

# **Fourth Quarter 2015 Financial Results**

February 24, 2016

# Information regarding forward-looking statements

This presentation contains statements that are not historical fact and constitute forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. These statements can be identified by words like “believes,” “expects,” “anticipates,” “intends,” “plans,” “estimates,” “may,” “will,” “would,” “could,” “should,” “potential,” “target,” “outlook,” “depends,” “pursue,” “goals” or similar expressions, or discussions of our guidance, strategies, plans, goals, initiatives, objectives or intentions. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in the forward-looking statements. Forward-looking statements are necessarily based upon various assumptions involving judgments with respect to the future and other risks, including, among others: local, regional, national and international economic, competitive, political, legislative and regulatory conditions and developments; actions by the Mexican Energy Ministry (Secretaría de Energía), the Mexican Energy Regulatory Commission (Comisión Reguladora de Energía), the Mexican Environmental Protection Ministry (Secretaría de Medio Ambiente y Recursos Naturales), Mexican Federal Electricity Commission (Comisión Federal de Electricidad), the California Public Utilities Commission, California State Legislature, Federal Energy Regulatory Commission, U.S. Department of Energy, California Energy Commission, California Air Resources Board, and other regulatory, governmental and environmental bodies in the United States and Mexico; capital market conditions, including the availability of credit and the liquidity of our investments; inflation, interest and exchange rates; the impact of benchmark interest rates on our cost of capital; the timing and success of business development efforts and construction, maintenance and capital projects, including risks inherent in the ability to obtain, and the timing of granting of, permits, licenses, certificates and other authorizations; energy markets, including the timing and extent of changes and volatility in commodity prices; the availability of electric power, natural gas and liquefied natural gas, including disruptions caused by failures in the electric transmission grid, pipeline explosions and equipment failures; weather conditions, natural disasters, catastrophic accidents, and conservation efforts; wars, terrorist attacks and cybersecurity threats; business, regulatory, environmental and legal decisions and requirements; governmental expropriation of assets and title and other property disputes; the inability or determination not to enter into long-term supply and sales agreements; the resolution of litigation; and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the company. These forward-looking statements speak only as of the date hereof, and the company undertakes no obligation to update or revise those forward looking statements whether as a result of new information, future events or otherwise. These risks and uncertainties are further discussed in the draft prospectus that IEnova has filed with the Mexican National Banking and Securities Commission. These reports are also available through the Mexican National Banking and Securities Commission’s website, [www.bmv.com.mx](http://www.bmv.com.mx), the website of the Mexican Stock Exchange at [www.bmv.com.mx](http://www.bmv.com.mx) and on the company’s website at [www.ienova.com.mx](http://www.ienova.com.mx).

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# Outline

- 2015 accomplishments and highlights
- Fourth-quarter 2015 financial results
- Project status
- Expected natural gas pipeline project tenders
- First round of public electricity auctions
- Termoeléctrica de Mexicali (TDM)
- 2016 Guidance

# Projects placed in-service in 2015

**Energía Sierra Juárez<sup>1</sup>**  
*155 MW Wind Generation Facility*  
*La Rumorosa, Baja California*



**Ethane Pipeline<sup>2</sup>**  
*238 MMcfd Transportation Capacity*  
*Tabasco-Chiapas-Veracruz*



(1) IEnova has 50% indirect ownership through our joint venture with InterGen  
(2) IEnova has 50% indirect ownership through our joint venture with Pemex



# Significant progress on projects under construction

## Sonora Natural Gas Pipeline

770 & 550 MMcfd Transportation Capacity  
Sonora-Sinaloa



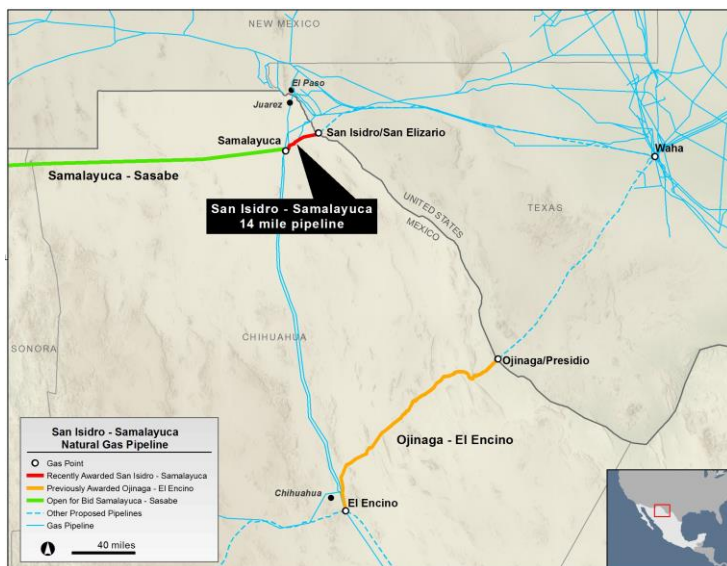
## Los Ramones Norte Natural Gas Pipeline<sup>1</sup>

1,420 MMcfd Transportation Capacity  
Nuevo León – Tamaulipas – San Luis Potosí



(1) IEnova has 25% indirect ownership through our joint venture with Pemex

## San Isidro-Samalayuca natural gas pipeline and header system



- Natural gas pipeline project located in the municipality of Juárez, Chihuahua
- US\$110 million capital investment
- The project consists of two natural gas pipeline segments of 42 and 36 inches and a 3.0 Bcfd header facility
- 25-year, take-or-pay, dollar-denominated contract with CFE, 1.135 Bcfd transportation capacity
- Expected commercial operations date 1Q-2017

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



- In July 2015, we signed an agreement with Pemex with respect to the purchase of its 50% interest in our joint venture
- In December 2015, COFECE issued its resolution, objecting to the proposed transaction
- We are working together with Pemex to restructure the transaction so that Pemex complies with the COFECE resolution
- We expect that the matters will be resolved and the transaction completed by the third-quarter 2016, subject to regulatory approval

# Energy Reform opportunities materializing

## 2015 was a year marked by implementation of the Energy Reform...

- With respect to Mexico's Energy Reform, last year the government began the process of implementation
- The first bids for exploration and production of hydrocarbons in Mexico were successfully launched, attracting a number of new participants to the burgeoning sector
- The government also completed the rules for Mexico's new electricity market, paving the way for the first public auctions for electric power in 2016
- We expect the government to launch new tenders for electric transmission, providing the first opportunity for private investment in such assets
- The continued weak oil price environment will necessitate increased investment from the private sector in order to address the vast requirements for investment in energy infrastructure of all types, but particularly in liquids pipelines, storage and terminals
- Expect increasing M&A activity across the sector in 2016

## ...2016 will be the year of Energy Reform execution and new investment opportunities for IEnova

**CFE natural gas  
pipeline bids**

**Renewable  
energy auctions**

**Electric  
transmission  
tenders**

**Liquid  
hydrocarbons  
infrastructure**

**Mergers &  
Acquisitions**

# Fourth-quarter 2015 results

	Three months ended December 31,		Twelve months December 31,	
	2015	2014	2015	2014
<i>(Unaudited; net profit in millions of dollars, share count in millions, EPS in dollars)</i> (1)				
Adjusted EBITDA	\$ 96	\$ 91	\$ 392	\$ 337
Profit (loss) for the period	\$ 45	\$ (12)	\$ 140	\$ 137
Shares outstanding	1,154	1,154	1,154	1,154
Earnings per share (EPS)	\$ 0.04	\$ (0.01)	\$ 0.12	\$ 0.12

- Fourth-quarter 2015 Adjusted EBITDA was \$96 million, compared to \$91 million in 2014. Full-year 2015 Adjusted EBITDA was \$392 million compared to \$337 million in 2014. The increase in both periods was mainly due to:
  - First full year of operations at both Los Ramones I pipeline and at the first segment of the Sonora pipeline
  - Start of operations at the Ethane pipeline and at the Energía Sierra Juárez wind generation facility
- Fourth-quarter 2015 profit was \$45 million, compared to a loss of \$12 million in the same period of 2014. The increase of \$56 million was primarily due to lower income tax expense of \$41 million and higher share of profits of joint ventures of \$11 million. In 2015, profit was \$140 million, compared to \$137 million in 2014

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



## Gas segment pre-tax profit

	Three months ended		Twelve months ended	
	December 31,		December 31,	
<i>(Unaudited; dollars in millions)</i>	2015	2014	2015	2014
Gas segment profit before income tax and share of profits of the joint venture	\$ 59	\$ 55	\$ 238	\$ 224

- Fourth-quarter of 2015, Gas segment profit before tax and share of profits of joint venture was \$59 million, compared to \$55 million in the same period of 2014. The \$4 million increase is mainly due to lower foreign currency losses on peso-denominated balances
- In 2015, profit before income tax and share of profits of the joint venture was \$238 million, compared to \$224 million in 2014. The increase of \$14 million is mainly due to a full year of operations of the first segment of the Sonora pipeline, in 2015, compared to one quarter in 2014

# Power segment pre-tax profit

	Three months ended		Twelve months ended	
	December 31,		December 31,	
<i>(Unaudited; dollars in millions)</i>	2015	2014	2015	2014
Power segment profit (loss) before income tax and share of profits of the joint venture	\$ (5)	\$ (3)	\$ (1)	\$ 39

- Fourth-quarter 2015 Power segment loss before income tax and share of profits of joint venture was \$5 million, compared to \$3 million in the same period of 2014
- In 2015, loss before income tax and share of profits of joint venture was \$1 million, compared to a profit of \$39 million in 2014. The variance of \$40 million is due to:
  - \$21 million lower operational results at TDM, and
  - \$19 million one-time gain, recorded in 2014, on the sale of our 50 percent equity interest in Energía Sierra Juárez wind generation facility

# 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	Q4 2016	25 years	<ul style="list-style-type: none"> <li>Segment II operations rescheduled to fourth-quarter 2016</li> </ul>
Ojinaga – El Encino pipeline	\$300	Q1 2017	25 years	<ul style="list-style-type: none"> <li>Under construction</li> </ul>
San Isidro – Samalayuca pipeline	\$110	Q1 2017	25 years	<ul style="list-style-type: none"> <li>Construction activities to commence in the first half of 2016</li> </ul>
<b>Joint venture projects</b>				
Los Ramones Norte pipeline	\$1,450	Q1 2016	25 years	<ul style="list-style-type: none"> <li>25% indirect IEnova interest</li> <li>Placed in-service February 2016</li> </ul>

(1) Commercial Operations Date

# Expected Mexico pipeline tenders

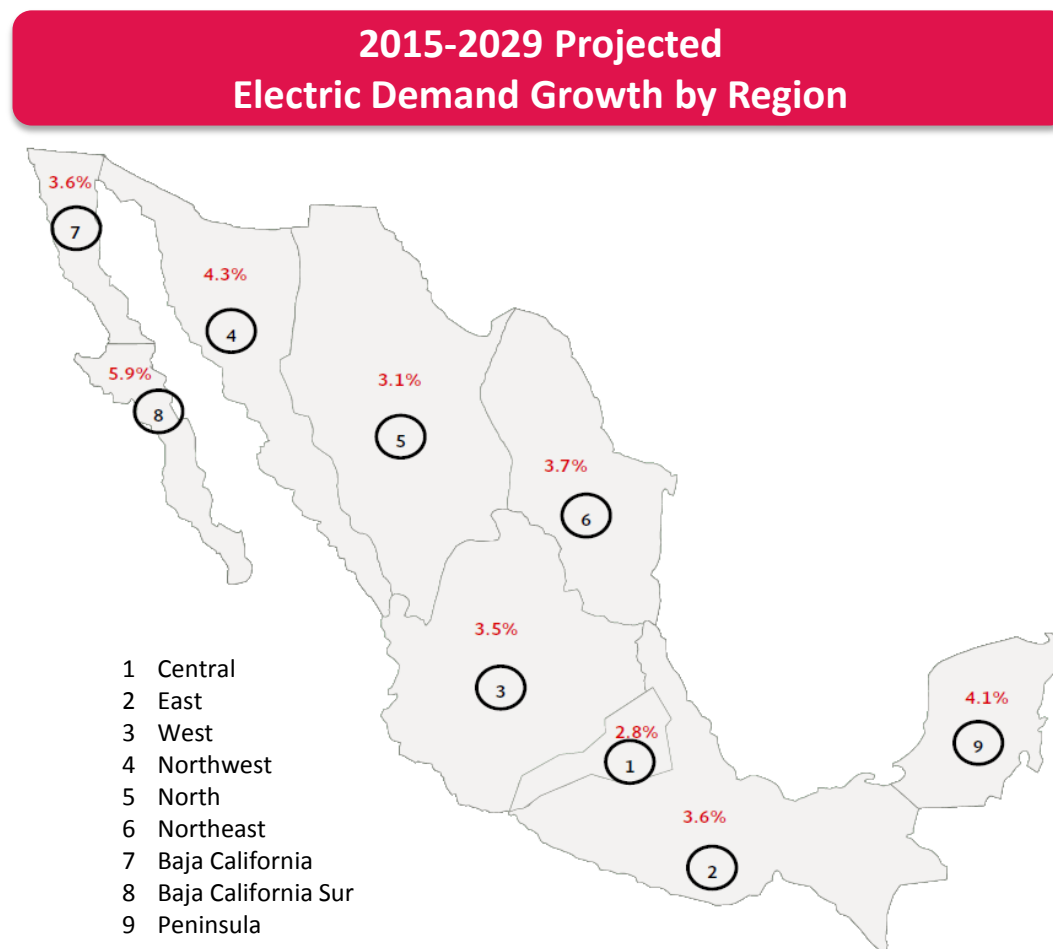
Project		CFE CapEx Estimate (\$ USD millions)
1	Baja Sur	600
2	Texas - Tuxpan (marine pipe)	3,100
3	Tula - Villa de Reyes	420
4	Villa Reyes – Aguascalientes - Gdl	555
5	La Laguna - Aguascalientes	1,000
6	Merida - Valladolid-Cancun	250
7	Jaltipan - Salina Cruz (Pemex)	643
8	Ramones - Cempoala (Pemex)	1,980
9	Lazaro Cardenas - Acapulco	456
10	Salina Cruz - Tapachula	442
<b>TOTAL</b>		<b>\$ 9,446</b>





# Mexico's first electricity auctions

- In December 2015, the Independent System Operator (CENACE) issued the guidelines and schedule for the first round of electricity auctions
- The auctions will include 20-year renewable energy certificates contracts (CELs) and 15-year contracts for energy and power
- A second auction will be held during the summer of 2016 and yearly thereafter
- For this first auction, the only buyer will be CFE; other buyers will participate in future auctions
  - CFE will acquire approximately 500 MW of capacity and 2,000 MW of energy and clean energy certificates
- IEnova is evaluating several renewable energy projects that could potentially participate in the first round of auctions
- Bids are scheduled to be submitted at the end of the first-quarter 2016



Source: SENER

# Termoeléctrica de Mexicali (TDM)

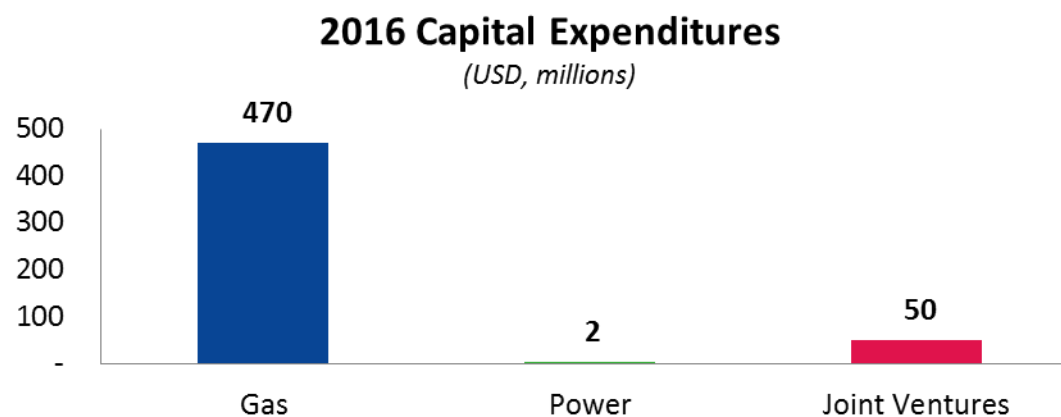
- On February 22, IEnova's Board of Directors approved a plan to market and sell the power plant
- We have engaged a financial advisor to coordinate the sale process



- ❖ TDM is a 625MW natural gas combined-cycle electricity generation plant
- ❖ Commenced commercial operation in June 2003
- ❖ Employs advanced environmental technologies that meet or exceed the environmental standards of both Mexico and the state of California
- ❖ Directly interconnected by a double-circuit 230 kilovolt dedicated transmission line to California's Independent System Operator power grid at the Imperial Valley substation

# 2016 EBITDA guidance and CapEx plan

<b>Guidance</b>			
<i>(USD, millions)</i>	<b>Low</b>		<b>High</b>
<b>2016 Adjusted EBITDA</b>	<b>485</b>	<b>-</b>	<b>525</b>
Guidance range includes the following assumptions:			
Gas segment	364	-	380
Power segment	-10	-	1
Corporate	0	-	0
Adjustment for 50% interest in EBITDA of Pemex JV <sup>(1)</sup>	113	-	125
Adjustment for 50% interest in EBITDA of InterGen JV	18	-	19



(1) Reflects our current best estimate of third-quarter 2016 to complete the restructuring of the transaction, considering the required approvals to comply with the COFECE resolution

# Summary

- Delivering strong growth with more projects commencing operations
- Submitted proposal for La Laguna – Aguascalientes pipeline CFE bid
- New investment opportunities from the Energy Reform materializing
- Focused on restructuring GdC acquisition to comply with COFECE
- Continuing to execute 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>

## 2015 Aggregate Effective Tax Rates

	First quarter	Second quarter	Third quarter	Fourth quarter
Income tax rate	29%	41%	55%	51%
Cash tax rate	32%	32%	33%	32%

