

2020



Executive Summary

(millions of US\$)	Three months ended March 31,		
	2020	2019	% Var.
	(unaudited)		
IEnova Adjusted EBITDA	251.3	229.0	10 %
Profit for the period	46.3	100.6	(54) %
Revenues	313.2	380.6	(18) %

- In the first quarter of 2020, IEnova Adjusted EBITDA increased 10 percent to \$251.3 million, compared with \$229.0 million in the same period of 2019. The increase of \$22.3 million was mainly due to the start of operations of the South Texas - Tuxpan pipeline, higher operational results at Ventika and higher transportation rates, partially offset by the revenue deferment at the Guaymas - El Oro pipeline, lower operational results at Termoeléctrica de Mexicali power plant and a one-time distribution rates true-up at Ecogas Chihuahua in 2019.
- In the first quarter of 2020, profit was \$46.3 million, compared with \$100.6 million in the same period of 2019. The decrease of \$54.3 million was mainly due to approximately \$66.7 million from non-cash exchange rate effects, partially offset by the IEnova Adjusted EBITDA drivers mentioned above and lower financing cost.
- In the first quarter of 2020, revenues were \$313.2 million, compared with \$380.6 million in the same period of 2019. The decrease of \$67.4 million was mainly due to lower price and volume of natural gas sold (offset in cost of revenues), lower revenue at Termoeléctrica de Mexicali power plant due to lower prices and volume, the revenue deferment at the Guaymas - El Oro pipeline and a one-time distribution rates true-up at Ecogas Chihuahua in 2019, partially offset by higher revenue at Ventika, higher transportation rates and the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities.
- The Company maintains a strong level of liquidity through cash balances and availability of committed credit lines.
- The Company reorganized its prior reporting segments effective first quarter 2020. The change does not affect the accounting policies nor the preparation basis of the financial information. This change aligns how the management will evaluate and review the performance of the business. Disclosure are uniformly conducted in accordance with the new segments for 2020. The new reportable segments are Gas, Storage and Power. For additional details see notes 1 and 11 of the Condensed Interim Consolidated Financial Statements as of March 31, 2020.
- In March 2020, U.S. International Development Finance Corporation (“DFC”) approved a 15-year financing for IEnova for up to \$241 million. Subject to the execution of the relevant documentation, the Company expects to close this financing in the next few weeks.

Additionally, the Company entered into a 15-year credit facility for \$100 million with the Japan International Cooperation Agency (“JICA”). This transaction is JICA’s first private sector investment finance project in Mexico, since 2012.

Both transactions are part of the financing structure that the Company closed in November 2019 with the International Finance Corporation (“IFC”), a member of the World Bank Group, and the North



American Development Bank (“NADBANK”). The funds will be used to finance and/or refinance the construction of solar generation projects within IEnova’s portfolio.

Segment Information

Revenue is presented after eliminating inter-company transactions.

Gas Segment	Three months ended March 31,	
	2020	2019
(millions of US\$)	(unaudited)	
Revenues	\$ 199.0	\$ 257.0
IEnova EBITDA	104.3	121.1

Revenues

In the first quarter of 2020, Gas segment revenues were \$199.0 million, compared with \$257.0 million in the same period of 2019. The decrease of \$58.0 million was mainly due to \$47.8 million from lower price and volume of natural gas sold (offset in cost of revenues), \$13.9 million from revenue deferment at the Guaymas - El Oro pipeline and \$5.0 million of one-time distribution rates true-up at Ecogas Chihuahua in 2019, partially offset by \$5.8 million from higher transportation rates.

IEnova EBITDA

In the first quarter of 2020, Gas segment IEnova EBITDA was \$104.3 million, compared with \$121.1 million in the same period of 2019. The decrease of \$16.8 million was mainly due to revenue deferment at the Guaymas - El Oro pipeline and a one-time distribution rates true-up at Ecogas Chihuahua in 2019, partially offset by higher transportation rates.

Storage Segment	Three months ended March 31,	
	2020	2019
(millions of US\$)	(unaudited)	
Revenues	\$ 39.3	\$ 38.1
IEnova EBITDA	47.2	46.4

Revenues

In the first quarter of 2020, Storage segment revenues were in line with the same period of 2019.

IEnova EBITDA

In the first quarter of 2020, Storage segment IEnova EBITDA was in line with the same period 2019.

Power Segment	Three months ended March 31,	
	2020	2019
(millions of US\$)		
	(unaudited)	
Revenues	\$ 72.5	\$ 84.8
IEnova EBITDA	31.3	33.9

Revenues

In the first quarter of 2020, Power segment revenues were \$72.5 million, compared with \$84.8 million for the same period of 2019. The decrease of \$12.3 million was mainly due to \$25.8 million from lower prices and volume at the Termoeléctrica de Mexicali power plant, partially offset by \$7.6 million from higher power volume and prices at Ventika, and the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities by \$5.8 million.

IEnova EBITDA

In the first quarter of 2020, Power segment IEnova EBITDA was \$31.3 million, compared with \$33.9 million for the same period of 2019. The decrease of \$2.6 million was mainly due to lower operational results at Termoeléctrica de Mexicali power plant and expenses related to the delay in the start of operations of Tepezala and Don Diego Solar power generation facilities, partially offset by higher operational results at Ventika and the start of operations of the three solar power generation facilities.

Joint Ventures IEnova EBITDA and Share of Profits from Joint Ventures		Three months ended March 31,	
(millions of US\$)	Joint Venture with	2020	2019
Joint Ventures IEnova EBITDA		\$ 69.3	\$ 28.2
Los Ramones Norte Pipelines	Brookfield	\$ 3.3	\$ 10.8
South Texas - Tuxpan pipeline	TC Energy	106.3	(8.3)
Energía Sierra Juárez wind generation facility	Actis	1.0	1.0
ECA Liquefaction	Sempra Energy	(1.4)	(0.1)
Share of Profits from Joint Ventures, net of Income Tax		\$ 109.2	\$ 3.4

Joint Ventures IEnova EBITDA

In the first quarter of 2020, Joint Ventures IEnova EBITDA was \$69.3 million, compared with \$28.2 million for the same period of 2019. The increase of \$41.1 million was mainly due to the start of operations of the South Texas - Tuxpan pipeline in September, 2019.

Share of Profits from Joint Ventures, net of Income Tax

In the first quarter of 2020, our Share of Profit from Joint Ventures, net of Income Tax was \$109.2 million, compared with \$3.4 million for the same period of 2019. The increase of \$105.8 million was mainly due to the South Texas - Tuxpan pipeline foreign exchange rate effects primarily related to a peso-denominated shareholder's loan and its start of operations. The foreign exchange rate effects are offset in Other (Losses) Gains, net.

Consolidated Results

Depreciation and Amortization

In the first quarter of 2020, depreciation and amortization was \$40.7 million, compared with \$37.5 million for the same period of 2019. The increase of \$3.2 million was mainly due to the start of operations of the Pima, Rumorosa and Tepezala Solar power generation facilities.

Financing Cost, Net

In the first quarter of 2020, financing cost, net was \$17.0 million, compared with \$24.8 million in the same period of 2019. The decrease of \$7.8 million was mainly due to higher interest income related to the shareholder's loan granted to South Texas – Tuxpan pipeline.

Other (Losses) Gains, Net

In the first quarter of 2020, other losses were \$148.4 million, compared with other gains of \$6.7 million in the same period of 2019. The variance of \$155.1 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 from Joint Ventures.

Income Tax Expense

In the first quarter of 2020, income tax expense was \$38.8 million, compared with \$48.0 million in the same period of 2019. The decrease of \$9.2 million is primarily due to lower profit before taxes and the effect of exchange rate on monetary assets and liabilities, partially offset by 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 exchange rate.

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 (millions of US\$)	Three months ended March 31,	
	2020	2019
	(unaudited)	
Cash, cash equivalents and restricted cash at the beginning of the period	\$ 91.5	\$ 78.0
Net cash provided by operating activities	115.2	144.4
Net cash used in investing activities	(176.8)	(77.5)
Net cash provided (used in) by financing activities	572.9	(84.2)
Effects of exchange rate changes on cash and cash equivalents	(38.1)	18.6
Cash, cash equivalents and restricted cash at the end of the period	\$ 564.7	\$ 79.3

Operating Activities

In the first quarter of 2020, net cash provided by operating activities was \$115.2 million, compared with \$144.4 million in the same period of 2019, mainly due to higher income tax payments and lower operational results.

Investing Activities

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.

In the first quarter of 2019, net cash used in investing activities was \$77.5 million, mainly due to capital expenditures primarily related to the solar and liquid terminal projects.

Financing Activities

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. During the first quarter of 2020, and in light of the Covid-19 global situation, IEnova made draws under its committed and uncommitted credit lines of \$570 million to provide financial flexibility.



In the first quarter of 2019, net cash used by financing activities was \$84.2 million due to \$46.1 million of interest paid, \$19.7 million of lease payments, \$13.9 million repayment of credit facilities and \$5.9 million of share repurchases.

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,	
	2020	2019
(millions of US\$)		
	(unaudited)	
Revenues	\$ 313.2	\$ 380.6
Cost of revenues	(72.7)	(127.6)
Operating, administrative and other expenses	(58.5)	(52.2)
IEnova EBITDA	182.0	200.8
Depreciation and amortization	(40.7)	(37.5)
Operating profit	141.3	163.3
Financing cost, net	(17.0)	(24.8)
Other (losses) gains, net	(148.4)	6.7
(Loss) profit before income tax and share of profits of joint ventures	(24.1)	145.2
Income tax expense	(38.8)	(48.0)
Share of profits of joint ventures, net of income tax	109.2	3.4
Profit for the period	\$ 46.3	\$ 100.6

Statements of Financial Position	March 31, 2020	December 31, 2019
(thousands of US\$)	(unaudited)	(audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 538,890	\$ 57,966
Trade and other receivables, net	142,332	139,407
Taxes receivable	152,215	154,947
Other current assets ⁽¹⁾	135,960	113,261
Total current assets	969,397	465,581
Non-current assets		
Due from unconsolidated affiliates	595,031	744,609
Finance lease receivables	937,118	921,270
Deferred income tax assets	163,738	89,898
Investments in joint ventures	713,711	625,802
Property, plant and equipment, net	4,742,923	4,637,962
Goodwill	1,638,091	1,638,091
Other non-current assets ⁽²⁾	409,998	429,293
Total non-current assets	9,200,610	9,086,925
Total assets	\$ 10,170,007	\$ 9,552,506
Liabilities and Stockholders' Equity		
Short-term debt	\$ 1,808,623	\$ 1,235,379
Due to unconsolidated affiliates	7,879	24,471
Other current liabilities ⁽³⁾	303,168	333,682
Total current liabilities	2,119,670	1,593,532
Non-current liabilities		
Long-term debt	1,762,679	1,818,331
Due to unconsolidated affiliates	301,719	233,597
Deferred income tax liabilities	642,920	565,957
Other non-current liabilities ⁽⁴⁾	435,092	383,852
Total non-current liabilities	3,142,410	3,001,737
Total liabilities	5,262,080	4,595,269
Stockholders' equity		
Common stock	955,239	955,239
Additional paid-in capital	2,341,393	2,342,883
Accumulated other comprehensive (loss)	(217,235)	(130,919)
Retained earnings	1,824,059	1,777,280
Total equity attributable to owners	4,903,456	4,944,483
Non-controlling interests	4,471	12,754
Total equity of the company	\$ 4,907,927	\$ 4,957,237
Total liabilities and equity	\$ 10,170,007	\$ 9,552,506

⁽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,	
	2020	2019
(millions of US\$)		
	(unaudited)	
Gas Segment	\$ 104.3	\$ 121.1
Storage Segment	47.2	46.4
Power Segment	31.3	33.9
Corporate & Others	(0.8)	(0.6)
IEnova EBITDA	\$ 182.0	\$ 200.8
JV EBITDA adjustment	69.3	28.2
IEnova Adjusted EBITDA	\$ 251.3	\$ 229.0

IEnova EBITDA and IEnova Adjusted EBITDA reconciliation to Profit	Three months ended March 31,	
	2020	2019
(millions of US\$)		
	(unaudited)	
IEnova EBITDA reconciliation		
Profit for the period	\$ 46.3	\$ 100.6
Depreciation and amortization	40.7	37.5
Financing cost, net	17.0	24.8
Other (gains) losses, net	148.4	(6.7)
Income tax expense	38.8	48.0
Share of (profits) of joint ventures, net of income tax	(109.2)	(3.4)
(1) IEnova EBITDA	182.0	200.8
JV EBITDA Adjustment reconciliation		
Profit for the period	109.2	3.4
Depreciation and amortization	8.1	2.3
Financing cost, net	24.1	8.5
Other losses (gains), net	(143.1)	8.9
Income tax expense	71.0	5.1
(2) JV IEnova EBITDA Adjustment	69.3	28.2
(1+2) IEnova Adjusted EBITDA	\$ 251.3	\$ 229.0

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.