Earnings Report
First-Quarter 2016

Mexico City, April 26, 2016. **Infraestructura Energética Nova, S.A.B. de C.V. (BMV: IENOVA)** is reporting unaudited first-quarter 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 gas transportation and storage, liquefied natural gas, 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, First-Quarter 2016 compared to First-Quarter 2015:

- In the first-quarter of 2016, profit before the one-time, non-cash charge to deferred taxes was $61.0 million, up 33% from $46.2 million in the same period of 2015. The one-time, non-cash charge to deferred taxes of $28.3 million is due to the recognition of the difference between book value and tax basis, as a result of the decision to sell the Termoeléctrica de Mexicali power plant. After the deferred tax adjustment, first-quarter 2016 profit was $32.8 million, partially offset by the higher share of profits of joint ventures resulting from the start of operations at the Ethane pipeline and the Los Ramones Norte pipeline at Gasoductos de Chihuahua and the start of operations at the Energía Sierra Juárez joint venture.
- In the first-quarter of 2016, Adjusted EBITDA was $110.3 million, compared to $92.7 million in the same period of 2015. The increase of $17.6 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.
- In the first-quarter of 2016, revenues were $133.3 million, compared to $154.4 million in the same period of 2015. The decrease of $21.1 million was mainly due to lower natural gas prices and volumes.
- In the first-quarter of 2016, cost of revenues were $45.3 million compared to $64.6 million in the same period of 2015. The decrease of $19.3 million was mainly due to lower natural gas prices and volumes.
- 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, 2016 and 2015 are presented in the Condensed Consolidated Statements of Profit and Loss as discontinued operations including $28.3 million one-time, noncash deferred tax expense.
- In February 2016, Los Ramones Norte pipeline started commercial operation.

The following tables set forth our results as of and for the three months ended March 31, 2016 and 2015.

i) Results of Operations

Condensed Consolidated Statements of Profit and Loss

(thousands of US$)	Three months ended March 31, 2016	Three months ended March 31, 2015
	(unaudited)	
Revenues	$ 133,254	$ 154,442
Cost of revenues	(45,316)	(64,605)
Operating, administrative and other expenses	(19,161)	(19,821)
Depreciation and amortization	(14,295)	(12,389)
Net financing (cost) income	(255)	53
Other gains (losses)	1,610	(4,029)
Profit before income tax and share of profits of joint ventures	**55,837**	**53,651**
Income tax expense	(17,349)	(15,398)
Share of profits of joint ventures, net of income tax	27,442	11,717
Profit for the period from continuing operation	**$ 65,930**	**$ 49,970**
Loss for the period from discontinued operations, net of income tax[1]	(33,158)	(3,755)
Profit for the period	**$ 32,772**	**$ 46,215**

[1] 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, 2016 and 2015 are presented in the Condensed Consolidated Statements of Profit and Loss as discontinued operations including $28.3 million one-time, noncash deferred tax expense.

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 March 31, 2016		Three months ended March 31, 2015	
	(unaudited)			
Gas Segment	$	61,847	$	66,409
Corporate		(6,010)		(12,758)
	$	**55,837**	**$**	**53,651**

Gas Segment

In the first-quarter 2016, Gas segment profit before income tax and share of profits of joint venture was $61.8 million, compared to $66.4 million in the same period of 2015. The variance of $4.6 million is mainly due to:

- $1.8 million higher depreciation due to the start of operations of the Sonora pipeline Puerto Libertad – Guaymas segment, and
- $1.2 million higher finance cost due to capitalization of interest in 2015, related to the Sonora pipeline project.

Power Segment

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

Corporate

In the first-quarter 2016, corporate loss before income tax was $6.0 million, compared to $12.8 million in the same period of 2015. The variance of $6.8 million is mainly due:

- $3.7 million of mark-to-market losses on an interest rate swap[2] in 2015,
- $1.4 million lower interest expense due to lower interest rates on short term debt balance, and
- $1.4 million related to foreign exchange gains in 2016 compared to losses in 2015.

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

Revenues

(thousands of US$)	Three months ended March 31, 2016		Three months ended March 31, 2015	
	(unaudited)			
Gas Segment	$	132,663	$	154,032
Corporate		591		410
	$	**133,254**	**$**	**154,442**

Gas Segment

In the first-quarter 2016, Gas segment revenues were $132.7 million, compared to $154.0 million in the same period of 2015. The decrease of $21.3 million is mainly due to lower natural gas prices (based on weighted average of $1.92 per MMBtu[3] during the first-quarter 2016 compared to $2.68 per MMBtu in the same period of 2015) and lower volume sold.

Cost of Revenues

In the first-quarter 2016, Gas segment cost of revenues were $45.3 million, compared to $64.6 million for the same period of 2015. The decrease of $19.3 million is mainly due to lower natural gas prices (based on weighted average $1.90 per MMBtu during the first-quarter 2016 compared to $2.64 per MMBtu in the same period of 2015), and lower volume.

Operating, Administrative and Other Expenses

In the first-quarter 2016, operating, administrative and other expenses were $19.2 million, compared to $19.8 million for the same period of 2015.

Net Financing (Cost) Income

In the first-quarter 2016, net financing cost was $0.3 million, compared to a net financing income of $0.1 million for the same period of 2015.

Other Gains (Losses)

In the first-quarter 2016, other gains were $1.6 million, compared to other losses of $4.0 million in the same period of 2015. The change of $5.6 million is mainly due to:

- $3.7 million of mark-to-market losses on an interest rate swap[4] in 2015, and
- $1.4 million related to foreign exchange gains in 2016 compared to losses in 2015.

[3] MMBtu: Million British thermal units (of natural gas)
[4] This derivative instrument was terminated in September 2015.

Income Tax Expense

Income tax expense was $17.3 million in first-quarter 2016 compared to $15.4 million in first-quarter 2015. The variance of $1.9 million is due to the effects of exchange rate and inflation 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.

Share of Profits of Joint Ventures, Net of Income Tax

In the first-quarter 2016, our share of profits of joint ventures, net of income tax was $27.4 million, compared to $11.7 million in the same period of 2015. The increase of $15.7 million is mainly related to:

- $7.7 million from the start of operations of the Ethane pipeline during 2015,
- $4.4 million from the start of operations of Los Ramones Norte pipeline in February 2016, and
- $1.0 million from lower income tax expense.

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 March 31, 2016 and 2015 are presented in the Condensed Consolidated Statements of Profit and Loss as discontinued operations, net of tax.

In the first-quarter 2016, the loss for the period from discontinued operations, were $33.2 million, compared to $3.8 million for the same period of 2015. The decrease of $29.4 million is primarily due to one-time, noncash deferred tax expense from recognition of the difference between book value and tax basis, as a result of our decision to sell Termoeléctrica de Mexicali power plant.

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 consolidated profit from continuing operations after adding back or subtracting, as the case may be: (1) depreciation and amortization expenses, (2) net financing income (costs), (3) income tax (expense) benefit, (4) other (losses)/gains (which include net foreign exchange gains/(losses), net (losses)/gains on financial liabilities classified as held for trading associated with changes in the fair value from our interest rate swap and inflation effects on value added tax refunds receivable) and (5) share of profits of joint ventures, net of income tax.

We define the JV EBITDA adjustment as our 50 percent share of the profit of joint ventures with Pemex and InterGen, after adding back or subtracting, as the case may be, our 50 percent share of: (1) depreciation and amortization expenses, (2) net financing income (costs), (3) income tax (expense) benefit of our investments in joint ventures, (4) other (losses) gains and (5) the share of profit on joint ventures net of income tax. Our investments in the joint ventures are accounted for under the equity method.

We define the discontinued operation EBITDA adjustment as profit from discontinued operations after adding back or subtracting, as the case may be: (1) depreciation and amortization expenses, (2) net financing income (costs), (3) income tax (expense) benefit, (4) other (losses)/gains (which include net foreign exchange gains/(losses), net (losses)/gains on financial liabilities classified as held for trading and inflation effects on value added tax refunds receivable).

	Three months ended March 31,	
(thousands of US$)	2016	2015
	(unaudited)	
Gas Segment	$ 69,005	$ 72,003
Corporate	139	(1,987)
EBITDA	**69,144**	**70,016**
JV EBITDA adjustment	45,216	23,540
Discontinued operation EBITDA adjustment	(4,047)	(865)
Adjusted EBITDA	**$ 110,313**	**$ 92,691**

ii) Financial Position, Liquidity and Capital Resources

Condensed Consolidated Statements of Financial Position

(thousands of US$)	March 31, 2016	December 31, 2015
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 44,936	$ 40,377
Short-term investments	25,085	20,068
Trade and other receivables, net	56,085	53,728
Assets held for sale	314,059	-
Other current assets[(1)]	72,601	111,156
Total current assets	**512,766**	**225,329**
Non-current assets		
Due from unconsolidated affiliates	103,767	111,766
Deferred income tax assets	49,274	78,965
Investments in joint ventures	455,546	440,105
Property, plant and equipment – net	2,376,604	2,595,840
Other non-current assets[(2)]	42,031	55,077
Total non-current assets	**3,027,222**	**3,281,753**
Total assets	**$ 3,539,988**	**$ 3,507,082**
Liabilities and Equity		
Short-term debt	$ 88,287	$ 88,507
Due to related parties	348,183	352,650
Liabilities related to assets held for sale	67,773	-
Other current liabilities[(3)]	107,992	102,184
Total current liabilities	**612,235**	**543,341**
Non-current liabilities		
Long-term debt	296,633	299,925
Due to unconsolidated affiliates	38,829	38,460
Deferred income tax liabilities	223,085	261,294
Other non-current liabilities[(4)]	172,333	184,198
Total non-current liabilities	**730,880**	**783,877**
Total liabilities	**1,343,115**	**1,327,218**
Common stock	762,949	762,949
Additional paid-in capital	973,953	973,953
Accumulated other comprehensive income	(119,707)	(103,944)
Retained earnings	579,678	546,906
Total equity	**2,196,873**	**2,179,864**
Total liabilities and equity	**$ 3,539,988**	**$ 3,507,082**

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

(2) Other non-current assets include goodwill, finance lease receivables, carbon allowances (2015) and other non-current assets.

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

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

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 the capital markets.

Sources and Uses of Cash

(thousands of US$)	Three months ended March 31, 2016		Three months ended March 31, 2015	
	(unaudited)			
Cash and cash equivalents at period beginning	**$**	**40,377**	**$**	**83,637**
Net cash provided by operating activities		45,042		35,239
Net cash used in investing activities		(32,804)		(55,919)
Net cash used in financing activities		(8,188)		(14,017)
Effects of exchange rate changes on cash and cash equivalents		1,382		(4,568)
Cash and cash equivalents before discontinued operations	**$**	**45,809**	**$**	**44,372**
Cash and cash equivalents from discontinued operations		(873)		-
Cash and cash equivalents at period end	**$**	**44,936**	**$**	**44,372**

Operating Activities

In the first-quarter 2016, net cash provided by operating activities increased to $45.0 million, compared to $35.2 million in the same period of 2015. The increase was primarily due to changes in working capital, partially offset by higher income taxes paid.

Investing Activities

In the first-quarter 2016, net cash used in investing activities was $32.8 million, primarily due to capital expenditures of $36.4 million, for our Sonora, Ojinaga and San Isidro pipeline projects, partially offset by $5.6 million and $3.2 million of loan and interest repayment, respectively, from Energía Sierra Juárez wind generation facility.

In the first-quarter 2015, net cash used in investing activities was $55.9 million primarily due to capital expenditures related to the Sonora pipeline project.

Financing Activities

In the first-quarter 2016, net cash used in financing activities was $8.2 million due to interest paid.

In the first-quarter 2015, net cash used in financing activities was $14.0 million mainly due to $121.1 million in repayment of loans and $12.9 million of interest paid, partially offset by $120.0 million in proceeds from loans from related parties.

IEnova
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Una empresa de Sempra

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.