

# Fourth Quarter 2016 Financial Results

February 22, 2017

# Information regarding forward-looking statements



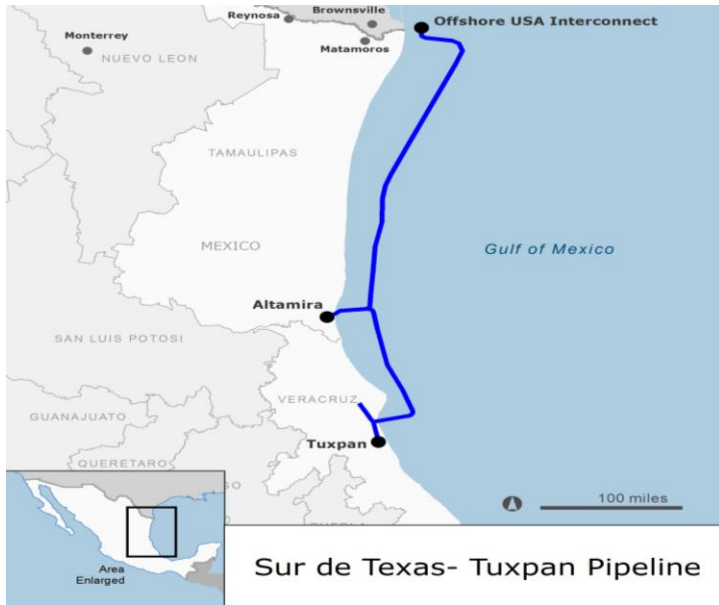
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# Agenda

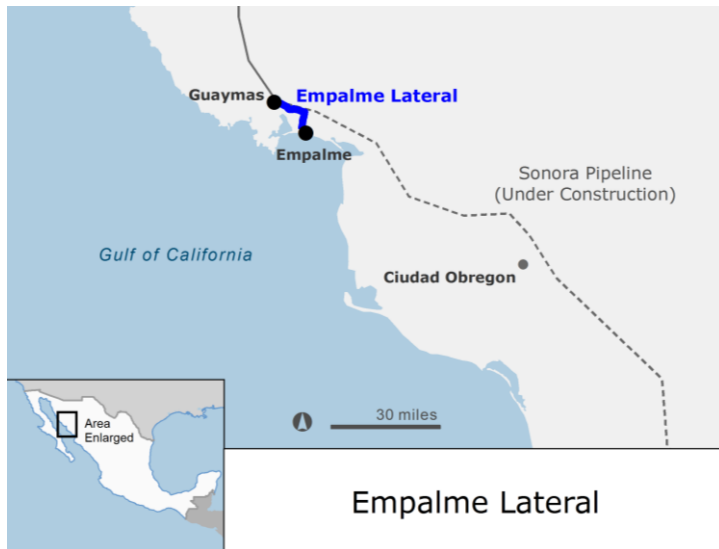
- 2016 accomplishments and highlights
- Fourth-quarter and full-year 2016 financial results
- Project status
- New business development
- 2017 Guidance

# 2016 accomplishments and highlights



## Marine Pipeline

- In June 2016, our JV with TransCanada was awarded the Sur de Texas – Tuxpan natural gas marine pipeline by CFE
- 25-year, take-or-pay, dollar-denominated contract
- 42 inch diameter, approximately 800 km length
- 2.6 Bcfd transportation capacity
- Approximately US\$2.1 billion investment (100% basis)
- Commercial operations date scheduled for fourth quarter 2018
- Owned 40% IEnova, 60% TransCanada

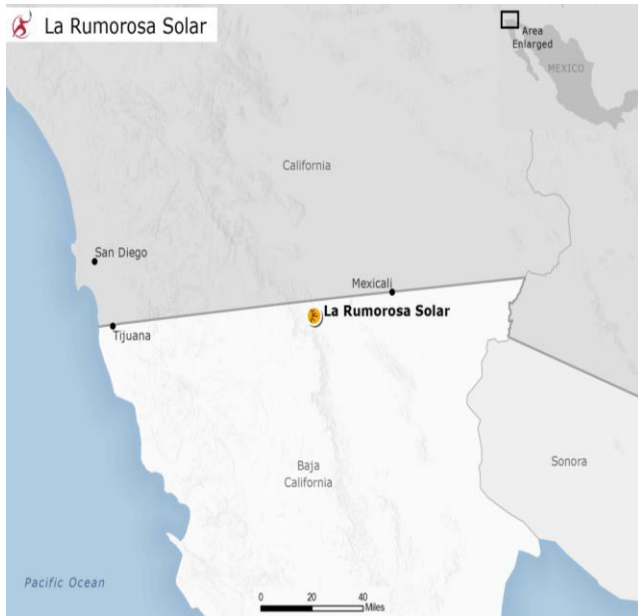


## Empalme Lateral

- In May 2016, IEnova was awarded the Empalme Lateral natural gas pipeline by CFE
- 21-year, take-or-pay, dollar-denominated contract
- 20 inch diameter, approximately 20 km length
- Interconnects to our Sonora pipeline in Guaymas
- Approximately US\$11 million investment
- Commercial operations date scheduled for second quarter 2017

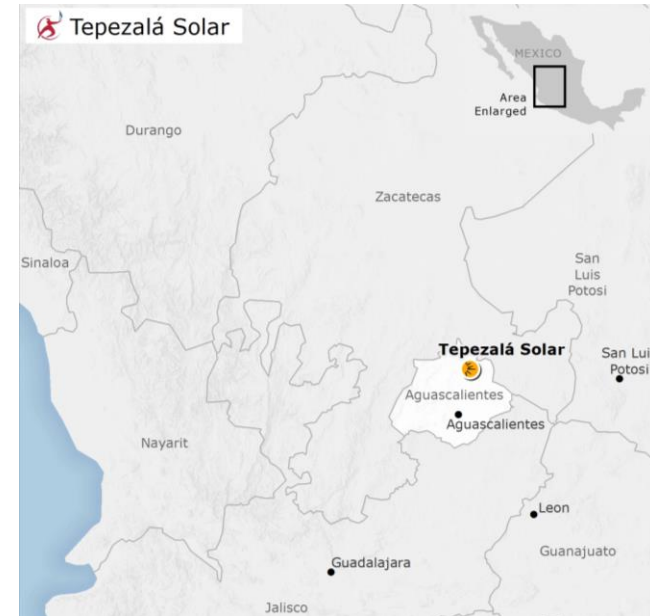
# 2016 accomplishments and highlights, continued

## US\$150 million renewable projects awarded from CENACE's second auction



### Rumorosa Solar

- IEnova will develop, build and operate the project under a long-term, dollar-denominated contract with CFE
  - 20 year contract for CELs (clean energy certificates) and 15 year contract for energy and capacity
- 41 MW capacity located near IEnova's Energía Sierra Juárez wind facility in Baja California
- 100% owned by IEnova
- Commercial operations date: 2Q 2019



### Tepezalá II Solar

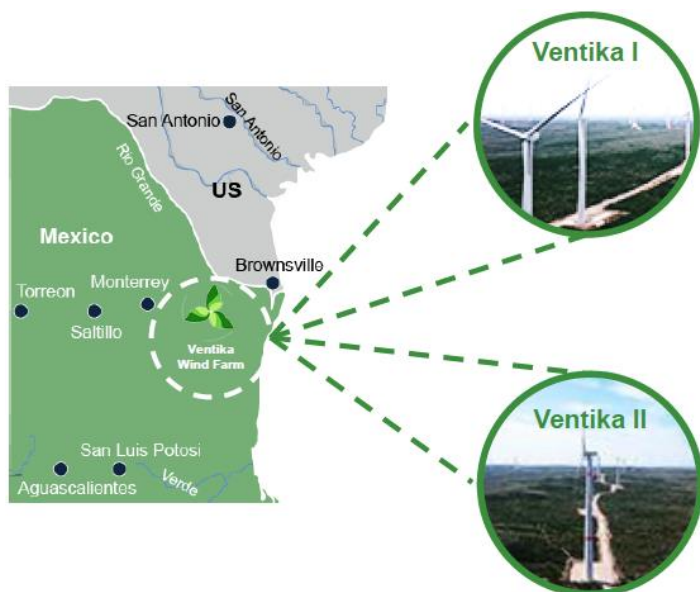
- IEnova will develop, build and operate the project under a long-term, dollar-denominated contract with CFE
  - 20 year contract for CELs (clean energy certificates) and 15 year contract for energy and capacity
- 100 MW capacity located in the state of Aguascalientes
- 90% IEnova / 10% Trina Solar
- Commercial operations date: 2Q 2019

## Closed acquisition of Gasoductos de Chihuahua (GdC) from Pemex



- On September 21, 2016, the Federal Antitrust Commission “COFECE” authorized the transaction
- On September 27, 2016, we closed the acquisition of 7 assets for US\$1.144 billion plus existing debt

## Closed acquisition of Ventika I & II wind generation facilities



- Ventika consists of the largest wind farms in Mexico and is among the largest in Latin America
- Installed capacity of 252 MW
- 100% contracted through long-term, dollar-denominated contracts
- Sellers Blackstone Energy Partners, Fistera Energy, and other minority shareholders
- On December 13, 2016, the Federal Antitrust Commission “COFECE” authorized the transaction
- On December 15, 2016, we closed the acquisition of 100% of the equity interest for US\$920 million

# 2016 accomplishments and highlights, continued

## Equity Follow-On



### Equity Follow-On Use of Proceeds

- Repay the US\$1.15 billion bridge loan from Sempra that was used to finance the **acquisition of Gasoductos de Chihuahua**
- Finance a portion of the **acquisition of Ventika** wind farms
- Fund capital expenditures and general corporate purposes

### Revolving Credit Line Increase

- We increased our revolving line from US\$600 million to US\$1.2 billion
- The funds are used for working capital, capital expenditures, and other general corporate purposes



# Fourth-quarter 2016 and full year 2016 results

	Three months ended		Twelve months	
	December 31,		December 31,	
<i>(Unaudited; net profit in millions of dollars, share count in millions, EPS in dollars)</i>	2016	2015	2016	2015
Adjusted EBITDA <sup>(1)</sup>	\$ 161	\$ 96	\$ 504	\$ 392
Profit from continued operations	\$ 37	\$ 51	\$ 867	\$ 155
Profit (loss) for the period	\$ 28	\$ 45	\$ 755	\$ 140
Shares outstanding (weighted average)	1,479	1,154	1,236	1,154
Earnings per share (EPS)	\$ 0.02	\$ 0.04	\$ 0.61	\$ 0.12

- Fourth-quarter 2016 Adjusted EBITDA was \$161 million, up 69% from \$96 million in the same period of 2015. Full-year 2016 Adjusted EBITDA was \$504 million, up 29% from \$392 million in 2015. Full-year adjusted EBITDA is within 2016 guidance of \$485-\$525 million
- The increase in both periods was mainly due to:
  - The acquisition of the remaining 50% of Gasoductos de Chihuahua since September 27, 2016,
  - Income related to the Sonora pipeline Guaymas – El Oro segment, and
  - The start of operations of the Los Ramones Norte pipeline in February 2016
- Fourth-quarter 2016 profit was \$28 million, compared to \$45 million in the same period of 2015. The decrease of \$17 million is mainly due to higher income tax expense partially offset by the acquisition of the remaining 50% of Gasoductos de Chihuahua and income related to Sonora pipeline Guaymas – El Oro segment
- Excluding one-time non-cash effects of the \$673 million impact related to the remeasurement to fair value of our previously held 50% interest in Gasoductos de Chihuahua and the after-tax impairment charge of \$96 million related to Termoeléctrica de Mexicali power plant, 2016 profit was \$178 million, compared with \$140 million in 2015. The increase is mainly due to the acquisition of the remaining 50% of Gasoductos de Chihuahua, income related to Sonora pipeline Guaymas – El Oro segment, and mark-to-market losses on an interest rate swap in 2015, partially offset by higher income tax expense, losses from discontinued operations, higher depreciation, and finance cost due to the acquisition of the remaining 50% of Gasoductos de Chihuahua and the acquisition of Ventika

(1) Adjusted EBITDA includes proportional share of EBITDA from joint ventures



# Project updates

Project	CapEx (USD, millions)	Target COD <sup>1</sup>	Contract Term	Update
<b>Wholly-owned projects</b>				
Sonora pipeline (Guaymas-El Oro segment)	\$1,000	Q1 2017	25 years	• Pre-commissioning
Ojinaga – El Encino pipeline	\$300	Q2 2017	25 years	• Under construction • Rescheduled due to force majeure
San Isidro – Samalayuca pipeline	\$110	Q1 2017	25 years	• Pre-commissioning
Empalme Lateral	\$11	Q2 2017	21 years	• Under construction
Rumorosa Solar	\$50	Q2 2019	15 and 20 years	• Engineering and procurement activities in progress
<b>Joint venture projects</b>				
Texas – Tuxpan (Marine pipeline)	\$2,100	Q4 2018	25 years	• Construction activities to start Q2 2017
Tepezalá II Solar	\$100	Q2 2019	15 and 20 years	• Engineering and procurement activities in progress

(1) Commercial Operations Date

# New business development

## Electric Power Transmission Bid (A)

- On October 10, 2016, CFE published the preliminary bid bases for a US\$1.2 billion transmission line project to connect Sureste – Centro (Southeast to Center)
- Pending definitive bid bases to be issued

## Baja Sur Gas Tender (B)

- Open technology (pipeline, CNG, LNG)
- Next meeting scheduled for March 2017
- Pending date for submittal of bid proposals

## Electric Energy Auction

- The next electric energy auction is scheduled for the second quarter 2017
- Off-takers: CFE and private companies



# 2017 EBITDA guidance and CapEx plan

## Guidance

(USD, millions)

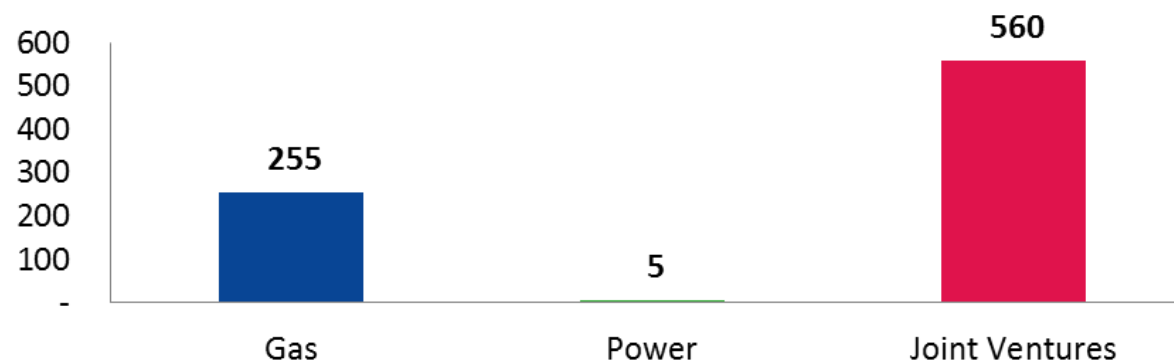
	<u>Low</u>	-	<u>High</u>
<b>2017 Adjusted EBITDA</b>	<b>735</b>	-	<b>765</b>

Guidance range includes the following assumptions:

Gas segment	609	-	617
Power segment	68	-	77
Corporate	0	-	1
Ramones Norte EBITDA Adjustment	43	-	52
Energia Sierra Juarez EBITDA Adjustment	15	-	18

## 2017 Capital Expenditures

(USD, millions)



# Summary

- Accomplished 2016 financial goals: Adjusted EBITDA within guidance
- Delivering strong growth with more projects commencing operations
- Continued strength in operations
- Progress in construction activities
- Focused on executing our growth strategy

# Appendix

# Foreign exchange effects on income tax

## Tax Impacts of Foreign Exchange and Inflation under IFRS

	Net Monetary Position		Fixed Assets
	Assets	Liabilities	
Peso Devaluation	<TAX EXPENSE>	<TAX BENEFIT>	<TAX EXPENSE>
Peso Appreciation	<TAX BENEFIT>	<TAX EXPENSE>	<TAX BENEFIT>
Mexico Inflation	<TAX BENEFIT>	<TAX EXPENSE>	<TAX BENEFIT>

