

# Third Quarter 2016 Financial Results

October 28, 2016

# Information regarding forward-looking statements

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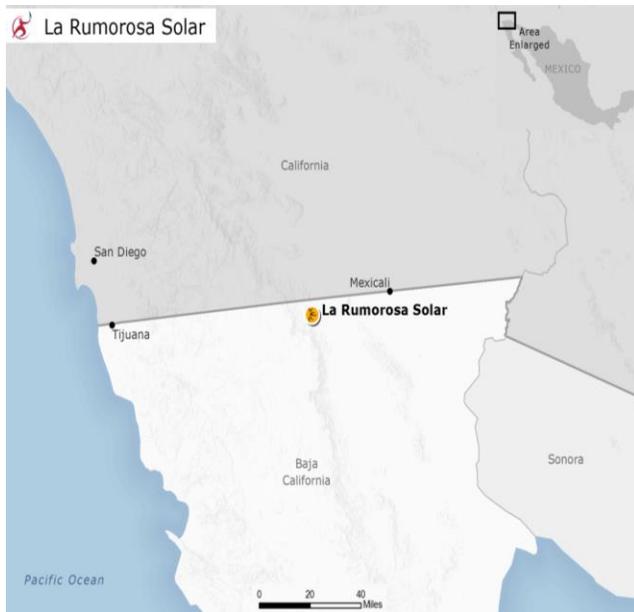
# Agenda

- Recent developments
- Third-quarter 2016 financial results
- Project status
- New business development

# Recent Developments

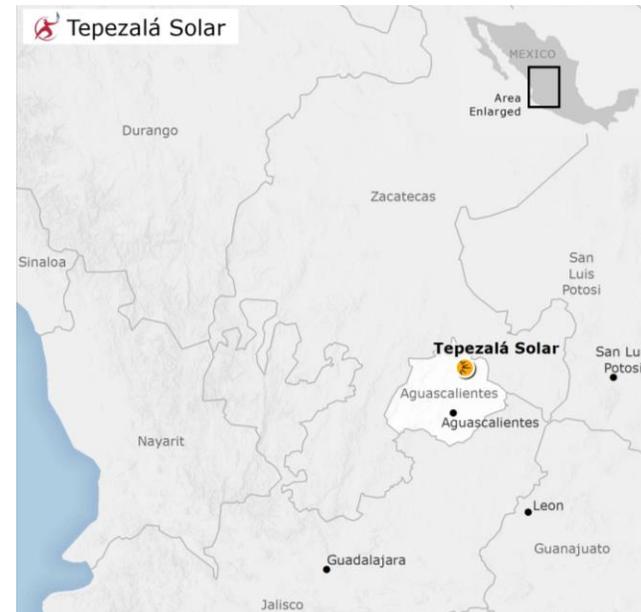
## CENACE's second long-term auction award

- IEnova was declared winner of two projects, representing a total investment of approximately US\$150 million
- IEnova will develop, build and operate them under a long-term contract, dollar denominated with CFE
  - 20 year for CELs (clean energy certificates) and 15 year contracts for energy and capacity



### Rumorosa Solar

- 41 MW capacity located near IEnova's Energía Sierra Juárez wind facility, in Baja California
- 100% owned by IEnova
- COD: 2Q 2019



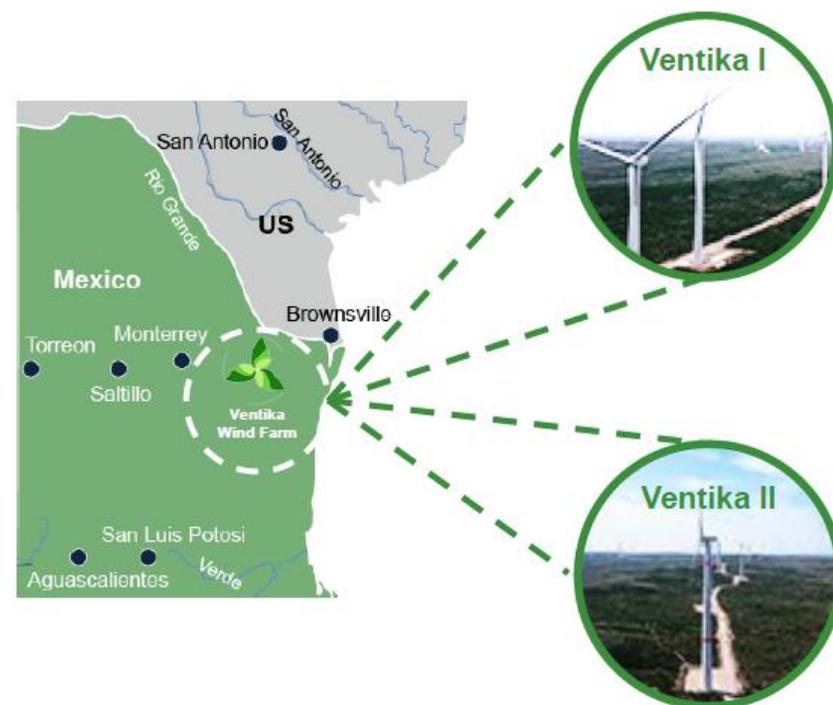
### Tepezalá II Solar

- 100 MW capacity located in the state of Aguascalientes
- 90% IEnova / 10% Trina Solar
- COD: 2Q 2019

# Recent Developments, continued

## Announcement of the Ventika acquisition

- On September 2, 2016, IEnova entered into a Purchase and Sale Agreement for the acquisition of 100% of the equity interests
- Purchase price is estimated to be US\$852 million
  - US\$375 million cash at closing<sup>1</sup> plus the assumption of outstanding debt of US\$477 million.
- Closing of the transaction is subject to regulatory approvals
- Ventika is the largest wind farms in Mexico and one of the largest in Latin America
- Installed capacity of 252 MW
- 100% contracted through long-term and dollar-denominated contracts
- Off-takers: Cemex, Femsa (Oxxo), Chrysler, DeAcero and Tec de Monterrey
- Technology: 84 Acciona AW116 / 3000 TH120 wind turbines

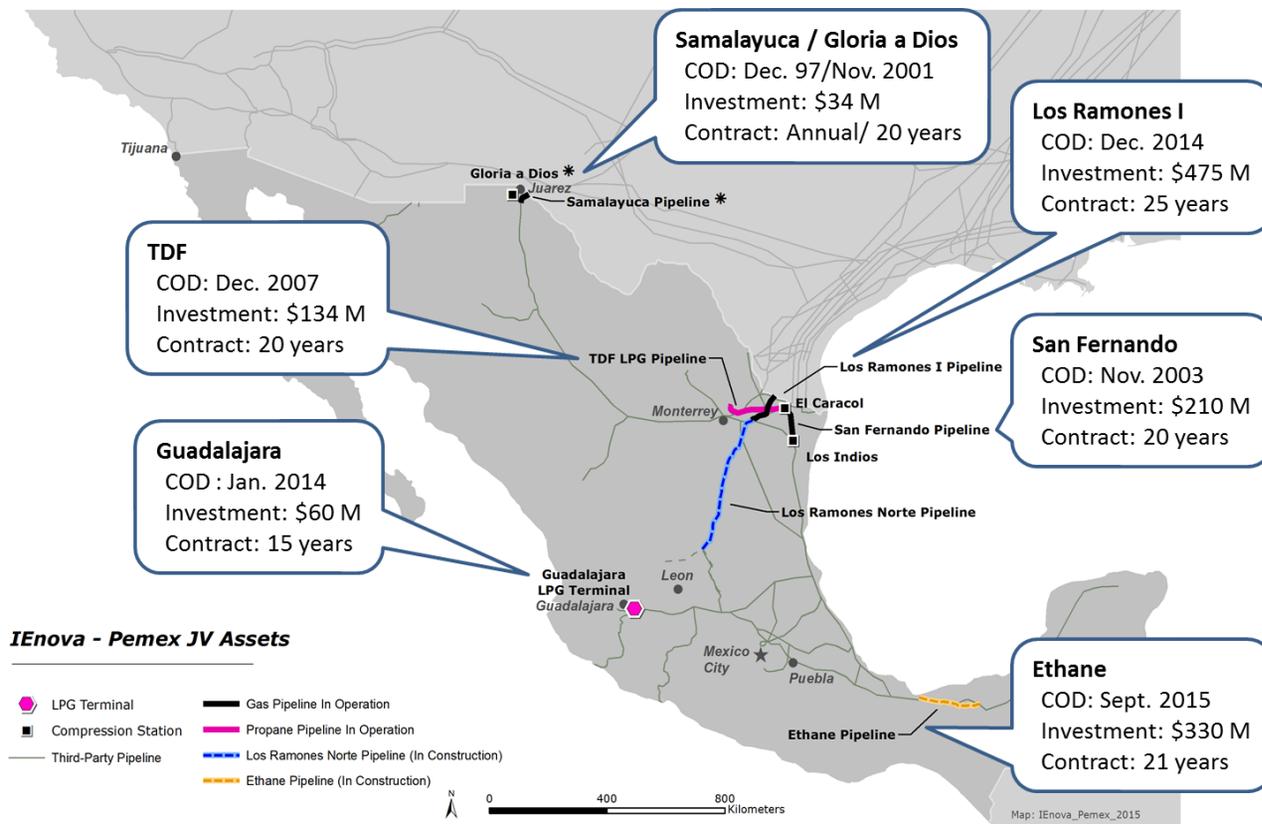


<sup>1</sup>The purchase price is also subject to customary post-closing adjustments

# Recent Developments, continued

## Gasoductos de Chihuahua Acquisition Update

- In July 2015, we signed an agreement with Pemex to purchase its 50% interest in our joint venture
- On September 21, 2016, COFECE authorized the transaction
- On September 27, 2016, we closed the purchase of all 7 assets for US\$1.144 billion



# Recent Developments, continued

## Equity Follow-On

- On October 13, 2016, IEnova completed a **Global Equity Follow-on Offering** for **US\$1.6 billion** that was structured as a local public offering in the Mexican Stock Exchange and a private international 144A/RegS offering
- **380 million shares issued** at price of MX\$80.00 per share
- **Largest follow-on** offering in **Mexico** in the **last two years**
- Among the **top ten largest follow-on** offerings in **Latin America** in the **last five years**
- Sempra Energy participated with US\$351 million of investment

## Use of Proceeds

- Repay the US\$1.15 billion bridge loan from Sempra that was used to finance the **acquisition** of **Gasoductos de Chihuahua**
- Finance a portion of the **acquisition** of **Ventika** wind project
- Fund capital expenditures and general corporate purposes

Significantly strengthens balance sheet and enables funding of future growth through cash flow from operations and debt, and other additional funding sources

# Third-quarter 2016 results

|  | Three month ended<br>September 30, |          |
|--|------------------------------------|----------|
|  | 2016                               | 2015     |
| <i>(Unaudited; net profit in millions of dollars, share count in millions, EPS in dollars)</i> |                                    |          |
| Adjusted EBITDA <sup>(1)</sup>   | \$ 126.2                           | \$ 108.6 |
| Profit from continuing operations excluding one-time non-cash                                  | \$ 51.4                            | \$ 11.0  |
| Profit from continuing operations  | \$ 724.5                           | \$ 11.0  |
| Profit for the period excluding one-time noncash   | \$ 56.0                            | \$ 12.9  |
| Profit for the period  | \$ 660.4                           | \$ 12.9  |
| Shares outstanding   | 1,154                              | 1,154    |
| Earnings per share (EPS)   | \$ 0.57                            | \$ 0.01  |

- Third-quarter 2016 Adjusted EBITDA was \$126.2 million, up 16% from \$108.6 million in the same period of 2015. The increase of \$17.6 million was mainly due to:
  - Income related to the Sonora pipeline Guaymas – El Oro segment
  - Start of operations of the Los Ramones Norte pipeline in February 2016 and the third segment of the Ethane pipeline in December 2015
- Excluding one-time non-cash effects of the US\$673.1 million gain related to the remeasurement to fair value of our previously held 50% in Gasoductos de Chihuahua and the after-tax impairment charge of US\$68.7 million related to Termoeléctrica de Mexicali power plant, third quarter of 2016 profit was US\$56.0 million, compared with US\$12.9 million in the same period of 2015. The increase is mainly due to lower income tax expense, income related to Sonora pipeline Guaymas – El Oro segment, and mark-to-market losses on an interest rate swap in 2015

(1) Adjusted EBITDA includes proportional share of EBITDA from joint ventures and the discontinued operation EBITDA adjustment

## Gas segment pre-tax profit

| <b>Excluding one-time noncash effects</b>                                      | Three month ended |         |
|--|-------------------|---------|
|  | September 30,     |         |
|  | 2016              | 2015    |
| <i>(Unaudited; dollars in millions)</i>  |                   |         |
| Gas segment profit before income tax and share of profits of the joint venture | \$ 81.2           | \$ 57.6 |

|  | Three month ended |         |
|--|-------------------|---------|
|  | September 30,     |         |
|  | 2016              | 2015    |
| <i>(Unaudited; dollars in millions)</i>  |                   |         |
| Gas segment profit before income tax and share of profits of the joint venture | \$ 754.3          | \$ 57.6 |

- In the third-quarter of 2016, Gas segment profit before income tax and share of profits of joint venture, excluding the one-time non-cash effect was US\$81.2 million, compared with US\$57.6 million in the same period of 2015. The difference is mainly due to US\$12.8 million of income related to the Sonora pipeline Guaymas – El Oro segment
- In the third-quarter of 2016, Gas segment profit before income tax and share of profits of joint venture was US\$754.3 million, compared with US\$57.6 million in the same period of 2015. The difference is mainly due to the one-time non-cash gain of US\$673.1 million related to the remeasurement to fair value of our previously held 50% in Gasoductos de Chihuahua and US\$12.8 million income related to the Sonora pipeline Guaymas – El Oro segment

# Project updates

| Project                                     | CapEx<br>(USD, millions) | Target COD <sup>1</sup> | Contract<br>Term | Update   |
|---|--------------------------|-------------------------|------------------|--|
| <b>Wholly-owned projects</b>                |                          |                         |                  |  |
| Sonora pipeline<br>(Guaymas-El Oro segment) | \$1,000                  | Q1 2017                 | 25 years         | <ul style="list-style-type: none"> <li>• Under construction</li> </ul>   |
| Ojinaga – El Encino pipeline                | \$300                    | Q1 2017                 | 25 years         | <ul style="list-style-type: none"> <li>• Under construction</li> <li>• On time and on budget</li> </ul>  |
| San Isidro – Samalayuca<br>pipeline         | \$110                    | Q1 2017                 | 25 years         | <ul style="list-style-type: none"> <li>• Under construction</li> <li>• On time and on budget</li> </ul>  |
| Empalme Lateral                             | \$11                     | Q2 2017                 | 21 years         | <ul style="list-style-type: none"> <li>• Engineering and procurement activities in progress</li> <li>• On time and on budget</li> </ul>                            |
| <b>Joint venture projects</b>               |                          |                         |                  |  |
| Texas – Tuxpan (Marine<br>pipeline)         | \$2,100                  | Q4 2018                 | 25 years         | <ul style="list-style-type: none"> <li>• Materials and construction contracts: off-shore in place; finalizing on-shore</li> <li>• On time and on budget</li> </ul> |

(1) Commercial Operations Date

# New business development

## Electric Power Transmission Bid (A)

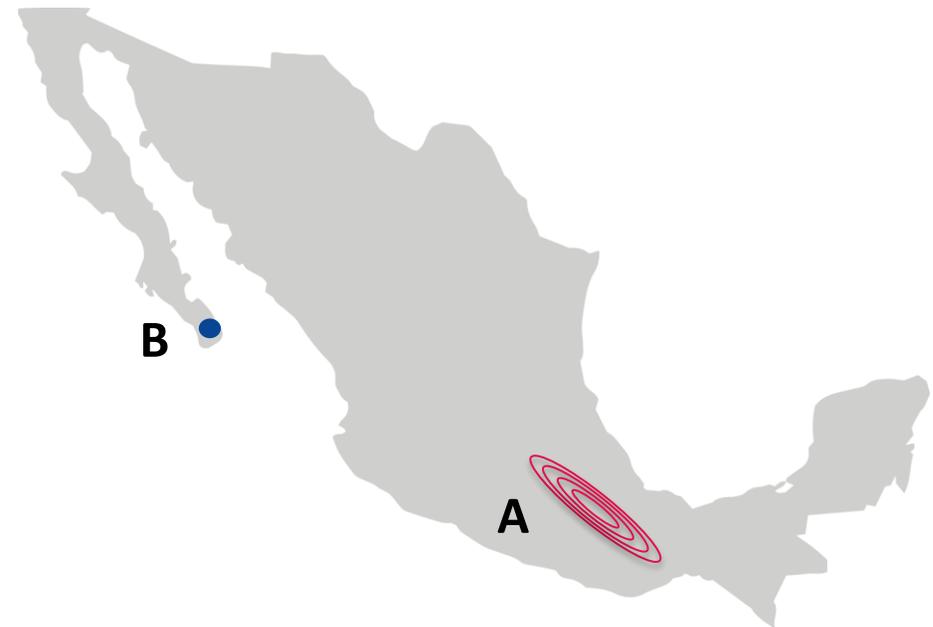
- On October 10, 2016, CFE published the preliminary bid bases for a US\$1.2 billion transmission line project to connect Sureste – Centro (Southeast to Center)
- Definitive bid bases are scheduled to be issued by the end of the year with bids due in first half of 2017

## Baja Sur Gas Tender (B)

- Open technology (pipeline, CNG, LNG)
- Bid date postponed to December 2016

## Electric Energy Auction

- The next electric energy auction is scheduled for April 2017



# Summary

- Awarded US\$150 million new renewable energy projects
- Announced US\$375 million acquisition of wind generation facility
- Closed US\$1.1 billion acquisition of gas and liquids assets
- Executed successful equity follow-on to position company for future growth
- Continued strength in operations; financial results in-line
- Progress in construction activities
- Focused on executing our growth strategy

