2019

FIRST QUARTER RESULTS

Ticker BMV: IENOVA

April 29, 2019

We are the first private sector, publicly traded energy infrastructure company on the Mexican Stock Exchange and one of the largest private sector energy companies in Mexico in terms of market share. We develop, build, and operate essential energy infrastructure. Our footprint in Mexico includes several business lines that encompass a significant portion of the Mexican energy infrastructure value chain that is open to private investment.

Executive Summary

	Three months ended March 31, (unaudited)		
(millions of US$)	2019	2018	% Var.
Adjusted EBITDA	229.0	211.3	8 %
Profit for the period	100.6	127.5	(21) %
Revenues	380.6	307.2	24 %

- In the first quarter of 2019, Adjusted EBITDA increased 8 percent to $229.0 million, compared with $211.3 million in the same period of 2018. The increase of $17.7 million was mainly due to the Termoeléctrica de Mexicali power plant higher operational results.
- In the first quarter of 2019, profit was $100.6 million, compared with $127.5 million in the same period of 2018. The decrease of $26.9 million was mainly due to non-cash exchange rate effects as a result of the appreciation of the Mexican peso in the first quarter of 2018, and higher depreciation expense, partially offset by the Termoeléctrica de Mexicali power plant higher operational results.
- In the first quarter of 2019, revenues were $380.6 million, compared with $307.2 million in the same period of 2018. The increase of $73.4 million was mainly due to higher volume and higher prices of natural gas sold, and higher revenue at the Termoeléctrica de Mexicali power plant due to higher prices and volume.
- In March, 2019, ECA Liquefaction project received U.S. authorizations for natural gas export to Mexico and re-export to Non-FTA Countries.
- In April, 2019, the Company entered into a revolving credit agreement with Scotiabank, for up to $100 million.
- In April, 2019, the Company announced its inclusion, for the fifth consecutive year, in the Mexican Stock Exchange's 2019 Price and Quotation (IPC) Sustainability Index. This recognition is due to IEnova's strategy to have high standards for operation, protection and conservation of the environment, labor practices, ethics, corporate governance, and social commitment to the communities in which it operates.

EBITDA and Adjusted EBITDA

(millions of US$)	Three months ended March 31, (unaudited) 2019	2018
Gas Segment	$ 160.8	$ 157.8
Power Segment	39.9	26.6
Corporate	0.1	(0.2)
EBITDA [(1)]	**$ 200.8**	**$ 184.2**
JV EBITDA adjustment [(1)]	28.2	27.1
Adjusted EBITDA [(1)]	**$ 229.0**	**$ 211.3**

Gas Segment

In the first quarter of 2019, Gas segment EBITDA was $160.8 million, compared with $157.8 million in the same period of 2018. The increase of $3.0 million was mainly due to a one-time natural gas distribution rates true-up from prior years at Ecogas Chihuahua.

Power Segment

In the first quarter of 2019, Power segment EBITDA was $39.9 million, compared with $26.6 million in the same period of 2018. The increase of $13.3 million was mainly due to the Termoeléctrica de Mexicali power plant higher operational results, partially offset by lower power volume at Ventika.

Joint Ventures

In the first quarter of 2019, Joint Ventures EBITDA is in line with the same period of 2018.

[(1)] We present "EBITDA" and "Adjusted EBITDA" in this earnings report for the convenience of investors. EBITDA and Adjusted EBITDA, however, are not measures of financial performance under IFRS and should not be considered as alternatives to profit or operating income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

Our definition of EBITDA is profit for the period after adding back or subtracting, as the case may be, (1) depreciation and amortization, (2) financing cost, net, (3) other losses (gains), net, (4) income tax expense and (5) share of profits of joint ventures, net of income tax.

We define Adjusted EBITDA as EBITDA plus Joint Ventures (JV) EBITDA adjustment.

We define the JV EBITDA adjustment as our share of the profit of joint ventures, after adding back or subtracting, as the case may be, our share of: (1) depreciation and amortization, (2) financing cost, net, (3) other (gains) losses, net, and (4) income tax expense.

Results of Operations

Amounts are presented in U.S. dollars, the functional currency of the Company, unless otherwise noted, and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). All amounts are unaudited, unless otherwise noted. Numbers may not add up due to rounding.

The 2018 first quarter financial results have been re-presented to show Termoeléctrica de Mexicali as continued operations in the Condensed Consolidated Statements of Profit, as management formalized the decision in the second quarter of 2018 to no longer hold it for sale.

Condensed Consolidated Statements of Profit

	Three months ended March 31, (unaudited)	
(millions of US$)	2019	2018
Revenues	$ 380.6	$ 307.2
Cost of revenues	(127.6)	(74.4)
Operating, administrative and other expenses	(52.2)	(48.6)
Depreciation and amortization	(37.5)	(33.6)
Financing cost, net	(24.8)	(24.5)
Other gains, net	6.7	51.8
Profit before income tax and share of profits of joint ventures	**145.2**	**177.9**
Income tax expense	(48.0)	(38.3)
Share of profits (losses) of joint ventures, net of income tax	3.4	(12.1)
Profit for the period	**$ 100.6**	**$ 127.5**

Segment Information

Segment information is presented after eliminating inter-company transactions.

Profit before Income Tax and Share of Profits of Joint Ventures

	Three months ended March 31, (unaudited)	
(millions of US$)	2019	2018
Gas Segment	$ 126.5	$ 139.9
Power Segment	26.5	13.2
Corporate	(7.8)	24.8
	$ 145.2	**$ 177.9**

Gas Segment

In the first quarter of 2019, Gas segment profit before income tax and share of profits of joint ventures was $126.5 million, compared with $139.9 million in the same period of 2018. The decrease of $13.4 million was mainly due to exchange rate effects as a result of the appreciation of the Mexican peso in the first quarter of 2018, partially offset by a one-time natural gas distribution rates true-up from prior years at Ecogas Chihuahua.

Power Segment

In the first quarter of 2019, Power segment profit before income tax and share of profits of joint ventures was $26.5 million, compared with $13.2 million in the same period of 2018. The increase of $13.3 million was mainly due to higher operational results at the Termoeléctrica de Mexicali power plant, partially offset by lower power volume at Ventika.

Corporate

In the first quarter of 2019, Corporate segment loss before income tax was $7.8 million, compared with a profit of $24.8 million in the same period of 2018. The decrease of $32.6 million was related to exchange rate effects, mainly due to a peso-denominated shareholder's loan to fund the South Texas – Tuxpan pipeline, which is offset in Share of Profits of Joint Ventures.

Revenues

(millions of US$, except price per MMBtu[1])	Three months ended March 31, (unaudited) 2019	2018
Gas Segment	$ 295.3	$ 245.4
Power Segment	84.8	61.5
Corporate	0.5	0.3
	$ 380.6	**$ 307.2**
Natural gas weighted average price[2]	$ 4.18	$ 2.99

(1) MMBtu: Million British thermal units (of natural gas)
(2) Natural gas prices in USD per MMBtu

Gas Segment

In the first quarter of 2019, Gas segment revenues were $295.3 million, compared with $245.4 million in the same period of 2018. The increase of $49.9 million was mainly due to:

- $42.7 million from higher volume and higher price of natural gas sold, and
- $5.0 million one-time natural gas distribution rates true-up from prior years at Ecogas Chihuahua.

Power Segment

In the first quarter of 2019, Power segment revenues were $84.8 million, compared with $61.5 million in the same period of 2018. The increase of $23.3 million was mainly due to:

- $26.0 million from higher prices and volume at Termoeléctrica de Mexicali power plant, partially offset by
- $3.2 million from lower power volume at Ventika.

Cost of Revenues

(millions of US$, except cost per MMBtu[1])	Three months ended March 31, (unaudited) 2019	2018
Gas Segment	$ 91.2	$ 47.4
Power Segment	36.4	27.0
	$ 127.6	**$ 74.4**
Natural gas weighted average cost [2]	$ 3.88	$ 2.71

(1) MMBtu: Million British thermal units (of natural gas)
(2) Natural gas prices in USD per MMBtu

Gas Segment

In the first quarter of 2019, Gas segment cost of revenues was $91.2 million, compared with $47.4 million for the same period of 2018. The increase of $43.8 million was mainly due to higher volume and higher cost of natural gas.

Power Segment

In the first quarter of 2019, Power segment cost of revenues was $36.4 million, compared with $27.0 million for the same period of 2018. The increase of $9.4 million was mainly due to higher natural gas prices and volume at the Termoeléctrica de Mexicali power plant.

Consolidated Results

Operating, Administrative and Other Expenses

In the first quarter of 2019, operating, administrative and other expenses were $52.2 million compared with $48.6 million in the same period of 2018. The increase of $3.6 million was mainly due to other corporate general expenses.

Depreciation and Amortization

In the first quarter of 2019, depreciation and amortization was $37.5 million, compared with $33.6 million for the same period of 2018. The increase of $3.9 million was mainly due to the adoption of the new lease accounting standard *IFRS 16* in 2019 and Termoeléctrica de Mexicali power plant depreciation, which resumed in the second quarter of 2018 after management formalized the decision to no longer hold it for sale.

Financing Cost, Net

In the first quarter of 2019, financing cost, net was in line with the same period of 2018.

Other Gains, Net

In the first quarter of 2019, other gains were $6.7 million, compared with $51.8 million in the same period of 2018. The decrease of $45.1 million was related to exchange rate effects, mainly due to a peso-denominated shareholder's loan to fund the South Texas – Tuxpan pipeline, which is offset in Share of Profits of Joint Ventures.

Income Tax Expense

In the first quarter of 2019, income tax expense was $48.0 million compared with $38.3 million in the same period of 2018. The increase of $9.7 million is primarily due to the effect of the deferred income tax balance from the fluctuation in the tax basis of property, plant and equipment at our U.S. dollar functional currency, which we are required to remeasure in each reporting period based on changes in the Mexican peso exchange rate, partially offset by the effect of exchange rate and inflation on monetary assets and liabilities.

Share of Profits (Losses) of Joint Ventures, Net of Income Tax

(millions of US$)	Joint Venture with	Three months ended March 31, (unaudited) 2019	2018
Los Ramones Norte pipeline	BlackRock	$ 10.8	$ 11.8
South Texas – Tuxpan pipeline	TransCanada	(8.3)	(24.6)
Energía Sierra Juárez wind generation facility	Actis	1.0	0.7
ECA Liquefaction[1]	Sempra Energy	(0.1)	—
		$ 3.4	**$ (12.1)**

[1] In February 2019, IEnova and Sempra Energy formed a new Joint Venture for the ECA Liquefaction project, with a participation of 50% each.

In the first quarter of 2019, our share of profit of joint ventures, net of income tax, was $3.4 million, compared with a loss of $12.1 million in the same period of 2018. The increase of $15.5 million is mainly due to a lower loss in the South Texas – Tuxpan pipeline from foreign exchange rate effects primarily related to a peso-denominated shareholder's loan, partially offset by higher income tax expense in the South Texas - Tuxpan pipeline and Los Ramones Norte pipeline. The foreign exchange rate effects are offset in Other Gains, net.

Condensed Consolidated Statements of Financial Position

(thousands of US$)	March 31, 2019 (unaudited)	December 31, 2018 (audited)
Assets		
Current assets		
Cash and cash equivalents	$ 56,525	$ 51,764
Trade and other receivables, net	134,571	153,649
Taxes receivable	159,894	151,713
Other current assets [1]	113,039	106,815
Total current assets	**464,029**	**463,941**
Non-current assets		
Due from unconsolidated affiliates	670,750	646,297
Finance lease receivables	930,312	932,375
Deferred income tax assets	81,227	80,853
Investments in joint ventures	589,416	608,708
Property, plant and equipment, net	4,189,158	4,086,914
Goodwill	1,638,091	1,638,091
Other non-current assets [2]	418,960	311,418
Total non-current assets	**8,517,914**	**8,304,656**
Total assets	**$ 8,981,943**	**$ 8,768,597**
Liabilities and Stockholders' Equity		
Short-term debt	$ 865,687	$ 870,174
Due to unconsolidated affiliates	292,836	310,696
Other current liabilities [3]	324,304	264,761
Total current liabilities	**1,482,827**	**1,445,631**
Non-current liabilities		
Long-term debt	1,666,147	1,675,192
Due to unconsolidated affiliates	76,193	75,161
Deferred income tax liabilities	576,734	566,892
Other non-current liabilities[4]	342,376	251,971
Total non-current liabilities	**2,661,450**	**2,569,216**
Total liabilities	**4,144,277**	**4,014,847**
Stockholders' equity		
Common stock	963,272	963,272
Additional paid-in capital	2,351,801	2,351,801
Treasury shares	(13,092)	(7,190)
Accumulated other comprehensive (loss)	(114,877)	(104,105)
Retained earnings	1,637,267	1,536,662
Total equity attributable to owners	**4,824,371**	**4,740,440**
Non-controlling interests	13,295	13,310
Total equity of the company	**$ 4,837,666**	**$ 4,753,750**
Total liabilities and equity	**$ 8,981,943**	**$ 8,768,597**

(1) Other current assets includes finance lease receivables - current, amounts due from unconsolidated affiliates, natural gas inventories, derivative financial instruments, carbon allowances - current, other current assets and restricted cash.
(2) Other non-current assets includes derivative financial instruments, other non-current assets, right of use assets, carbon allowances - non-current, intangible assets and restricted cash.
(3) Other current liabilities includes trade and other payables, income tax liabilities, lease liabilities - current, derivative financial instruments, other financial liabilities, provisions current, other taxes payable, carbon allowances - current and other current liabilities.
(4) Other non-current liabilities includes lease liabilities - non current, carbon allowances - non current, provisions - non current, derivative financial instruments, employee benefits and other non-current liabilities.

Liquidity and Capital Resources

We are a holding company. As a result, our ability to meet our obligations and to fund our capital needs depends on our ongoing ability to generate cash from operations, the terms of our financing arrangements, and our access to capital markets.

Sources and Uses of Cash

	Three months ended March 31, (unaudited)	
(millions of US$)	2019	2018
Cash, cash equivalents and restricted cash at the beginning of the period	**$ 78.0**	**$ 93.0**
Net cash provided by operating activities	144.4	93.0
Net cash used in investing activities	(77.5)	(218.2)
Net cash (used in) provided by financing activities	(84.2)	107.0
Effects of exchange rate changes on cash and cash equivalents	18.6	19.3
Cash, cash equivalents and restricted cash at the end of the period	**$ 79.3**	**$ 94.1**

Operating Activities

In the first quarter of 2019, net cash provided by operating activities was $144.4 million, compared with $93.0 million in the same period of 2018, mainly due to changes in working capital and higher operational results.

Investing Activities

In the first quarter of 2019, net cash used in investing activities was $77.5 million, mainly due to capital expenditures primarily related to the solar and liquid terminal projects.

In the first quarter of 2018, net cash used in investing activities was $218.2 million, mainly due to the investment of $106.7 million in the South Texas – Tuxpan pipeline; capital expenditures of $85.0 million related to the Veracruz marine terminal project, Sonora pipeline compression station, and the Pima and Tepezalá solar projects; and $26.0 million of short-term investments.

Financing Activities

In the first quarter of 2019, net cash used in financing activities was $84.2 million, mainly due $46.1 million of interest paid, $19.7 million of lease payments, $13.9 million repayment of credit facilities and $5.9 million of share repurchases.

In the first quarter of 2018, net cash provided by financing activities was $107.0 million mainly due to $70.0 million in net borrowings from unconsolidated affiliates and $161.2 million of net proceeds from bank financing, partially offset by the five-year CEBURES payment at maturity of $102.3 million and interest paid of $22.2 million.

Reconciliation of Profit for the Period to EBITDA and Adjusted EBITDA

	Three months ended March 31, (unaudited)	
(millions of US$)	2019	2018
EBITDA reconciliation		
Profit for the period	$ 100.6	$ 127.5
Depreciation and amortization	37.5	33.6
Financing cost, net	24.8	24.5
Other (gains), net	(6.7)	(51.8)
Income tax expense	48.0	38.3
Share of (profits) losses of joint ventures, net of income tax	(3.4)	12.1
(1) EBITDA	**200.8**	**184.2**
JV EBITDA Adjustment reconciliation		
Profit for the period	3.4	(12.1)
Depreciation and amortization	2.3	1.6
Financing cost, net	8.5	10.4
Other (gains), net	8.9	34.1
Income tax expense	5.1	(6.9)
(2) JV EBITDA Adjustment	**28.2**	**27.1**
(1+2) Adjusted EBITDA	**$ 229.0**	**$ 211.3**

Internal Controls

Our management is responsible for maintaining a system of internal control over financial reporting. This system gives our shareholders reasonable assurance that our transactions are executed and maintained in accordance with the guidelines set forth by our management and that our financial records are reliable as a basis for preparing our financial statements.

The system of internal control over financial reporting is supported by ongoing audits, the results of which are reported to management throughout the year. In addition, we maintain reliable databases and have systems designed to generate key financial information.