

Second Quarter 2014 Financial Results

July 23, 2014

Information regarding forward-looking statements

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Outline

- Highlights
- Dividends
- Second-quarter 2014 financial results
- Status of projects under development and construction
- Energía Sierra Juárez project updates
- New CFE bids
- Energy reform

Dividends

- On July 22, 2014, the Board of Directors of IEnova approved the dividend for 2014
- We will pay US\$164 million in one payment to shareholders by July 31
- This amount represents annual growth of 5.1% compared to the amount distributed in 2013

2013 Dividend	2014 Dividend	Annual Growth
US\$156 million	US\$164 million	5.1%

Second-quarter 2014 results

	Three months ended June 30,	
	2014	2013
<i>(Unaudited; net profit in millions of dollars, share count in millions, EPS in dollars)</i>		
Adjusted EBITDA ¹	\$ 73	\$ 70
Profit for the period	\$ 38	\$ 19
Shares outstanding	1,154	1,154
Earnings per share (EPS)	\$ 0.03	\$ 0.02

- Adjusted EBITDA for the second-quarter 2014 was \$73 million, up from \$70 million in the same period of 2013, mainly due to higher natural gas and electricity volumes and prices
- Profit for the second-quarter 2014 was \$38 million, compared to \$19 million in the second-quarter 2013; the increase was mainly due to:
 - Lower income tax expense
 - Higher capitalized interest related to Sonora pipeline project
 - Improved results at TDM
 - Partially offset by mark-to-market losses on an interest rate swap

(1) Adjusted EBITDA includes proportional share of EBITDA from joint ventures

Gas segment pre-tax profit

<i>(Unaudited; dollars in millions)</i>	Three months ended	
	June 30,	
	<u>2014</u>	<u>2013</u>
Gas segment profit before income tax and share of profits of the joint venture	\$ 56	\$ 54

- Gas segment profit before tax and share of profits of joint venture increased to \$56 million for the second-quarter 2014, compared to \$54 million in the same period of 2013
- The increase was primarily associated with the capitalization of interest related to the Sonora pipeline project

Power segment pre-tax profit

<i>(Unaudited; dollars in millions)</i>	Three months ended	
	June 30,	
	<u>2014</u>	<u>2013</u>
Power segment profit before income tax	\$ (1)	\$ (9)

- Power segment loss before income tax was \$1 million in the second-quarter 2014, compared to a loss before income tax of \$9 million in the second-quarter 2013
- The improved result was mainly due to higher electricity sales and lower scheduled maintenance expenses at the power plant

Project Updates

Project	CapEx (USD, millions)	Target COD ¹	Contract Term	Update
Wholly-owned projects				
Sonora pipeline	\$1,000	Q4 2014	25 years	<ul style="list-style-type: none"> • Construction proceeding on schedule • First-phase will be ready by contractual commercial operations date in October
		Q3 2016	25 years	
Joint venture projects				
Los Ramones I pipeline	\$500	Q4 2014	25 years	<ul style="list-style-type: none"> • 50% indirect IEnova interest • Project will be finished by December
Los Ramones North pipeline	\$1,400	Q4 2015	25 years	<ul style="list-style-type: none"> • 25% indirect IEnova interest • Construction contract awarded • Construction activities beginning 3Q14
Ethane pipeline	\$330	Q1 2015	21 years	<ul style="list-style-type: none"> • 50% indirect IEnova interest • Construction proceeding on schedule
Energía Sierra Juárez (ESJ) wind generation	\$300	Q1 2015	20 years	<ul style="list-style-type: none"> • 50% indirect IEnova interest • Closed transaction with InterGen • Construction proceeding on schedule

(1) Commercial Operations Date

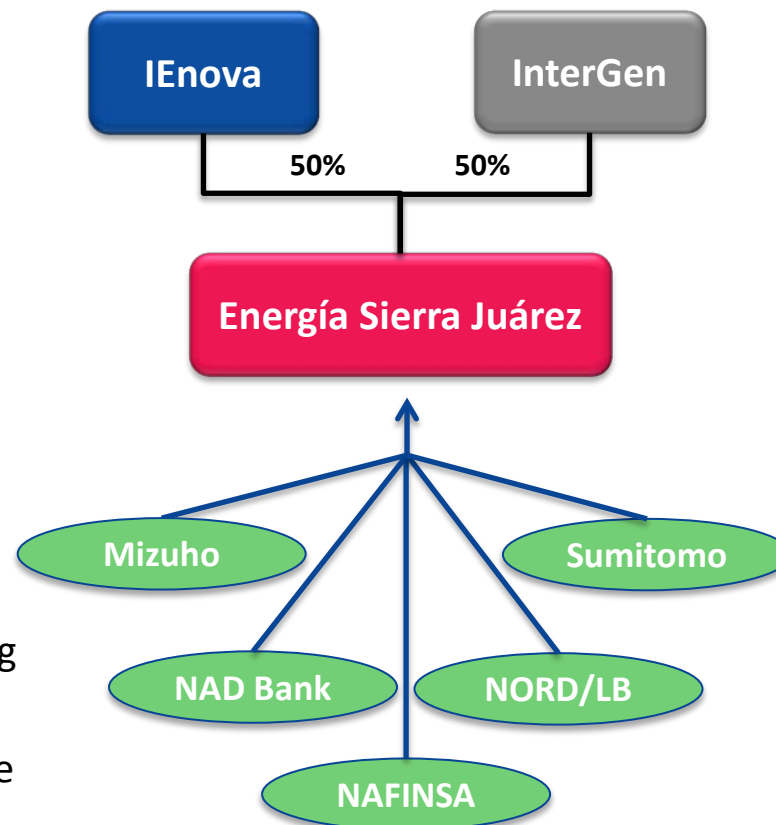
Energía Sierra Juárez update

Energía Sierra Juárez (first phase)

- 155 MW wind energy generation project
- 47 3.3 MW Vestas turbines
- 50/50 joint venture between IEnova and InterGen
- 20-year power purchase agreement with a California electric utility for 100% of the electricity production
- Commercial operations date first-quarter 2015
- Expect to record a positive earnings impact in our third-quarter financial results

Project Financing

- We executed and funded a US\$270 million project financing for the construction of the first phase of the project
- The tenor is 18 years following commercial operation of the project
- Syndicate of lenders was formed by a group of commercial and development banks



CFE Pipeline Projects

Ojinaga-El Encino

- 250 km natural gas pipeline
- 1.3 Bcfd capacity
- US\$462 million CFE estimated investment
- Expected in-service date first-half 2017
- 25-year, take-or-pay contract with CFE
- Bids due in September 2014



El Encino-La Laguna

- 420 km natural gas pipeline
- 1.5 Bcfd capacity
- US\$695 million CFE estimated investment
- Expected in-service date first-half 2017
- 25-year, take-or-pay contract with CFE
- Bids due in September 2014

CFE Projects	Capacity (MMcfd)	Length (km)	CapEx (US\$MM)
Ojinaga-El Encino, Chihuahua	1,350	250	\$462
El Encino-Torreón, Coahuila	1,500	420	\$695
TOTAL PRELIMINARY ESTIMATE			\$1,157

Timing

- Upper house of congress approved the legislation last week
- Expect minor revisions in lower house in the next few weeks
- Final congressional approval expected by August

Expectations

- Legislation consistent with constitutional amendments passed in December
- Broad liberalization across the energy sector including E&P and infrastructure
- New opportunities for IEnova in gas pipelines, gas gathering & processing, liquids pipelines and storage and electric generation, transmission and distribution

Relevant Details

- Transportation of gas and electricity to be managed by two new agencies, CENAGAS and CENACE, respectively, which will also be responsible for system resource planning
- Companies active in multiple areas of the market will be subject to increased regulation from the energy regulator (CRE) and the competition commission (COFECE)

Summary

- Declared 2014 dividend of US\$164 million
- Operations and financial results in-line with expectations
- Continued progress in construction activities; nearing completion of the first section of the Sonora pipeline and Los Ramones I
- Execution financing and closing of the sale of 50% of Energía Sierra Juárez
- Two new CFE bids due in Q3
- Final passage of energy reform legislation expected soon

