IEnova
INFRAESTRUCTURA ENERGÉTICA
Una empresa de Sempra

2021

www.ienova.com.mx @IEnova_MX IEnova

Ticker BMV: IENOVA * Mexico City * April 28, 2021 * FIRST QUARTER RESULTS

Executive Summary

(millions of US$)	Three months ended March 31, 2021	2020	% Var.
	(unaudited)		
IEnova Adjusted EBITDA	261.0	251.3	4 %
Profit for the period	110.5	46.3	139 %
Revenues	365.6	313.2	17 %

- In the first quarter of 2021, IEnova Adjusted EBITDA increased 4 percent to $261.0 million, compared with $251.3 million in the same period of 2020. The increase of $9.7 million was mainly due to higher margin at gas business, lower operating expenses, higher distribution rates and volume, the start of operations of Don Diego and Border Solar facilities, and the acquisition of the remaining 50-percent participation in Energía Sierra Juárez wind generation facility, offset by lower results at Termoeléctrica de Mexicali power plant.
- In the first quarter of 2021, profit was $110.5 million, compared with $46.3 million in the same period of 2020. The increase of $64.2 million was mainly due to non-cash exchange rate effects and lower operating expenses.
- In the first quarter of 2021, revenues were $365.6 million, compared with $313.2 million in the same period of 2020. The increase of $52.4 million was mainly related to higher price and volume of natural gas sold, higher distribution rates and volume, offset by lower results at Termoeléctrica de Mexicali power plant.
- The Company maintains strong level of liquidity with approximately $1.8 billion, including cash and available committed credit lines.
- In March 2021, the Company informed that it closed the acquisition of the remaining 50-percent in Energía Sierra Juárez ("ESJ") held by Saavi Energía through its affiliates. IEnova's ownership in ESJ increased from 50 percent to 100 percent derived from this transaction. The purchase price of Saavi's equity was approximately $80 million, which is net of the corresponding amount of the Company's debt.
- In March 2021, the Company informed the execution of a purchase and sale agreement for the acquisition of the remaining participation that Trafigura Holdings B.V. ("Trafigura") has in the Manzanillo Refined Products Terminal. The purchase price of Trafigura's equity is approximately $6 million. The transaction is expected to close during the second half of 2021 and is subject to customary closing conditions, including the approval from Mexico's Federal Antitrust Commission ("COFECE").
- In April 2021, the Company informed the market, that its controlling shareholder Sempra Energy ("Sempra"), announced the execution of an agreement to perform a transaction that includes a non-controlling interest in IEnova. The transaction is subject to the regular closing conditions, including third party consents and from the regulators.

- On April 12, 2021, the Company announced that the Corporate Practices Committee (the "Corporate Practices Committee") of its Board of Directors (the "Board of Directors") received a non-binding offer letter (the "Final Offer Letter"), from Sempra, pursuant to which Sempra conveyed its intention to conduct an offer to acquire all of the issued and outstanding publicly held ordinary shares of IEnova (which represent approximately 29.83% of IEnova's issued and outstanding share capital) in exchange for Sempra common stock (the "Exchange Offer"), at an exchange ratio of 0.0323 shares of Sempra common stock for each IEnova ordinary share (the "Exchange Ratio"). Based on the Exchange Ratio, the implied consideration per IEnova ordinary share is equal to 87.20 Mexican pesos per IEnova ordinary share, calculated using the five-day volume-weighted average price for Sempra common stock as quoted on the New York Stock Exchange and the five-day average Ps./U.S.$ exchange rate reported by the Mexican Central Bank (Banco de México) as the "FIX Rate," in each case as of April 9, 2021, the most recent practicable trading day for which information was available prior to the delivery of the Final Offer Letter. The Exchange Offer is subject to obtaining all necessary governmental authorizations required by applicable law. As required by Article 101 of the Mexican Securities Market Law (Ley del Mercado de Valores), the Board of Directors will issue an opinion on the fairness, from a financial point of view, of the equity consideration proposed by Sempra as expressed by the Exchange Ratio contained in the Final Offer Letter, after considering the recommendation of the Corporate Practices Committee, which will rely on the fairness opinion to be issued by J.P. Morgan Securities LLC, as independent financial advisor, all of which will separately be disclosed to investors.
- On April 14, 2021, the Company announced that at an extraordinary meeting of its Board of Directors (the "Board of Directors") held on April 14, 2021 (the "Meeting"), with attendance by all the members of the Board of Directors and abstentions from discussion and voting by those members of the Board of Directors who expressed a conflict of interest, the directors participating at the Meeting unanimously resolved, among other things, to vote in favor of opining that the equity consideration proposed by Sempra Energy ("Sempra") in connection with Sempra's previously announced offer to acquire all of the issued and outstanding publicly held ordinary shares of IEnova in exchange for Sempra common stock (the "Exchange Offer") is fair to IEnova shareholders from a financial point of view. The equity consideration proposed by Sempra in connection with the Exchange Offer was expressed in an exchange ratio (the "Exchange Ratio") set forth in a non-binding offer letter, dated April 12, 2021 (the "Final Offer Letter"), from Sempra to the Corporate Practices Committee of IEnova's Board of Directors (the "Corporate Practices Committee"). The publicly held ordinary shares of IEnova represent approximately 29.83% of IEnova's issued and outstanding share capital. The Board of Directors evaluated the equity consideration proposed by Sempra in the Exchange Offer by applying the Exchange Ratio and taking into account the prevailing market price for Sempra common stock and the Ps./U.S.$ exchange rate as of the close of market on April 13, 2021. The opinion of the Board of Directors was made in conformity with the recommendation of the Corporate Practices Committee, which recommendation was based, among other factors, on the opinion, dated April 14, 2021 (the "Independent Advisor Opinion"), issued by J.P. Morgan Securities LLC, as independent financial advisor to the Corporate Practices Committee in connection with the Exchange Offer (the "Independent Advisor"). In the Independent Advisor Opinion, the Independent Advisor opined on the fairness of the equity consideration proposed by Sempra in the Exchange Offer to IEnova shareholders from a financial point of view. A copy of the Independent Advisor Opinion is attached

hereto. At the Meeting, the Board of Directors reviewed written certifications by the members of the Board of Directors, including IEnova's Chief Executive Officer, with respect to the number of IEnova ordinary shares held by such members and their intention with respect to such ordinary shares in connection with the Exchange Offer, as follows:

Will Tender Ordinary Shares in the Exchange		Will Not Tender Ordinary Shares in the		Total	
35,000	100%	—	—%	35,000	100%

The Board of Directors also reviewed the conflicts of interest expressed at the Meeting by Randall Lee Clark, Faisel Hussain Khan, Jennifer Frances Jett, Trevor Ian Mihalik, Erle Allen Nye, Jr., Peter Ronan Wall, Lisa Glatch, Tania Ortiz Mena López Negrete, Carlos Ruíz Sacristán and Vanesa Madero Mabama in connection with their participation and presence during discussion and voting on all matters related to the Exchange Offer, including with respect to the Final Offer Letter and the opinion of the Board of Directors required by Article 101 of the Mexican Securities Market Law (Ley del Mercado de Valores). Any such abstentions due to conflicts of interest did not affect the required quorum for the Meeting.

- On April 26th, 2021, the Company announced, Sempra Energy ("Sempra") launched a public exchange tender offer to acquire all of the issued and outstanding ordinary shares of IEnova not owned directly or indirectly by Sempra, which represent approximately 29.8% of the total outstanding shares of IEnova ("IEnova Public Shares"), in exchange for shares of Sempra common stock at an exchange ratio of 0.0323 shares of Sempra common stock for each IEnova Public Share. This announcement is made in terms of the public offer notice published today by Sempra, through the electronic information system "Emisnet" of the Mexican Stock Exchange (Bolsa Mexicana de Valores), through Casa de Bolsa BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer as exchange agent.
- In April 2021, the Company announces that Moody's downgraded IEnova's rating to Baa3 (global scale) from Baa2 and to Aa3.mx (Mexico National Scale) from Aa2.mx. The outlook changed to stable from negative.

Segment Information

Revenue is presented after eliminating inter-company transactions.

Gas Segment	Three months ended March 31,	
(millions of US$)	2021	2020
	(unaudited)	
Revenues	$ 260.0	$ 199.0
IEnova EBITDA	128.0	104.3

Revenues

In the first quarter of 2021, Gas segment revenues were $260.0 million, compared with $199.0 million in the same period of 2020. The increase of $61.0 million was mainly due to $59.2 million from higher price and volume of natural gas sold (partially offset in cost of revenues) and $4.1 million from higher distribution rates and volume.

IEnova EBITDA

In the first quarter of 2021, Gas segment IEnova EBITDA was $128.0 million, compared with $104.3 million in the same period of 2020. The increase of $23.7 million was mainly due to higher margin at gas business, higher distribution rates and volume, and lower operating expenses.

Storage Segment	Three months ended March 31,	
(millions of US$)	2021	2020
	(unaudited)	
Revenues	$ 40.2	$ 39.3
IEnova EBITDA	47.9	47.2

Revenues

In the first quarter of 2021, Storage segment revenues were in line with the same period of 2020.

IEnova EBITDA

In the first quarter of 2021, Storage segment IEnova EBITDA was in line with the same period of 2020.

Power Segment	Three months ended March 31,	
(millions of US$)	2021	2020
	(unaudited)	
Revenues	$ 63.9	$ 72.5
IEnova EBITDA	12.4	31.3

Revenues

In the first quarter of 2021, Power segment revenues were $63.9 million, compared with $72.5 million for the same period of 2020. The decrease of $8.6 million was mainly due to $12.9 million in Termoeléctrica de Mexicali power plant from mark to market valuation related to hedge positions due to higher volatility of energy forward prices that should be reversed as hedges are realized, net of higher prices, partially offset by $2.3 million from the start of operations of Don Diego and Border Solar facilities and $2.2 million from the acquisition of the remaining 50-percent participation in Energía Sierra Juárez wind generation facility.

IEnova EBITDA

In the first quarter of 2021, Power segment IEnova EBITDA was $12.4 million, compared with $31.3 million for the same period of 2020. The decrease of $18.9 million was mainly due to lower results at Termoeléctrica de Mexicali power plant, partially offset by the acquisition of the remaining 50-percent participation in Energía Sierra Juárez wind generation facility and the start of operations of Don Diego and Border Solar facilities.

Joint Ventures IEnova EBITDA and Share of Profits from Joint Ventures		Three months ended March 31,	
(millions of US$)	Joint Venture with	2021	2020
		(unaudited)	
Joint Ventures IEnova EBITDA		**$ 74.1**	**$ 69.3**
Los Ramones Norte pipeline	Brookfield	$ 12.8	$ 3.3
South Texas - Tuxpan pipeline	TC Energy	36.0	106.3
Energía Sierra Juárez wind generation facility	Actis (1)	1.6	1.0
ECA Liquefaction	Sempra Energy	(1.0)	(1.4)
Share of Profits from Joint Ventures, net of Income Tax		**$ 49.4**	**$ 109.2**

(1) On March 19, 2021, IEnova acquired the remaining 50-percent participation in Energia Sierra Juárez wind generation facility.

Joint Ventures IEnova EBITDA

In the first quarter of 2021, Joint Ventures IEnova EBITDA was $74.1 million compared with $69.3 million in the same period of 2020. The increase of $4.8 million was mainly due to lower operating expenses at the South Texas - Tuxpan pipeline and higher results at Los Ramones Norte pipeline.

Share of Profits from Joint Ventures, net of Income Tax

In the first quarter of 2021, our Share of Profit from Joint Ventures, net of Income Tax was $49.4 million, compared with $109.2 million for the same period of 2020. The decrease of $59.8 million was mainly due to the South Texas - Tuxpan pipeline foreign exchange rate effects primarily related to a peso-denominated shareholder’s loan offset by its lower finance cost and non-cash exchange rate effects at Los Ramones Norte pipeline. The foreign exchange rate effects are offset in Other (Losses), net.

Consolidated Results

Depreciation and Amortization

In the first quarter of 2021, depreciation and amortization was in line with the same period of 2020.

Financing Cost, Net

In the first quarter of 2021, financing cost, net was $24.1 million, compared with $17.0 million in the same period of 2020. The increase of $7.1 million was mainly due to lower interest income related to the shareholder's loan granted to the South Texas – Tuxpan pipeline.

Other (Losses), Net

In the first quarter of 2021, other losses were $25.3 million, compared with other losses of $148.4 million in the same period of 2020. The variance of $123.1 million was mainly 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 from Joint Ventures.

Income Tax Expense

In the first quarter of 2021, income tax expense was $32.6 million, compared with $38.8 million in the same period of 2020. The decrease of $6.2 million is primarily due to 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, partially offset by the effect of exchange rate and inflation on monetary assets and 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 financing sources.

Sources and Uses of Cash	Three months ended March 31,	
(millions of US$)	2021	2020
	(unaudited)	
Cash, cash equivalents and restricted cash at the beginning of the period	**$ 316.3**	**$ 91.5**
Net cash provided by operating activities	174.3	115.2
Net cash used in investing activities	(142.7)	(176.8)
Net cash (used in) provided by financing activities	(26.1)	572.9
Effects of exchange rate changes on cash and cash equivalents	13.0	(38.1)
Cash, cash equivalents and restricted cash at the end of the period	**$ 334.8**	**$ 564.7**

Operating Activities

In the first quarter of 2021, net cash provided by operating activities was $174.3 million, compared with $115.2 million in the same period of 2020, mainly due to lower income tax payments, changes in working capital and higher operational results.

Investing Activities

In the first quarter of 2021, net cash used in investing activities was $142.7 million mainly due to capital expenditures of $80.3 million primarily related to the liquid terminals and solar projects, the acquisition of Energia Sierra Juarez net of cash acquired of $65.0 million, the funding of $8.4 million for the ESJ Expansion before the acquisition and $4.0 million for the ECA liquefaction project, partially offset by $11.3 million interest received from the shareholder's loan granted to the South Texas – Tuxpan pipeline.

In the first quarter of 2020, net cash used in investing activities was $176.8 million, mainly due to capital expenditures of $169.1 million primarily related to the liquid terminals and solar projects, the funding of $22.5 million in ESJ Expansion project and $5.0 million in the ECA liquefaction project, partially offset by $15.7 million interest payments from the shareholder's loan granted to South Texas – Tuxpan pipeline.

Financing Activities

In the first quarter of 2021, net cash used by financing activities was $26.1 million mainly due to $27.9 million of interest paid, $15.4 million of payments from bank financing, and $2.7 million for finance lease payments partially offset by $20.0 million from a loan received from unconsolidated affiliates.

In the first quarter of 2020, net cash provided by financing activities was $572.9 million, mainly due to a $555.6 million of net proceeds from revolving credit lines and $64.0 million net proceeds of loans from unconsolidated affiliates, partially offset by $43.8 million of interest paid, and $2.9 million from finance lease payments.

The Company ended the first quarter with $334.8 million of cash, including restricted cash and short term investments, in light of the Covid-19 global situation. More over the Company had approximately $1.8 billion of liquidity, including cash and available committed credit lines.

Condensed Consolidated Financial Statements

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.

Statements of Profits	Three months ended March 31,	
(millions of US$)	2021	2020
	(unaudited)	
Revenues	$ 365.6	$ 313.2
Cost of revenues	(124.6)	(72.7)
Operating, administrative and other expenses	(54.1)	(58.5)
IEnova EBITDA	**186.9**	**182.0**
Depreciation and amortization	(43.8)	(40.7)
Operating profit	**143.1**	**141.3**
Financing cost, net	(24.1)	(17.0)
Other (losses), net	(25.3)	(148.4)
Profit (loss) before income tax and share of profits of joint ventures	**93.7**	**(24.1)**
Income tax expense	(32.6)	(38.8)
Share of profits of joint ventures, net of income tax	49.4	109.2
Profit for the period	**$ 110.5**	**$ 46.3**

Statements of Financial Position

(thousands of US$)	March 31, 2021 (unaudited)	December 31, 2020 (audited)
Assets		
Current assets		
Cash and cash equivalents	$ 281,556	$ 291,993
Trade and other receivables, net	183,102	182,587
Taxes receivable	222,383	198,189
Other current assets [(1)]	185,697	136,861
Total current assets	**872,738**	**809,630**
Non-current assets		
Due from unconsolidated affiliates	683,809	787,183
Finance lease receivables	923,587	926,795
Deferred income tax assets	82,428	100,650
Investments in joint ventures	833,095	783,428
Property, plant and equipment, net	5,323,896	5,048,512
Goodwill	1,638,091	1,638,091
Other non-current assets [(2)]	526,058	372,135
Total non-current assets	**10,010,964**	**9,656,794**
Total assets	**$ 10,883,702**	**$ 10,466,424**
Liabilities and Stockholders' Equity		
Short-term debt	$ 855,412	$ 839,287
Due to unconsolidated affiliates	80,062	61,817
Other current liabilities [(3)]	383,819	338,272
Total current liabilities	**1,319,293**	**1,239,376**
Non-current liabilities		
Long-term debt	2,982,528	2,838,711
Due to unconsolidated affiliates	296,733	272,857
Deferred income tax liabilities	609,580	604,229
Other non-current liabilities[(4)]	402,264	389,454
Total non-current liabilities	**4,291,105**	**4,105,251**
Total liabilities	**5,610,398**	**5,344,627**
Stockholders' equity		
Common stock	743,501	743,501
Additional paid-in capital	2,322,631	2,320,385
Accumulated other comprehensive (loss)	(147,489)	(186,241)
Retained earnings	2,349,948	2,239,395
Total equity attributable to owners	**5,268,591**	**5,117,040**
Non-controlling interests	4,713	4,757
Total equity of the company	**$ 5,273,304**	**$ 5,121,797**
Total liabilities and equity	**$ 10,883,702**	**$ 10,466,424**

(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.

Reconciliation of Profit for the Period to IEnova EBITDA and IEnova Adjusted EBITDA

We present "IEnova EBITDA" and "IEnova Adjusted EBITDA" in this earnings report for the convenience of investors. IEnova EBITDA and IEnova 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 IEnova 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 IEnova Adjusted EBITDA as IEnova EBITDA plus Joint Ventures (JV) IEnova EBITDA adjustment.

We define the JV IEnova 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.

IEnova EBITDA and IEnova Adjusted EBITDA	Three months ended March 31,	
(millions of US$)	2021	2020
	(unaudited)	
Gas Segment	$ 128.0	$ 104.3
Storage Segment	47.9	47.2
Power Segment	12.4	31.3
Corporate & Others	(1.4)	(0.8)
IEnova EBITDA	**$ 186.9**	**$ 182.0**
JV EBITDA adjustment	74.1	69.3
IEnova Adjusted EBITDA	**$ 261.0**	**$ 251.3**

IEnova EBITDA and IEnova Adjusted EBITDA reconciliation to Profit	Three months ended March 31,	
(millions of US$)	2021	2020
	(unaudited)	
IEnova EBITDA reconciliation		
Profit for the period	$ 110.5	$ 46.3
Depreciation and amortization	43.8	40.7
Financing cost, net	24.1	17.0
Other losses, net	25.3	148.4
Income tax expense	32.6	38.8
Share of (profits) of joint ventures, net of income tax	(49.4)	(109.2)
(1) IEnova EBITDA	**186.9**	**182.0**
JV EBITDA Adjustment reconciliation		
Profit for the period	49.4	109.2
Depreciation and amortization	8.6	8.1
Financing cost, net	18.3	24.1
Other (gains), net	(21.4)	(143.1)
Income tax expense	19.2	71.0
(2) JV IEnova EBITDA Adjustment	**74.1**	**69.3**
(1+2) IEnova Adjusted EBITDA	**$ 261.0**	**$ 251.3**

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.

In January 2021, IEnova implemented a new enterprise resource planning system (ERP system) to replace its legacy system. The implementation improves user access security and increases automation of internal controls in IEnova's accounting, back office and financial reporting cycles, which we consider to be material to IEnova. Management has taken steps to ensure that controls were appropriately designed and implemented in connection with the integration of and transition to the new ERP system. IEnova continues to review and enhance the design and related documentation of its internal control over financial reporting in connection with its implementation of the new ERP system in order to maintain an effective control framework.