2018
FIRST QUARTER RESULTS

Ticker BMV: IENOVA
Mexico City, April 25, 2018

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

(millions of US$, except percentages)	Three months ended March 31, 2018		Three months ended March 31, 2017		% Var.
	(unaudited)				
Adjusted EBITDA	$	211.4	$	183.8	15 %
Profit for the period	$	127.5	$	145.0	(12) %
Revenues	$	288.0	$	272.8	6 %

- In the first quarter of 2018, Adjusted EBITDA increased 15 percent to $211.4 million, compared with $183.8 million in the same period of 2017. The increase of $27.6 million was mainly due to the November 2017 acquisition of an additional 25 percent of Los Ramones Norte pipeline, higher margin in the gas segment, higher operational results at the Termoeléctrica de Mexicali power plant and the start of new pipeline operations. This was partially offset by lower power revenue due to wind factor variation compared to the same period of 2017.
- In the first quarter of 2018, profit was $127.5 million, compared with $145.0 million in the same period of 2017. The decrease of $17.5 million was mainly due to exchange rate effects and higher financing costs, partially offset by higher margin in the gas segment.
- In the first quarter of 2018, revenues were $288.0 million, compared with $272.8 million in the same period of 2017. The increase of $15.2 million was mainly due to higher revenues in the gas segment including the start of operations of new pipelines, exchange rate effects, and the acquisition of the remaining 50 percent of Ductos y Energéticos del Norte, partially offset by lower power revenue due to wind factor variation compared to the same period of 2017.
- In February 2018, the Company announced the execution of a 15-year electricity supply contract with various subsidiaries of El Puerto de Liverpool, S.A.B. de C.V. The electricity will be generated by Don Diego Solar, a new 125-MW_{AC} solar power plant that will be located in the municipality of Benjamin Hill in the state of Sonora. The plant, which will have the capacity to supply Liverpool and other large energy consumers, is expected to begin operations in the second half of 2019 and have an estimated investment of $130 million.
- In April 2018, the Company announced a project to develop, construct and operate a marine terminal that will receive, store and deliver hydrocarbons, primarily gasoline and diesel, within the La Jovita Energy Center, which is located 23 km north of Ensenada, B.C., Mexico. In connection with this terminal, the Company executed two long-term contracts, one with Chevron Combustibles de Mexico, S. de R.L. de C.V. ("Chevron"), and the other with another global oil company for the storage and delivery of hydrocarbons. Together, these two contracts represent 100% of the initial total terminal storage capacity (which is approximately 1,000,000 barrels). Currently, an affiliate of Chevron has the option to acquire 20% of the equity of the terminal after commercial operations begin. With an investment of approximately $130 million, the terminal is expected to begin commercial operations in the second half of 2020.

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.

Condensed Consolidated Statements of Profit

(millions of US$)	Three months ended March 31, 2018	Three months ended March 31, 2017
	(unaudited)	
Revenues	$ 288.0	$ 272.8
Cost of revenues	(65.8)	(66.0)
Operating, administrative and other expenses	(44.0)	(39.9)
Depreciation and amortization	(33.6)	(27.2)
Financing cost, net	(24.5)	(12.0)
Other gains, net	50.9	2.4
Profit before income tax and share of profits of joint ventures	**171.0**	**130.1**
Income tax expense	(38.2)	(5.7)
Share of (losses) profits of joint ventures, net of income tax	(12.1)	12.6
Profit for the period from continuing operations	**120.7**	**137.0**
Profit for the period from discontinued operations, net of income tax [1]	6.8	8.0
Profit for the period	**$ 127.5**	**$ 145.0**

[1] The Board of Directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant; accordingly, its financial results are presented as discontinued operations.

Segment Information

Segment information is presented after eliminating inter-company transactions.

Profit before Income Tax and Share of Profits of Joint Ventures

(millions of US$)	Three months ended March 31, 2018		Three months ended March 31, 2017	
	(unaudited)			
Gas Segment	$	142.8	$	134.9
Power Segment		3.4		9.6
Corporate		24.8		(14.4)
	$	**171.0**	**$**	**130.1**

Gas Segment

In the first quarter of 2018, Gas segment profit before income tax and share of profits of joint ventures was $142.8 million, compared with $134.9 million in the same period of 2017. The increase of $7.9 million is mainly due to exchange rate gains and higher margins, partially offset by lower interest capitalization.

Power Segment

In the first quarter of 2018, the Power segment had a profit before income tax and share of profits of joint ventures of $3.4 million, compared with $9.6 million in the same period of 2017. The decrease of $6.2 million is mainly due to lower power revenue from wind factor variation compared to the same period of 2017.

Corporate

In the first quarter of 2018, corporate profit before income tax was $24.8 million, compared with a loss of $14.4 million in the same period of 2017. The increase of $39.2 million is mainly due to exchange rate effects primarily related to a peso-denominated shareholder's loan to fund the South Texas – Tuxpan pipeline (which is partially offset in the share of profits of joint ventures).

Revenues

(millions of US$, except price per MMBtu[1])	Three months ended March 31, 2018		Three months ended March 31, 2017	
	(unaudited)			
Gas Segment	$	265.6	$	246.6
Power Segment		22.0		25.7
Corporate		0.4		0.5
	$	**288.0**	**$**	**272.8**
Natural gas weighted average price USD per MMBtu	$	2.99	$	3.28

(1) MMBtu: Million British thermal units (of natural gas)

Gas Segment

In the first quarter of 2018, Gas segment revenues were $265.6 million, compared with $246.6 million in the same period of 2017. The increase of $19.0 million is mainly due to:

- $5.1 million from the start of operations of four pipelines,
- $3.9 million from higher tariffs,
- $3.9 million from the exchange rate effects at Ecogas,
- $3.3 million from the acquisition of Ductos y Energéticos del Norte, and
- $2.1 million from the natural gas distribution rate increase at Ecogas.

Power Segment

In the first quarter of 2018, Power segment revenues were $22.0 million, compared with $25.7 million in the same period of 2017. The decrease of $3.7 million is mainly due to lower power revenue from wind factor variation compared to the same period of 2017.

Cost of Revenues

(millions of US$, except cost per MMBtu)	Three months ended March 31,			
	2018		2017	
	(unaudited)			
Gas Segment	$	64.8	$	65.0
Power Segment		1.0		1.0
	$	**65.8**	**$**	**66.0**
Natural gas weighted average cost USD per MMBtu	$	2.71	$	3.11

Gas Segment

In the first quarter of 2018, Gas segment cost of revenues was $64.8 million, compared with $65.0 million for the same period of 2017. The decrease of $0.2 million is mainly due to a lower weighted average price of natural gas, partially offset by higher volume sold and exchange rate effects.

Power Segment

In the first quarter of 2018, Power segment cost of revenues were $1.0 million, in line with $1.0 million for the same period of 2017.

Consolidated Results

Operating, Administrative and Other Expenses

In the first quarter of 2018, operating, administrative and other expenses were $44.0 million, compared with $39.9 million for the same period of 2017. The increase of $4.1 million was mainly due to the start of operations of new pipelines.

Depreciation and Amortization

In the first quarter of 2018, depreciation and amortization was $33.6 million, compared with $27.2 million for the same period of 2017. The increase of $6.4 million was mainly due to the start of operations of new pipelines.

Financing Cost, Net

In the first quarter of 2018, financing cost, net was $24.5 million, compared with $12.0 million for the same period of 2017. The increase of $12.5 million was mainly due to a higher corporate debt balance and lower interest capitalization related to projects under construction, partially offset by interest income related to the shareholder's loan granted to South Texas – Tuxpan pipeline.

Other Gains, Net

In the first quarter of 2018, other gains were $50.9 million, compared with $2.4 million in the same period of 2017. The increase of $48.5 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 2018, income tax expense was $38.2 million compared with $5.7 million in the same period of 2017. The increase of $32.5 million is primarily due to the effect on the deferred income tax balance of the fluctuation in the tax basis of property, plant, and equipment at our U.S. dollar functional currency, partially offset by the effect of exchange rate and inflation on monetary assets and liabilities.

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

(millions of US$)	Joint Venture With	Three months ended March 31, 2018		Three months ended March 31, 2017	
		(unaudited)			
Los Ramones Norte pipeline	Blackrock and Pemex TRI[2]	$	11.8	$	8.1
South Texas – Tuxpan pipeline	TransCanada		(24.6)		2.8
Energía Sierra Juárez wind generation facility	InterGen		0.7		1.8
		$	**(12.1)**	**$**	**12.6**

(2) In November 2017, IEnova acquired the remaining 50 percent of Ductos y Energéticos del Norte. Accordingly, IEnova has a 50-percent indirect interest in Los Ramones Norte pipeline.

In the first quarter of 2018, our share of losses of joint ventures, net of income tax, was a loss of $12.1 million, compared with a profit of $12.6 million in the same period of 2017. The decrease of $24.7 million is mainly due to the loss in the South Texas – Tuxpan pipeline from foreign exchange rate effects primarily related to a peso-denominated shareholder's loan, partially offset by the increased ownership of Los Ramones Norte pipeline and a higher tax benefit in the South Texas – Tuxpan pipeline. The foreign exchange rate effects are offset in Other gains, net.

Profit for the Period from Discontinued Operations, Net of Income Tax

In February 2016, the Board of Directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant. Accordingly, its financial results for the three-month period ended March 31, 2018 and 2017 are presented in the Condensed Consolidated Statements of Profit as discontinued operations, net of income tax.

In the first quarter of 2018, profit from discontinued operations, net of income tax, was $6.8 million, compared with $8.0 million in the same period of 2017. The decrease of $1.2 million is mainly due to higher tax expenses, partially offset by higher operational results.

EBITDA and Adjusted EBITDA

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 (gains) losses, net, (4) remeasurement of equity method investment, (5) income tax expense, (6) share of profits of joint ventures, net of income tax, and (7) (Profit) loss for the period from discontinued operations, net of income tax.

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

We define the Discontinued operations EBITDA adjustment as the profit (loss) for the period from discontinued operations, net of income tax after adding back or subtracting, as the case may be, (1) impairment, (2) financing cost, net, (3) other (gains) losses, net, and (4) income tax expense (benefit).

	Three months ended March 31,	
(millions of US$)	2018	2017
	(unaudited)	
Gas Segment	$ 160.7	$ 146.8
Power Segment	17.7	21.5
Corporate	(0.2)	(1.4)
EBITDA	**$ 178.2**	**$ 166.9**
JV EBITDA adjustment	27.1	18.9
Discontinued operations EBITDA adjustment	6.1	(2.0)
Adjusted EBITDA	**$ 211.4**	**$ 183.8**

Reconciliation of Profit for the Period to EBITDA and Adjusted EBITDA

(millions of US$)	Three months ended March 31, 2018	Three months ended March 31, 2017
	(unaudited)	
EBITDA reconciliation		
Profit for the period	$ 127.5	$ 145.0
Depreciation and amortization	33.6	27.2
Financing cost, net	24.5	12.0
Other (gains), net	(50.9)	(2.4)
Income tax expense	38.2	5.7
Share of losses (profits) of joint ventures, net of income tax	12.1	(12.6)
(Profit) for the period from discontinued operations, net of income tax	(6.8)	(8.0)
(1) EBITDA	**178.2**	**166.9**
JV EBITDA Adjustment reconciliation		
(Loss) profit for the period	(12.1)	12.6
Depreciation and amortization	1.6	1.5
Financing cost, net	10.4	6.9
Other losses (gains), net	34.1	(1.8)
Income tax expense	(6.9)	(0.3)
(2) JV EBITDA Adjustment	**27.1**	**18.9**
Discontinued Operations EBITDA Adjustment reconciliation		
Profit for the period	6.8	8.0
Financing cost, net	0.1	—
Other (gains), net	(0.9)	(1.3)
Income tax expense (benefit)	0.1	(8.7)
(3) Discontinued Operations EBITDA Adjustment	**6.1**	**(2.0)**
(1+2+3) Adjusted EBITDA	**$ 211.4**	**$ 183.8**

Condensed Consolidated Statements of Financial Position

(thousands of US$)	March 31, 2018	December 31, 2017
	(unaudited)	(audited)
Assets		
Current assets		
Cash and cash equivalents	$ 44,900	$ 37,208
Short-term investments	27,082	1,081
Trade and other receivables, net	119,027	94,793
Taxes receivable	128,442	121,542
Other current assets[1]	88,992	112,199
Assets held for sale	164,952	148,190
Total current assets	**573,395**	**515,013**
Non-current assets		
Due from unconsolidated affiliates	627,124	493,887
Finance lease receivables	940,257	942,184
Deferred income tax assets	66,078	97,334
Investments in joint ventures	533,313	523,102
Property, plant and equipment, net	3,764,798	3,729,456
Goodwill	1,638,091	1,638,091
Other non-current assets[2]	258,213	224,792
Total non-current assets	**7,827,874**	**7,648,846**
Total assets	**$ 8,401,269**	**$ 8,163,859**
Liabilities and Stockholders' Equity		
Short-term debt	$ 372,647	$ 262,760
Due to unconsolidated affiliates	601,384	544,217
Other current liabilities[3]	159,592	184,418
Liabilities held for sale	56,544	62,522
Total current liabilities	**1,190,167**	**1,053,917**
Non-current liabilities		
Long-term debt	1,733,906	1,732,040
Due to unconsolidated affiliates	73,920	73,510
Deferred income tax liabilities	530,513	551,614
Other non-current liabilities[4]	199,541	236,191
Total non-current liabilities	**2,537,880**	**2,593,355**
Total liabilities	**3,728,047**	**3,647,272**
Stockholders' Equity		
Common stock	963,272	963,272
Additional paid-in capital	2,351,801	2,351,801
Accumulated other comprehensive (loss)	(85,430)	(114,556)
Retained earnings	1,443,575	1,316,070
Total equity attributable to owners	**4,673,218**	**4,516,587**
Non-controlling interest	4	—
Total equity of the company	**$ 4,673,222**	**$ 4,516,587**
Total liabilities and equity	**$ 8,401,269**	**$ 8,163,859**

(1) Other current assets include restricted cash, amounts due from unconsolidated affiliates, other current assets, finance lease receivable (current), natural gas inventories, and derivative financial instruments.
(2) Other non-current assets include intangible assets, other non-current assets, and derivative financial instruments.
(3) Other current liabilities include trade and other payables, other current liabilities, other taxes payable, other financial liabilities, income tax liabilities, derivative financial instruments and provisions.
(4) Other non-current liabilities include derivative financial instruments, provisions, 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

(millions of US$)	Three months ended March 31, 2018	2017
	(unaudited)	
Cash and cash equivalents at period beginning	**$ 37.2**	**$ 25.5**
Net cash provided by operating activities	93.0	94.2
Net cash used in investing activities	(211.7)	(132.0)
Net cash provided by financing activities	107.0	66.4
Effects of exchange rate changes on cash and cash equivalents	19.4	6.0
Cash and cash equivalents at period end	**$ 44.9**	**$ 60.1**

Operating Activities

In the first quarter of 2018, net cash provided by operating activities was $93.0 million, compared with $94.2 million in the same period of 2017, mainly due to changes in working capital.

Investing Activities

In the first quarter of 2018, net cash used in investing activities was $211.7 million, mainly due to the investment of $106.7 million in the South Texas – Tuxpan pipeline; capital expenditures of $85.0 million related to Veracruz marine terminal project, Sonora pipeline compression station, and the Pima and Tepezalá solar projects; $26.0 million of short-term investments; and a restricted cash reduction of $6.6 million.

In the first quarter of 2017, net cash used in investing activities was $132.0 million, due to capital expenditures of $69.4 million related to our wholly owned pipeline projects, the investment of $45.8 million in the South Texas – Tuxpan pipeline, short term investments of $13.0 million, and a restricted cash increase of $6.8 million related to Gasoductos de Chihuahua and Ventika bank debt, partially offset by loan repayment from unconsolidated affiliates of $2.4 million.

Financing Activities

In the first quarter of 2018, net cash provided by financing activities was $107.0 million, 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.

In the first quarter of 2017, net cash provided by financing activities was $66.4 million, due to $102.0 million in net borrowings from unconsolidated affiliates, partially offset by interest paid of $25.8 million and a net repayment of bank loans of $9.9 million.

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 modern and efficient systems designed to generate key financial information.