

# Second Quarter 2015 Financial Results

July 29, 2015

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# Outline

- 2015 dividend
  - Energía Sierra Juárez
  - San Isidro – Samalayuca pipeline
  - Second-quarter 2015 financial results
  - Project status
  - Expected natural gas pipeline project tenders
  - Asset optimization
  - 2015 Adjusted EBITDA guidance update
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## 2015 dividend

- The Shareholders Meeting held on April 30, 2015 approved a 2015 dividend payment, in which IEnova's Board of Directors was authorize to define the amount and payment date
- On July 28, 2015, the Board of Directors of IEnova approved the dividend for 2015
- We expect to pay \$170 million in one payment to shareholders in August 2015
- This amount represents annual growth of 4% compared to the amount distributed in 2014

| 2014 Dividend | 2015 Dividend | Annual Growth |
|---------------|---------------|---------------|
| \$164 million | \$170 million | 4%            |

# Energía Sierra Juárez

- 50/50 joint venture with InterGen
- First cross-border renewable energy project in Mexico
- Declared in full commercial operations in June 2015
- Completed on-budget
- 20-year power purchase agreement (PPA) with San Diego Gas & Electric
- 47 Vestas turbines with a nameplate generation capacity of 155.1 megawatts

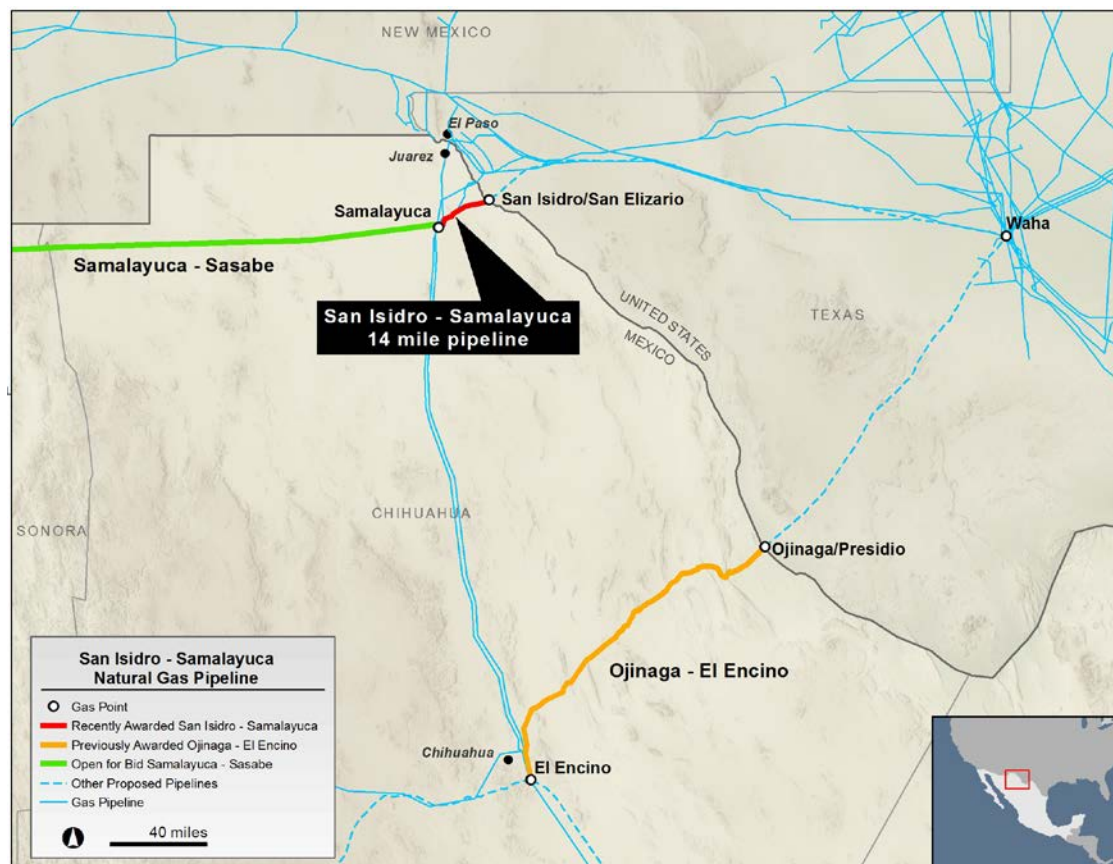




# San Isidro – Samalayuca pipeline project

## Project overview

- In July 2015, IEnova was awarded the San Isidro – Samalayuca pipeline project by CFE
- Natural gas transportation pipeline in municipality of Juarez, Chihuahua
- 25-year, take-or-pay, dollar-denominated contract with the CFE
- The project consists of two natural gas pipeline segments of 42 and 36 inches and a 3.0 Bcfd header facility
- 1.135 Bcfd of transportation capacity
- Approximately \$110 million of investment
- Commercial operations date scheduled at the end of the first quarter 2017



# Second-quarter 2015 results

|  | Three months ended<br>June 30, |         |
|--|--------------------------------|---------|
|  | 2015                           | 2014    |
| <i>(Unaudited; net profit in millions of dollars, share count in millions, EPS in dollars)</i> |                                |         |
| Adjusted EBITDA <sup>(1)</sup>   | \$ 95                          | \$ 73   |
| Profit for the period  | \$ 37                          | \$ 38   |
| Shares outstanding   | 1,154                          | 1,154   |
| Earnings per share (EPS)   | \$ 0.03                        | \$ 0.03 |

- Second-quarter 2015 Adjusted EBITDA was \$95 million, compared to \$73 million in 2014
- Profit for the second-quarter 2015 was \$37 million, compared to \$38 million in the same period of 2014, mainly due to:
  - Higher income tax provision related to foreign exchange effects
  - Partially offset by higher earnings at the Gas segment due to the start of operations of the Sásabe-Puerto Libertad segment of the Sonora pipeline and higher share of profits of joint ventures due to the start of operations of wind generation facility at Energía Sierra Juárez and the Los Ramones I pipeline

(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>2015</u>        | <u>2014</u> |
| Gas segment profit before income tax and share of profits of the joint venture | \$ 60              | \$ 56       |

- Gas segment profit before tax and share of profits of joint venture was \$60 million for the second-quarter 2015, compared to \$56 million in the same period of 2014, mainly due to the start of operations of the Sásabe-Puerto Libertad segment of the Sonora pipeline



## Power segment pre-tax profit

|  | Three months ended |             |
|--|--------------------|-------------|
|  | June 30,           |             |
| <i>(Unaudited; dollars in millions)</i>  | <u>2015</u>        | <u>2014</u> |
| Power segment profit before income tax and share of profits of the joint venture | \$ (5)             | \$ (1)      |

- Power segment loss before income tax and share of profits of joint venture was \$5 million in the second-quarter 2015, compared to \$1 million in the second-quarter 2014 mainly due to a change in corporate allocations
  - Excluding the effect of the change in corporate allocations, results of operations were consistent with the same period last year

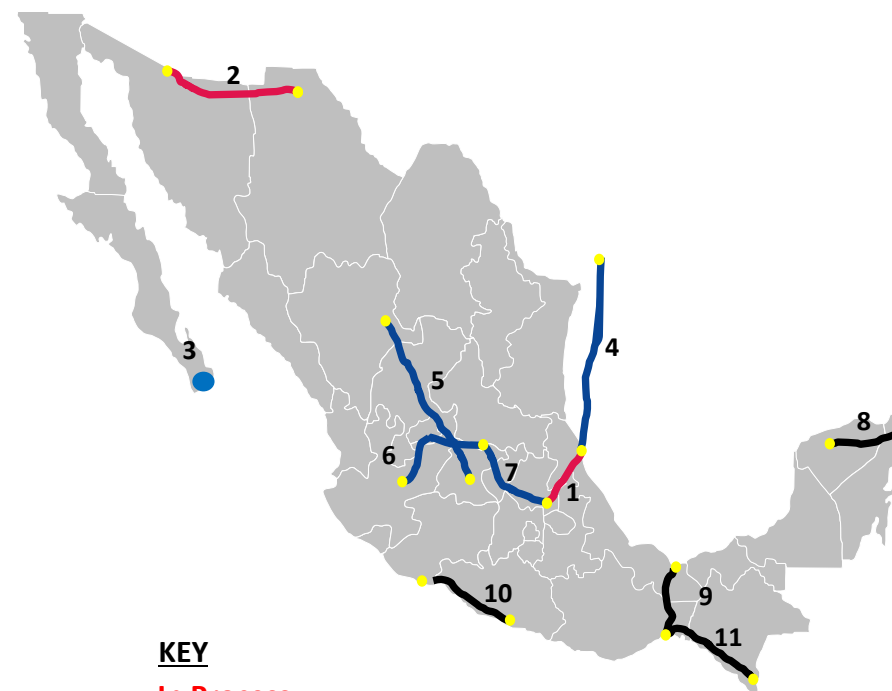
# Project updates

| Project                          | CapEx<br>(USD, millions) | Target COD <sup>1</sup> | Contract<br>Term | Update  |
|----------------------------------|--------------------------|-------------------------|------------------|---|
| <b>Wholly-owned projects</b>     |                          |                         |                  |   |
| Sonora pipeline                  | \$1,000                  | <b>In-service</b>       | 25 years         | <ul style="list-style-type: none"> <li>Construction proceeding on schedule</li> <li>Puerto Libertad-Guaymas segment construction is complete and the segment is in commissioning</li> </ul>                       |
|                                  |                          | Q3 2016                 | 25 years         |   |
| Ojinaga – El Encino pipeline     | \$300                    | Q1 2017                 | 25 years         | <ul style="list-style-type: none"> <li>Construction activities to commence in the third quarter of 2015</li> </ul>  |
| San Isidro – Samalayuca pipeline | \$110                    | Q1 2017                 | 25 years         | <ul style="list-style-type: none"> <li>Construction activities to commence in the first half of 2016</li> </ul>   |
| <b>Joint venture projects</b>    |                          |                         |                  |   |
| Los Ramones Norte pipeline       | \$1,400                  | Q4 2015                 | 25 years         | <ul style="list-style-type: none"> <li>25% indirect IEnova interest</li> </ul>  |
| Ethane pipeline                  | \$330                    | Q3 2015                 | 21 years         | <ul style="list-style-type: none"> <li>50% indirect IEnova interest</li> <li>Segment I in-service</li> <li>Segment II in-service</li> <li>Segment III under construction, COD rescheduled to September</li> </ul> |

(1) Commercial Operations Date

# Expected Mexico pipeline tenders

| Project      |                                | CFE CapEx Estimate (USD millions) |
|--------------|--------------------------------|-----------------------------------|
| 1            | Tuxpan - Tula                  | 400                               |
| 2            | Samalayuca - Sasabe            | 825                               |
| 3            | Baja Sur                       | 600                               |
| 4            | Texas - Tuxpan (marine pipe)   | 3,100                             |
| 5            | La Laguna - Aguascalientes     | 1,000                             |
| 6            | Villa Reyes - Aguascalientes   | 555                               |
| 7            | Tula - Villa de Reyes          | 420                               |
| 8            | Merida - Valladolid-Cancun     | 460                               |
| 9            | Jaltipan - Salina Cruz (Pemex) | 640                               |
| 10           | Lazaro Cardenas - Acapulco     | 450                               |
| 11           | Salina Cruz - Tapachula        | 435                               |
| <b>TOTAL</b> |                                | <b>8,885</b>                      |



**KEY**  
**In Process**  
**Recently Announced (1Q 2015)**  
**Recently Announced (2Q 2015)**  
**Future Projects**

# Development updates: asset optimization



## ***Energía Costa Azul liquefaction project***

- We continue making progress on the development of the project with our partners
  - Development costs for the project are being shared between IEnova, Pemex and Sempra LNG
- Focused on completing the requirements to file for permits in early 2016



## ***Sonora Pipeline open season***

- We have received substantial interest from new potential customers
- In the process of evaluating the service requests in order to determine if a system expansion is required
- We intend to execute preliminary agreements by year end



## ***TDM***

- Working on permitting and rights-of-way for interconnection to CFE substation
  - Expect to complete construction in 2016
- Evaluating strategic options for the plant

# 2015 EBITDA guidance update

The revision to 2015 Adjusted EBITDA guidance is mainly due to lower than expected results at TDM and the Pemex JV

2015 capital expenditures guidance is increasing, mainly as a result of accelerated spending at the new Ojinaga-El Encino natural gas pipeline project

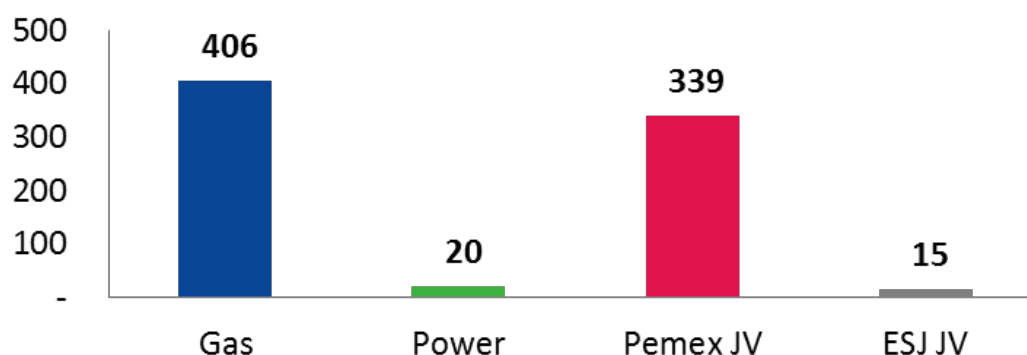
## Guidance

(USD, millions)

|  | <u>Low</u> |   | <u>High</u> |
|--|------------|---|-------------|
| <b>2015 Adjusted EBITDA</b>                          | <b>403</b> | - | <b>423</b>  |
| Guidance range includes the following assumptions:   |            |   |             |
| Gas segment  | 270        | - | 275         |
| Power segment  | 17         | - | 24          |
| Corporate  | -2         | - | -2          |
| Adjustment for 50% interest in EBITDA of Pemex JV    | 101        | - | 107         |
| Adjustment for 50% interest in EBITDA of InterGen JV | 17         | - | 19          |

## 2015 Capital Expenditures<sup>1</sup>

(USD, millions)



(1) Includes capital expenditures for wholly-owned projects and the proportional share of capital expenditures for projects in joint ventures

# Summary

- Approved 2015 dividend of \$170 million
- Started operations at the Energía Sierra Juárez wind project
- Awarded new natural gas pipeline project (San Isidro – Samalayuca)
- Continued progress in construction and development activities
- Two new CFE bids expected to be completed during the third quarter



