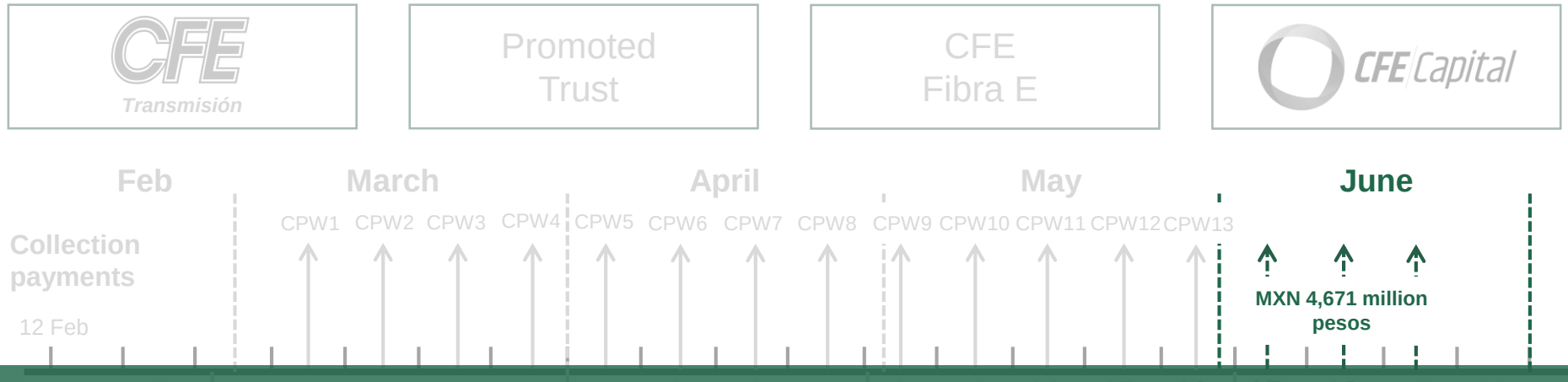


Note: CFECapital gives the reimbursement instruction to the Trustee, who makes the deposit at INDEVAL, the central securities depositary for the Mexican securities market. The custodian acts as the tax witholding agent.

CFE Capital

Source: CFECapital. The distribution corresponded to the period between February 12, 2018 and May 31, 2018. Because it was the initial period, more days were included than in a regular quarter. Thus, the Minimum Quarterly Distribution (MXN 0.575 per CBFE) was multiplied by a factor of 1.19. [1]*Certificados Bursátiles Fiduciarios de Inversión en Energía e Infraestructura*, CBFEs. [2]0.68425=0.4506090736 taxable income and 0.2336409264 capital reimbursement. [3]0.50942 =0.3354770283 taxable income and 0.173944929 capital reimbursement.

The Promoted Trust has received all income derived from the collection rights minus approved reimbursements.



If the revenues of all operation weeks would have been taken into account for the payment of the June 29 distribution, the MQD for both series could have been covered easily.

The amount received to CFE Fibra E would have been MXN 316 million (equivalent to the 6.776103% of the total amount). The missing MQD for the Series "B" was of MXN 50 million. Therefore, pro-rata distributions could have been paid to both series.

June collection payments will be paid on the next distribution due to the 3 week mismatch caused by CENACE payment process.

Reimbursements[1]

Account balance Promoted Trust
(million MXN)

	Feb	Mar	Apr	May	Total
Initial balance	-	-	4,856	6,591	
+ Collection payments	-	5,407	5,422	7,170	17,999
- Reimbursements	-	561	3,725	2,352	6,637
Gross balance	-	**4,846**	**6,554**	**11,409**	
+ Accrued interest	-	11	39	59	
- Interest tax	-	1	2	4	
Final balance	-	**4,856**	**6,591**	**11,464**	

Source: CFECapital. [1]Estimated, there are no specific reimbursement dates.

Issuer Trust, 2Q 2018 balance sheet

Balance sheet Issuer Trust as of June 30, 2018
(million MXN)

	1Q18	April	May	June
Cash and equivalents	38	35	33	41
Fiduciary rights	20,859	20,859	20,859	20,137
Total assets	***20,897***	***20,894***	***20,892***	***20,178***
Short-term liabilities	0	0	0	1
Total liabilities	***0***	***0***	***0***	***1***
Previous equity	20,898	20,898	20,898	20,898
Capital reinbursement	0	0	0	(249)
Equity for the period	***20,898***	***20,898***	***20,898***	***20,649***
Taxable result	0.0	0	0	(480)
Cummulative result	(1) (1)	(4)	(6)	8
Total equity	***20,897***	***20,894***	***20,892***	***20,177***
Total liabilities & equity	***20,897***	***20,894***	***20,892***	***20,178***

(1) Extraordinary interests of MXN 5.73 million generated by the allocated amount investment, minus MXN 6.89 million of the Administration Fee.

Source: CFECapital.

CFE Capital

Agenda

CFE Transmisión performance indicators

Promoted Trust income flow and reimbursements

First distribution calculation and financial information

CFECapital administration and corporate governance

Moving forward

Both trusts' governing bodies are active overseeing key activities and protecting investors' interests.

CFE Transmisión

Promoted Trust

On June 5th, 2018, the Promoted Trust Technical Committee had its ordinary session. Key decisions were taken:

- **Review and reconciliation of the reimbursements to *CFE Transmisión*.**
- **Calculation of the distributed amount to holders of Beneficiary Rights.**

CFE Fibra E

During the 2Q 2018, the Issuer Trust had two sessions of the Technical Committee and one session of the Audit Committee plus one Holders' Assembly. Key decisions:

- **Approval of accounting policies.**
- **Approval of the distribution amount to investors.**
- **Approval of the 2Q 2018 CFECapital financial statements.**
- **Ongoing monitoring of activities and documentation of internal procedures.**

CFE Capital

Source: CFECapital.

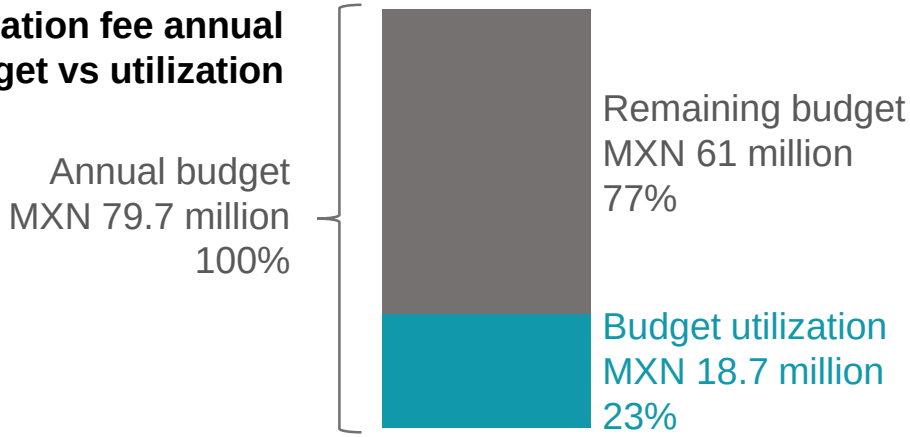
CFECapital expenditures are in line with the budget. There is opportunity for savings towards the end of 2018.

CFE Transmisión | Promoted Trust | **CFE Fibra E** | CFE Capital

Maintenance Expenses Disclosure
(million MXN)

	1Q18	April	May	June	2Q18	Cumulative
Administration fee	6.89	3.05	2.88	5.79	11.72	18.61
Fiduciary and common representative fees	-	-	-	0.03	0.03	0.03
Other expenses	-	-	0.05	0.01	0.06	0.06
Total	***6.89***	***3.05***	***2.93***	***5.83***	***11.81***	***18.70***

Administration fee annual budget vs utilization



Source: CFECapital.

CFE Capital

Agenda

CFE Transmisión performance indicators

Promoted Trust income flow and reimbursements

First distribution calculation and financial information

CFECapital administration and corporate governance

Moving forward

Compelling investment opportunities remain in the electric sector in Mexico.

For 2018-2032, **gross power consumption** is expected to **grow** at a **3.1% annual rate**[1].

The **transmission sector investment needs** are estimated at **USD 9.2 billion**[2].

CFE is planning **to invest** MXN 327 billion during the next five years, **MXN 99 billion** corresponding to ***CFE Transmisión***[3].

From 2018-2022, *CFE Transmisión* will invest in **77 projects**. There is potential growth for **CFE Fibra E to finance part of these investments**[4].

Source: CFECapital. [1]*Programa de Desarrollo del Sistema Eléctrico Nacional* 2018-2032 (PRODESEN), *Secretaría de Energía*. [2]PRODESEN 2018-2032. FX rate of 18..87 MXN/USD. [3]CFE 2018-2022 Business Plan. [4]*CFE Transmisión* 2018-2022 Business Plan.

Key activities for 2018

I. Two more distributions

September 28 and December 31.

MQD for these distributions: MXN 0.575 per certificate[1].

II. New transmission tariffs

CFE has productive conversations with the CRE[2].

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.

No later than September 6, the electoral authorities of the judicial branch will officially declare the validity of the election. From then on, transition process will begin.

CFECapital will adhere to CFE's policy to establish contact with the team that arrives.

CFE Capital

Source: CFECapital. [1]MQD established in the offering documents. [2]Energy Regulatory Commission (CRE). Is a regulatory body with a separate legal status and technical and administrative autonomy. Among other things, it regulates and issues applicable tariffs (transmission, distribution, basic supply service, and others).

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