

Second Quarter 2016 Financial Results

July 28, 2016

Information regarding forward-looking statements



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Outline

- Recent developments
- 2016 Dividend
- Second-quarter 2016 financial results
- Project status
- Expected natural gas pipeline project tenders
- Power sector tenders and auctions

Recent Developments

Empalme Lateral Project overview

- In May 2016, IEnova was awarded the Empalme Lateral natural gas pipeline project by CFE
- 21-year, take-or-pay, dollar-denominated contract
- 20 inch diameter, approximately 20 km length
- Interconnects to our Sonora pipeline in Guaymas



Recent Developments, continued

Marine Pipeline Project overview

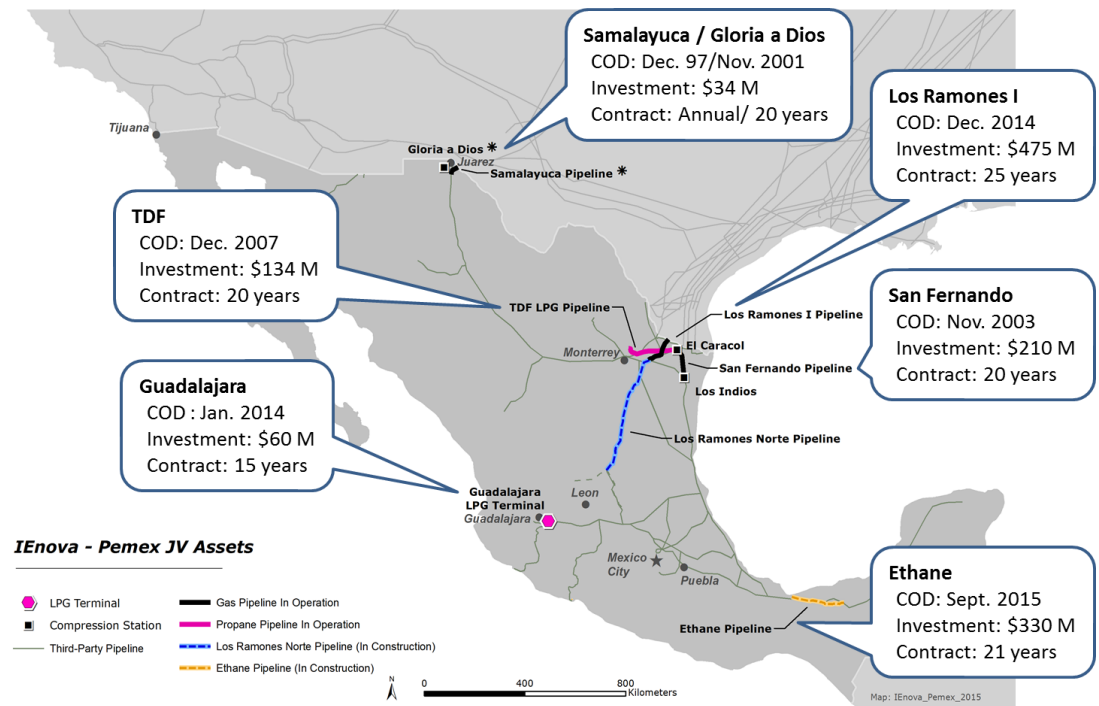
- In June 2016, our JV with TransCanada was awarded the Sur de Texas – Tuxpan natural gas marine pipeline project by CFE
- 25-year, take-or-pay, dollar-denominated contract
- 42 inch diameter, approximately 800 km length
- 2.6 Bcfd transportation capacity
- Approximately \$2.1 billion investment
- Commercial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



Recent Developments, continued

Gasoductos de Chihuahua Acquisition Update

- In July 2015, we signed an agreement with Pemex to purchase its 50% interest in our joint venture
- In December 2015, COFECE issued its resolution, objecting to the proposed transaction
- Together with Pemex we restructured the transaction so that Pemex complied with the COFECE resolution
- In June 2016, COFECE authorized the bidding processes proposed by Pemex for the two assets (San Fernando & TDF)
- In July 2016, the bidding process was launched
- We expect to close the transaction by the third-quarter 2016, subject to regulatory approval



2016 dividend

- The Shareholders Meeting held on April 29, 2016 approved a 2016 dividend payment, in which IEnova's Board of Directors was authorized to define the amount and payment date
- On July 26, 2016, the Board of Directors of IEnova approved the dividend for 2016
- We expect to pay \$140 million in one payment to shareholders in August 2016

2015 Dividend	2016 Dividend
\$170 million	\$140 million

Second-quarter 2016 results

	Three months ended	
	June 30,	
<i>(Unaudited; net profit in millions of dollars, share count in millions, EPS in dollars)</i>	2016	2015
Adjusted EBITDA ⁽¹⁾	\$ 106	\$ 95
Profit for the period	\$ 34	\$ 36
Shares outstanding	1,154	1,154
Earnings per share (EPS)	\$ 0.03	\$ 0.03

- Second-quarter 2016 Adjusted EBITDA was \$106 million, up 12% from \$95 million dollars in the same period of 2015. The increase of \$11 million was mainly due to the start of operations of the Ethane pipeline during 2015, the Los Ramones Norte pipeline in February 2016 and Energía Sierra Juárez wind generation facility in June 2015
- Second-quarter 2016 profit was \$34 million dollars, compared with \$36 million dollars in the second-quarter of 2015, the variance is mainly due to:
 - Higher financing cost including lower capitalization of interest compared with the same period of 2015 and higher interest expense; and
 - Mark-to-market gains on an interest rate swap in 2015; partially offset by lower income tax expense

(1) Adjusted EBITDA includes proportional share of EBITDA from joint ventures and the discontinued operation EBITDA adjustment

Gas segment pre-tax profit

	Three months ended	
	June 30,	
<i>(Unaudited; dollars in millions)</i>	<u>2016</u>	<u>2015</u>
Gas segment profit before income tax and share of profits of the joint venture	\$ 59	\$ 62

- Second-quarter of 2016, Gas segment profit before tax and share of profits of joint venture was \$59 million, compared with \$62 million in the same period of 2015. The variance of \$4 million is mainly due to:
 - Higher financing cost related to a higher interest expense and lower capitalization of interest compared with the same period of 2015, and
 - Higher depreciation from the start of operations of the Sonora pipeline Puerto Libertad – Guaymas segment

Project updates

Project	CapEx (USD, millions)	Target COD ¹	Contract Term	Update
Wholly-owned projects				
Sonora pipeline (Guaymas-El Oro segment)	\$1,000	Q4 2016	25 years	<ul style="list-style-type: none"> Under construction
Ojinaga – El Encino pipeline	\$300	Q1 2017	25 years	<ul style="list-style-type: none"> Under construction: all major permits received; major materials and equipment delivered to site Project remains on time and on budget
San Isidro – Samalayuca pipeline	\$110	Q1 2017	25 years	<ul style="list-style-type: none"> Under construction Project on time and on budget
Empalme Lateral	\$11	Q2 2017	21 years	<ul style="list-style-type: none"> Engineering and procurement activities in progress Construction scheduled to start in August
Joint venture projects				
Texas – Tuxpan (Marine pipeline)	\$2,100	Q4 2018	25 years	<ul style="list-style-type: none"> 40% IEnova interest Permits and Rights of Way underway

(1) Commercial Operations Date

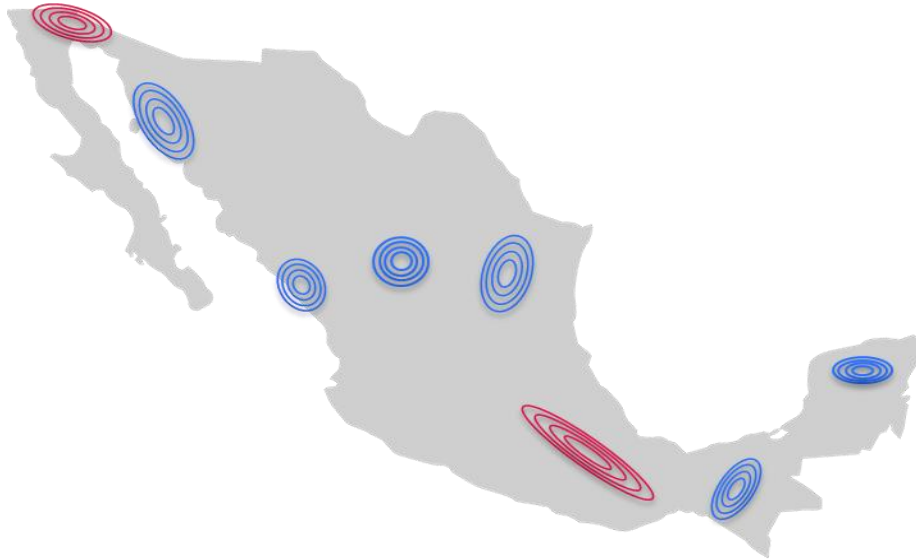
Expected Mexico pipeline tenders

Project	CFE CapEx Estimate (\$ USD millions)
1 Baja Sur (open technology)	600
2 Merida - Valladolid-Cancun	250
3 Jaltipan - Salina Cruz (Pemex)	643
4 Ramones - Cempoala (Pemex)	1,980
5 Lazaro Cardenas - Acapulco	456
6 Salina Cruz - Tapachula	442
TOTAL	\$ 4,371

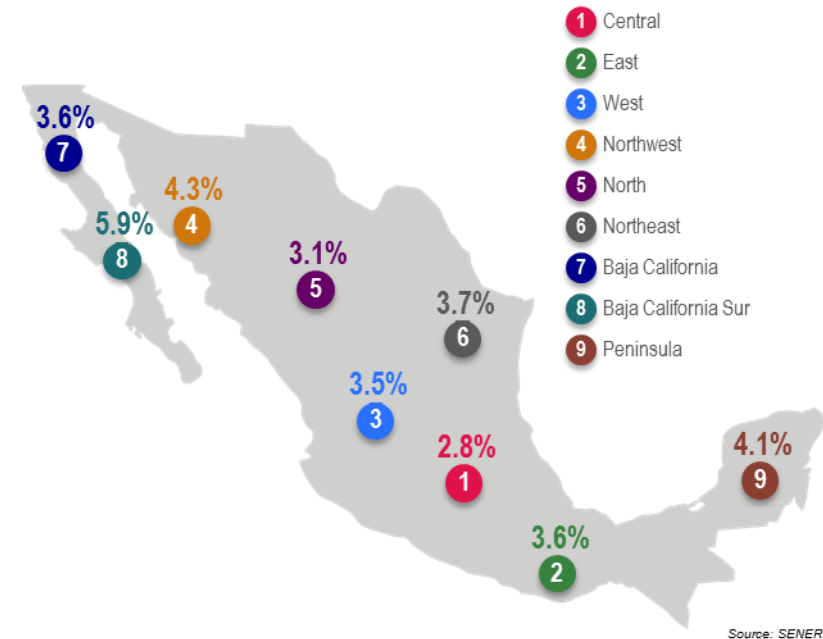


Power sector tenders and auctions

Transmission Lines



2015-2029 Projected Electric Demand Growth by Region



Transmission Auctions

- CFE will issue bids to develop transmission lines under **long-term contracts**
- **HVDC Sureste – Centro:** second half of 2016
Estimated CapEx: US\$1.2 billion
- **Baja California – National Grid Interconnection:** 2017
Estimated CapEx: US\$1.2 billion

Electric Energy Auctions

- 15 – 20 year contracts for electricity, power and clean energy certificates (CELS)
- A second auction will be held in September 2016
 - Off-taker: CFE
- Yearly auctions will be held starting in 2017
 - Off-takers: CFE and private sector

Summary

- Awarded new natural gas pipeline projects
 - Marine Pipeline
 - Empalme Lateral
- Approved 2016 dividend of \$140 million
- Continued strength in operations; financial results in-line
- Progress in construction activities
- Focused on executing our growth strategy

