

Credit Suisse 2014 Mexico Investment Ideas

May 2014

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Outline

- Executive Summary
- Our Business
- Short-term Opportunities
- Energy Reform
- Financing of Growth

Outline

- **Executive Summary**
- Our Business
- Short-term Opportunities
- Energy Reform
- Financing of Growth

IEnova develops, constructs, owns and operates energy infrastructure and is active in all areas of the Mexican energy sector where private participation is currently permitted

IEnova is one of the largest private energy companies in Mexico with more than 15 years of experience in the country and is the only energy company to be listed on the Mexican stock exchange

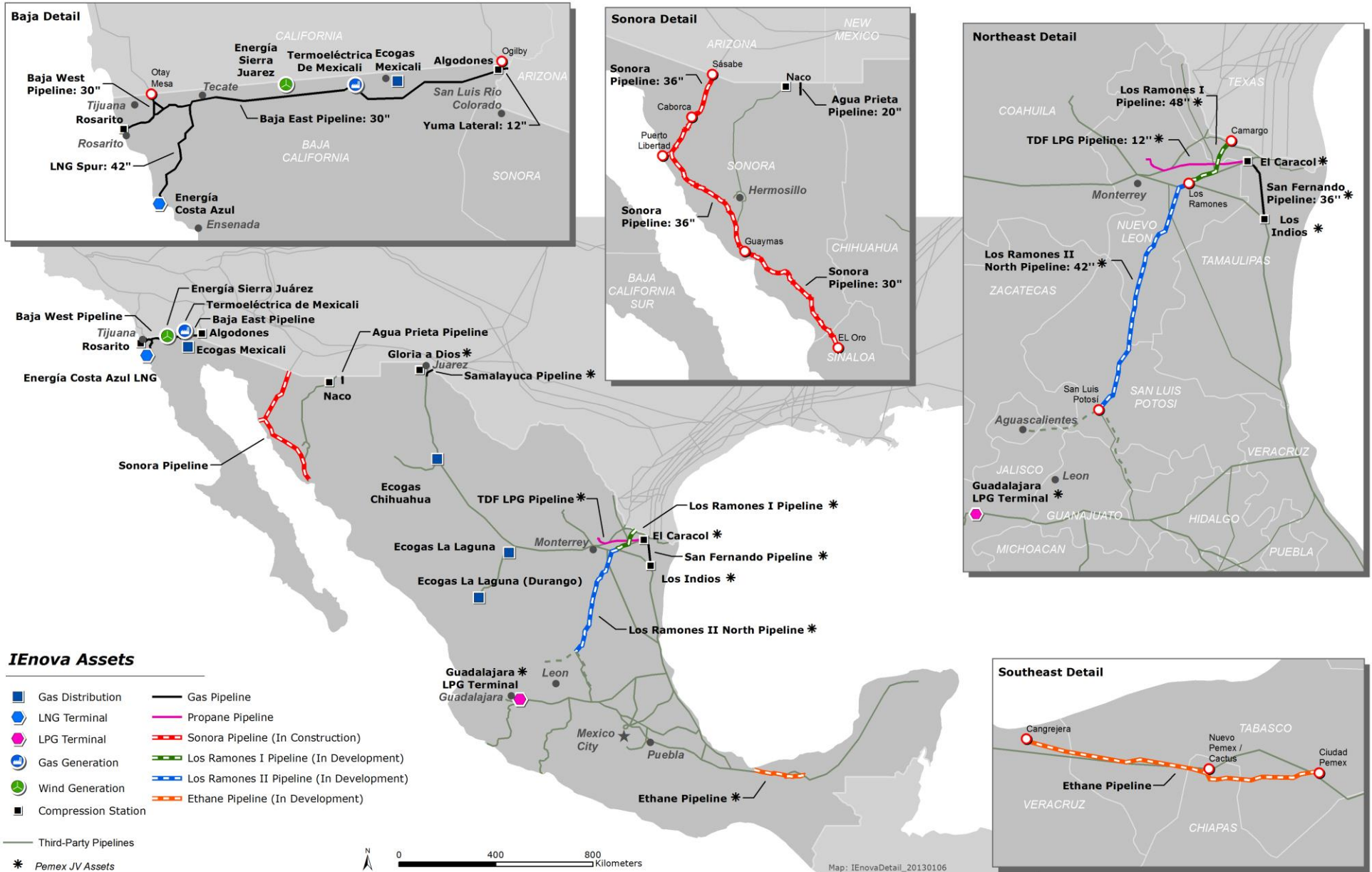
IEnova's business is built upon a strategy of long-term, take-or-pay and primarily dollar denominated contracts providing stable and predictable cash flows

Mexico requires new energy infrastructure in order to sustain and expand economic output and IEnova is ideally positioned to capture new infrastructure investment opportunities

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IEnova asset overview



Corporate structure and assets in operation



Gas Segment



Wholly-owned Pipelines

- 360km of pipelines and three compression stations
- 19% of the market's transportation capacity



Energía Costa Azul

- One LNG receipt, storage and regasification terminal with a send-out capacity of 1,000 MMcfd



Ecogas

- Natural gas distribution utility with more than 100,000 customers

Power Segment



Termoeléctrica de Mexicali

- 625MW natural gas combined-cycle electricity generation plant



Joint-Venture with Pemex (50/50)

- 151km of pipelines (21% of the market's transportation capacity)
- 190km LPG transportation pipelines and 120,000Bbl of LPG storage
- Three compression stations

USD \$2.4 billion of assets in operation

Contracted growth projects currently underway

Gas Segment – wholly-owned assets



Sonora natural gas pipeline system

- **833km** natural gas pipeline extending from the U.S. border near Nogales, AZ to the town of El Oro in the Mexican state of Sinaloa
- Sásabe – Guaymas segment: 505 km, 770 MMcfd
- Guaymas – El Oro segment: 328 km, 510 MMcfd

Joint venture with Pemex – IEnova (50/50)



Ethane pipeline

- **226km** ethane pipeline located in the states of Tabasco, Chiapas and Veracruz

Los Ramones-I natural gas pipeline

- **110km, 2,100 MMcfd** natural gas pipeline extending from the U.S. border near Rio Grande, TX to the town of Los Ramones in the Mexican state of Nuevo Leon

Los Ramones-II North natural gas pipeline

- **440km, 1,430 MMcfd** natural gas pipeline extending from the town of Los Ramones in the Mexican state of Nuevo Leon to San Luis Potosí

Power Segment



Energía Sierra Juárez wind project

- **155 MW** wind project with 47 turbines located near the U.S. border in the state of Baja California
- On April 2014, we reached an agreement with InterGen to sell a 50% interest in the project

USD \$3.1 billion² total investment for contracted growth projects
IEnova share USD \$1.8 billion

(1) Once the Sonora project is complete, IEnova will own 27% of the country's pipeline import capacity. Once Ramones-I is complete, Gasoductos de Chihuahua will own 39% of the country's pipeline import capacity
(2) Includes IEnova participation in joint venture projects

Growth: Continue to focus on IEnova's competitive advantages...

- IEnova's consistently strong performance and growth over the past 15+ years is based on our proven business strategy:
 - Developing critical and efficient energy infrastructure in order to meet existing and growing energy demand anchored with long term, take-or-pay, dollar-based contracts
 - Minimizing commodity and volume risk, assuring stable cash flows
 - Disciplined execution and operation of our assets
- IEnova's growth opportunities arise from:
 - Development of new gas transportation and electricity generation projects, opportunities which do not require Energy Reform
 - Optimization of our existing assets
 - Selective and disciplined investment in opportunities resulting from Energy Reform

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Mexico National Infrastructure Program

On April 28, 2014, President Enrique Peña Nieto released the government's updated National Infrastructure Program

Mexico National Infrastructure Program (NIP)

Transportation

Communications

Urban Development

ENERGY

Water

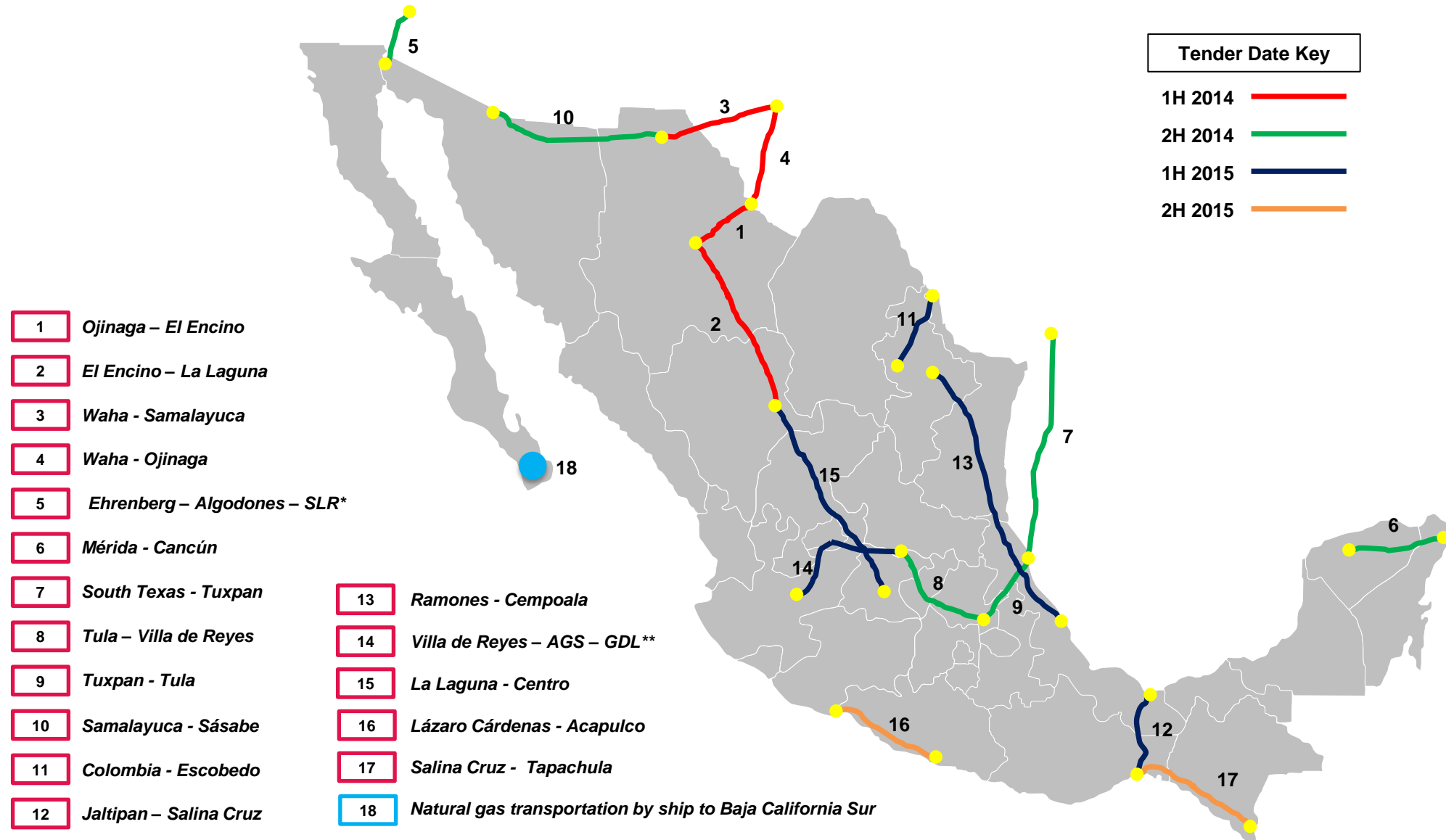
Healthcare

Tourism

- The main objectives of the Plan relating to the energy sector:
 - Optimize the use of the country's oil and liquids processing and refining facilities
 - Expansion of the country's energy transportation infrastructure
 - Increase the relative use of clean and renewable energy
- The Energy Plan contemplates 262 projects for a total investment of USD \$296 billion, including:
 - Seventeen natural gas pipeline projects, investment of USD \$13.1 billion
 - Fifteen power generation projects, investment of USD \$13.6 billion
 - Seven electric transmission projects, investment of USD \$1.7 billion
 - Eight petroleum refining projects, investment of USD \$11.8 billion
 - Numerous exploration & production projects for both petroleum and natural gas, investment of USD \$94.3 billion

Natural Gas Pipeline Projects

According to the National Infrastructure Program, by 2018 at least 6,500 km of new pipelines (approximately USD\$ 13.1 billion investment) will be tendered...



*SLR=San Luis Río Colorado

** AGS= Aguascalientes, GDL=Guadalajara

Natural Gas Pipeline Projects

Natural Gas Pipelines				
Project Name	KM	CAPEX (USD\$ Million)	Tender Date	COD
Ojinaga - El Encino	254	393	1H 2014	1Q 2017
El Encino - La Laguna	423	639	1H 2014	1Q 2017
Waha - Samalayuca	300	540	1H 2014	1Q 2016
Waha – Ojinaga	230	393	1H 2014	1Q 2017
Ehrenberg - Algodones - SLR*	160	246	2H 2014	1Q 2017
Mérida – Cancún	300	457	2H 2014	3Q 2016
Natural Gas to Baja California Sur	NA	589	2H 2014	2Q 2017
Texas – Tuxpan	625	2,947	2H 2014	2Q 2018
Tula - Villa de Reyes	279	413	2H 2014	2Q 2017
Tuxpan – Tula	237	393	2H 2014	1Q 2017
Samalayuca - Sásabe	558	825	2H 2014	2Q 2017
Colombia - Escobedo	254	368	1H 2015	2Q 2017
Jaltipán - Salina Cruz	247	635	1H 2015	4Q 2017
Los Ramones - Cempoala	855	1,986	1H 2015	4Q 2017
Villa de Reyes - Aguascalientes - Guadalajara	355	545	1H 2015	4Q 2017
La Laguna - Centro	601	884	1H 2015	4Q 2018
Lázaro Cárdenas - Acapulco	331	450	2015	2018
Salina Cruz -Tapachula	440	436	2015	2018
Total	6,449	13,140		

*SLR= San Luis Río Colorado

Pipelines on the US side of the border

PEMEX Trans-Isthmus Projects

- The Trans-Isthmus project contemplates the construction of three 300 km pipelines and the associated storage and port facilities to transport propane, naphtha, and natural gas from Pemex's processing facilities in the Mexican Gulf to the Pacific Coast (Coatzacoalcos, Veracruz to Salina Cruz, Oaxaca)
- The project is part of Pemex strategy to export products to the Asian market and by-pass the Panama Channel. Total CAPEX is estimated in USD \$2,310 million
- Pemex will conduct 3 public bid packages (construction and operation of the transportation system that includes 3 pipelines, construction and operation of the storage facilities, construction and upgrade of port facilities)
- The estimate period for the bid announcement will be 2Q of 2014
- The commercial operation date is expected for the 2Q of 2017



Pemex Projects	Capacity	Length (km)	Pipeline (US\$MM)	Storage (US\$MM)
Propane	200,000 bbl	300 km	\$340	\$230
Naphtha	100,000 bbl	300 km	\$320	\$60
Natural Gas	750-1,000 MMcfd	300 km	\$650	\$210
TOTAL			\$1,310	\$500

Power Generation Projects

According to the National Infrastructure Program, by 2018 9,323 MW of generation capacity (@ USD\$ 13.6 billion CAPEX) will be added...



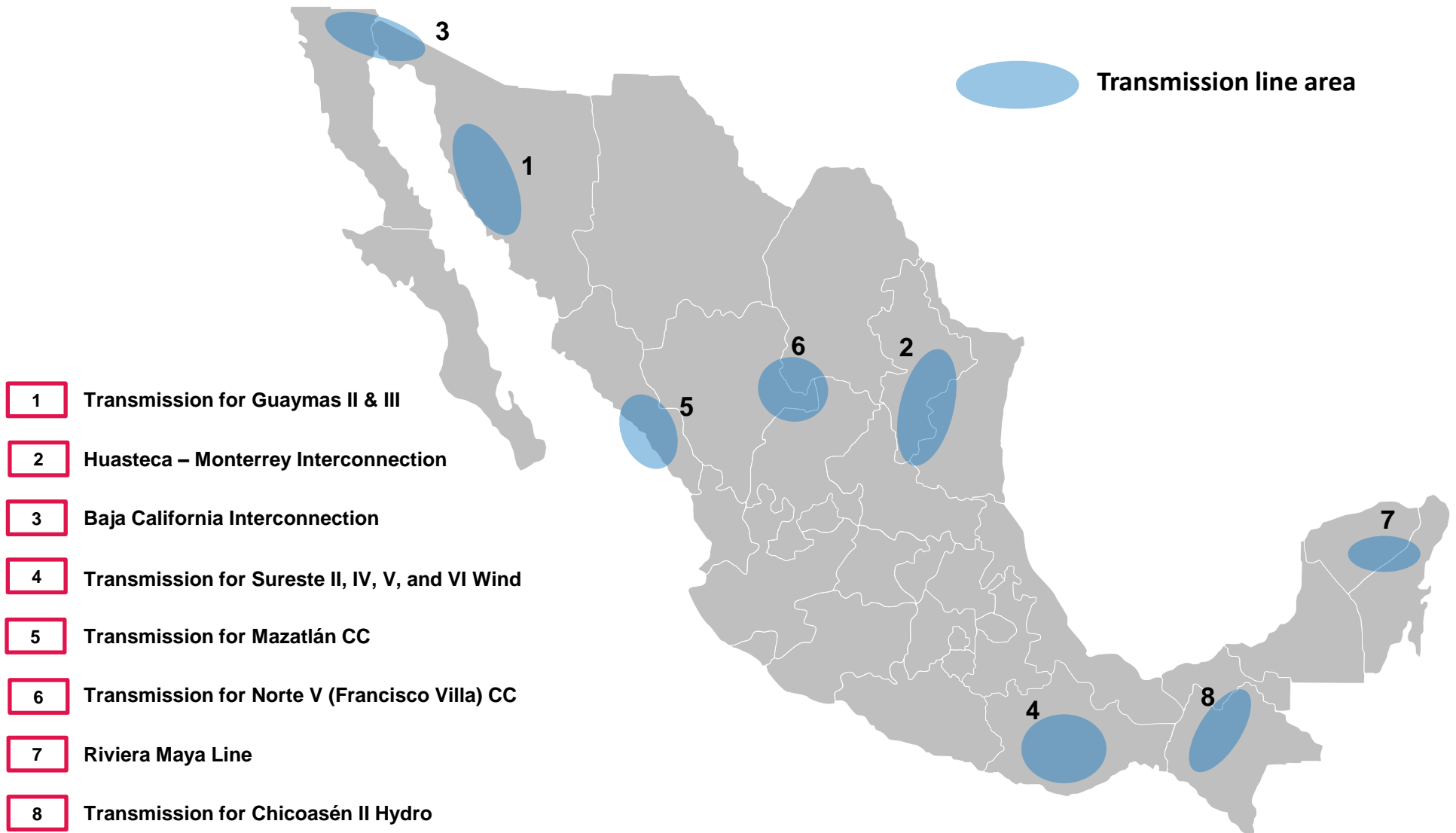
Power Generation Projects

Power Generation				
Project Name	Capacity (MW)	CAPEX (USD\$ Million)	State	COD
Escobedo CC	1006	1,419	Nuevo Leon	2H 2017
Lerdo CC	957	838	Durango	1H 2018
Nuevo Guerrero Hydro	455	1,084	Guerrero	NA
Paso de la Reina Hydro	543	1,173	Sinaloa	NA
Topolobampo II CC	820	1,040	Sinaloa	2H 2018
Norte III CC	928	982	Chihuahua	2H 2016
Topolobampo III CC	680	912	Sinaloa	1H 2018
Guaymas II CC	714	815	Sonora	1H 2017
Guaymas III CC	714	697	Sonora	2H 2017
Valle de México II	543	738	Estado de México	1H 2017
Southeast Wind II, III, IV, and V	1169	1,977	Oaxaca	NA
Fourteen 30 MW solar projects	420	943	Sonora	NA
Mexicali Geothermal	27	43	Baja California	NA
Las Cruces Hydro	240	781	Guerrero	NA
Jalisco Geothermal	107	148	Jalisco	NA
Total	9,323	13,588		

CC= Combined Cycle

Power Transmission Projects

According to the National Infrastructure Program, by 2018 transmission lines for approximately USD\$ 1.7 billion CAPEX will be added...



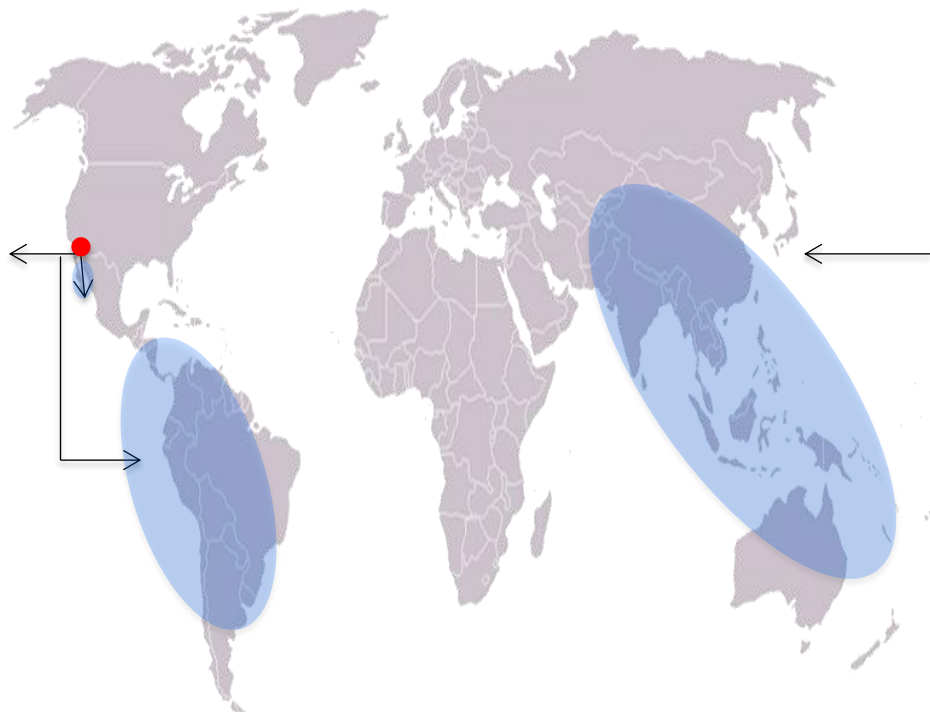
Power Transmission Projects

Transmission Projects		
Project Name	CAPEX (USD\$ Million)	KM
Transmission for Guaymas II and III CC	272	NA
Huasteca – Monterrey Interconnection	238	427.9
Baja California Interconnection	319	423
Transmission for Sureste III, IV, V, and VI Wind	448	1,164.6
Transmission for Mazatlán CC	183	465
Transmission for Norte V CC (Francisco Villa)	148	400.5
Riviera Maya Line Conversion	63	NA
Transmission for Chicoasén II Hydro	2	NA
Total	1,673	

Optimizing our Assets: ECA Liquefaction



ECA's Target Markets

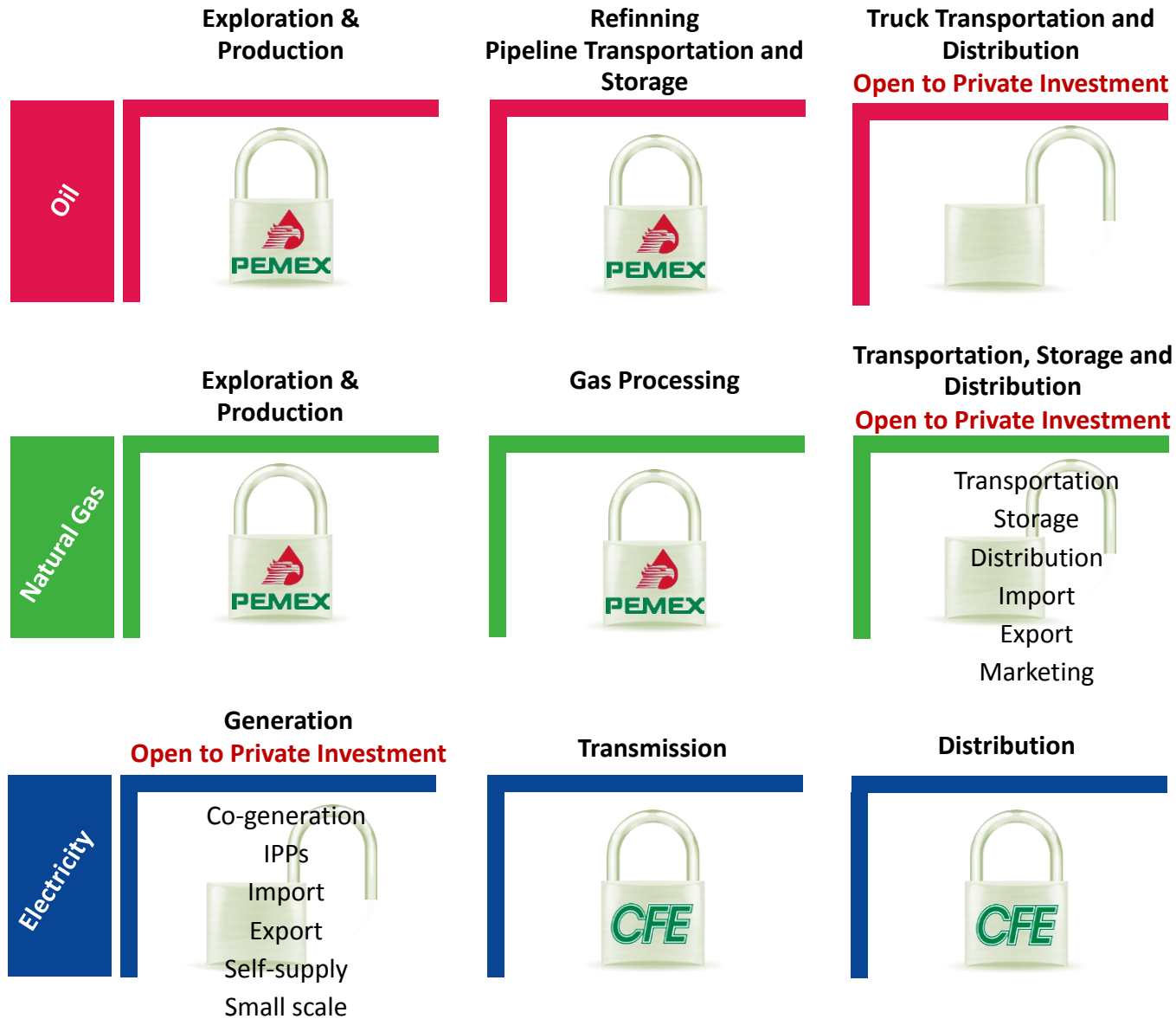


- We are currently analyzing the construction of a liquefaction terminal at ECA
- Shale gas production in the US has placed Mexico in a privileged position where we can take advantage of natural gas price arbitrage opportunities
- Increase in Mexico's natural gas production is expected as a result of the Energy Reform which will contribute to reinforce the North America price dynamics
- ECA can be the first liquefaction terminal in the North American Pacific Coast
- ECA may be able to **serve Asian and Latin-American markets, as well as supply gas to the isolated market of Baja California Sur**
- Conservative investment opportunity is approximately USD \$2-3 billion

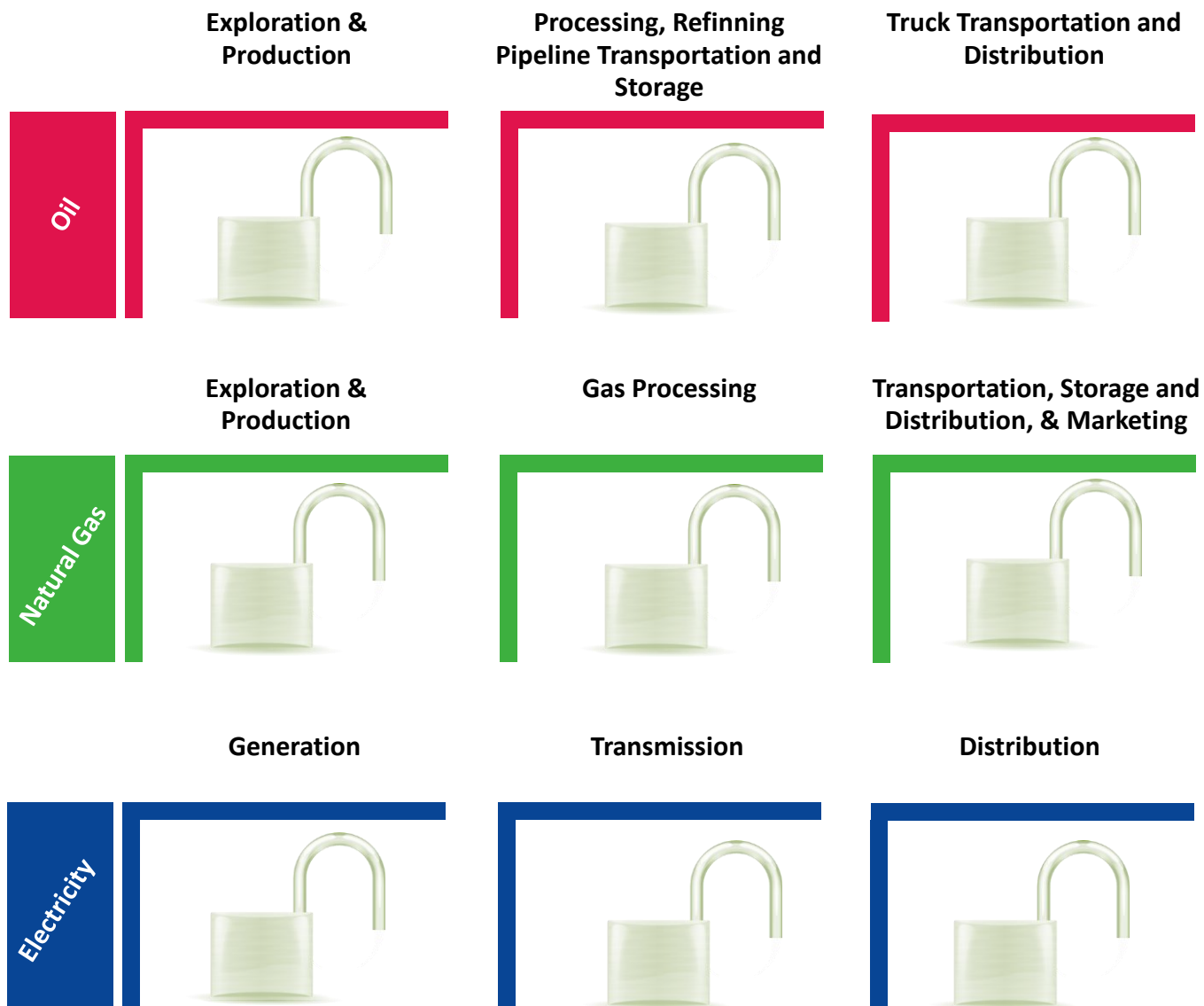
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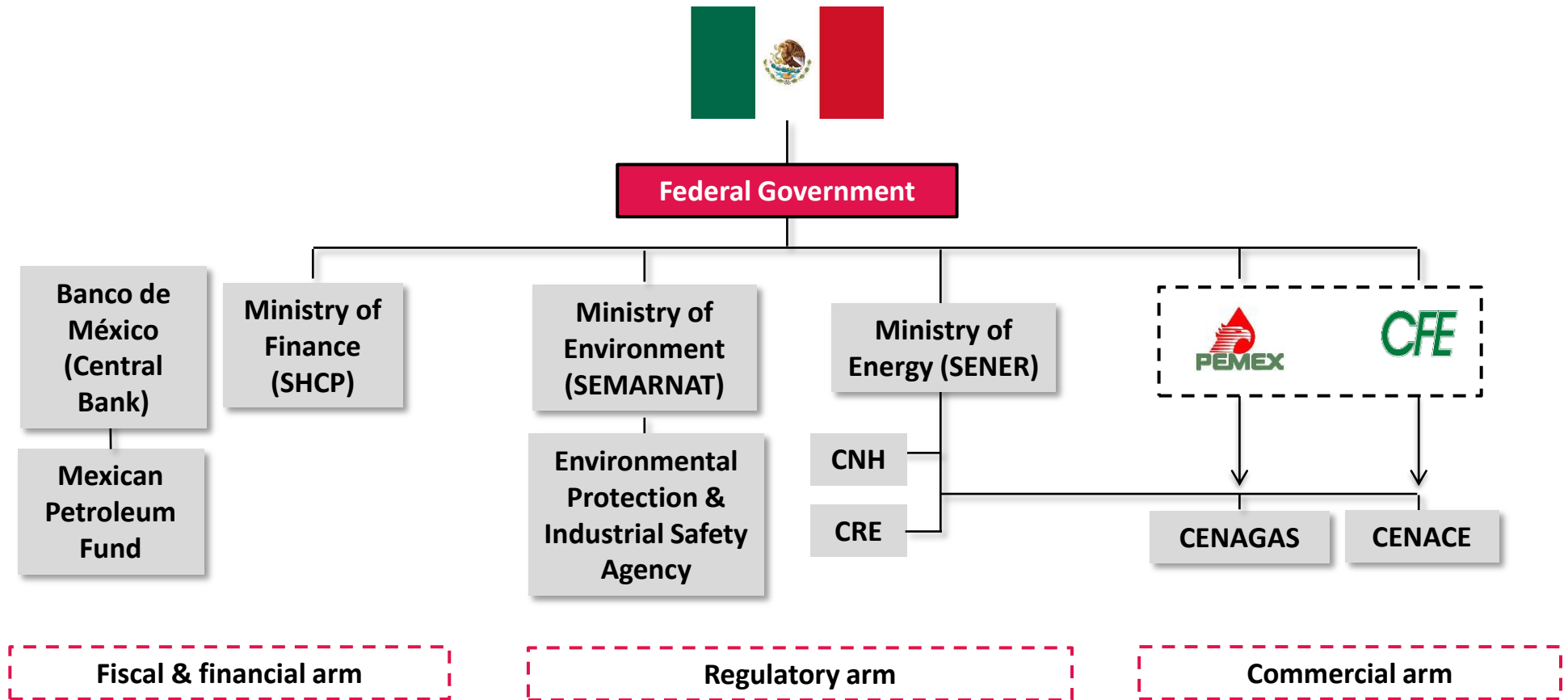
Pre-2013 Reform Legal framework

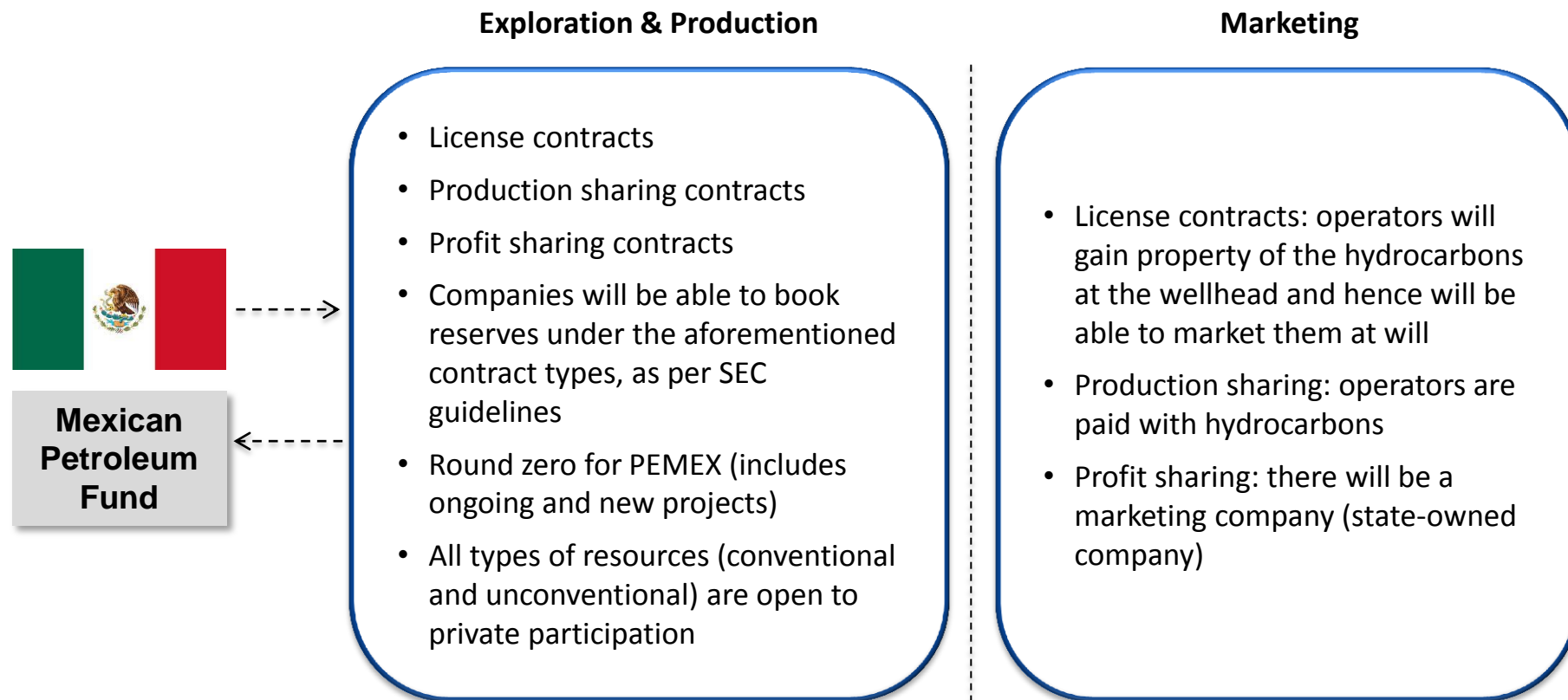


Post-2013 Reform Legal framework



New energy sector institutional arrangement





Hydrocarbons production outlook:

- Replacement rate above 100%
- Increase in crude oil production from 2.5 MMBD to 3 MMBD in 2018 and 3.5 MMBD in 2025
- Increase in natural gas production from 5.7 BCFD to 8 BCFD in 2018 and 10.4 BCFD in 2025

Midstream & Downstream (Petroleum)

Crude Processing


- Private sector participation in the construction and operation of refineries and petrochemicals production facilities
- Regulated services. Private sector participation will be through a permit regime. It remains unclear who will impose/define technical regulation

Storage & Transportation

- Private sector participation in the construction and operation of oil products storage & transportation facilities
- Regulated services. Private sector participation will be through a permit regime

Distribution & Marketing

- Private sector participation in the distribution and marketing of all oil products
- Regulated services. Private sector participation will be through a permit regime

 Opportunity for IEnova

Gas Processing


- Private companies will be able to participate in the construction and operation of gas processing facilities
- Permits will be granted by SENER.

Storage & Transportation

- CENAGAS will be in charge of the operations of the National Pipeline & Storage System (current PEMEX infrastructure)
- Independent private systems remain unchanged

Distribution & Marketing

- A market deepening is expected as a by-product of the opening of other value chain segments
- Entrance of new marketers is expected, as marketing is an unregulated service

 Opportunity for IEnova

Defining Details:

- CENAGAS will be created upon approval of the secondary law (CENAGAS law) as an independent central operator, granting open access to the system
- Upon publication of the CENAGAS law, PEMEX must immediately transfer all its storage and transportation contracts to CENAGAS. Secondary law will define the terms and timing for CENAGAS to acquire all PEMEX's storage and transportation assets
- CRE remains as first-hand sales, storage, transportation and distribution regulator
- PEMEX keeps processing facilities

Generation


Fully open generation market
(all kinds except nuclear, and including geothermal)

Transmission

- Private parties will be able to build and operate transmission lines via contracts and associations with CFE
- There will be an independent central operator of the National Electricity Network

Distribution

Retail sales will partially remain controlled by CFE

 Opportunity for IEnova

Defining Details:

- CENACE will be created upon approval of the amended secondary law as a independent central operator, granting open access to the system and establishing electric dispatch based on the lowest energy costs (CENACE Law)
- Upon publication of the amended law, CFE must immediately transfer all its transmission and distribution contracts to CENACE. The CENACE Law will define the terms and timing for CENACE to acquire all CFE's transmission and distribution assets
- CRE remains as regulator: in charge of granting generation permits, issuing open seasons for transmission and determining transmission and distribution rates
- CFE keeps old generation facilities and remains as a marketer

Energy reform creates new opportunities for IEnova

The bill modifies the Mexican constitution to allow private sector participation in exploration & production activities, petrochemicals, refining, oil and oil products storage, transportation and distribution and electricity generation, marketing, transmission and distribution

Impact to the sector

Opportunities for IEnova

Exploration & Production

- New contract types include: profit sharing contracts, production sharing contracts, and license contracts; concessions remain prohibited
- The aforementioned contracts will allow for recognition of reserves for accounting purposes

- **Transportation & storage of gas and liquids**

Midstream & Downstream

- Permits private sector participation in natural gas gathering and processing, oil refining, basic petrochemicals, oil and oil products transportation, storage and distribution

- **Transportation & storage of gas and liquids**
- **Gathering & processing of natural gas**

Power

- Fully opens the generation and marketing of electricity allowing for direct contracts between generators and large end-users
- Permits private sector participation in transmission and distribution through contracts with the CFE

- **Power generation**
- **Electric transmission & distribution**

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Financing current projects

Gas Segment – wholly-owned assets

Sonora natural gas pipeline system

- Financed using IPO proceeds and cash flow from operations
- Evaluating post-operations (“take-out”) financing options including project financing and project bond issuance

Joint venture with Pemex – IEnova (50/50)

Ethane pipeline

- Financed using cash on hand and cash flow from joint venture operations

Los Ramones-I natural gas pipeline

- Raised USD \$475 million non-recourse financing at Gasoductos de Chihuahua, secured against existing operating assets

Los Ramones North natural gas pipeline

- Expect to raise project financing for approximately 75% of the capital investment
- Remaining amount would be funded by equity from the partners

Power Segment

Energía Sierra Juárez wind project

- 50/50 partnership with InterGen
- Expect to raise project financing for approximately 70% of the capital investment
- IEnova’s equity interest already funded; will receive reimbursement from InterGen at financial closing for it’s share of project costs spent to-date

Sources of Financing

Current Position

Go-forward Strategy

Debt

- Existing debt of approximately \$440 million
- This includes \$408 million of corporate bonds issued in the local market (CEBURES)
 - \$306 million, 10-year term, 4.12% fixed in USD
 - \$102 million, 5-year term, 2.65% fixed in USD
 - No covenants whatsoever
- AAA.mx credit rating from both S&P and Moody's
- Current debt-to-EBITDA ratio is approximately 1.4x

- Leverage target is approximately 3.0x EBITDA
- Maintain current AAA.mx rating
- Utilize diverse funding sources including:
 - Local corporate debt (CEBURES)
 - International corporate debt (144a)
 - Project financing
 - Project bonds

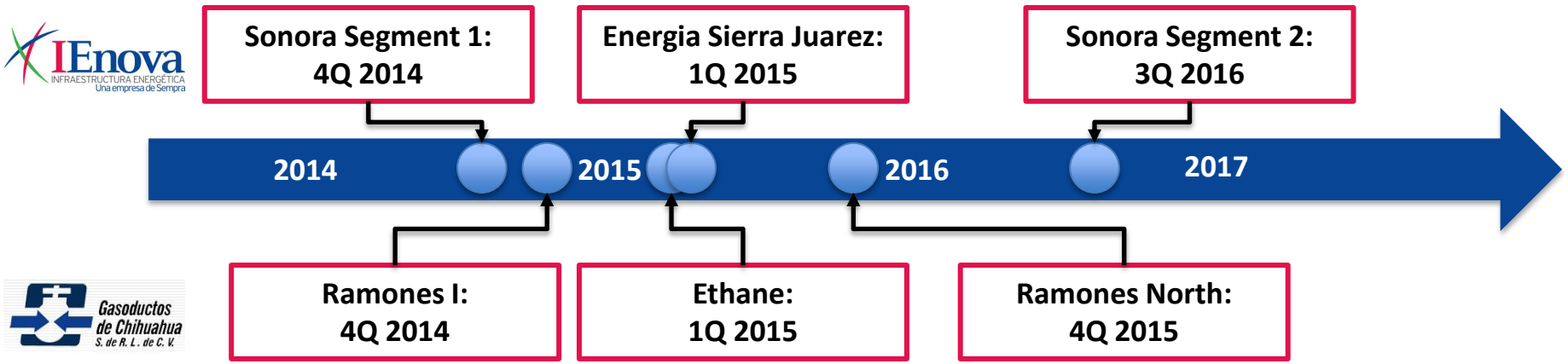
Equity

- Raised approximately \$575 million (net) in IPO
- First publicly traded energy company in Mexico
- Access equity capital markets when required to fund new projects

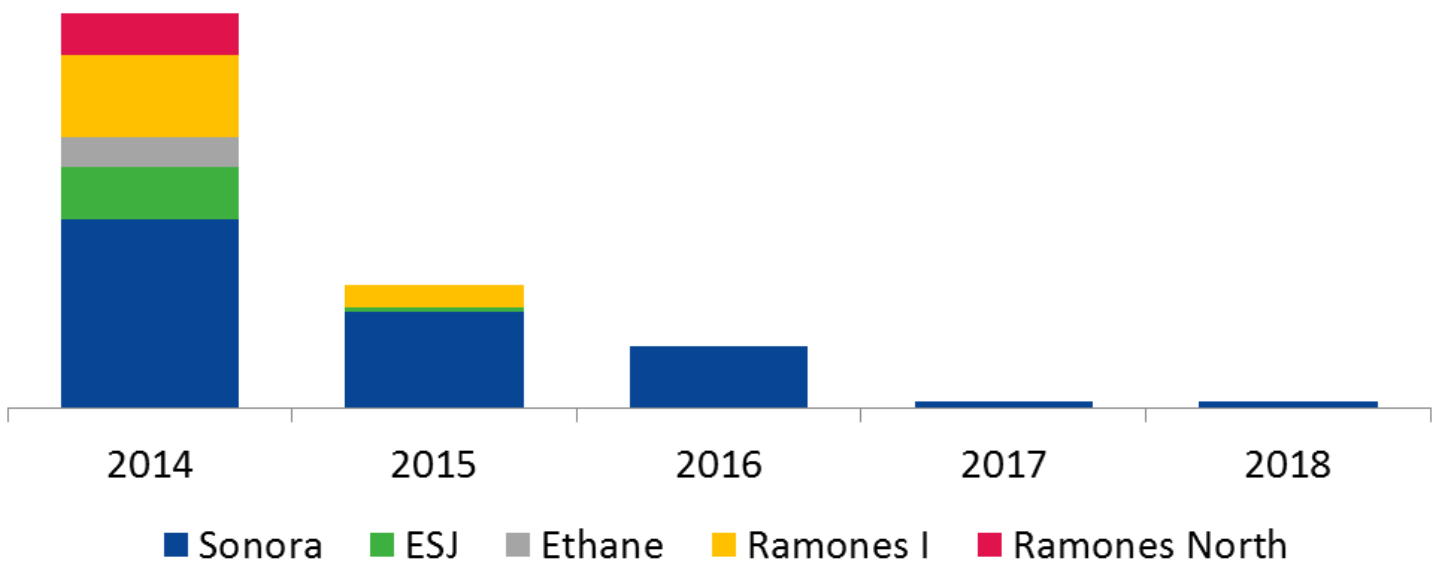
- (1) Optimize capital structure by issuing additional debt**
- (2) Issue additional equity and debt as needed to fund growth**

Execution Capacity

Ample execution capacity is available following completion of several projects later this year and early into 2015, just as a number of new investment opportunities are available in the market



Investment Funded by IEnova (Indicative)



- Leading energy infrastructure company with presence along the lengths of the gas and power value chains
- Proven project execution and operation expertise
- First energy company to be quoted on the Mexican Stock Exchange
 - Included in Mexico's IPC and FTSE indices
- Selective and disciplined investment in existing opportunities
- Access to attractive sources of capital to maintain high growth and profitability
- We are the best positioned player to take advantage of Energy Reform opportunities

