Earnings Report
Second-Quarter 2016

Mexico City, July 27, 2016. **Infraestructura Energética Nova, S.A.B. de C.V. (BMV: IENOVA)** is reporting unaudited second-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, Second-Quarter 2016 compared with Second-Quarter 2015:

- In the second-quarter of 2016, profit was $34.3 million, compared with $36.5 million in the same period of 2015, mainly due to:
  - $2.7 million higher interest expense and lower capitalization of interest compared with the same period of 2015; and
  - $2.7 million mark-to-market gains on an interest rate swap in 2015; partially offset by
  - $4.2 million lower income tax provision.
- In the second-quarter of 2016, Adjusted EBITDA was $106.3 million, compared with $94.9 million in the same period of 2015. The increase of $11.4 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 second-quarter of 2016, revenues were $138.7 million, compared with $142.8 million in the same period of 2015. The decrease of $4.1 million was mainly due to lower natural gas prices, partially offset by higher volume sold.
- In the second-quarter of 2016, cost of revenues was $46.2 million compared with $54.4 million in the same period of 2015. The decrease of $8.2 million was mainly due to lower natural gas prices, partially offset by higher volume sold.
- In May 2016, IEnova entered into the Empalme Lateral pipeline natural gas transportation services agreement with Comisión Federal de Electricidad ("CFE") for a 21-year term and transportation capacity of 226 million cubic feet per day of natural gas. IEnova will be responsible for the development, construction and operation of the approximately 20-kilometer pipeline. We expect to begin operations in May 2017.
- In June 2016, Infraestructura Marina del Golfo, S. de R.L. de C.V. ("IMG"), the joint venture formed between IEnova and TransCanada Corporation ("TransCanada"), whereby IEnova has 40-percent interest in the partnership and TransCanada owns the remaining 60-percent interest, as the winner of a bidding process issued by CFE for the South Texas – Tuxpan pipeline, entered into a 25-year

natural gas transportation services agreement with the CFE. IMG shall be responsible for the development, construction, and operation of the 42-inch pipeline that has a capacity of 2.6 billion cubic feet per day and a length of approximately 800 kilometers. The project will require an investment of approximately $2.1 billion and is expected to begin operations in the last quarter of 2018.

- In July 2016, IEnova announced it has reached an agreement with Pemex Transformación Industrial ("Pemex TRI") to restructure the transaction to purchase Pemex TRI's 50-percent interest in Gasoductos de Chihuahua joint venture, that was objected by the Mexico's Comisión Federal de Competencia Económica in December 2015. This agreement will allow i) Pemex TRI to satisfy the conditions imposed by the former Federal Competition Commission in connection with its indirect participation in the assets known as Gasoducto San Fernando and LPG Ducto TDF and ii) IEnova to acquire Pemex TRI participation in Gasoductos de Chihuahua once such conditions are satisfied.
- Pursuant to a resolution of the General Ordinary Shareholders' Meeting held on April 29, 2016, the board of Directors in its meeting held on July 26, 2016, resolved to pay a cash dividend on August, 2016, in the amount of $140 million dollar.

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

i) Results of Operations

Condensed Consolidated Statements of Profit

(thousands of US$)	Three months ended June 30, 2016	2015
	(unaudited)	
Revenues	$ 138,722	$ 142,788
Cost of revenues	(46,175)	(54,414)
Operating, administrative and other expenses	(22,758)	(18,921)
Depreciation and amortization	(14,256)	(12,379)
Net financing (cost) income	(2,535)	1,325
Other (losses) gains	(2,308)	761
Profit before income tax and share of profits of joint ventures	**50,690**	**59,160**
Income tax expense	(23,249)	(27,462)
Share of profits of joint ventures, net of income tax	11,983	11,541
Profit for the period from continuing operations	**$ 39,424**	**$ 43,239**
Loss for the period from discontinued operations, net of income tax[1]	(5,124)	(6,746)
Profit for the period	**$ 34,300**	**$ 36,493**

[1] The Board of Directors approved a plan to market and sell the Termoeléctrica de Mexicali power plant. Accordingly, its financial results for the second-quarter 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 June 30, 2016	2015
	(unaudited)	
Gas Segment	$ 58,635	$ 62,453
Corporate	(7,945)	(3,293)
	$ 50,690	**$ 59,160**

Gas Segment

In the second-quarter 2016, Gas segment profit before income tax and share of profits of joint venture was $58.6 million, compared with $62.4 million in the same period of 2015. The variance of $3.8 million is mainly due to:

- $2.7 million of interest expense and lower capitalization of interest compared with the same period of 2015, and
- $1.8 million higher depreciation from the start of operations of the Sonora pipeline Puerto Libertad – Guaymas segment.

Corporate

In the second-quarter 2016, corporate loss before income tax was $7.9 million, compared with $3.3 million in the same period of 2015. The variance of $4.6 million is mainly due:

- $2.7 million of mark-to-market gains on an interest rate swap[2] in 2015,
- $0.8 million higher interest expense due to higher short term debt balance.

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

Revenues

(thousands of US$)	Three months ended June 30, 2016		2015	
	(unaudited)			
Gas Segment	$	137,561	$	142,367
Corporate		1,161		421
	$	**138,722**	**$**	**142,788**

Gas Segment

In the second-quarter 2016, Gas segment revenues were $137.6 million, compared with $142.4 million in the same period of 2015. The decrease of $4.8 million is mainly due to lower natural gas prices (based on weighted average of $1.85 per MMBtu[3] during the second-quarter 2016 compared with $2.41 per MMBtu in the same period of 2015), partially offset by higher volume sold.

Cost of Revenues

In the second-quarter 2016, Gas segment cost of revenues was $46.2 million, compared with $54.4 million for the same period of 2015. The decrease of $8.2 million is mainly due to lower natural gas prices (based on weighted average $1.82 per MMBtu during the second-quarter 2016 compared with $2.38 per MMBtu in the same period of 2015), partially offset by higher volume.

Operating, Administrative and Other Expenses

In the second-quarter 2016, operating, administrative and other expenses were $22.8 million, compared with $18.9 million for the same period of 2015. The increase is mainly due to expenses related to the development of new projects.

Net Financing (Cost) Income

In the second-quarter 2016, net financing cost was $2.5 million, compared with a net financing income of $1.3 million for the same period of 2015. The change of $3.8 million is mainly due to lower capitalization of interest compared with the same period of 2015 and increased interest expense related to higher short-term debt balances.

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

Other (Losses) Gains

In the second-quarter 2016, other losses were $2.3 million, compared with other gains of $0.8 million in the same period of 2015. The change of $3.1 million is mainly due to the mark-to-market gains on an interest rate swap[4] in 2015.

Income Tax Expense

In the second-quarter 2016, income tax expense was $23.2 million compared with $27.4 million in the same period of 2015. The variance of $4.2 million is primarily due to the effects of exchange rate and inflation on monetary assets and liabilities, partially offset by the exchange rate effect 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 second-quarter 2016, our share of profits of joint ventures, net of income tax was $11.9 million, compared with $11.5 million in the same period of 2015. The increase of $0.4 million is mainly related to higher share of profits due to the start of operations of the Los Ramones Norte pipeline and the Ethane pipeline, partially offset by higher operating expenses, lower interest capitalization and income tax.

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

[4] 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 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 June 30,	
(thousands of US$)	2016	2015
	(unaudited)	
Gas Segment	$ 68,442	$ 67,566
Corporate	1,347	1,887
EBITDA	**69,789**	**69,453**
JV EBITDA adjustment	39,273	28,400
Discontinued operation EBITDA adjustment	(2,773)	(2,943)
Adjusted EBITDA	**$ 106,289**	**$ 94,910**

ii) Financial Position, Liquidity and Capital Resources

Condensed Consolidated Statements of Financial Position

(thousands of US$)	June 30, 2016	December 31, 2015
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 53,435	$ 40,377
Short-term investments	80	20,068
Trade and other receivables, net	56,366	53,728
Assets held for sale	312,973	-
Other current assets(1)	49,624	111,156
Total current assets	**472,478**	**225,329**
Non-current assets		
Due from unconsolidated affiliates	105,102	111,766
Deferred income tax assets	63,237	78,965
Investments in joint ventures	460,772	440,105
Property, plant and equipment , net	2,446,041	2,595,840
Other non-current assets(2)	44,355	55,077
Total non-current assets	**3,119,507**	**3,281,753**
Total assets	**$ 3,591,985**	**$ 3,507,082**
Liabilities and Equity		
Short-term debt	$ 118,437	$ 88,507
Due to unconsolidated affiliates	356,457	352,650
Liabilities held for sale	70,494	-
Other current liabilities(3)	100,514	102,184
Total current liabilities	**645,902**	**543,341**
Non-current liabilities		
Long-term debt	272,900	299,925
Due to unconsolidated affiliates	39,187	38,460
Deferred income tax liabilities	230,029	261,294
Other non-current liabilities(4)	192,204	184,198
Total non-current liabilities	**734,320**	**783,877**
Total liabilities	**1,380,222**	**1,327,218**
Common stock	762,949	762,949
Additional paid-in capital	973,953	973,953
Accumulated other comprehensive income	(139,117)	(103,944)
Retained earnings	613,978	546,906
Total equity	**2,211,763**	**2,179,864**
Total liabilities and equity	**$ 3,591,985**	**$ 3,507,082**

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

(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$)	Three months ended June 30, 2016	Three months ended June 30, 2015
	(unaudited)	
Cash and cash equivalents at the beginning of the period	**$ 44,936**	**$ 44,372**
Net cash provided by operating activities	41,503	62,815
Net cash used in investing activities	(53,658)	(27,217)
Net cash provided (used) by financing activities	28,387	(4,228)
Effects of exchange rate changes on cash and cash equivalents	(7,436)	(304)
Cash and cash equivalents before discontinued operations	**$ 53,732**	**$ 75,438**
Cash and cash equivalents from discontinued operations	(297)	-
Cash and cash equivalents at end of the period	**$ 53,435**	**$ 75,438**

Operating Activities

In the second-quarter 2016, net cash provided by operating activities was $41.5 million, compared with $62.8 million in the same period of 2015. The decrease was primarily due to changes in working capital.

Investing Activities

In the second-quarter 2016, net cash used in investing activities was $53.7 million, due to capital expenditures of $78.5 million, primarily related to our Sonora, Ojinaga and San Isidro pipeline projects, partially offset by the decrease in short-term investments of $25.0 million.

In the second-quarter 2015, net cash used in investing activities was $27.2 million primarily due to $64.4 million of capital expenditures related to the Sonora pipeline project, partially offset by $41.5 million repayment of loans to affiliates.

Financing Activities

In the second-quarter 2016, net cash provided by financing activities was $28.4 million due to $30.0 million proceeds from borrowings against credit facilities, partially offset by interest paid.

In the second-quarter 2015, net cash used in financing activities was $4.2 million mainly due to interest paid.

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.