

# Investor Presentation

January 2015

# Information Regarding Forward-Looking Statements



This presentation contains statements that are not historical fact and constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by words like “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “may,” “will,” “would,” “could,” “should,” “potential,” “target,” “outlook”, “depends,” “pursue,” “goals” or similar expressions, or discussions of our guidance, strategies, plans, goals, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements. Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others: local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions by the Mexican Energy Ministry (Secretaría de Energía), the Mexican Energy Regulatory Commission (Comisión Reguladora de Energía), the Mexican Environmental Protection Ministry (Secretaría de Medio Ambiente y Recursos Naturales), Mexican Federal Electricity Commission (Comisión Federal de Electricidad), the California Public Utilities Commission, California State Legislature, Federal Energy Regulatory Commission, U.S. Department of Energy, California Energy Commission, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and Mexico; capital market conditions, including the availability of credit and the liquidity of our investments; inflation, interest and exchange rates; the impact of benchmark interest rates on our cost of capital; the timing and success of business development efforts and construction, maintenance and capital projects, including risks inherent in the ability to obtain, and the timing of granting of, permits, licenses, certificates and other authorizations; energy markets, including the timing and extent of changes and volatility in commodity prices; the availability of electric power, natural gas and liquefied natural gas, including disruptions caused by failures in the electric transmission grid, pipeline explosions and equipment failures; weather conditions, natural disasters, catastrophic accidents, and conservation efforts; wars, terrorist attacks and cybersecurity threats; business, regulatory, environmental and legal decisions and requirements; governmental expropriation of assets and title and other property disputes; the inability or determination not to enter into long-term supply and sales agreements; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the company. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise those forward looking statements whether as a result of new information, future events or otherwise. These risks and uncertainties are further discussed in the draft prospectus that IEnova has filed with the Mexican National Banking and Securities Commission. These reports are also available through the Mexican National Banking and Securities Commission’s website, [www.cnbv.gob.mx](http://www.cnbv.gob.mx), and on the company’s website at [www.ienova.com.mx](http://www.ienova.com.mx).

# IEnova company overview



IEnova develops, constructs, owns and operates energy infrastructure in Mexico

IEnova is one of the largest private energy companies in Mexico and is the only energy company listed on the Mexican stock exchange



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

Mexico requires new energy infrastructure and the current low oil price environment magnifies the need for private sector investment leading to more growth opportunities for IEnova



# 2014 accomplishments and highlights

## Execution: on-time and on-budget

- First segment of Sonora pipeline placed in-service on October 1
- Los Ramones 1 pipeline placed in-service on December 1
- Remaining projects under construction proceeding according to plan
- Achieved annual safety measurements below OSHA industry standards

## Financings: ESJ and Ramones Norte

- Completed project financing at Energía Sierra Juárez wind project and closed the sale of 50% of the project to InterGen
- Completed project financing at Los Ramones Norte pipeline

## New contracted growth project: Ojinaga-El Encino

- Awarded new \$300 million pipeline project located between the Texas-Chihuahua border and El Encino, Chihuahua
- 25-year, take-or-pay, dollar-denominated contract
- Expected commercial operations date 1Q-2017

## Energy reform: implementation in process

- Mexican Congress approved secondary legislation, paving the way for full implementation and opening a new set of investment opportunities for IEnova
- In light of current oil prices, provides tools for government to increase private sector investment in energy infrastructure

# Ojinaga - El Encino pipeline project

## Project overview

- In December 2014, IEnova was awarded the Ojinaga-El Encino pipeline project by the CFE
- Natural gas transportation pipeline connecting the future Waha-Presidio pipeline at the U.S. border to El Encino in the state of Chihuahua
- 25-year, take-or-pay, dollar-denominated contract with the CFE
- 42-inch diameter, 205 km (127 mi)
- 1,356 MMCFD of transportation capacity
- ~ US\$300 million of investment
- Commercial operations date first-half 2017

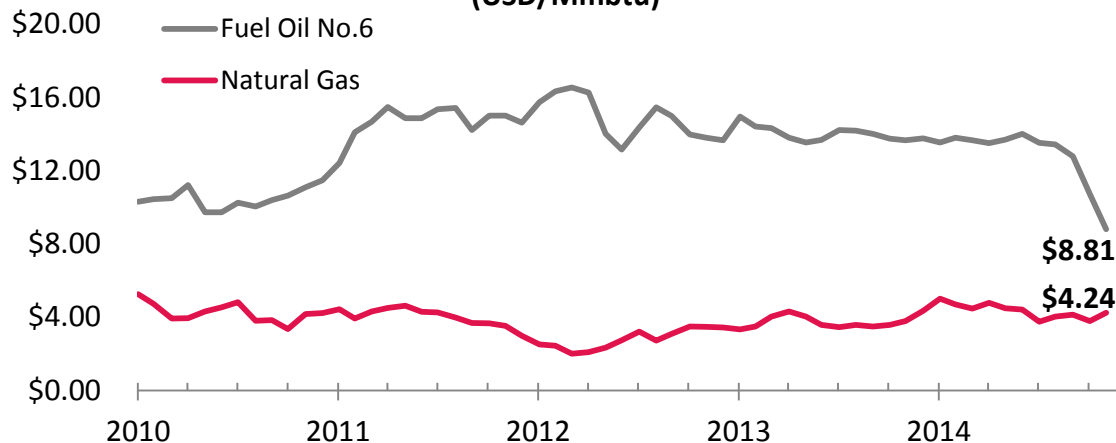


# Impact of oil prices on IEnova

- Our business provides stable and predictable cash flows resulting from long-term, take-or-pay, dollar-denominated contracts for our assets
- Fluctuations in oil price do not impact our financial results
- Near-term growth opportunities in natural gas are underpinned by strong projected growth in electricity consumption and by the need for infrastructure investment to support economic growth and competitiveness in Mexico
  - Even at current prices, natural gas continues to be cheaper than fuel oil
  - CFE will continue to focus on natural gas for electricity generation
- While the impact of low oil prices will affect Mexico's federal spending in the near-term, Energy reforms passed last year provide the necessary tools to engage the private sector to fill this gap
  - In our view, this effect should benefit energy infrastructure companies in Mexico

**Natural gas will continue to be the CFE's fuel of choice for new and existing electricity generation**

**Price comparison between Fuel Oil & Natural Gas (USD/Mmbtu)**



**Implementation of the Energy Reform will continue as the need for private sector investment is magnified by low oil prices**

*"The information I have is that interest continues...and a major reason is that Mexico has production costs that are far below the price of oil...at \$22 per barrel."*

*"The opportunities for international oil companies in the rest of the chain are going to be bigger."*

*"This [energy sector investment] is going to support economic growth in Mexico."*

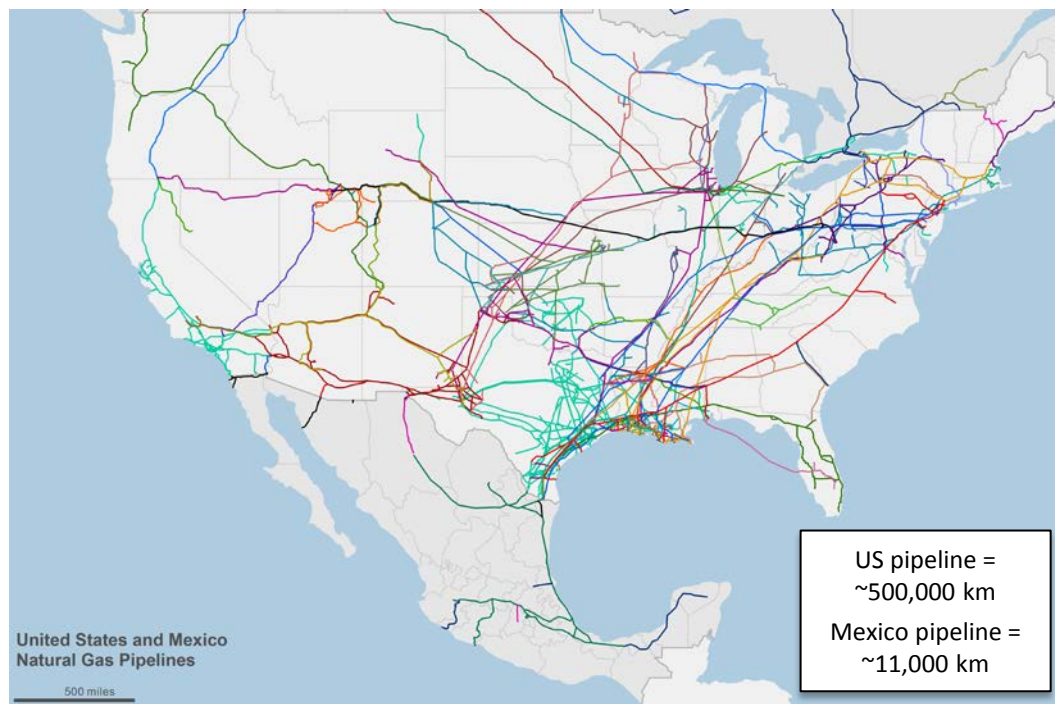
Emilio Lozoya, CEO PEMEX  
Excerpt from the Wall Street Journal  
December 2014



# Growth strategy underpinned by need for infrastructure

- We do not expect any change in the current plans to develop new energy infrastructure in Mexico
- On the contrary, we expect the CFE to continue with its announced plans to rapidly increase natural gas transportation capacity
- We also believe that the falling oil prices could, in fact, increase the impetus for Mexico to attract private sector investment for new energy infrastructure
- Additionally, access to cheap and reliable energy is a fundamental component of Mexico's relative industrial competitiveness and therefore has a direct impact on economic growth
- IEnova has both the execution and financial capacity and has access to attractive sources of capital to capture significant growth opportunities

## Illustrative comparison of natural gas infrastructure in Mexico and the US



Source: IEA

# Announced natural gas pipeline projects in Mexico

Natural Gas Pipelines		
Project Name	CFE Estimated CapEx (USD millions)	Commercial Operations Date
✓ Ojinaga – El Encino	393	1Q 2017
✓ El Encino – La Laguna	917	1Q 2017
San Isidro - Samalayuca	50	1Q 2017
Tuxpan – Tula	393	1Q 2017
Samalayuca – Sásabe	825	2Q 2017
Colombia – Escobedo	368	2Q 2017
Mérida – Cancún	457	3Q 2016
Texas – Tuxpan	2,947	2Q 2018
Tula – Villa de Reyes	413	2Q 2017
Jaltipán – Salina Cruz	635	4Q 2017
Los Ramones – Cempoala	1,986	4Q 2017
Villa de Reyes – Aguascalientes – Guadalajara	545	4Q 2017
La Laguna – Centro	884	4Q 2018
Natural Gas to Baja California Sur	589	2Q 2017
Lázaro Cárdenas – Acapulco	450	2018
Salina Cruz – Tapachula	436	2018
<b>Total announced pipeline tenders in Mexico 2014-16</b>	<b>12,288</b>	
<b>Total announced projects remaining to be tendered in Mexico 2015-16</b>	<b>11,402</b>	



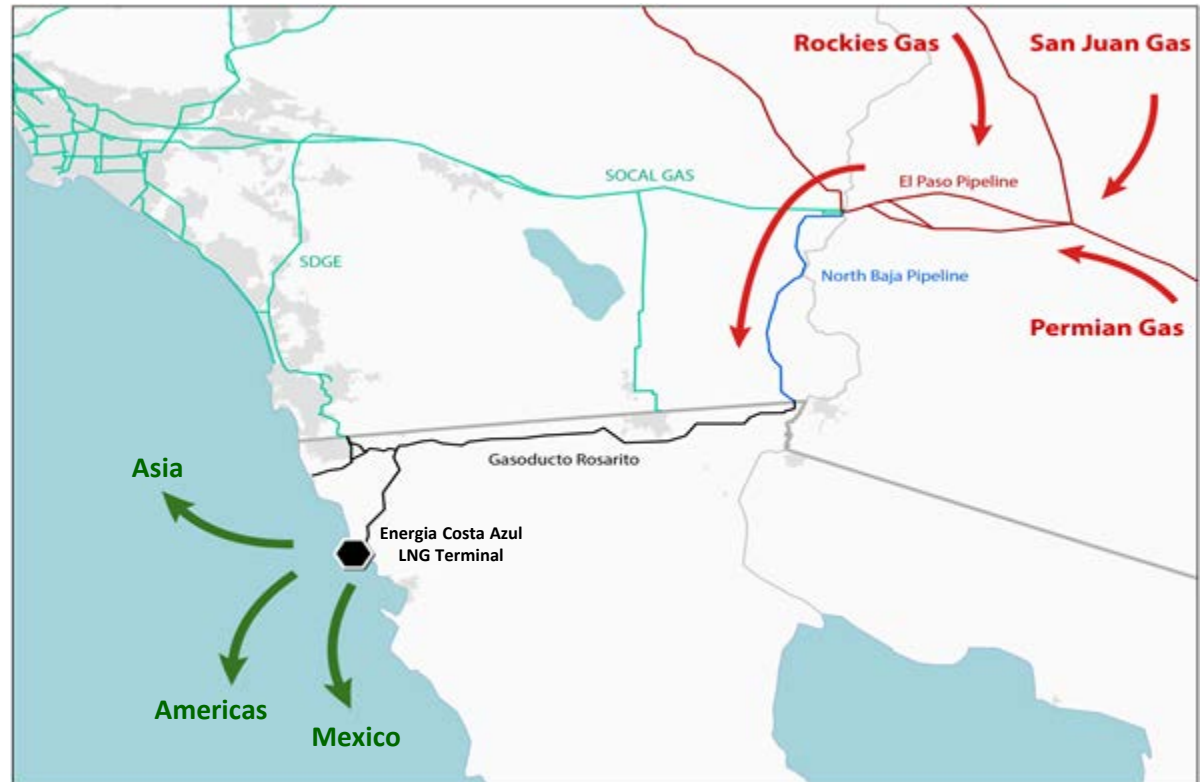
**Expect  
announcement  
during first-  
quarter 2015**



# Energia Costa Azul

## Background

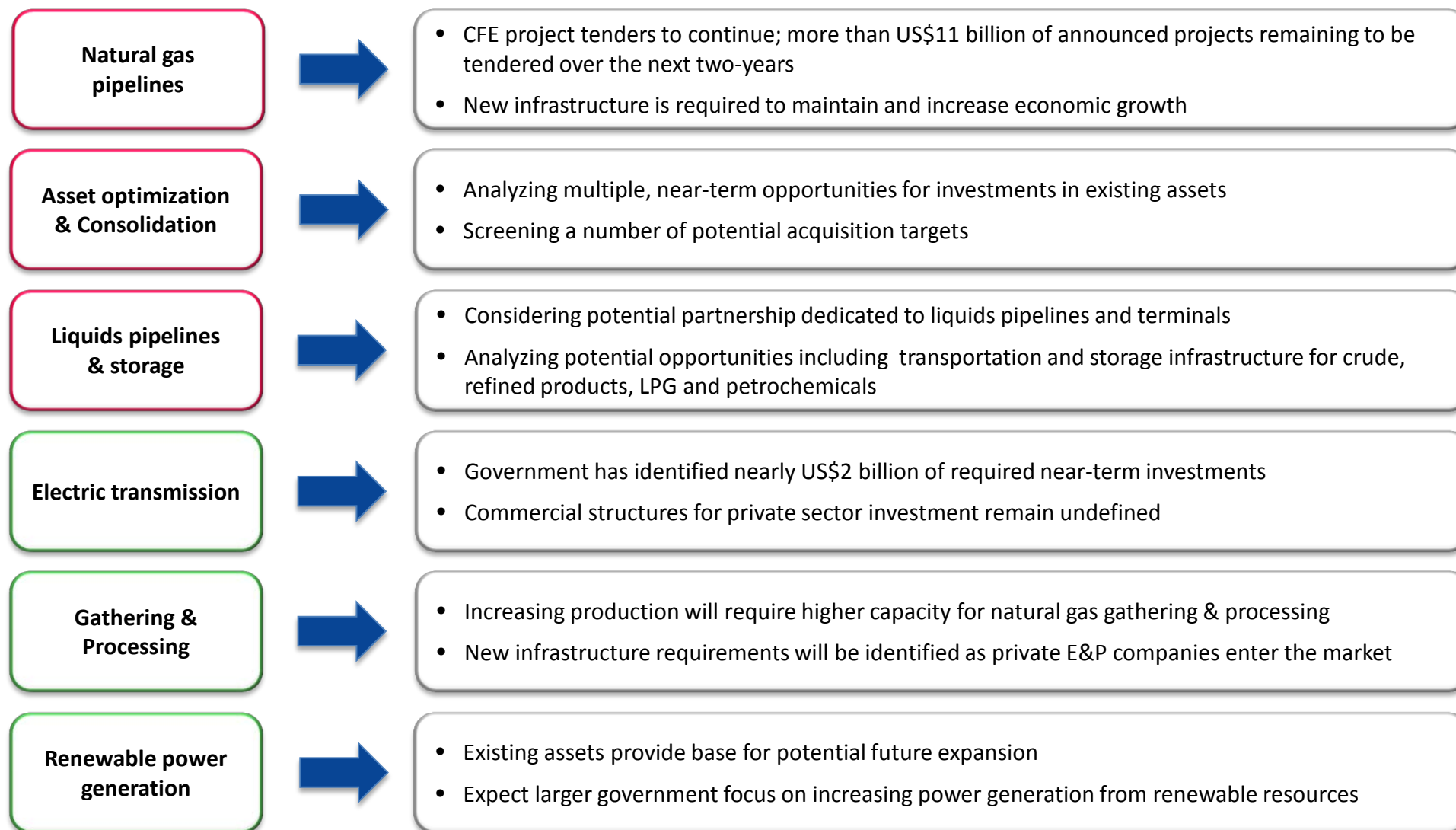
- Our Energia Costa Azul (ECA) LNG regasification terminal is located in Ensenada, near the California border
- The facility is fully contracted under long-term, take-or-pay, dollar-denominated contracts
- We continue analyzing the feasibility of a liquefaction project at ECA
- ECA can be the first liquefaction project on the west coast of North America
- The project is ideally positioned to serve markets surrounding the Pacific Basin



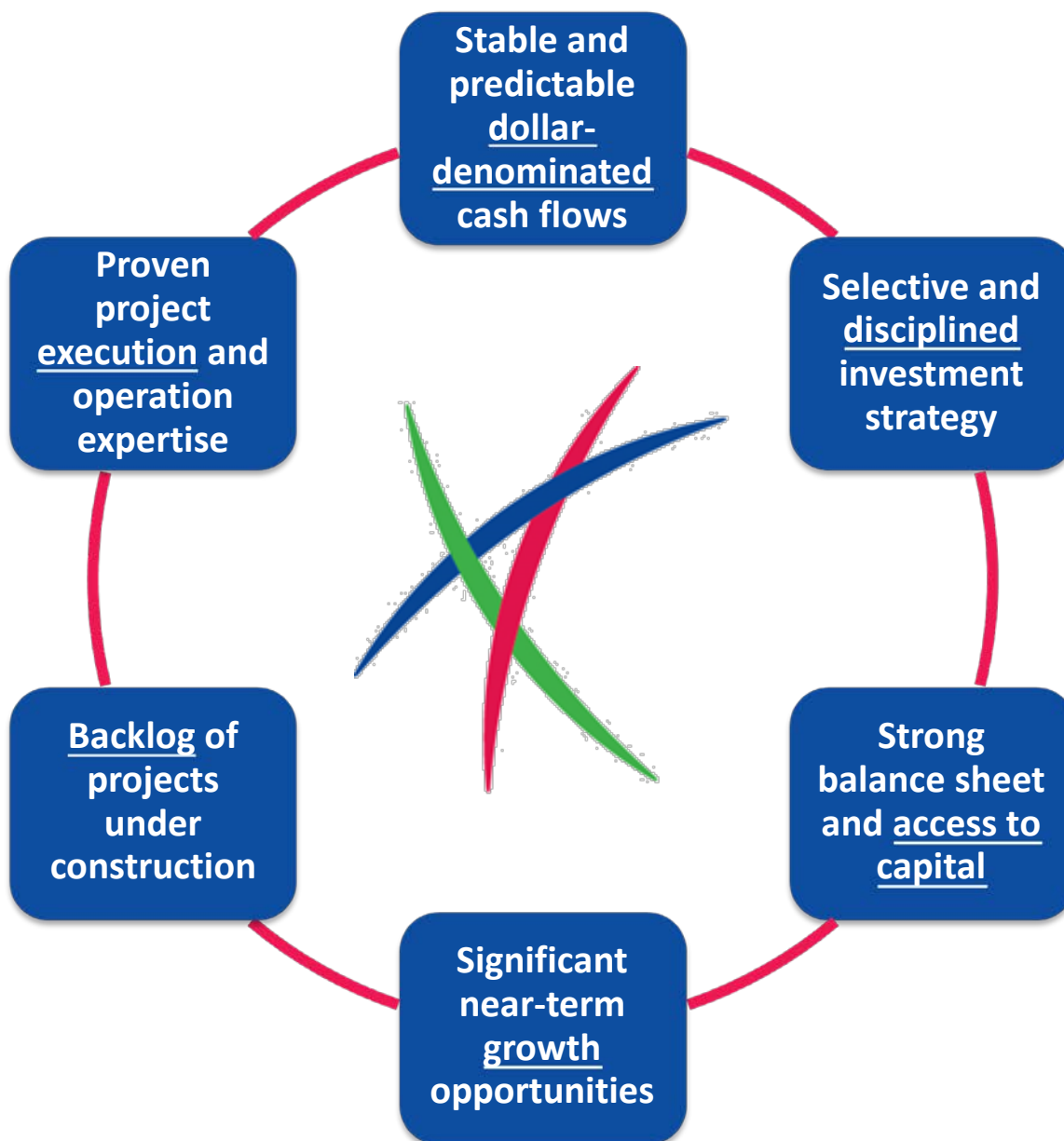
## Feasibility analysis

Concept	Description	Comments
1) Gas supply & infrastructure	Identification of available gas supply and infrastructure capacity to support the project	<ul style="list-style-type: none"> <li>• Sufficient gas supply exists</li> <li>• Sufficient infrastructure exists with minor expansion requirements</li> </ul>
2) Regulatory	Engage relevant stakeholders in both Mexico and the U.S.	<ul style="list-style-type: none"> <li>• Regulations in both Mexico and the U.S. are constructive for the project</li> </ul>
3) Commercial	Engage existing and potential customers of the facility	<ul style="list-style-type: none"> <li>• Discussions ongoing</li> </ul>

# Growth opportunities outlook

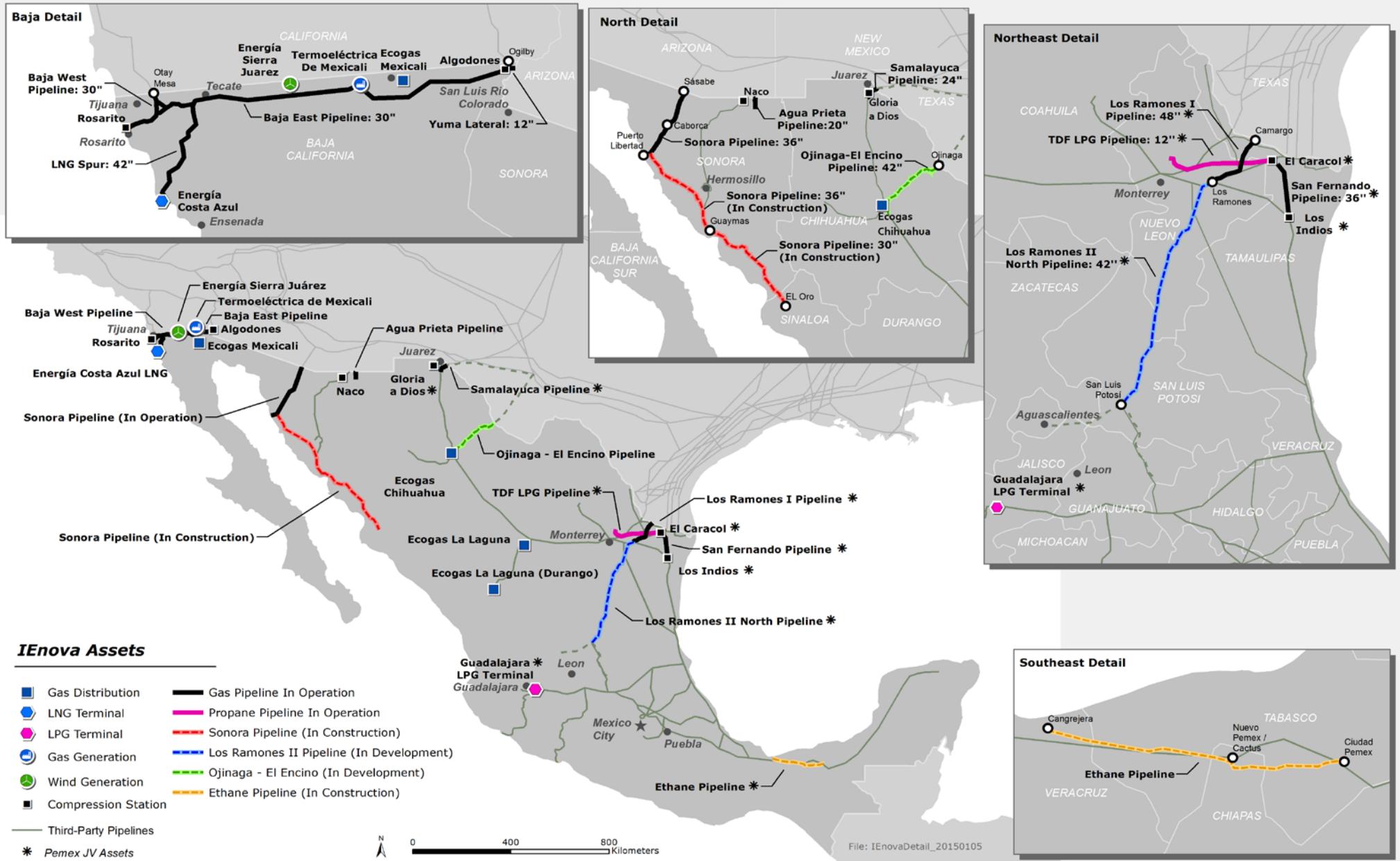


# Takeaways



## **Appendix: Company detail**

# IEnova asset overview



# Corporate structure and assets in operation



## Gas Segment



### Wholly-owned Pipelines

- 558km 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)

- 265km of pipelines (23% of the market's transportation capacity)
- 190km LPG transportation pipelines and 120,000Bbl of LPG storage
- Five compression stations

**USD \$3 billion of assets in operation**



# Financial summary as of third-quarter 2014

Financial Results	Trailing 12-mo	3Q14	2Q14	1Q14	4Q13
Revenue	778,781	234,898	185,852	201,349	156,682
Cost of revenue	(416,884)	(130,785)	(103,139)	(109,321)	(73,639)
Administrative and other expenses	(103,613)	(25,401)	(24,200)	(23,140)	(30,872)
Depreciation and amortization expenses	(60,432)	(14,787)	(14,909)	(14,978)	(15,758)
Net financing income (costs)	6,653	2,456	1,733	1,596	868
Other gains (losses)	17,407	18,847	(1,910)	(1,851)	2,321
<b>Profit before income tax and share of profits of joint ventures</b>	<b>221,912</b>	<b>85,228</b>	<b>43,427</b>	<b>53,655</b>	<b>39,602</b>
Income tax expense	(92,300)	(26,419)	(13,641)	(13,094)	(39,146)
Share of profits of joint ventures, net of income tax	24,407	5,656	7,723	6,161	4,867
<b>Profit for the period</b>	<b>154,019</b>	<b>64,465</b>	<b>37,509</b>	<b>46,722</b>	<b>5,323</b>

Adjusted EBITDA	Trailing 12-mo	3Q14	2Q14	1Q14	4Q13
Gas Segment	226,776	51,610	56,318	63,487	55,361
Power Segment	31,641	26,709	1,925	4,951	(1,944)
Corporate	(133)	393	270	450	(1,246)
<b>EBITDA</b>	<b>258,284</b>	<b>78,712</b>	<b>58,513</b>	<b>68,888</b>	<b>52,171</b>
JV EBITDA adjustment (50%)	52,742	13,052	14,424	12,797	12,469
<b>Adjusted EBITDA</b>	<b>311,026</b>	<b>91,764</b>	<b>72,937</b>	<b>81,685</b>	<b>64,640</b>

Net Debt to EBITDA	1.7x
FFO to Debt	19%

# Contracted growth projects currently underway

## Gas Segment – wholly-owned assets

### Sonora natural gas pipeline system

- Natural gas pipeline extending from the U.S. border near Nogales, AZ to the town of El Oro in the Mexican state of Sinaloa. First segment of Sonora pipeline placed in-service on October 1
- Northern section has capacity of 770 MMcfd; southern section has capacity of 550 MMcfd

**Investment**  
**COD**

**\$1 billion**  
**3Q16**

### Ojinaga – El Encino pipeline

- Natural gas transmission pipeline located at Chihuahua, Chihuahua that will interconnect with the Waha-Presidio pipeline
- 1,356 MMCFD of transmission capacity

**\$300 million**  
**1Q17**

## Joint venture with Pemex – IEnova (50/50)

### Ethane pipeline

- Ethane pipeline located in the states of Tabasco, Chiapas and Veracruz

**\$330 million**  
**1Q15**

### Los Ramones North natural gas pipeline

- 1,430 MMcfd pipeline crossing the states of Nuevo Leon and San Luis Potosí

**\$1.4 billion**  
**4Q15**

## Power Segment

### Energía Sierra Juárez wind project

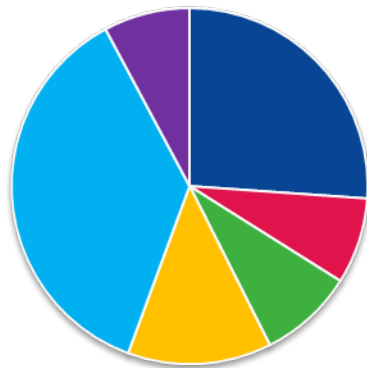
- 155 MW wind project with 47 turbines located near the U.S. border in the state of Baja California
- 50/50 joint venture with InterGen

**\$300 million**  
**1Q15**

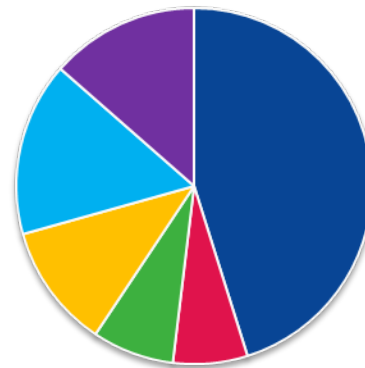
(1) Includes IEnova participation in joint venture projects

# Investment in new growth projects

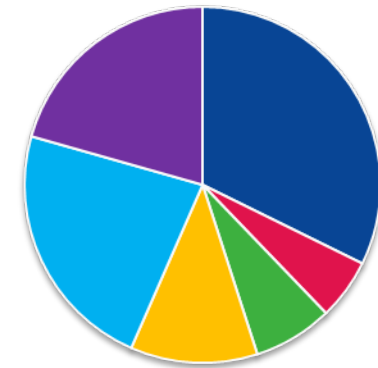
US\$3.8 billion total investment in new projects<sup>1</sup>



US\$2.2 billion IEnova share of investments in new projects<sup>2</sup>

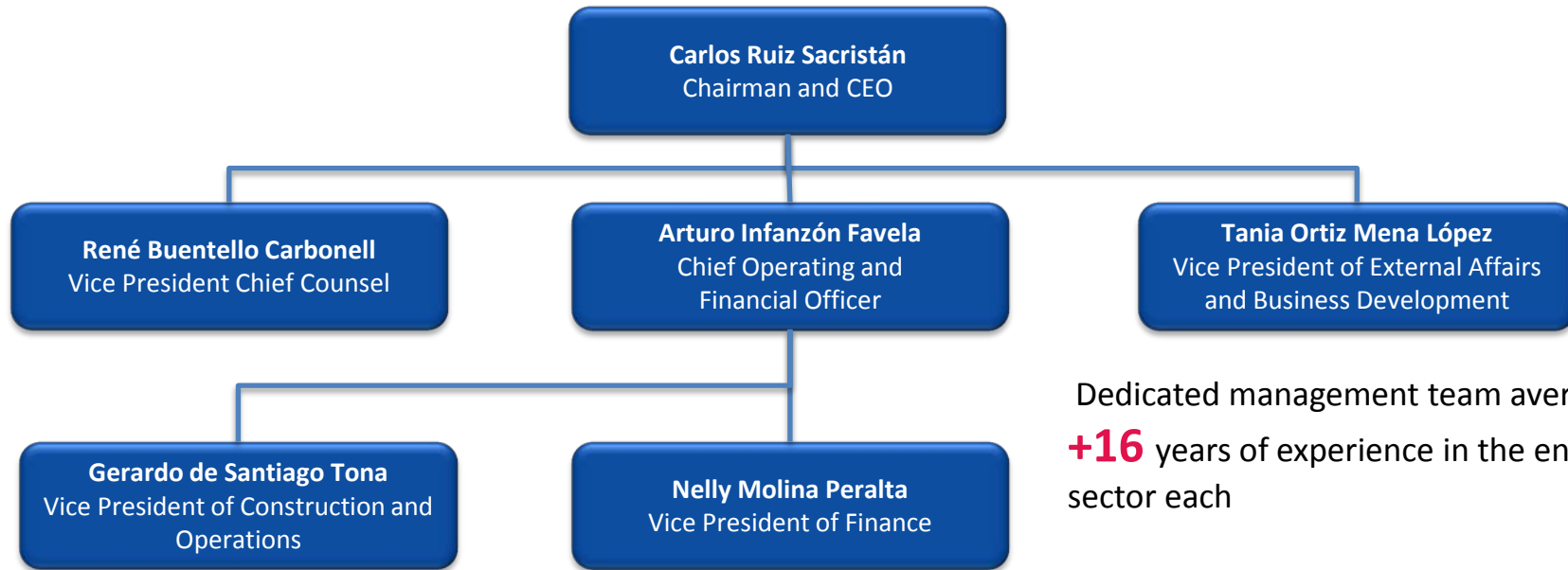


US\$1.5 billion IEnova share of remaining investment in new projects<sup>3</sup>



(1) Represents total project investment at 100% ownership  
 (2) Represents IEnova share of new projects  
 (3) Remaining investment in new projects at 30-Sep 2014, except for Ojinaga-El Encino which is as of December 2014

# Experienced management team



Dedicated management team averaging **+16** years of experience in the energy sector each

## Board of Directors<sup>(1)</sup>

**3** of **9** independent board members

- Carlos Ruiz Sacristán (*Chairman*)
- George Liparidis
- Mark Snell
- Joseph Householder
- Eduardo Pawluszek
- Arturo Infanzón (CP)
- Andres Conesa (IM/CP/AC)
- Aaron Dychter (IM/CP/AC)
- Jeffrey Davidow (IM/CP/AC)

Note: IM – Independent Member, CP – Corporate Practices, AC – Audit Committee.

(1) James Lambright serves as Alternate Director to Mark Snell. Randall Clark, René Buentello and Rodrigo Cortina serve as non-member Secretary, Pro-Secretary and Pro-Secretary, respectively.

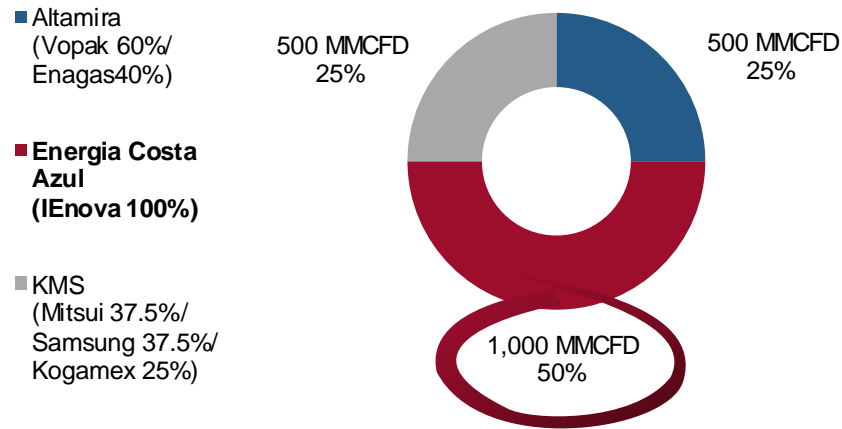
# IEnova – natural gas portfolio

	Ownership	Length of Pipelines (km)	Capacity	% of Capacity under Long Term Contract	Contract term (yrs)	Commercial Operational Date	Customers
<b>Natural Gas Systems</b>							
Baja East Pipeline System	100%	302	3,450 MMcfd	90%	20	Aug-02	Shell, Gazprom, IENOVA LNG Marketing Mexico, InterGen, North Baja Pipeline (TransCanada), TDM power generating facility (affiliate company)
Baja West Pipeline System	100%	45	940 MMcfd	100%	20	Jun-00	
Aguaprieta Pipeline	100%	13	200 MMcfd	25%	25	Nov-02	Kinder Morgan
San Fernando Pipeline*	50%	114	1,000 MMcfd	100%	20	Nov-03	Pemex Gas
Samalayuca Pipeline*	50%	37	272 MMcfd	51%	Annual	Dec-97	Pemex Gas, CFE
Naco Compression Station	100%	NA	90 MMcfd	100%	20	Sep-01	Pemex Gas
Gloria a Dios Compression Station*	50%	NA	60 MMcfd	100%	20	Oct-01	CFE
Los Ramones 1*	50%	117	2,100 MMcfd	100%	25	Dec-14	Pemex Gas
Los Ramones Norte*	50%	454	1,430 MMcfd	100%	25	Dec-15	Pemex Gas
Ojinaga - El Encino	100%	250	1,356 MMcfd	100%	25	Mar-17	CFE
<b>LPG System</b>							
TDF Pipeline*	50%	190	30,000 Bld	100%	20	Dec-07	Pemex Gas
<b>LPG Storage Facilities</b>							
Guadalajara LPG Storage Terminal*	50%	NA	80,000 Bbld	100%	15	Jan-14	Pemex Gas
<b>Sonora Pipeline Expansion</b>							
Sasabe - Guaymas	100%	505	770 MMcfd	100%	25	Oct-14	CFE
Guaymas - El Oro	100%	330	510 MMcfd	100%	25	Oct-16	CFE
<b>LNG Facilities</b>							
Energia Costa Azul	100%	NA	1 Bcfd	100%	20	May-08	IENOVA LNG Marketing (who sells to CFE), Gazprom and Shell
<b>Ethane Transportation</b>							
Ethane Pipeline*	50%	226	152 MMcfd	100%	21	1Q 2015	Pemex Gas

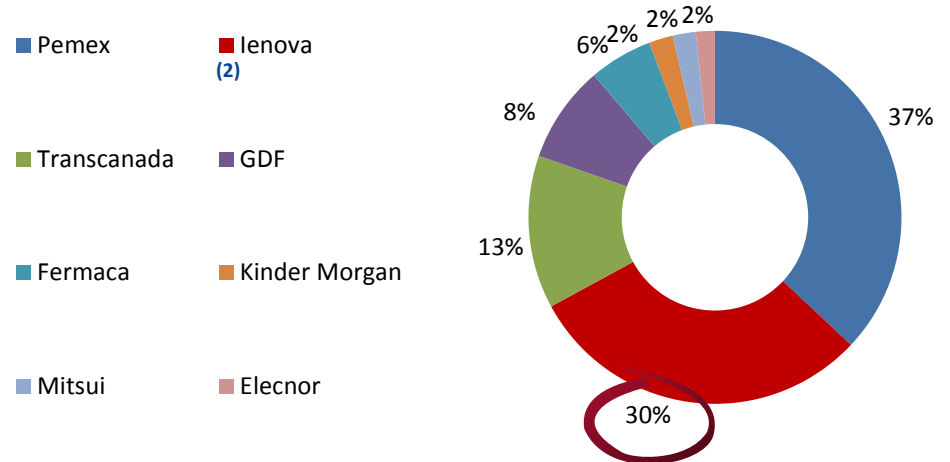
\*Assets under 50% JV with Pemex Gas

# Competitive landscape

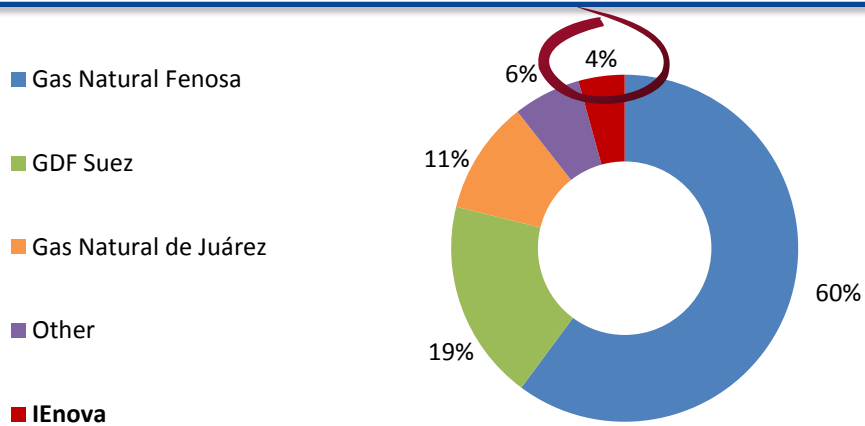
## LNG Terminals<sup>(1)</sup>



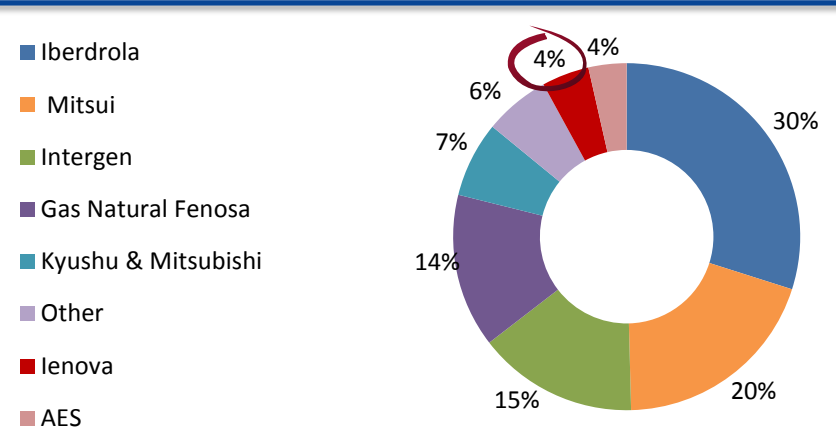
## Natural Gas Pipelines<sup>(2)</sup>



## Natural Gas Distribution (proportional # of clients)<sup>(3)</sup>



## Electricity Generation Plants (MW authorized)<sup>(4)</sup>



Source: "Prospectiva de Gas Natural y Gas L.P. 2013-2027" and Comisión Reguladora de Energía.

(1) Million cubic feet per day.

(2) Includes 50% interest in a joint venture with Pemex, capacity expansions and CFE's recent bids.

(3) Number of clients in 2012.

(4) Electricity generation plants consists of MW authorized for plants with an Exportation or Independent Private Producer permits.