



CFE
Comisión Federal de Electricidad®



Investor Presentation

May 2018

Table of Contents



- 1. CFE General Information and Operations Update**
- 2. Business Plan**
- 3. Financial Results**
- 4. Annexes**

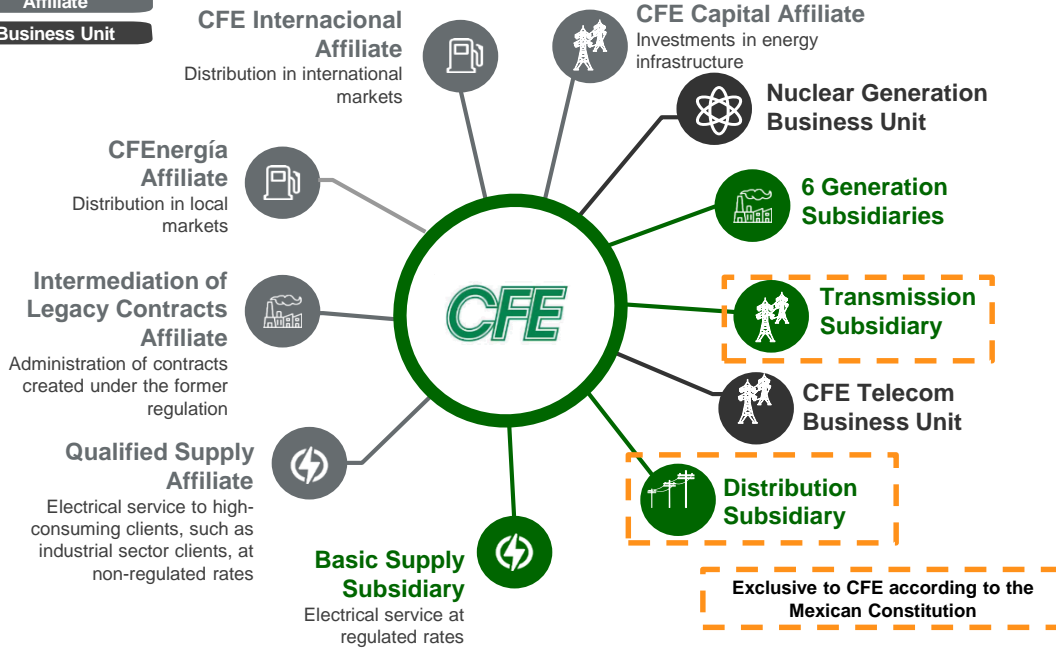


1. CFE General Information and Operations Update

Company Snapshot



- Subsidiary
- Affiliate
- Business Unit



Key Highlights¹

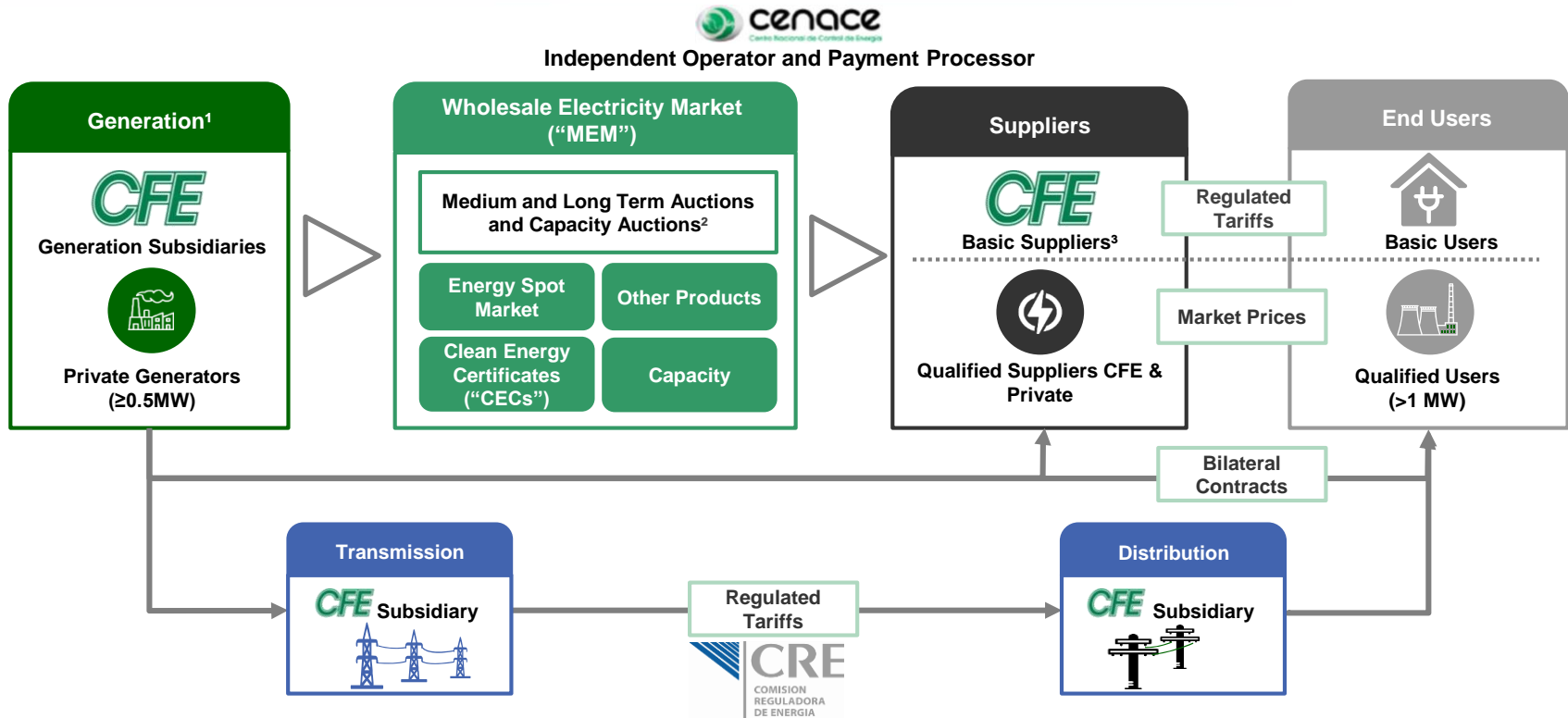
- Generates ~78% of electrical energy consumption in Mexico²
- Total installed capacity of 55,240 MW
- ~107,161km of transmission & sub-transmission³ lines
- Provides electricity to ~98.65% of the Mexican population
- 42.5mn of Distribution customers
- Total revenues of MXN\$93.1bn
- Total assets of MXN\$1,534.1bn

Generation	Transmission	Distribution	Supply	Commercialization
<ul style="list-style-type: none"> Six generation subsidiaries and one business unit of the Laguna Verde nuclear power plant Private generators participate through CFE via PIE⁴ contracts, in auctions or directly in the MEM⁵ 	<ul style="list-style-type: none"> CFE Transmisión receives income from CENACE⁶ at a regulated rate established by CRE There are transmission lines owned by other players connecting a power plant to CFE networks. 	<ul style="list-style-type: none"> CFE Distribution is the only authorized carrier to carry out the electric power distribution service in the General Distribution Networks 	<ul style="list-style-type: none"> Supply is carried out very closely with the distribution, as it includes the billing and collection of the energy that reaches each user through the distribution networks 	<ul style="list-style-type: none"> After the Energy Reform, CFE created a new fuel commercialization business through its subsidiaries CFEnergía and CFE Internacional.

¹Numbers as of March 31 2018, ² Includes Independent Energy Producers ("IEP") and external plants; the remaining 22% corresponds to electricity generated by self-suppliers and cogenerators in 1Q18.³ The transmission lines carry a high voltage that goes from 161kV to 400 kV ⁴ Independent Energy Producers, ⁵ "Mexican Electric Market" - Wholesale Electricity Market, ⁶ Centro Nacional de Control de Energía, ⁷ Comisión Reguladora de Energía
Source: CFE

Mexico's Energy Industry

Market Dynamics



- CENACE⁴** acts as an intermediary for the transactions that are carried out between market participants in the WEM
- Market Participants pay transmission and regulated distribution fees established by the CRE** for electricity distributed through the National Transmission Network and the General Distribution Network ("GDN")
- Supply to the final users under the **Basic Supply Service ("BSS")** is carried out under a regulated tariff regime
- Private companies can sell electricity** to Qualified Users under supply contracts

Source: CFE

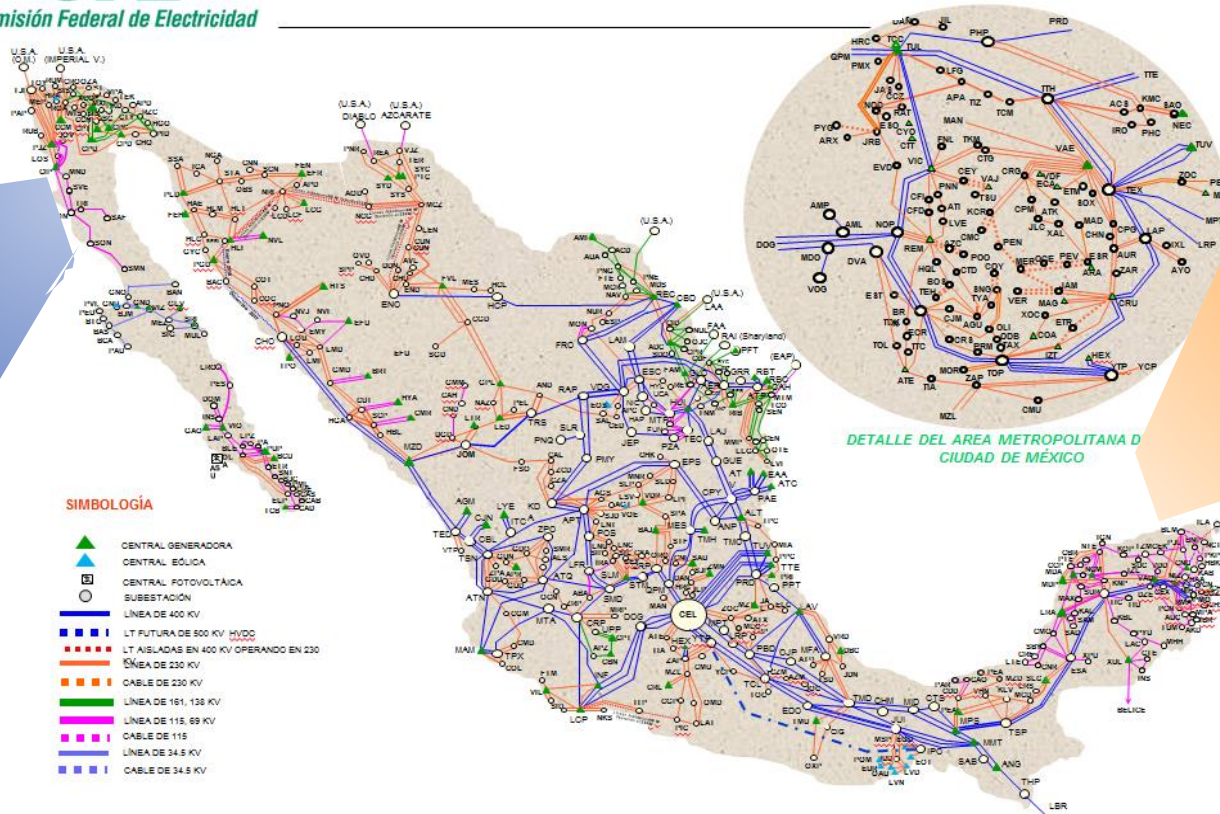
¹ The Power Plants under the previous regime (Ley del Servicio Público de Energía Eléctrica) are included in the Legacy Contracts Intermediation Subsidiary and include the figures for self-supply, cogeneration, among others. ² The Medium and Long Term auctions for Energy, Electricity and CECs Contracts are organized by CENACE based on the needs of the Basic Suppliers. ³ CFE is currently the only Basic Supplier, but any other participant could request a permit from CRE to provide such service. ⁴ Centro Nacional de Control de Energía ("CENACE").

The Transmission and Distribution businesses represent a stable and predictable source of income for CFE, making them highly strategic



National Transmission Network

National coverage through 9 offices covering 55 zones.



The transmission and sub-transmission lines represent **2.5x the circumference of the Earth**

- ~107,161 km of transmission and sub-transmission lines covering the 32 Federal Entities of the United Mexican States
- ~832,514 km of distribution lines
- 13 International connections

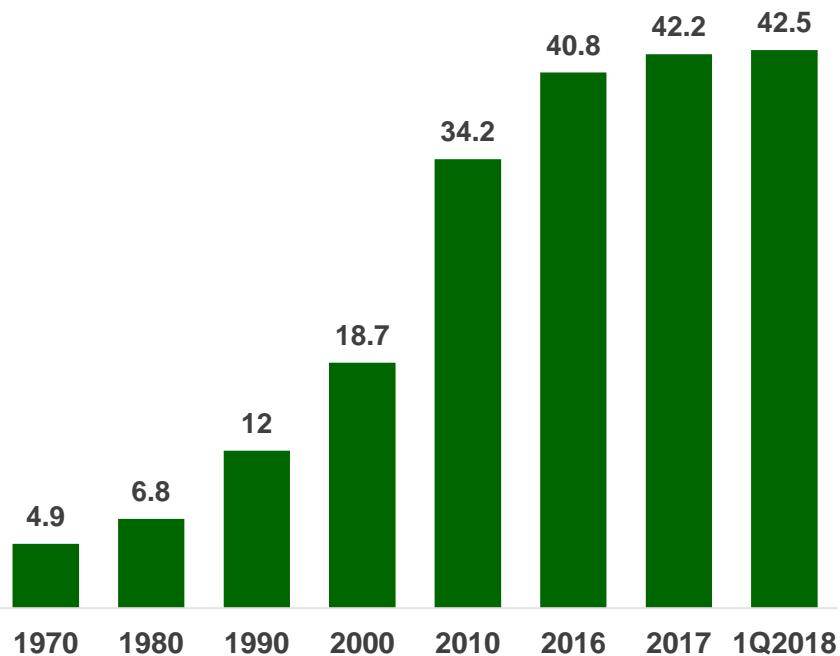
As of March 31, de 2018.

Customer Base and Installed Capacity Evolution



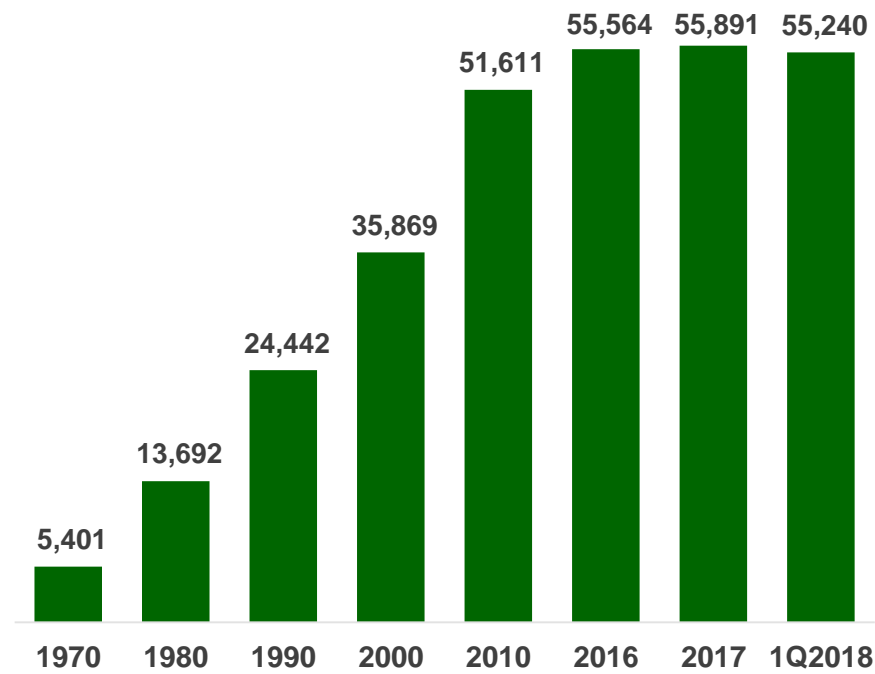
Customer Accounts (millions)

In 1Q2018 we increased our customers base to 42.5 million from 42.2 million accounts in 4Q2017.



Installed Capacity (MW)

Four old generation units of our geothermal plant Cerro Prieto were permanently closed. For that reason, installed capacity was reduced from 55,891 MW in 2017 to 55,240 MW in 1Q2018.

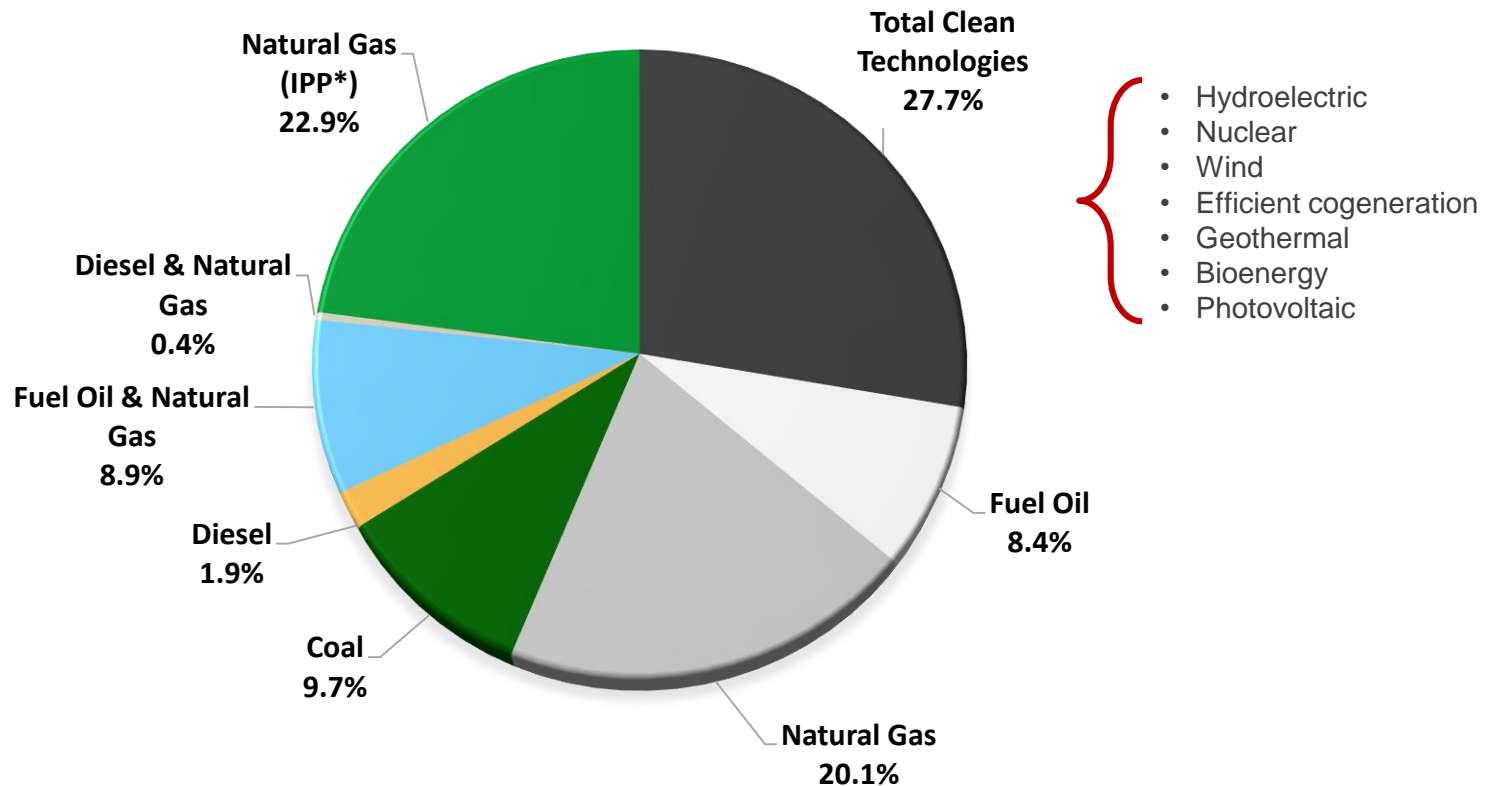


Source: CFE

Installed Capacity by Energy Source

CFE's Transition Towards Cleaner Generation of Electricity

In 1Q2018, clean technologies reached 27.7% of total installed capacity.



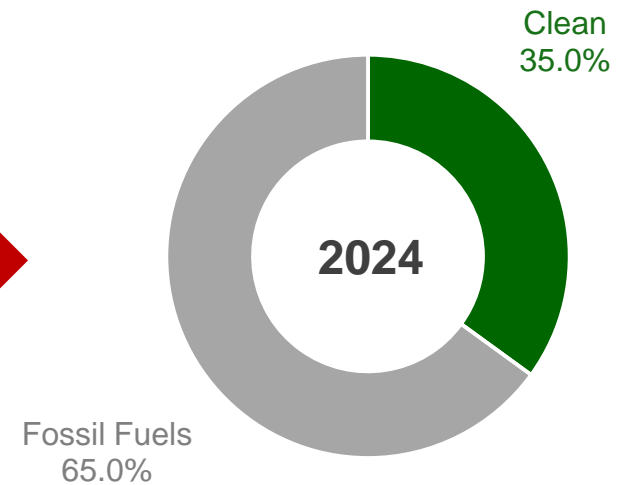
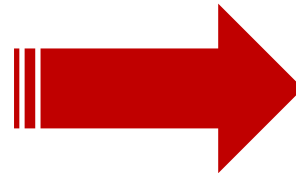
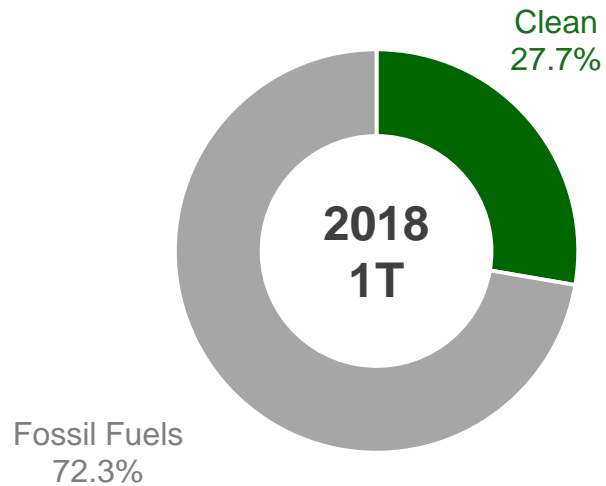
*Independent Power Producers

The national clean energy goals are established in the Energy Transition Law

Less polluting energy



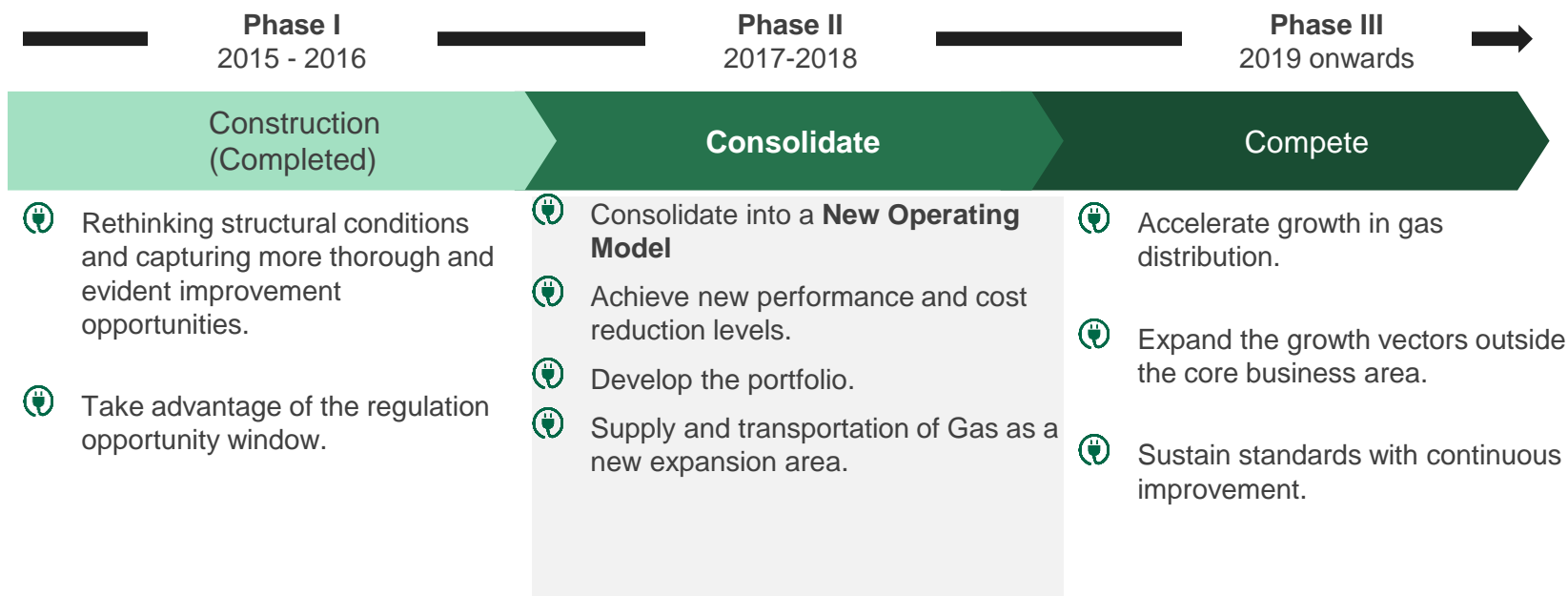
More clean energy





2. Business Plan

CFE's transformation plan after the Energy Reform consists of three phases



⚡ We are working on transforming the culture to a customer-oriented and competitive focused environment

⚡ In this phase, CFE will focus on achieving the full adoption of the new operating model, continuing to strengthen the balance sheet, the use of technology to support productivity and customer service, and strengthening management teams and key functions for the operating model.

2018: Key Action Plan



- Ⓜ Consolidate the New Operational Model and develop a **productive business culture** with effective talent management
- Ⓜ Achieve the Productivity and Cost Control objectives that allow CFE reach the next level of **performance and cost base levels**
- Ⓜ Continue developing the business portfolio towards **greater profitability and balance sheet strength**
- Ⓜ Begin with the gas distribution & transportation plans to **maximize the gas pipeline network value**

7 Strategic Priorities

1. Operational Model, Talent and Culture
2. Regulatory Agenda
3. Maximizing the value of gas pipelines
4. Strengthening the Balance Sheet
5. Financial and Market Risk Management
6. Productivity and Cost Control
7. Digital transformation

2018-2022 Investment Plan

CFE expects that its total capital investments related to the Investment Plan will amount to MXN \$327 billion for the 2018-2022 period and will be allocated as follows:

Generation

- Up to MXN \$148 billion investment.
 - Increase capacity by more than 8 GW.
 - The above, represents an approximately 14% increase against December 2017.

Transmission

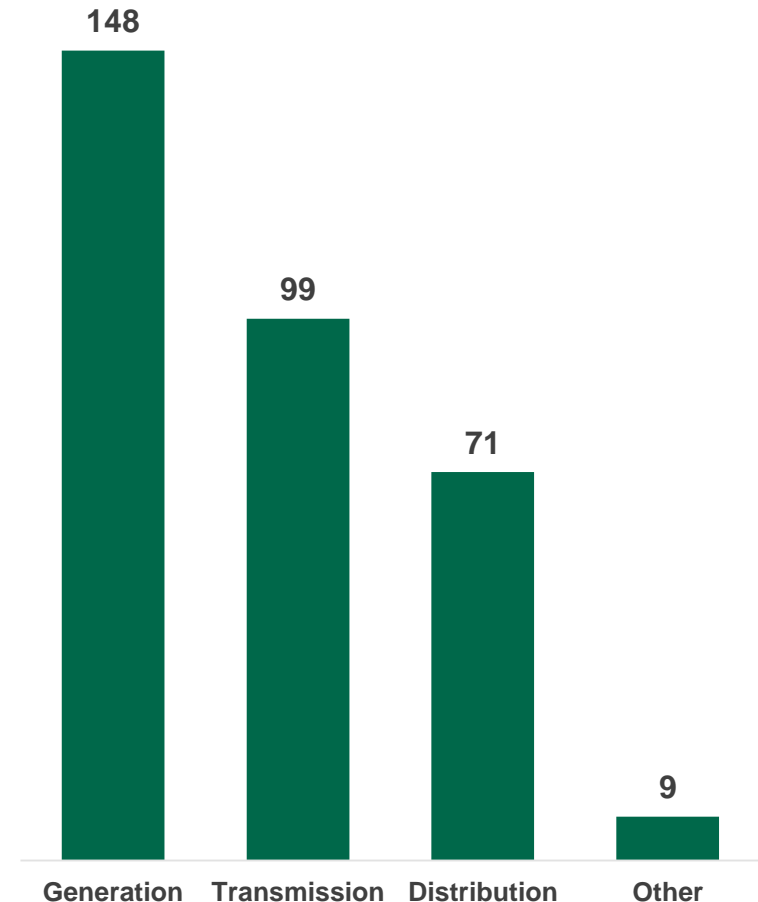
- Up to MXN \$99 billion investment for:
 - Expand and Modernize the National Transmission Network
 - Improve operational efficiency and maintenance

Distribution

- Up to MXN \$71 billion investment for:
 - Growing and modernizing an intelligent network.
 - Reduce technical losses.
 - Maximize operational efficiency.

Other

- Up to MXN \$9 billion investment to Basic Supply and Telecommunications



Strategic Vision

CFE's Goal

- *Be a role model State Owned Enterprise energy company committed to its client base, looking for attractive profitability opportunities and financial solidity, and being sustainable and responsible with the environment*

Optimized and profitable business portfolio with a focus on investments

Key initiatives for business turnaround

Generation

Increasing profitability and competitiveness of portfolio

- Generation park optimization
- Efficient operation of the power plants
- Leverage of private capital

Transmission and distribution

Develop transmission and distribution as core businesses

- Reduction of technical and non-technical losses
- Operation and maintenance efficiency
- Intelligent network development, growth and modernization

Supply

Utilize supply as a growth vector

- Comprehensive value proposition by customer segment prioritization
- Gas transportation and distribution
- Commercial capacities development

Strategic Pillars

Financial structure

New Operational Model

Cost reduction and higher productivity

Proactive regulatory strategy

Social responsibility and the environment

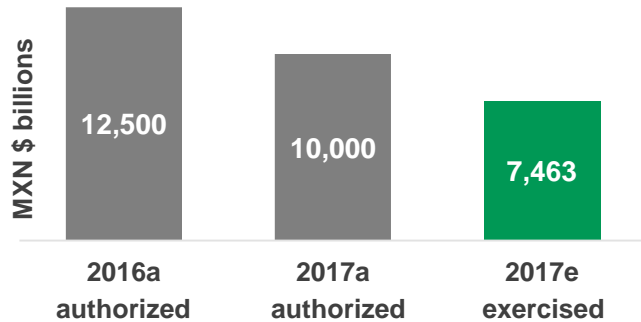
Technology

Safety and well-being of the workforce

Recent Achievements



25% additional net indebtedness
exercised with respect to the authorized



Effective response to

10 natural phenomena

3 earthquakes, 3 hurricanes y 4 storms
that affected the service of 8 million users

- ✓ 70% of customers with service before 24 hours
- ✓ 95% in 3 day
- ✓ 100% in 4 days

Structuring of the First Fibrá E

of the electricity sector, which allowed its
issuance in 2018

CFEnergía:

- ✓ Import of 62 shipments of liquefied natural gas (LNG) to Mexico
- ✓ First import of diesel (200 thousand barrels by Puerto Progreso, Yucatán)
- ✓ First delivery of coal (520,000 tons for Petacalco)

Recent Achievements



3 new generation plants with 725 MW of capacity and investments over US \$ 579 million

- ✓ Baja California III, 298 MW
- ✓ Cogeneración Salamanca, 402 MW
- ✓ Humeros III Phase A, 25 MW

Decrease in Distribution electricity losses

From **12.36%**

To **11.60%**

(with high voltage)

Begun

Distribution of the Fibra Óptica Oscura

For telecommunication services

42% increase in telecommunication

profits (from MXN \$ 621 million in 2016
to MXN \$ 880 million in 2017)



CFE
Comisión Federal de Electricidad®



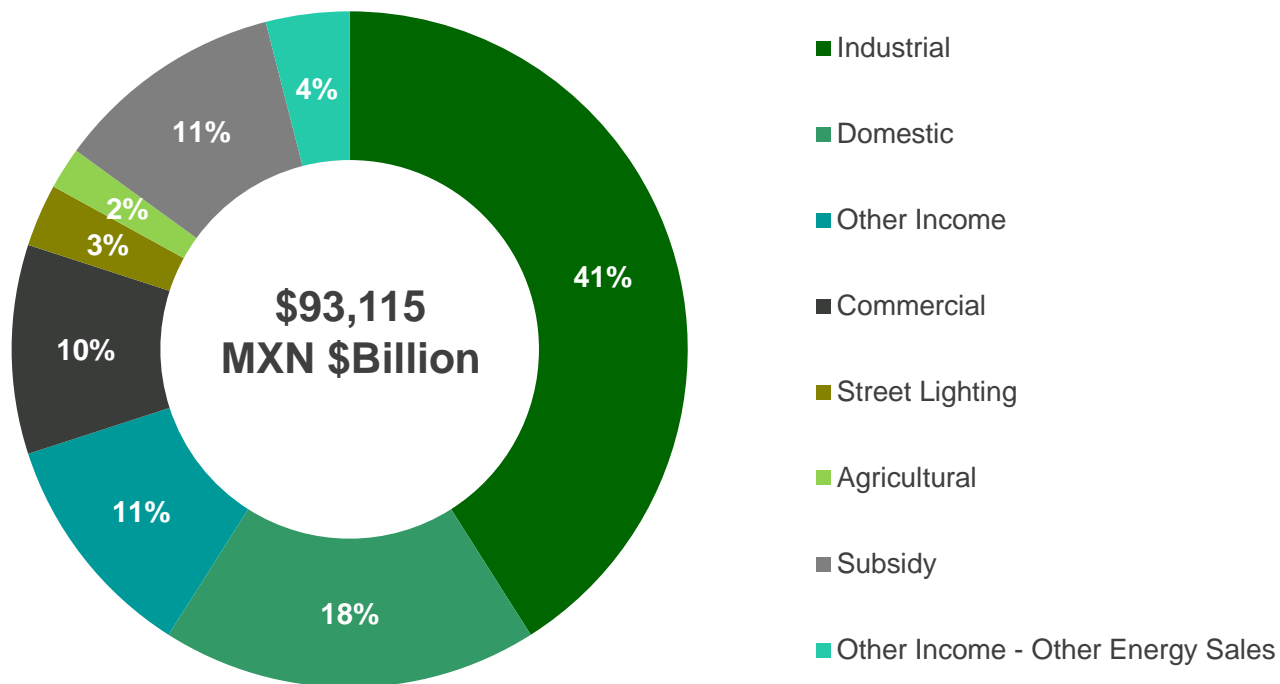
3. Financial Results

Revenue composition



Revenue distribution during 1Q 2018:

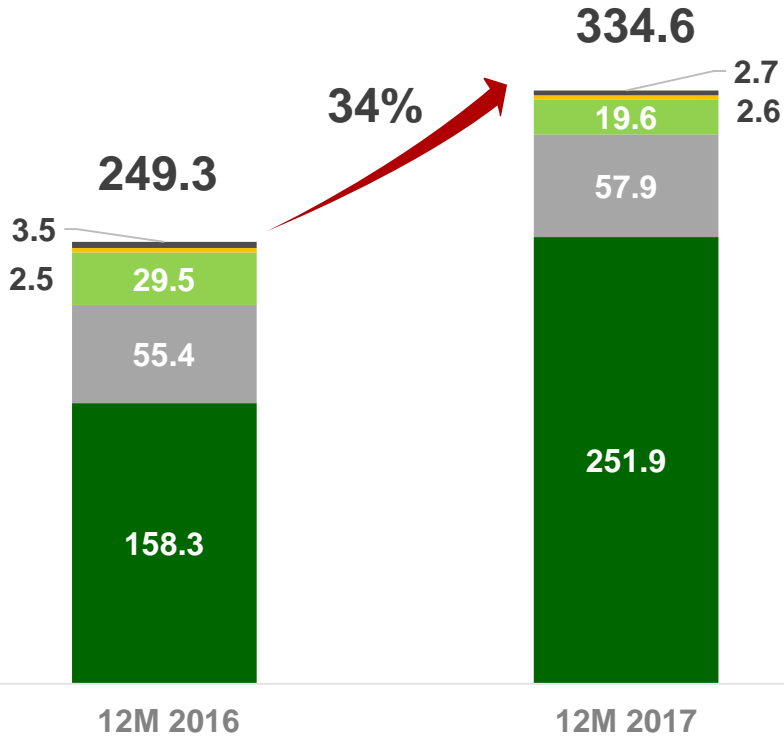
\$93,115 MXN \$Billion



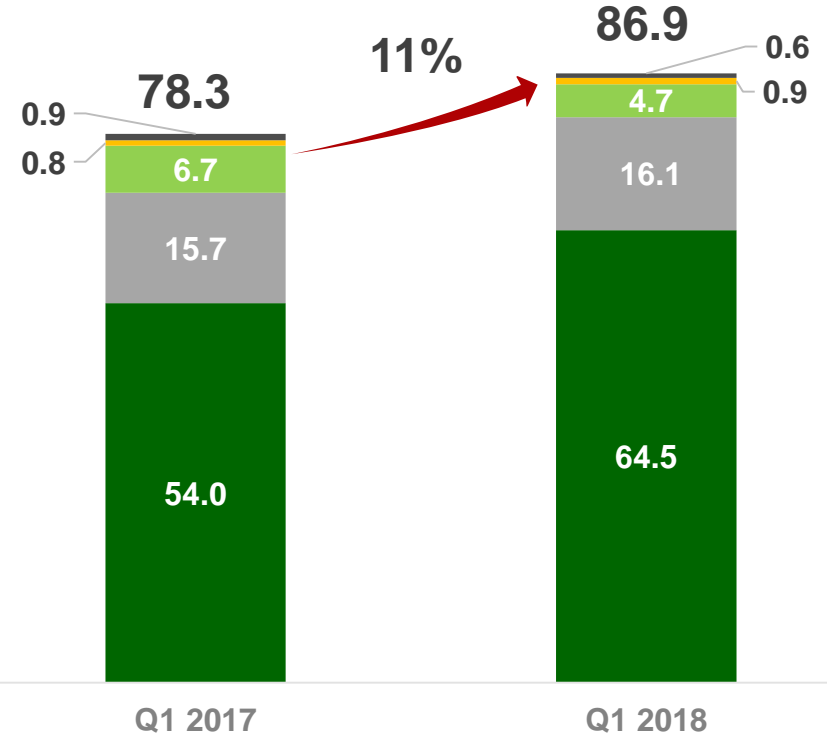
¹Other income includes: export income, other programs and products, income from energy transmission, income from the sale of fuels and income from contributions from third parties
Source: CFE

Costs

12 months (MXN \$Billion)



1Q (MXN \$Billion)



■ Fuels ■ Salaries ■ Maintenance ■ Taxes & Duties ■ Wholesale Market

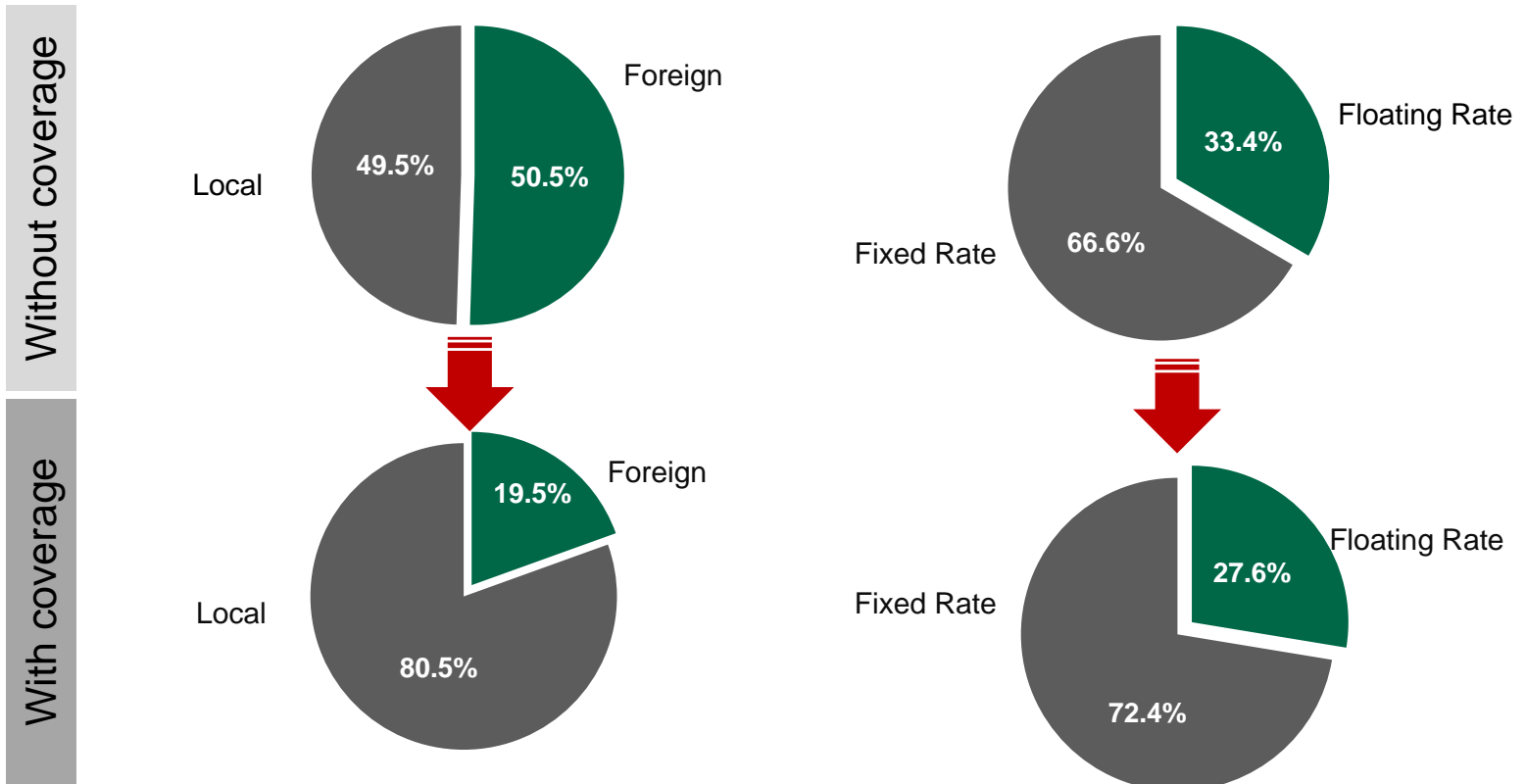
Source: CFE

Debt Profile



Debt by Currency

Debt by Interest Rate

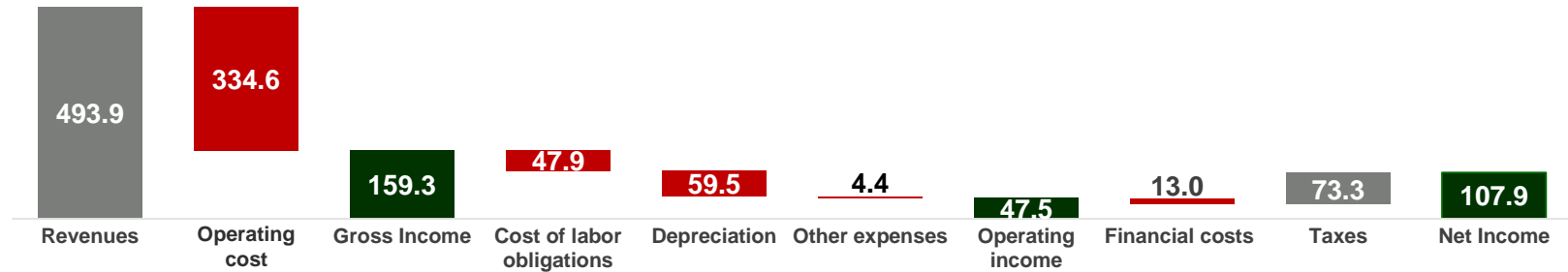


12M Income Statement

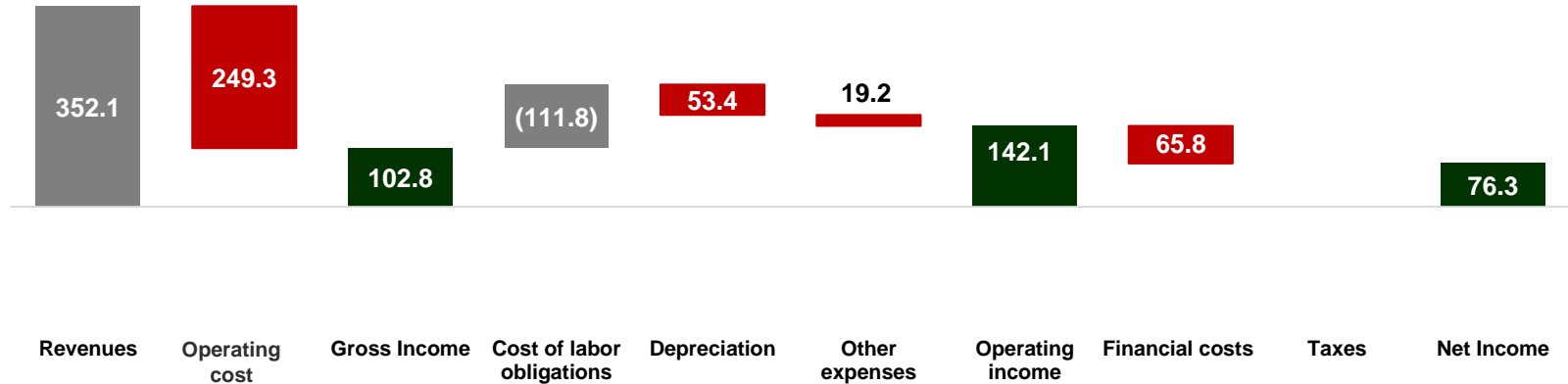


Consolidated Income Statement (MXN/\$Billion)

12M 2017



12M 2016



12M Income Statement

Without the non-recurring effect of labor liabilities in 2016



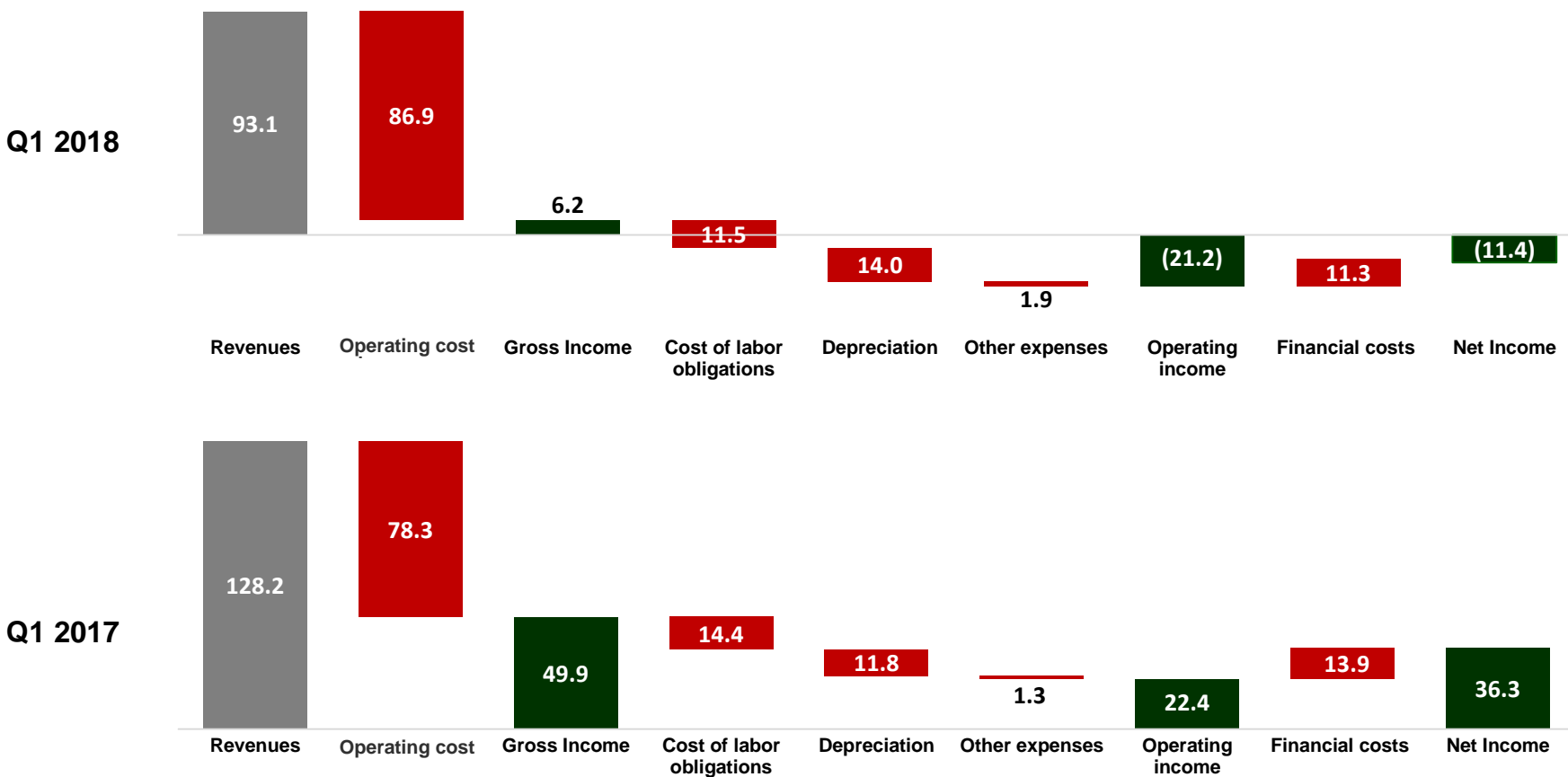
Consolidated Income Statement (MXN/\$Billion)



Q1 2018 Income Statement



Consolidated Income Statement (MXN/\$Billion)





CFE
Comisión Federal de Electricidad®



Annexes

Financial Statements

Consolidated Income Statement up to March, 31 2018 & 2017, Unaudited
(in millions of pesos)



	Q1 2018	%	Q1 2017	%	2018 vs 2017
Income	\$93,115	100%	\$128,188	100%	-27%
Energy sales	\$72,845	78%	\$85,844	67%	-15%
Income from energy transportation	\$160	0%	\$0	0%	0%
Income from sales of fuels to third parties	\$9,750	10%	\$859	1%	1035%
Income from subsidy	\$9,886	11%	\$8,623	7%	15%
Other Income	\$474	1%	\$32,863	26%	-99%
Costs	\$86,888	93%	\$78,262	61%	11%
Fuels and bought energy	\$64,504	69%	\$54,091	42%	19%
Labor cost and benefits	\$16,131	17%	\$15,746	12%	2%
Maintenance, materials and services	\$4,704	5%	\$6,721	5%	-30%
Taxes and duties	\$906	1%	\$789	1%	15%
Wholesale electricity market cost	\$643	1%	\$914	1%	-30%
RESULT BEFORE OTHER COSTS	\$6,227	7%	\$49,926	39%	-88%
Other costs	\$27,460	29%	\$27,553	21%	0%
Labor obligation cost	\$11,500	12%	\$14,426	11%	-20%
Depreciation	\$14,042	15%	\$11,818	9%	19%
Other expenses	\$1,918	2%	\$1,309	1%	47%
RESULT FROM OPERATION	(21,234)	-23%	\$22,374	17%	-195%
Financing cost	(\$11,339)	-12%	(\$13,960)	-11%	-19%
Net financial (income) / expenses	\$10,656	11%	\$12,755	10%	-16%
FX (income) / loss	(\$21,995)	-24%	(\$26,715)	-21%	-18%
RESULT BEFORE TAXES	(\$9,895)	-11%	\$36,334	28%	-127%
Taxes	\$1,511	2%	\$1	0%	105495%
NET RESULT	(\$11,406)	-12%	\$36,332	28%	-131%

Source: CFE, Financial Division, Q1 Financial Statements

Financial Statements

Consolidated Balance Sheet up to March, 31 2018 & 2017, Unaudited
(in millions of pesos)



	Q1 2018 (IFRS)	%	Q4 2017*	%	Q4 2016*
ASSETS					
Current assets	\$162,535	11%	\$183,153	12%	\$126,007
Cash and short-term investments	\$50,984	3%	\$67,238	4%	\$42,267
Short-term receivables	\$100,076	7%	\$101,271	6%	\$69,714
Operation materials	\$11,476	1%	\$14,643	1%	\$14,026
Loans to employees	\$12,632	1%	\$12,339	1%	\$11,194
Fixed assets	\$1,244,802	81%	\$1,391,067	88%	\$1,287,172
Derivative financial instruments	\$4,105	0%	\$16,085	1%	\$15,646
Other assets	\$33,163	2%	\$32,837	2%	\$32,644
Deferred assets tax	\$76,868	5%	\$76,868	5%	\$0
TOTAL ASSETS	\$1,534,105	100%	\$1,574,219	100%	\$1,472,663
LIABILITIES					
Short-term	\$149,843	10%	\$169,723	11%	\$106,714
Short-term portion of long-term debt	\$58,494	4%	\$56,620	4%	\$41,728
Other payable and accumulated liabilities	\$85,732	6%	\$107,798	7%	\$61,873
Taxes and duties payable	\$5,617	0%	\$5,305	0%	\$3,112
Long-term	\$774,654	50%	\$786,362	50%	\$825,253
Long-term debt	\$389,914	25%	\$401,157	25%	\$413,982
Labor obligations	\$363,209	24%	\$361,780	23%	\$361,114
Other long-term liabilities	\$21,531	1%	\$23,425	1%	\$50,157
TOTAL LIABILITIES	\$924,497	60%	\$956,085	61%	\$931,966
Equity	\$609,608	40%	\$618,135	39%	\$540,697
Contributions received from the Federal Government	\$5	0%	\$5	0%	\$5
Non cash contributions from the Federal Government	\$95,004	6%	\$95,004	6%	\$95,004
Non controlling participation	\$15,455	1%	\$0	0%	\$0
Accumulate results	\$79,000	5%	\$107,910	7%	(\$1,565)
Other integral items	\$420,144	27%	\$415,216	26%	\$447,252

*Does not consider the new criteria of the International Financial Reporting Standards (IFRS) 9 and 15 that are applicable starting January 1, 2018.

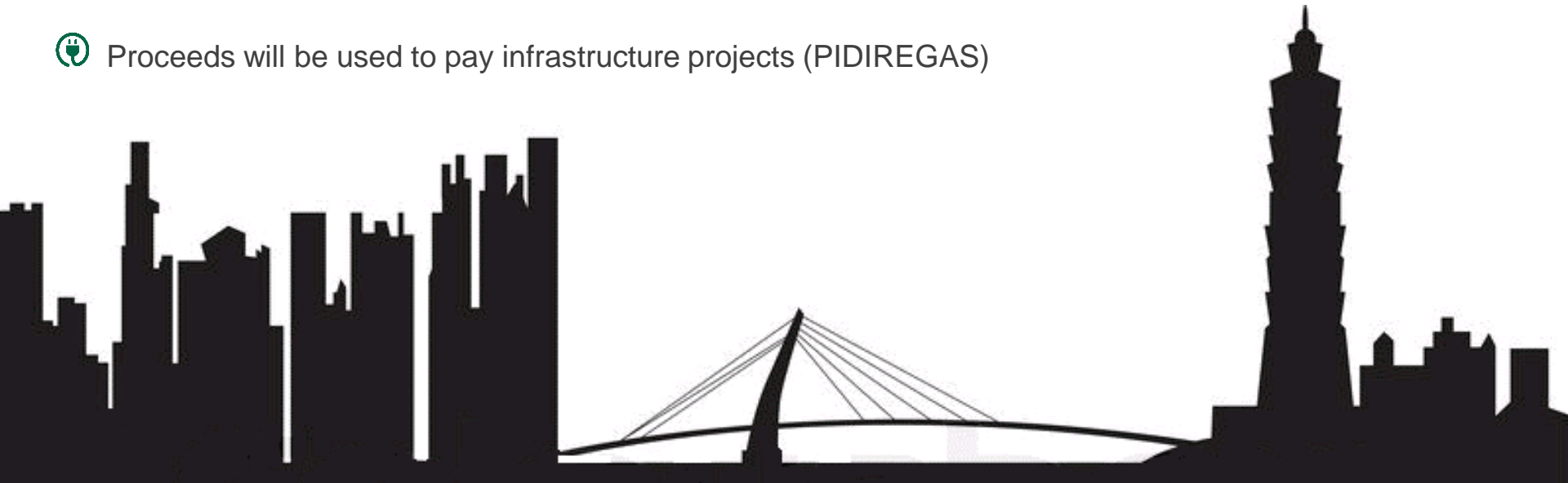
Source: CFE, Financial Division, 1QFinancial Statements

Debt Issuances



Formosa Bond 2017, 2018:

- Ⓜ On February 2018 CFE launched its second Formosa Bond for an amount of USD \$727 million. As the first Formosa Bond, the issuance was listed on Taipei's Stock Exchange
- Ⓜ This transaction was structured with a legal tenor of 30 years with annual amortizations (weighted average life of 15.5 years)
- Ⓜ The transaction priced on an all-in basis at a yield of 5.00% and was sold to Taiwanese "Buy and Hold" insurance companies, keen on the Mexican quasi sovereign paper
- Ⓜ Proceeds will be used to pay infrastructure projects (PIDIREGAS)



Relevant Events & Announcements



Transmission Line Auctions

CFE: Oaxaca High Voltage Direct Current (HVDC) line of 610km and 3,000MW capacity

The estimated investment will be USD 1.7 billion. As of today, there are 52 interested participants. In March we had the first Q&A sessions with the interested parties and a second session took place in April. CFE expects to receive bidding offers in June. During July, the results will be published and the contract will be signed.

SENER*: Baja California and National Grid Interconnection HVDC line of 700km and 1,500MW capacity

The estimated investment will be USD 1.1 billion. 106 companies expressed interest, and 6 participants registered. Registration of pre-qualified participants ended on May 25. Reception of technical and economic proposals are scheduled for August 17. Results are expected to be made public this September, and the signing of the contract is scheduled for November 16.

Relevant Events & Announcements

Electricity Auctions

- ④ On March 28th, the Fourth Long-Term Auction was announced by the Ministry of Energy (SENER) and the Energy Regulatory Commission (CRE).
- ④ Interested participants will be able to make one or more bids to sell any combination of the following products:
 - Capacity
 - Electricity
 - Clean energy certificates (CEL)
- ④ The 3 regional grids for this Long-Term Auction are the following:
 - National Interconnected System (SIN)
 - Baja California Interconnected System
 - Baja California Sur Interconnected System
- ④ Registration of interested participants is scheduled for June 2018
- ④ The offers will be accepted and evaluated during October
- ④ Winning bidders will be announced on November 2nd, and contracts will be signed by February 15th of the following year

The Energy Reform promoted cleaner generation of electricity

3

Finished auctions

7

Capacity
GW

65

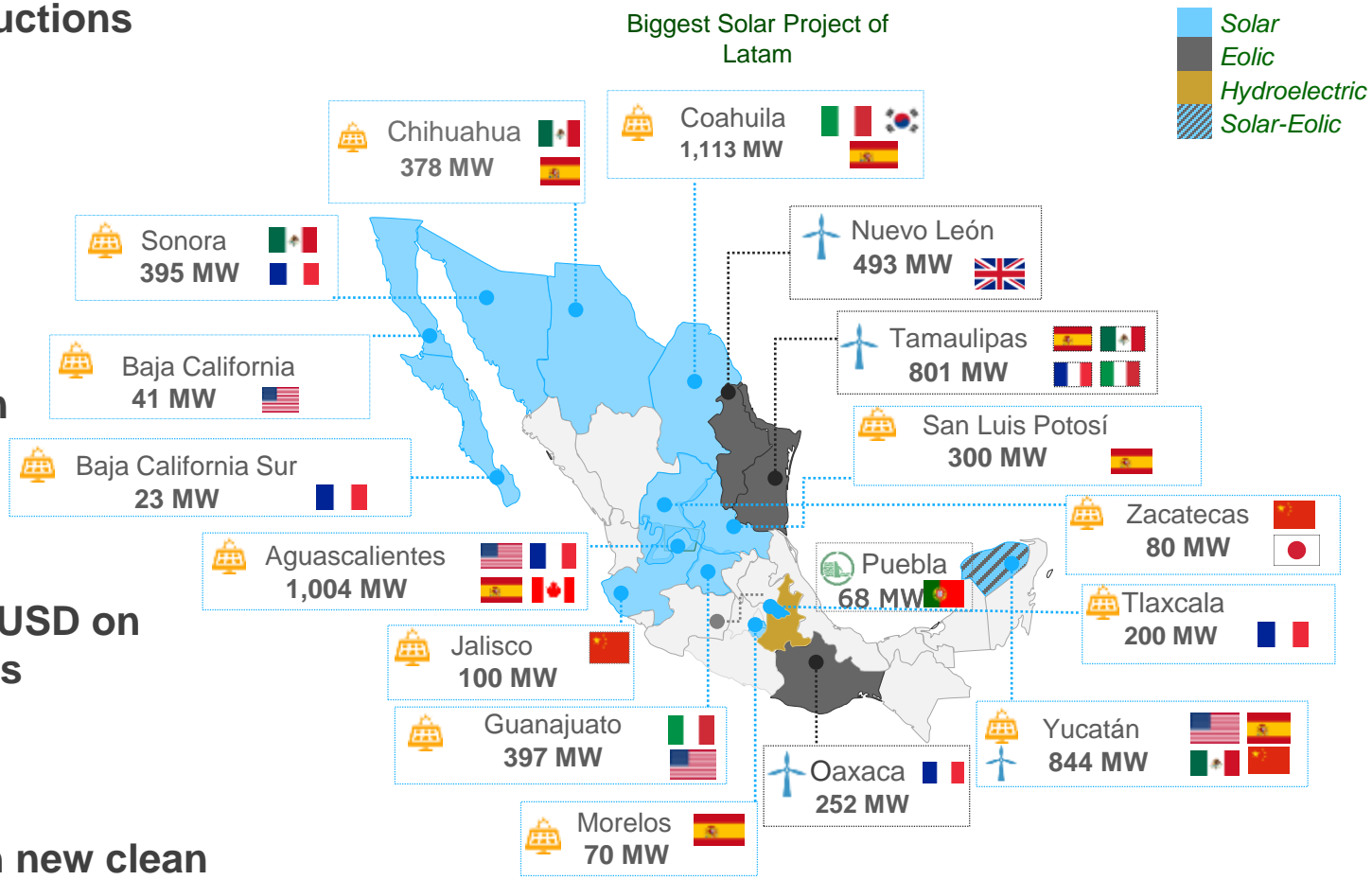
Generation
plants

8.6

Billions of USD on
investments

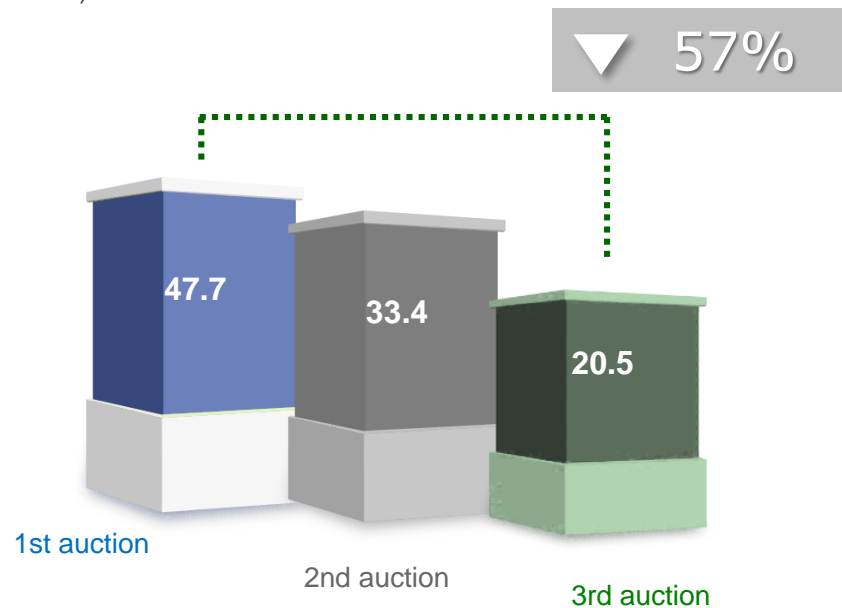
17

States with new clean
energy plants



With the Energy Reform and the Auction Outline the CFE has achieved very competitive prices

Average price per package
USD/(MWh+CEL)



In the following years CFE will have the capacity to buy electric energy to highly competitive prices.