Earnings Report
Third quarter of 2016

Mexico City, October 27, 2016. **Infraestructura Energética Nova, S.A.B. de C.V. (BMV: IENOVA)** is reporting unaudited third quarter of 2016 results. IEnova focuses on the development, construction and operation of large energy infrastructure projects in Mexico. Our operations in Mexico range across several business lines including natural gas, liquefied natural gas and liquefied petroleum gas transportation and storage, ethane transportation, natural gas distribution and electricity generation.

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).

Executive Summary, Third quarter of 2016 compared with Third quarter of 2015:

- Excluding one-time non-cash effects of the $673.1 million gain related to the remeasurement to fair value of our previously held 50 percent interest in Gasoductos de Chihuahua and the after-tax impairment charge of $68.7 million related to Termoeléctrica de Mexicali power plant, third quarter of 2016 profit was $56.0 million, compared with $12.9 million in the same period of 2015. The increase is mainly due to lower income tax expense, income related to Sonora pipeline Guaymas – El Oro segment, and mark-to-market losses on an interest rate swap in 2015.
- In the third quarter of 2016, Adjusted EBITDA increased 16 percent to $126.2 million, compared with $108.6 million in the same period of 2015. The increase of $17.6 million was mainly due to income related to the Sonora pipeline Guaymas – El Oro segment and the start of operations of the Los Ramones Norte pipeline in February 2016 and the third segment of Ethane pipeline in December 2015.
- In the third quarter of 2016, revenues were $194.3 million, compared with $167.7 million in the same period of 2015. The increase of $26.6 million was mainly due to income related to Sonora pipeline Guaymas – El Oro segment, higher natural gas volume, stable natural gas prices, and revenues related to the consolidation of Gasoductos de Chihuahua.
- In the third quarter of 2016, cost of revenues was $84.3 million compared with $78.6 million in the same period of 2015. The increase of $5.7 million is mainly due to higher natural gas volume and higher natural gas prices.
- In September 2016, IEnova agreed to acquire Ventika, the largest wind generation facility in Mexico, with a capacity of 252 MW. The project is located in the state of Nuevo Leon and it was jointly developed by Fisterra Energy and Cemex. Construction was completed in December 2015 and commercial operations started in April 2016. The purchase price is estimated to be $852 million, including the assumption of outstanding project finance debt of approximately $477 million. The Ventika acquisition is expected to close in the fourth quarter of 2016 and is subject to the satisfaction of customary closing conditions, including price adjustment at the closing date. Ventika acquisition was approved by IEnova shareholders on October 7, 2016 and remains subject to approval by Mexico's Comisión Federal de Competencia Económica (COFECE).

- On September 21, 2016, the COFECE authorized the acquisition of 50 percent of the capital stock of Gasoductos de Chihuahua from Pemex Transformación Industrial. On September 26, 2016, we closed this acquisition and paid $1.144 billion in cash, plus the assumption of existing debt of approximately $388 million. As a result of the acquisition, we increased our ownership in Gasoductos de Chihuahua from 50 percent to 100 percent. The transaction excludes the Los Ramones Norte pipeline, in which IEnova will continue holding an indirect 25 percent ownership interest through Gasoductos de Chihuahua's interest in Ductos y Energéticos del Norte. To facilitate this acquisition, we entered into a $1.150 billion bridge loan with our unconsolidated affiliates, Sempra Energy companies.
- On October 13, 2016, IEnova priced its follow-on equity offering of a total of 380,000,000 shares of common stock at Pesos $80.00 per share. After the follow-on equity offering and the additional and over-allotment options exercise, the free float represents approximately 33 percent of IENOVA's outstanding ownership interest. Total capital raised, net of expenses, was Pesos $29,864 million (approximately US$1.57 billion), and the proceeds will be used for repayment of bridge financing from our unconsolidated affiliates, Sempra Energy companies, that was incurred for the purchase of 50 percent of Gasoductos de Chihuahua, for funding a portion of the potential acquisition of the Ventika wind-farm, to fund capital expenditures, and for general corporate purposes.
- In September 2016, IEnova was awarded two solar energy projects in an auction conducted by Centro Nacional de Control de Energía. The Rumorosa Solar complex is a 41-MW photovoltaic project located in Baja California. The Tepezalá II Solar complex is a 100-MW photovoltaic project located in Aguascalientes that will be developed in a partnership with Trina Solar who will have a 10 percent stake in this project. The projects have an estimated cost of $150 million and are expected to begin operations in the first half of 2019. IEnova entered into long-term contracts with Mexican Federal Electricity Commission including a 15-year renewable energy and a 20-year clean energy certificate agreement.

The following tables set forth our results as of and for the three months ended September 30, 2016 and 2015.

i) Results of Operations

Condensed Consolidated Statements of Profit

(thousands of US$)	Three months ended September 30, 2016	Three months ended September 30, 2015
	(unaudited)	
Revenues	$ 194,307	$ 167,663
Cost of revenues	(84,343)	(78,595)
Operating, administrative and other expenses	(22,245)	(21,745)
Depreciation and amortization	(14,439)	(13,601)
Net financing cost	(4,710)	(2,809)
Other losses, net	(1,448)	(7,538)
Remeasurement of equity method investment	673,071	-
Profit before income tax and share of profits of joint ventures	**740,193**	**43,375**
Income tax expense	(16,692)	(36,358)
Share of profits of joint ventures, net of income tax	1,016	3,953
Profit for the period from continuing operations	**724,517**	**10,970**
(Loss) gain for the period from discontinued operations, net of income tax[1]	(64,132)	1,923
Profit for the period	**$ 660,385**	**$ 12,893**

[1] The Board of Directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant. Accordingly, its financial results for the third quarter of 2016 and 2015 are presented in the Condensed Consolidated Statements of Profit as discontinued operations.

Segment Information

Segment information is presented after eliminating inter-company transactions.

Profit (Loss) before Income Tax and Share of Profits of Joint Ventures

(thousands of US$)	Three months ended September 30, 2016		Three months ended September 30, 2015	
	(unaudited)			
Gas Segment	$	754,306	$	57,557
Corporate		(14,113)		(14,182)
	$	**740,193**	**$**	**43,375**

Gas Segment

In the third quarter of 2016, Gas segment profit before income tax and share of profits of joint venture, excluding the one-time non-cash effect was $81.2 million, compared with $57.6 million in the same period of 2015. The difference is mainly due to $12.8 million of income related to the Sonora pipeline Guaymas – El Oro segment.

In the third quarter of 2016, Gas segment profit before income tax and share of profits of joint venture was $754.3 million, compared with $57.6 million in the same period of 2015. The difference is mainly due to the one-time non-cash gain of $673.1 million related to the remeasurement to fair value of our previously held 50 percent interest in Gasoductos de Chihuahua and $12.8 million income related to the Sonora pipeline Guaymas – El Oro segment.

Corporate

In the third quarter of 2016, corporate loss before income tax was $14.1 million, compared with $14.2 million in the same period of 2015.

Revenues

(thousands of US$)	Three months ended September 30, 2016		Three months ended September 30, 2015	
	(unaudited)			
Gas Segment	$	193,900	$	167,231
Corporate		407		432
	$	**194,307**	**$**	**167,663**

Gas Segment

In the third quarter of 2016, Gas segment revenues were $193.9 million, compared with $167.2 million in the same period of 2015. The increase of $26.7 million is mainly due to:

- $12.8 million in income related to the Sonora pipeline Guaymas – El Oro segment,
- $5.5 million in higher natural gas volume and stable weighted average prices ($3.00 per MMBtu[2] during the third quarter of 2016 and the same period of 2015), and
- $5.2 million in revenues related to the consolidation of Gasoductos de Chihuahua on September 26, 2016.

Cost of Revenues

In the third quarter of 2016, Gas segment cost of revenues was $84.3 million, compared with $78.6 million for the same period of 2015. The increase of $5.7 million is mainly due to higher natural gas volume and higher natural gas prices (based on weighted average $2.87 per MMBtu during the third quarter of 2016 compared with $2.81 per MMBtu in the same period of 2015).

Operating, Administrative and Other Expenses

In the third quarter of 2016, operating, administrative, and other expenses were $22.2 million, compared with $21.7 million for the same period of 2015.

Net Financing Cost

In the third quarter of 2016, net financing cost was $4.7 million, compared with $2.8 million for the same period of 2015. The change of $1.9 million is mainly due to increased interest expense related to higher short-term debt balances, partially offset by higher capitalization of interest compared with the same period of 2015.

[2] MMBtu: Million British thermal units (of natural gas)

Other Losses, Net

In the third quarter of 2016, other losses, net, were $1.4 million, compared with $7.5 million in the same period of 2015. The change of $6.1 million is mainly due to mark-to-market losses on an interest rate swap[3] in 2015 and lower foreign exchange impacts.

Remeasurement of equity method investment

In the third quarter of 2016, the non-cash gain of $673.1 million is related to the remeasurement to fair value of our previously held 50 percent interest in Gasoductos de Chihuahua.

Income Tax Expense

In the third quarter of 2016, income tax expense was $16.7 million compared with $36.4 million in the same period of 2015. The variance of $19.7 million is primarily due to 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, partially offset by the effects of exchange rate and inflation on monetary assets and liabilities.

Share of Profits of Joint Ventures, Net of Income Tax

In the third quarter of 2016, our share of profits of joint ventures, net of income tax, was $1.0 million, compared with $4.0 million in the same period of 2015. The decrease of $3.0 million is mainly due to higher income tax expense, partially offset by higher share of profits due to the start of operations of the Los Ramones Norte pipeline and the start of operations of the third segment of Ethane pipeline.

Loss 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 September 30, 2016 and 2015 are presented in the Condensed Consolidated Statements of Profit as discontinued operations, net of tax.

In September 2016, we determined that the carrying value of Termoeléctrica de Mexicali power plant needed to be adjusted. This resulted in a non-cash, after-tax impairment charge of $68.7 million in the third quarter of 2016.

[3] This derivative instrument was terminated in September 2015.

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) net financing cost, (3) other losses, net, (4) income tax expense, (5) share of profits of joint ventures, net of income tax and for the periods presented, (6) remeasurement of equity method investment, and (7) loss for the period from discontinued operations, net of income tax.

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) net financing cost, net, (3) other losses, net, (4) income tax expense, and (5) share of profits of equity method investments, net of income tax.

We define the Discontinued operation EBITDA adjustment as the loss for the period from discontinued operations, net of income tax after adding back or subtracting, as the case may be, (1) depreciation and amortization, (2) net financing cost, (3) other losses, net, (4) income tax expense, and for the periods presented (5) impairment.

	Three months ended September 30,	
(thousands of US$)	2016	2015
	(unaudited)	
Gas Segment	$ 88,966	$ 67,865
Corporate	(1,614)	(542)
EBITDA	**87,352**	**67,323**
JV EBITDA adjustment	31,171	29,538
Discontinued operation EBITDA adjustment	7,651	11,766
Adjusted EBITDA	**$ 126,174**	**$ 108,627**

ii) Financial Position, Liquidity and Capital Resources

Condensed Consolidated Statements of Financial Position

(thousands of US$)	September 30, 2016	December 31, 2015
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 174,810	$ 40,377
Short-term investments	80	20,068
Trade and other receivables, net	91,846	53,728
Assets held for sale	201,055	-
Other current assets[1]	59,033	111,156
Total current assets	**526,824**	**225,329**
Non-current assets		
Due from unconsolidated affiliates	103,028	111,766
Finance lease receivables	959,340	14,510
Deferred income tax assets	99,893	78,965
Investments in joint ventures	59,203	440,105
Goodwill	1,512,611	25,654
Property, plant and equipment , net	2,853,750	2,595,840
Other non-current assets[2]	4,623	14,913
Total non-current assets	**5,592,448**	**3,281,753**
Total assets	**$ 6,119,272**	**$ 3,507,082**
Liabilities and Stockholders' Equity		
Short-term debt	$ 568,531	$ 88,507
Due to unconsolidated affiliates	1,390,820	352,650
Liabilities held for sale	35,302	-
Other current liabilities[3]	169,829	102,184
Total current liabilities	**2,164,482**	**543,341**
Non-current liabilities		
Long-term debt	579,633	299,925
Due to unconsolidated affiliates	42,531	38,460
Deferred income tax liabilities	354,540	261,294
Other non-current liabilities[4]	252,044	184,198
Total non-current liabilities	**1,228,748**	**783,877**
Total liabilities	**3,393,230**	**1,327,218**
Stockholders' Equity		
Common stock	762,949	762,949
Additional paid-in capital	973,953	973,953
Accumulated other comprehensive loss	(145,223)	(103,944)
Retained earnings	1,134,363	546,906
Total equity attributable to owners of the company	**2,726,042**	**2,179,864**
Total liabilities and equity	**$ 6,119,272**	**$ 3,507,082**

(1) Other current assets include derivative financial instruments, natural gas inventories, carbon allowances (2015), income taxes receivable, value added tax receivable, amounts due from unconsolidated affiliates, and other current assets.

(2) Other non-current assets include derivative financial instruments, carbon allowances (2015) and other non-current assets.

(3) Other current liabilities include trade and other payables, other taxes payable, derivative financial instruments, income tax liabilities, provisions, other financial liabilities, carbon allowances (2015) and other current liabilities.

(4) Other non-current liabilities include derivative financial instruments, provisions, employee benefits and carbon allowances (2015).

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

(thousands of US$)	Three months ended September 30, 2016	2015
	(unaudited)	
Cash and cash equivalents at the beginning of the period	**$ 53,435**	**$ 75,438**
Net cash provided by (used in) operating activities	119,762	(438)
Net cash used in investing activities	(1,285,737)	(30,828)
Net cash provided by financing activities	1,279,510	42,441
Effects of exchange rate changes on cash and cash equivalents	7,761	(722)
Cash and cash equivalents	**$ 174,731**	**$ 85,891**
Cash and cash equivalents from assets held for sale	79	-
Cash and cash equivalents at the end of the period	**$ 174,810**	**$ 85,891**

Operating Activities

In the third quarter of 2016, net cash provided by operating activities was $119.8 million, compared with a use of $0.4 million in the same period of 2015, mainly due to changes in working capital.

Investing Activities

In the third quarter of 2016, net cash used in investing activities was $1,285.7 million, mainly due to $1,077.6 million in acquisition of Gasoductos de Chihuahua, net of cash acquired, capital expenditures of $155.7 million related to our Ojinaga, Sonora and San Isidro, pipeline projects and the investment of $55.8 million in Infraestructura Marina del Golfo “IMG” our TransCanada joint venture.

In the third quarter of 2015, net cash used in investing activities was $30.8 million primarily due to $65.6 million of capital expenditures related to the Sonora pipeline project, partially offset by proceeds from the sale of short-term investments of $34.8 million.

Financing Activities

In the third quarter of 2016, net cash provided by financing activities was $1,279.5 million due to $1,150.1 million proceeds from the bridge loan from unconsolidated affiliates and $400.0 million in borrowings against credit facilities, partially offset by a dividend payment of $140.0 million and $120.1 million of repayment of loans from unconsolidated affiliares.

Net cash provided by financing activities for the third quarter of 2015 was $42.4 million due to $475.1 million proceeds from borrowings against credit facilities, partially offset by the repayment of loans of $259.3 million and a dividend payment of $170.0 million.

iii) 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.