Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

Condensed Interim Consolidated Financial Statements as of September 30, 2016 and for the nine and three-month periods ended September 30, 2016 and 2015 (Unaudited) and Independent Auditor’s Review Report Dated October 26, 2016

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

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Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

Condensed Interim Consolidated Statements of Financial Position

(In thousands of U. S. Dollars)

Assets	Notes	September 30, 2016 (Unaudited)	December 31, 2015
Current assets:			
Cash and cash equivalents		$ 174,810	$ 40,377
Short-term investments	11	80	20,068
Trade and other receivables, net		91,846	53,728
Due from unconsolidated affiliates	3	9,284	27,608
Income taxes receivable		2,085	16,226
Natural gas inventories		4,000	4,628
Derivative financial instruments	11	2,728	1,926
Value added tax receivable		29,628	46,807
Carbon allowances	8	-	5,385
Other assets		11,308	8,576
Assets held for sale	1, 6	201,055	-
Total current assets		526,824	225,329
Non-current assets:			
Due from unconsolidated affiliates	3	103,028	111,766
Derivative financial instruments		689	-
Finance lease receivables	11	959,340	14,510
Deferred income tax assets		99,893	78,965
Investments in joint ventures	4	59,203	440,105
Goodwill	5	1,512,611	25,654
Property, plant and equipment, net	7, 14	2,853,750	2,595,840
Carbon allowances	8	-	12,975
Other assets		3,934	1,938
Total non-current assets		5,592,448	3,281,753
Total assets		$ 6,119,272	$ 3,507,082

Liabilities and Stockholders' Equity	Notes	September 30, 2016 (Unaudited)	December 31, 2015
Current liabilities:			
Short-term debt	9, 11	$ 568,531	$ 88,507
Trade and other payables		87,083	43,849
Due to unconsolidated affiliates	3, 11	1,390,820	352,650
Income tax liabilities		20,465	14,095
Derivative financial instruments	11	6,695	-
Other financial liabilities		2,769	6,444
Provisions		1,091	1,293
Other taxes payable		21,807	13,881
Carbon allowances	8	-	5,385
Other liabilities		29,919	17,237
Liabilities held for sale	1, 6	35,302	-
Total current liabilities		2,164,482	543,341
Non-current liabilities:			
Long-term debt	10, 11	579,633	299,925
Due to unconsolidated affiliates	3, 11	42,531	38,460
Deferred income tax liabilities		354,540	261,294
Carbon allowances	8	-	12,611
Provisions		44,123	34,236
Derivative financial instruments	11	202,537	133,056
Employee benefits		5,384	4,295
Total non-current liabilities		1,228,748	783,877
Total liabilities		3,393,230	1,327,218
Stockholders' equity:			
Common stock		762,949	762,949
Additional paid-in capital		973,953	973,953
Accumulated other comprehensive loss		(145,223)	(103,944)
Retained earnings	13	1,134,363	546,906
Total equity attributable to owners of the Company		2,726,042	2,179,864
Commitments and contingencies	16, 17		
Events after the reporting period	19		
Total liabilities and equity		$ 6,119,272	$ 3,507,082

See accompanying notes to the condensed interim consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

Condensed Interim Consolidated Statements of Profit

(In thousands of U. S. Dollars, except per share amounts)

	Notes	Nine-month period ended September 30, (Unaudited) 2016 (notes 1, 6)	Nine-month period ended September 30, (Unaudited) 2015 (notes 1, 6)	Three-month period ended September 30, (Unaudited) 2016 (notes 1, 6)	Three-month period ended September 30, (Unaudited) 2015 (notes 1, 6)
Revenues	14	$ 466,283	$ 464,893	$ 194,307	$ 167,663
Cost of revenues		(175,834)	(197,614)	(84,343)	(78,595)
Operating, administrative and other expenses		(64,164)	(60,487)	(22,245)	(21,745)
Depreciation and amortization		(42,990)	(38,369)	(14,439)	(13,601)
Interest income		4,598	5,167	1,563	1,459
Finance costs		(12,098)	(6,598)	(6,273)	(4,268)
Other losses, net		(2,146)	(10,806)	(1,448)	(7,538)
Remeasurement of equity method investment	5	673,071	-	673,071	-
Profit before income tax and share of profits of joint ventures		846,720	156,186	740,193	43,375
Income tax expense	12	(57,290)	(79,218)	(16,692)	(36,358)
Share of profits of joint ventures, net of income tax	4, 14	40,441	27,211	1,016	3,953
Profit for the period from continuing operations		$ 829,871	$ 104,179	$ 724,517	$ 10,970
Discontinued operation:					
(Loss) gain for the period from discontinued operations, net of income tax	6	(102,414)	(8,578)	(64,132)	1,923
Profit for the period	15	$ 727,457	$ 95,601	$ 660,385	$ 12,893
Earnings per share:					
From continuing and discontinued operations:					
Basic and diluted earnings per share	15	$ 0.72	$ 0.09	$ 0.62	$ 0.01
From continuing operations:					
Basic and diluted earnings per share	15	$ 0.63	$ 0.08	$ 0.57	$ 0.01

See accompanying notes to the condensed interim consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

Condensed Interim Consolidated Statements of Profit and Other Comprehensive Income

(In thousands of U. S. Dollars)

	Notes	Nine-month period ended September 30, (Unaudited) 2016	Nine-month period ended September 30, (Unaudited) 2015	Three-month period ended September 30, (Unaudited) 2016	Three-month period ended September 30, (Unaudited) 2015
Profit for period	15	$ 727,457	$ 95,601	$ 660,385	$ 12,893
Other comprehensive income (loss):					
Items that will not be reclassified to profit or (loss):					
Actuarial gains on defined benefits plans		-	254	-	-
Deferred income tax relating to components of other comprehensive income		-	(76)	-	-
Total items that will not be reclassified to profit		-	178	-	-
Items that may be subsequently reclassified to profit or (loss):					
Loss on valuation of financial derivative instruments held for hedging purposes		(16,578)	(7,325)	(17,352)	(2,218)
Deferred income tax on the loss on valuation of financial derivative instruments held for hedging purposes		4,973	2,198	5,205	666
(Loss) gain on valuation of derivative financial instruments held for hedging purposes of joint ventures		(10,322)	(14,211)	16,479	(17,537)
Deferred income tax on the (loss) gain on valuation of financial derivate instruments held for hedging purposes at joint ventures		3,096	4,263	(4,944)	5,260
Exchange differences on translating foreign operations		(22,448)	(28,479)	(5,494)	(16,913)
Total items that may be subsequently reclassified to profit		(41,279)	(43,554)	(6,106)	(30,742)
Other comprehensive loss for the period		(41,279)	(43,376)	(6,106)	(30,742)
Total comprehensive income (loss) for the period		$ 686,178	$ 52,225	$ 654,279	$ (17,849)

See accompanying notes to the condensed interim consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

Condensed Interim Consolidated Statements of Changes in Stockholders' Equity

(In thousands of U. S. Dollars)

	Notes	Common shares	Additional paid-in capital	Other comprehensive loss	Retained earnings	Total
Balance as of January 1st, 2015		$ 762,949	$ 973,953	$ (64,331)	$ 576,717	$ 2,249,288
Profit for the period		-	-	-	95,601	95,601
Actuarial gains on defined benefits plans, net of income tax		-	-	178	-	178
Loss on valuation of financial derivatives held for hedging purposes, net of income tax		-	-	(5,127)	-	(5,127)
Loss on valuation of financial derivatives held for hedging purposes of joint ventures, net of income tax		-	-	(9,948)	-	(9,948)
Exchange differences on translating foreign operations		-	-	(28,479)	-	(28,479)
Total comprehensive income for the period		-	-	(43,376)	95,601	52,225
Dividends paid	13	-	-	-	(170,000)	(170,000)
Balance as of September 30, 2015 (Unaudited)		$ 762,949	$ 973,953	$ (107,707)	$ 502,318	$ 2,131,513
Balance as of January 1st, 2016		$ 762,949	$ 973,953	$ (103,944)	$ 546,906	$ 2,179,864
Profit for the period		-	-	-	727,457	727,457
Loss on valuation of financial derivatives held for hedging purposes, net of income tax		-	-	(11,605)	-	(11,605)
Loss on valuation of financial derivatives held for hedging purposes of joint venture, net of income tax		-	-	(7,226)	-	(7,226)
Exchange differences on translating foreign operations		-	-	(22,448)	-	(22,448)
Total comprehensive income for the period		-	-	(41,279)	727,457	686,178
Dividends paid	13	-	-	-	(140,000)	(140,000)
Balance as of September 30, 2016 (Unaudited)		$ 762,949	$ 973,953	$ (145,223)	$ 1,134,363	$ 2,726,042

See accompanying notes to the condensed interim consolidated financial statements.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

Condensed Interim Consolidated Statements of Cash Flows

(In thousands of U. S. Dollars)

	Notes	Nine -month period ended September 30, (Unaudited) 2016	2015	Three -month period ended September 30, (Unaudited) 2016	2015
Cash flows from operating activities:					
Profit for the period	15	$ 727,457	$ 95,601	$ 660,385	$ 12,893
Adjustments for:					
Income tax (benefit) expense	6, 12	20,294	83,099	(48,842)	41,733
Share of profit of joint ventures, net of income tax	4, 14	(40,441)	(27,211)	(1,016)	(3,953)
Finance costs		12,290	6,781	6,337	4,329
Interest income		(4,616)	(5,205)	(1,571)	(1,462)
Loss on disposal of property, plant and equipment		4,280	1,555	3,095	1,004
Impairment loss (gain) recognized on trade receivables		3	53	20	(55)
Impairment property plant and equipment	6	136,880	-	136,880	-
Remeasurement of equity method investment	5	(673,071)	-	(673,071)	-
Depreciation and amortization		45,212	49,777	14,439	17,403
Net foreign exchange loss (gain)		3,042	(6,468)	1,899	(4,490)
Loss on valuation of derivative financial instruments		2,110	1,354	2,434	2,902
		233,440	199,336	100,989	70,304
Movements in working capital:					
Decrease (increase) in trade and other receivables, net		28,064	(19,517)	21,514	(47,518)
Decrease in natural gas inventories		628	1,556	2,953	1,629
Decrease (increase) in other assets		25,440	2,525	(6,183)	4,423
(Decrease) increase in trade and other payables		(28,316)	57,203	(29,481)	89,694
Increase (decrease) in provisions		15,447	(52,223)	47,056	(67,562)
Increase (decrease) in other liabilities		7,684	(32,274)	2,955	(31,264)
Cash generated from operations		282,387	156,606	139,803	19,706
Income taxes paid		(76,079)	(58,990)	(20,041)	(20,144)
Net cash provided by (used in) operating activities		206,308	97,616	119,762	(438)

(Continued)

	Notes	Nine -month period ended September 30, (Unaudited) 2016	2015	Three -month period ended September 30, (Unaudited) 2016	2015
Cash flows from investing activities:					
Acquisition of subisidiary, net of cash acquired	**5**	(1,077,585)	-	(1,077,585)	-
Investment in joint ventures		(55,840)	-	(55,840)	-
Interest received		3,875	1,047	716	-
Acquisitions of property, plant and equipment		(270,588)	(185,420)	(155,683)	(65,619)
Loans to unconsolidated affiliates		(311)	(1,139)	(36)	(95)
Receips of loans to unconsolidated affiliates		8,262	41,596	2,691	66
Short-term investments		19,988	29,952	-	34,820
Net cash used in investing activities		(1,372,199)	(113,964)	(1,285,737)	(30,828)
Cash flows from financing activities:					
Interest paid		(20,191)	(17,804)	(10,490)	(1,398)
Proceeds from loans from unconsolidated affiliates	3	1,150,000	-	1,150,100	-
Repayment of loans from unconsolidated affiliates	3	(120,100)	120,000	(120,100)	-
Payments on bank credit lines		-	(381,094)	-	(259,255)
Proceeds from bank credit lines		430,000	475,094	400,000	475,094
Debt issuance cost		-	(2,000)	-	(2,000)
Dividends paid	13	(140,000)	(170,000)	(140,000)	(170,000)
Net cash provided by financing activities		1,299,709	24,196	1,279,510	42,441
Net increase in cash and cash equivalents		133,818	7,848	113,535	11,175
Cash and cash equivalents at the beginning of the period		40,377	83,637	53,435	75,438
Cash and cash equivalent from assets held for sale	6	(1,091)	-	79	-
Effects of exchange rate changes on cash and cash equivalents		1,706	(5,594)	7,761	(722)
Cash and cash equivalents at the end of the period		$ 174,810	$ 85,891	$ 174,810	$ 85,891

See accompanying notes to the condensed interim consolidated financial statements.

1. Business and relevant events

a. *Business*

Infraestructura Energética Nova, S. A. B. de C. V. ("IEnova") and Subsidiaries (collectively, the "Company") are located and incorporated in Mexico. Their parent and ultimate holding company is Sempra Energy (the "Parent"), located and incorporated in the United States of America ("U. S."). The address of their registered offices and principal places of business are disclosed in Note 21.

The Company operates in the energy sector. The Company is organized in two separately managed reportable segments, Gas and Power. Amounts labeled as Corporate consist of parent company activities at IEnova (Note 14).

The Gas segment develops, owns and operates, or holds interests in, natural gas and propane pipelines, liquefied petroleum gas ("LPG") storage facilities, transportation and distribution and sale of natural gas in the states of Baja California, Sonora, Sinaloa, Coahuila, Chihuahua, Durango, Tamaulipas, Chiapas, San Luis Potosi, Tabasco, Veracruz, Nuevo León and Jalisco, Mexico. It also owns and operates a liquefied natural gas ("LNG") terminal in Baja California, Mexico for importing, storing and regasifying LNG.

The Power segment owns and operates a natural gas fired power plant that includes two gas turbines and one steam turbine, and a renewable energy project in a joint venture in Baja California, Mexico, using wind resources to serve clients in the U. S. (Please refer to Note 1.1.)

According to the relevant event mentioned in Note 1.5., the Company has the following new activities:

i) Operation of five natural gas compression stations, one propane system in the states of Chihuahua, Nuevo Leon and Tamaulipas; and one storage station in the state of Jalisco, Mexico.

ii) A plant in Zapotlanejo, Jalisco, Mexico where the Company renders services related to transporting and storage of LPG.

iii) Transportation of Ethane Gas, in the states of Tabasco, Chiapas and Veracruz, Mexico.

The Company obtained the corresponding authorization from the Comisión Reguladora de Energía ("CRE") in order to perform these activities.

Seasonality of operations. Customer demand in both Gas and Power segments experience seasonal fluctuations. For the Gas Segment, the demand for natural gas service is higher in colder months. In the case of the Power Segment, the demand for power distribution service is higher during months with hot weather.

b. ***Relevant events***

1.1. Plan to market and sell TDM

In February 2016, the Company´s management approved a plan to market and sell Termoeléctrica de Mexicali, S. de R. L. de C. V. and subsidiaries ("TDM"), a 625-MW natural gas-fired power plant located in Mexicali, Baja California, Mexico.

As a result of the foregoing events, the assets and liabilities of TDM, were presented as assets held for sale and liabilities held for sale, in the Condensed Interim Consolidated Statement of Financial Position as of September 30, 2016; the results of these companies are also presented within discontinued operations in the Condensed Interim Consolidated Statements of Profit, which were retrospectively adjusted. Please refer to Note 6.

1.2. Beginning of commercial operations of "Los Ramones Norte project"

In February 2016, Los Ramones Norte project started commercial operations.

1.3. Marine pipeline

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 TransCanada has 60-percent interest in the partnership and IEnova owns the remaining 40-percent interest, resulted the winner of a bidding process and entered into a 25-year natural gas transportation services agreement with the Comision Federal de Electricidad ("CFE"), in connection with the bid issued by CFE for the South Texas – Tuxpan pipeline. 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. Please refer Note 4.3.

1.4. Ramal Empalme pipeline project

In May 2016, IEnova entered into a natural gas transportation service agreement with CFE for a 21-year term, denominated in U.S. Dollars, for 100-percent of the transport capacity of the Ramal Empalme pipeline, equal to 226 million cubic feet per day of natural gas. IEnova will be responsible for the development, construction and operation of the 20-kilometer pipeline which is expected to begin operations in the first half of 2017.

1.5. Purchase agreement of remaining interest in Gasoductos de Chihuahua from Petróleos Mexicanos

In July 2016, IEnova announced it had reached an agreement with Pemex Transformación Industrial ("Pemex TRI") to restructure the transaction to purchase Pemex's interest in Gasoductos de Chihuahua, S. de R. L. de C. V. ("GdC") that was objected by the Mexico's Comisión Federal de Competencia Económica ("COFECE") in December 2015. This agreement allowed 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 GdC once such conditions were satisfied.

On September 21, 2016, COFECE authorized IEnova's acquisition of 50-percent of the equity of GdC ("GdC acquisition"), owned by Pemex TRI.

On September 26, 2016, the GdC acquisition, was completed through IEnova Gasoductos Holding, S. de R. L. de C. V., ("IGH") a subsidiary of IEnova; therefore, the Company now holds 100-percent of GdC's shares. The final price of the transaction was $1,077.6 million, net of cash acquired. GdC's joint venture with Pemex TRI remains after the acquisition, as originally contracted, each holding 50-percent of the shares in Ductos y Energéticos del Norte, S. de R. L. de C. V. ("DEN"). Through DEN, IEnova and Pemex TRI will preserve their energy infrastructure joint venture of the construction of the Los Ramones Norte pipeline and potentially develop new projects.

GDC's balances and results of operations have been included in the Company's consolidated financial statements beginning as of September 26, 2016 Condensed Interim Consolidated Statements of Profit.

1.6. Bridge loan for GdC acquisition

a) On September 26, 2016, IEnova entered into an unconsolidated affiliate loan credit in the amount of $800.0 million with Sempra Global ("SEG"). The loan has the following characteristics:

- U.S. dollar-denominated.
- Two-month term.
- Use to finance the acquisition of GdC.

b) On September 26, 2016, IEnova entered into an unconsolidated affiliate loan credit in the amount $350.0 million with Semco Holdco, S. de R. L. de C. V. ("Semco"). The loan has the following characteristics:

- U.S. dollar-denominated.
- Two-month term.
- Use to finance the acquisition of GdC.

1.7. Purchase agreement of wind farm "Ventika"

On September 2, 2016, IEnova agreed to acquire Fisterra Energy Netherlands III, B. V., Fisterra Energy Netherlands, IV B. V., Fisterra Energy Mexico III, S. de R. L. de C. V., Fisterra Energy Mexico IV, S. de R. L. de C. V., Ventika, S. A. P. I. de C. V., and Ventika II, S. A. P. I. de C. V. (collectively "Ventika"), the 252 MW wind generation facility, located in the state of Nuevo Leon, Mexico. Ventika was jointly developed by Fisterra Energy and Cementos Mexicanos, S. A. de C. V. Construction was completed in December 2015 and commercial operations started in April 2016. The estimated purchase price is $852.0 million, including a cash payment at closing of $375.0 million, plus the assumption of outstanding project finance debt of approximately $477.0 million. Ventika acquisition is expected to be completed in the fourth quarter of 2016. This transaction requires approvals from IEnova's shareholders as may be required by applicable laws, and Mexico's COFECE.

1.8. La Rumorosa Solar Project and Tepezalá II Solar Project

On September 28, 2016 the Company was declared winner of two solar projects, bided by Centro Nacional de Control de Energía ("CENACE"), La Rumorosa Solar ("Rumorosa") and Tepezalá II Solar ("Tepezalá II") with an approximate capacity of 41 MW, located in Baja California, Mexico and 100 MW, located in Aguascalientes, Mexico, respectively. The Tepezalá II project will be developed and constructed in collaboration with Trina Solar.

The Company, through its subsidiaries will be responsible of the development, construction, operation and maintenance of these projects, including the permits, rights, financing and land acquisition. The estimated investment for these projects is $150.0 million and the beginning of commercial operations is expected to occur in the second quarter of 2019.

2. Significant accounting policies

a. *Statement of compliance*

The Condensed Interim Consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

Certain information and disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted pursuant to the interim period reporting provisions. Therefore, the Condensed Interim Consolidated financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, which are prepared in accordance with IFRS as issued by the IASB. Results of operations for interim periods are not necessarily indicative of results for the entire year.

b. *Basis of preparation*

The same accounting policies, presentation and methods of computation followed in these Condensed Interim Consolidated financial statements were applied in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2015.

Non-current assets classified as held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable.

A discontinued operation is a component of a company that either has been disposed of or is classified as held for sale and represents (or is part of a single coordinated plan to dispose of) a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. A discontinued operation is presented as a single amount in the statement of Condensed Interim Consolidated Statements of Profit comprising the total of post-tax profit or loss of discontinued operations and gain or loss recognized on the measurement to fair value less costs to sell or on the disposal of the assets constituting the discontinued operation.

c. *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for:

• Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;

• Liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquire are measured in accordance with *IFRS 2 Share based payments at the acquisition date* (as of December 31, 2015, 2014 and 2013 the Company does not have share-based payments); and

• Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Company's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with *IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

d. ***Critical judgments in applying accounting policies***

In the application of the accounting policies of the Company, management must make judgments, estimates and assumptions about the carrying amounts of assets and liabilities in the financial statements. The estimates and assumptions are based on historical experience and other factors considered relevant. Actual results could differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Changes to accounting estimates are recognized in the period in which the change is made and future periods if the change affects both the current and subsequent periods.

e. ***Impairment of tangible and intangible assets (other than goodwill)***

When non-current assets and disposal groups are classified as held for sale, they are required to be measured at the lower of their carrying amount and fair value less costs to sell. The comparison of carrying amount and fair value less costs to sell is carried out at each reporting date while it continues to meet the held for sale criteria. As described in Note 6, an impairment loss has been recognized related to TDM in the Condensed Interim Consolidated Statements of Profit.

Fair value is an estimate of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, a gain or loss could arise once an actual sale is completed.

3. Transactions and balances with unconsolidated affiliates

Balances and transactions between IEnova and its subsidiaries have been eliminated upon consolidation and are not disclosed in this note, except for those transactions between continued and discontinued operations.

Transactions between continued and discontinued operations are eliminated in consolidation. Any profit made from sales to external parties by the discontinued operations are presented outside continuing operations. Accordingly, the Condensed Interim Consolidated Statements of Profit present revenues from continuing operations as follows:

	Revenues / Cost of revenues			
	Nine-month period ended		**Three-month period ended**	
	09/30/16	**09/30/15**	**09/30/16**	**09/30/15**
Effects of continuing operation with Gasoducto Rosarito, S. de R. L. de C. V. and IEnova Marketing, S. de R. L. de C. V. (“Formerly IEnova LNG”)	$ 44,321	$ 64,722	$ 24,271	$ 27,141

a. ***Transactions with unconsolidated affiliates***

During the period, the Company entered into the following transactions with unconsolidated affiliates as part of ongoing operations:

	Revenues			
	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
Sempra LNG International Holdings, LLC ("SLNGIH")	$ 79,555	$ 24,048	$ 25,756	$ 24,048
Discontinued operation – Sempra Generation ("SGEN")	38,772	109,815	4,830	53,396
Sempra LNG ECA Liquefaction, LLC ("SLNGEL")	1,975	154	105	154
Sempra International, LLC ("Sempra International")	1,234	1,262	408	432
Servicios ESJ, S. de R. L. de C. V. ("SESJ")	549	-	294	-
Discontinued operation – SESJ	365	-	50	-
Energía Sierra Juárez, S. de R. L. de C. V. ("ESJ")	85	-	-	-
Southern California Gas Company ("SoCalGas")	12	-	9	-
Sempra LNG International, LLC ("SLNGI")	-	49,138	-	-

	Cost of revenues and operating, administrative and other expenses			
	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
SLNGI	$ 132,243	$ 148,672	$ 65,442	$ 62,918
Discontinued operation – SGEN	18,353	17,444	8,366	5,197
Sempra U. S. Gas & Power, LLC	5,232	5,029	1,693	1,633
SGEN	3,183	2,235	620	1,309
Sempra International	3,037	5,165	935	1,811
Sempra Gas & Power Marketing, LLC	1,286	-	1,286	-
SoCalGas	1,100	726	360	192
Sempra Midstream, Inc. ("Sempra Midstream")	521	550	123	190
Sempra Services Company, S. de R. L. de C. V. ("Sempra Services Company") *	-	128	-	(106)

* In December 2015, this company was liquidated.

	Interest income			
	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
DEN	$ 3,039	$ 3,668	$ 1,028	$ 965
ESJ	879	1,254	263	428
Discontinued operation – SGEN	17	8	6	3
Sempra Servicios México, S. de R. L. de C. V. *	-	2	-	-

* In December 2015, this company was liquidated.

	Finance cost			
	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
Inversiones Sempra Latin America Limitada (“ISLA”)	$ 1,199	$ 1,009	$ 403	$ 455
Sempra Energy Holding XI, B. V. (“SEH”)	1,185	-	309	-
Sempra Oil Trading Suisse (“SOT Suisse”)	1,040	1,088	313	370
Inversiones Sempra Limitada (“ISL”)	400	337	135	152
SEG	180	-	180	-
SEMCO	79	-	79	-
DEN	4	-	4	-

The following balances were outstanding at the end of the reporting period:

	Amounts due from unconsolidated affiliates As of	
	09/30/16	12/31/15
SLNGIH	$ 7,806	$ 9,685
DEN	974	-
SESJ	435	138
ESJ	45	51
SLNGEL	24	668
SGEN *	-	17,066
	$ 9,284	$ 27,608

* As of September 30, 2016, the amount was reclassified to assets held for sale.

	Amounts due to unconsolidated affiliates As of	
	09/30/16	12/31/15
SEG (i)	$ 800,180	$ -
SEMCO (ii)	350,079	-
SEH (iv)	100,097	219,600
ISLA (iii)	90,000	90,000
ISL (iii)	30,000	30,000
SLNGI	19,300	12,220
Sempra Gas & Power Marketing	639	-
Sempra International	418	470
SoCalGas	107	-
SGEN	-	360
	$ 1,390,820	$ 352,650

(i) On September 26, 2016, IEnova entered into a $800.0 million of U.S. Dollar-denominated loan with SEG, to finance GdC acquisition. The agreement is for two-month term. Interest is payable on a monthly basis at London Interbank Offered Rate (“LIBOR”) plus 110 basis point of outstanding balances. (Please refer to Note 19)

(ii) On September 26, 2016, IEnova entered into a $350.0 million of U.S. Dollar-denominated loan with Semco, to finance GdC acquisition. The agreement is for two month term. Interest is payable on a monthly basis at LIBOR plus 110 basis point of outstanding balances. (Please refer to Note 19)

(iii) On March 2, 2015, IEnova entered into a $90.0 million and $30.0 million of U.S. Dollar-denominated credit facilities with ISLA and ISL, respectively, to finance working capital and for general corporate purposes. The agreements are for nine-month terms, with an option to be extended to up to four years. Interest is payable on a quarterly basis at 1.98% of outstanding balances. On December 15, 2015, the Company signed an addendum modifying the initial contracts and the new characteristics are: the note term is extended and is due and payable in full on December 15, 2016. The interest rate applicable shall be computed each calendar quarter at the rate of 1.75% per year.

(iv) On December 22, 2015, IEnova entered into a $219.6 million of U. S. Dollar-denominated credit facility with SEH, to finance working capital and for general corporate purposes. The term of the agreements is for twelve months. Interest is payable on a quarterly basis at three-month LIBOR plus 0.17% of outstanding balances. On August 1st, 2016, the Company paid $120.5 million, this amount includes the corresponding interest. (Please refer to Note 19)

Transactions with unconsolidated affiliates as of the date of this report are consistent in the nature and amount with those in previous years. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given nor received. No expenses have been recognized in the current or prior periods for bad or doubtful debts regarding the amounts owed by unconsolidated affiliates.

Included in the operational transactions are administrative services from affiliates by $3.2 million and $5.3 million for the nine-month period ended September 30, 2016 and 2015 respectively, $0.6 million and $1.7 million for the three-month period ended September 30, 2016 and 2015, respectively which were collected and paid, and have been properly distributed to the segments incurring those costs.

b. ***Loans to unconsolidated affiliates***

	As of	
	09/30/16	**12/31/15**
DEN	$ 89,003	$ 85,963
ESJ	14,025	25,142
SGEN *	-	661
	$ 103,028	$ 111,766

* As of September 30, 2016, the amount was reclassified to assets held for sale.

c. ***Loans from unconsolidated affiliates***

	As of	
	09/30/16	**12/31/15**
SOT Suisse	$ 39,500	$ 38,460
DEN	3,031	-
	$ 42,531	$ 38,460

d. ***Compensation of key management personnel***

Total compensation expense of key management personnel was $4.3 million and $8.2 million for the nine-month period ended September 30, 2016 and 2015, respectively and $1.1 million and $1.3 million for the three-month period ended September 30, 2016 and 2015, respectively.

There are no loans to the Company’s key management personnel.

4. Investment in joint ventures

4.1. GdC

Until September 26, 2016, the Company owned a 50-percent interest in GdC, a joint venture with Pemex TRI, a Pemex subsidiary (See Note 5). GdC operates three natural gas pipelines, five natural gas compression stations, one propane system in Mexico and one ethane pipeline, in the states of Chiapas, Chihuahua, Nuevo León, Tabasco, Tamaulipas and Veracruz and one propane gas storage facility in the state of Jalisco, Mexico. Beginning on September 27, 2016 the Company fully consolidated GdC.

As of September 26, 2016, there has been no change in the Company's ownership or voting rights in this joint venture.

GdC's Condensed Interim Consolidated Financial Statements and the Company's equity method investment are summarized as follows:

		Year ended 12/31/15
Cash and cash equivalents	$	22,080
Short-term investments		10,780
Other current assets		55,383
Total current assets		88,243
Finance lease receivables		952,201
Property, plant and equipment, net		320,079
Investments in joint venture		131,338
Other non-current assets		1,727
Deferred income tax assets		12,314
Total non-current assets		1,417,659
Total assets	$	1,505,902
Current liabilities	$	133,730
Non-current liabilities		662,307
Total liabilities	$	796,037
Total members' equity	$	709,865
Share of members' equity		354,933
Goodwill and indefinite lived intangible assets		64,943
Carrying amount of investment in GdC	$	419,876

	Nine-month period ended		Three-month period ended	
	09/26/16	09/30/15	09/26/16	09/30/15
Revenues	$ 199,996	$ 184,240	$ 53,257	$ 66,920
Operating, administrative and other expenses	(60,174)	(50,751)	(24,450)	(18,693)
Finance cost	(20,989)	(22,188)	(4,771)	(10,242)
Share of profits of joint venture, net of income tax	15,417	(16,235)	5,916	(10,554)
Income tax, expense	(53,409)	(46,773)	(23,737)	(20,650)
Profit for the period	$ 80,841	$ 48,293	$ 6,215	$ 6,781
Share of profits of GdC	$ 40,421	$ 24,147	$ 3,108	$ 3,390

(a) *Credit agreement*. On December 5, 2013, GdC entered into a credit agreement for $490.0 million with BBVA Bancomer, Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, Bank of Tokyo Mitsubishi UFJ, Ltd., Mizuho Bank Ltd. ("Mizuho") and Norddeutsche Landesbank ("NORD / LB"), for the purpose of funding the Los Ramones I pipeline project. The funding is contracted for a term of 13.5 years, with quarterly principal payments, bearing interest at the 90 day LIBOR plus 200 to 275 basis points. This funding is guaranteed by collection rights of certain GdC projects. Borrowings under the facility began in 2014. As of September 30, 2016, GdC has $379.3 million of outstanding borrowings.

On January 22, 2014, GdC entered into an interest rate swap for hedging the interest rate risk on the total of the credit agreement mentioned above, exchanging the LIBOR for a fix rate of 2.63%.

(b) *Regular investment contribution to TAG,* TAG is owned by GdC through its subsidiary, DEN, and partners, TETL JV Mexico Norte, S. de R. L. de C. V. and TAG Pipelines Norte. As of September 30, 2016, the contributions are as follows:

	Period ended 09/30/16
Pemex TRI *	$ 89,003
IEnova *	89,003
	$ 178,006

* Includes interests.

Under the terms of the contract, the contributions made in 2014, are presented as loans to DEN. As of September 30, 2016 and 2015, amounts outstanding have generated interest of $2.0 million and $2.7 million respectively.

(c) On December 19, 2014 TAG Holding, entered into a loan as a debtor, signing a promissory note in favor of Santander, the amount of such loan is of $1.2 billions approximately (including a LC facility for Debt Service Reserve). In addition TAG Holding entered into a derivative instrument in order to hedge the interest rate risk.

(d) In December 2015, TAG Pipelines Norte contracted derivative instruments in order to hedge the risk of exchange rate changes. TAG Pipeline Norte entered into forward contracts with five banks to exchange pesos for dollars of a portion of the projects revenues for 2016; maturing through 2016 and in the first quarter of 2017. Additionally, in September 2016, TAG Pipelines Norte entered into forward contracts to exchange pesos for dollars of a portion of the projects revenues for 2017; maturing through 2017 and in the first quarter of 2018.

4.2. ESJ

The company started operations in the first half of 2015.

As of September 30, 2016, the Company's remaining 50-percent interest in ESJ is accounted for under the equity method. ESJ's Condensed Interim Consolidated financial statements and the Company's equity method investment are summarized as follows:

	Period / Year ended	
	09/30/16	**12/31/15**
Cash and cash equivalents	$ 9,261	$ 12,930
Other current assets	15,493	21,937
Total current assets	24,754	34,867
Property, plant and equipment, net	267,414	276,352
Other non-current assets	2,653	12,347
Deferred income tax	10,365	6,534
Total non-current assets	280,432	295,233
Total assets	$ 305,186	$ 330,100
Current liabilities	$ 19,716	$ 7,248
Non-current liabilities	273,325	306,635
Total liabilities	$ 293,041	$ 313,883
Total members' equity	$ 12,145	$ 16,217
Share of members' equity	6,073	8,108
Goodwill and indefinite lived intangible assets	12,121	12,121
Carrying amount of investment in ESJ	$ 18,194	$ 20,229

	Nine-month period ended		**Three-month period ended**	
	09/30/16	**09/30/15**	**09/30/16**	**09/30/15**
Revenues	$ 32,691	$ 19,624	$ 9,899	$ 10,120
Operating, administrative and other expenses	(15,352)	(8,725)	(5,146)	(5,269)
Finance cost, net	(12,747)	(1,605)	(4,059)	(751)
Other (losses) gain, net	(207)	-	62	-
Income tax expenses	(57)	(3,166)	(653)	(2,975)
Profit for the period	$ 4,328	$ 6,128	$ 103	$ 1,125
Share of profits of ESJ	$ 2,164	$ 3,064	$ 52	$ 563

(a) *Project financing for the ESJ project*. On June 12, 2014, ESJ entered into a $239.8 million project finance loan for the construction of the wind project with five banks: Mizuho Bank, Ltd. ("Mizuho") as coordinating lead arranger, the North American Development Bank ("NADB") as technical and modeling bank, Nacional Financiera, S. N. C. Institución de Banca de Desarrollo ("NAFINSA"), Norddeutsche Landesbank Girozentrale ("NORD/LB") and Sumitomo Mitsui Banking Corporation ("SMBC") as lenders.

On June 30, 2015, ESJ converted the construction loans into 18-year term loans. The credit facilities mature on June 30, 2033, with payments due on a semi-annual basis (each June 30 and December 30 until the final maturity date), starting on December 30, 2015. The credit facilities bear interest at LIBOR plus the applicable margin.

Years	LIBOR applicable margin
June 2014 – June 2015	2.375%
June 2015 – June 2019	2.375%
June 2019 – June 2023	2.625%
June 2023 – June 2027	2.875%
June 2027 – June 2031	3.125%
June 2031 – June 2033	3.375%

As per the financing agreement, the ability to make withdrawals ended on the term conversion date June 30, 2015. ESJ made total accumulated withdrawals from the credit facility in the amount of $239.8 million. The debt outstanding is $230.5 million and the breakdown is as follows:

	Debt balance
Mizuho	$ 51,746
NAFINSA	37,633
NORD/LB	51,746
NADB	37,633
SMBC	51,746
	$ 230,504

(b) *Interest rate swaps.* To partially mitigate its exposure to interest rate changes associated with the term loan, ESJ entered into floating-to-fixed interest rate swaps for 90-percent of the ESJ project financing loan amount. There are three outstanding interest rate swaps with Mizuho, SMBC and NORD/LB, each one with a trade date of June 12, 2014 and an effective date of June 30, 2015, the date of conversion to a term loan. The terms of the interest rate swaps were constructed to match the critical terms of the interest payments. The swaps are accounted for as cash flow hedges.

(c) *Financing of the project's value added tax ("VAT") with Santander*. On June 12, 2014, ESJ entered into a line of credit with Santander and on February 23, 2015 there was an amendment to increase the line for up to $501.0 million Pesos (approximately $35.0 million historical U.S. Dollar equivalent). Interest on each withdrawal will be accrued at the Mexican Interbank Interest Rate ("TIIE") plus 145 basis points payable on a semi-annual basis. The credit line under this contract will be used to finance the VAT on the ESJ project. As of December 23, 2015, ESJ had withdrawn $472.6 million pesos of this credit line. On December 23, 2015 ESJ repaid and canceled the total credit facility.

Other disclosures. The member's agreement provides certain restrictions and benefits to the sale of the membership interest in ESJ. The Partnership agreement establishes that capital calls are contributed on a pro rata basis by the members. Controladora Sierra Juarez, S. de R. L. de C. V. and its joint venture partner have provided guarantees of payment of amounts due by ESJ and its subsidiaries under the wind turbine supply agreement with Vestas WTG Mexico, S. A. de C. V. The guarantees are immaterial as of September 30, 2016.

4.3. *IMG*

As of September 30, 2016, the Company's 40-percent interest in IMG is accounted for under the equity method. IMG Condensed Interim Consolidated financial statements and the Company's equity method investment is summarized as follows:

	Period ended 09/30/16
Cash and cash equivalents	$ 97,375
Other current assets	8,310
Total current assets	105,685
Total non-current assets	55,978
Total assets	$ 161,663
Current liabilities	$ 21,876
Non-current liabilities	174
Total liabilities	$ 22,050
Total members' equity	$ 139,613
Share of members' equity	55,845
Carrying amount of investment in IMG	$ 55,845

	As of September 30, 2016
Operating, administrative and other expenses	$ (785)
Finance income, net	859
Income tax expense	(62)
Profit for the period	$ 12
Share of profits of IMG	$ 5

(a) *Project financing for the IMG*

As of now, the project resources for the design and construction of the marine pipeline have been funded with capital contributions of its members.

4.4. DEN

DEN, is a joint venture formed between IEnova and Pemex TRI in which the Company owns 50-percent equity interest. (Note 1.5.)

As of September 30, 2016, the Company's remaining 50-percent interest in DEN is accounted for under the equity method. DEN Condensed Interim Consolidated financial statements and the Company's equity method investment is summarized as follows:

	Period ended 09/30/16
Cash and cash equivalents	$ 4,901
Other current assets	5,876
Total current assets	10,777
Property, plant and equipment, net	223
Other non-current assets	124,084
Deferred income tax	14,828
Total non-current assets	139,135
Total assets	$ 149,912
Current liabilities	$ 1,795
Non-current liabilities	177,789
Total liabilities	$ 179,584
Total members' equity	$ (29,672)
Share of members' equity and carrying amount of investment in DEN	$ (14,836)

	From September 26 to September 30, 2016
Revenues	$ 173
Operating, administrative and other expenses	(221)
Finance cost, net	(97)
Other losses	(119)
Share of losses of joint ventures, net of income tax	(4,580)
Income tax benefit	546
Loss for the period	$ (4,298)
Share of losses of DEN	$ (2,149)

TAG Norte Holding, S. de R. L. de C. V. ("TAG Holding"), together with TAG Pipelines Norte, S. de R. L. de C. V. ("TAG Pipelines Norte") a joint venture between DEN and an affiliate of Pemex, and a consortium comprised of BlackRock and First Reserve, own Los Ramones Norte pipeline, which began operations in February 2016.

(a) *TAG Project financing*

On December 19, 2014, TAG Holding, (subsidiary of DEN), entered into a credit contract with Banco Santander (Mexico), S. A., Institucion de Banca Multiple, Grupo Financiero Santander Mexico (as lender, administrative agent and collateral agent), with the purpose of financing the engineering, procurement, construction and commissioning of the gas pipeline. During 2015 & 2016, there were amendments to the credit in order to include additional banks as part of the credit. The total amount of the credit is $1,276.2 million, divided in tranches: i) Long tranche, up to $701.9 million, ii) Short tranche up to $511.8 million and iii) the letter of credit tranche for debt service reserve up to $62.5 million.

The credit facilities mature on December 2026 and December 2034 for the short and long tranche loan respectively, with payments due on a semi-annual basis. The credit facilities bear interest at LIBOR plus the spread.

Years	**Applicable margin (basis points)**
1st disbursement– System (Commercial Operation Date)	250
0 – 4	265
5 – 9	300
10 – 14	325
14 – 19	350

As of September 30, 2016, the total outstanding loan is $1,214.3 million, with its respective maturities. TAG Holding hedged a portion of the loans tied to the interest rate risk through an interest rate swap, by changing the variable rate for a fixed rate.

The loans mentioned above contains restrictive covenants, which require that the company maintain certain financial ratios and limits dividend payments, loans and obtaining additional financing. TAG Holding met such covenants as of September 30, 2016.

Long-term debt due dates are as follows:

Year	**Amount**
2016	$ 29.5
2017	58.9
2018	58.9
2019	58.9
2020	58.9
Thereafter	949.3
Total	$ 1,214.3

Debt for financing value-added tax. On December 19, 2014, TAG Pipelines Norte signed a credit agreement for VAT with Banco Santander (Mexico), S. A., Institucion de Banca Multiple. The amount of the credit line is $3,680.9 million Pesos. As of September 30, 2016, dispositions of $3,626.7 million of Pesos were taken from the credit line (equivalent to $196.0 million dollars) and advance payments were made for $3,463.2 million of Pesos (equivalent to $187.0 million dollars).

5. Business combination

On September 26, 2016, IEnova acquired the remaining 50-percent of the shares of GDC at a value of $1,143.8 million as mentioned in note 1.5., which was recorded using the acquisition method as it obtained control over GDC as of such date. The result of this acquisition has been included in the accompanying Condensed Interim Consolidated Financial Statements from the acquisition date.

a. *Subsidiaries acquired*

Entity	Principal activity	Date of acquisition	Proportion of voting equity interests acquired	Consideration transferred
Gasoductos de Chihuahua S. de R. L. de C. V.	Operation of natural gas compression station	September 26, 2016	50%	$1,143.8

GdC was acquired to continue the expansion of the Company.

b. *Consideration transferred*

	Cash paid	Net liabilities assumed	Net
GdC	$ 1,143,834	$ 489,253	$ 654,581

The costs associated with the acquisition have been excluded from the consideration transferred and have been recognized as an expense in the period within "Operating, administrative and other expenses" in the Condensed Interim Consolidated Statements of Profit and Other Comprehensive Income.

c. *Assets acquired and liabilities recognized at the acquisition date and goodwill on acquisitions*

	GdC September 26, 2016
Fair value of business combination:	
Cash consideration (fair value of total consideration)	$ 1,143,834
Total fair value of business combination	$ 2,287,668
Cash and cash equivalents	66,249
Trade and other receivables	66,740
Finance lease receivables	945,104
Property, plant and equipment, net	309,186
Other assets	933
Current liabilities	(112,980)
Non-current liabilities (1)	(474,521)
Total identifiable, net assets	$ 1,486,957
Goodwill on others acquisitions	25,654
Goodwill	$ 1,512,611

(1) Includes $364.0 million related to bank loans. (Note 10)

The initial accounting for the acquisition of GdC has only been provisionally determined at the end of the reporting period.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

d. ***Net cash flow from acquisition of subsidiaries***

		As of September 30, 2016
Consideration paid in cash	$	1,143,834
Less: balances of cash and cash equivalents acquired		(66,249)
Consideration paid in cash, net	$	1,077,585

e. ***Impact of acquisitions on the results of the period***

The results in the nine month and three-month period ended September 30, 2016, includes a gain of $673.1 million for the excess of the acquisition-date fair value of IEnova's previously held equity interest in GdC over the carrying value of that interest, included as Remeasurement of Equity Method Investment on the Condensed Interim Consolidated Statements of Profit.

Please refer Exhibit A "Proforma additional information"

6. Assets classified as held for sale and discontinued operations

a. As mentioned in Note 1.1., the Company's management approved a plan to market and sell TDM, a 625-MW natural gas-fired power plant located in Mexicali, Baja California, Mexico. As of September 30, 2016, the assets and liabilities were classified under current assets and liabilities as held for sale.

b. Details of the discontinued operations are provided as follows:

TDM is a part of the Power Segment; its Condensed Interim Consolidated financial statements are summarized as follows:

	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
Revenues	$ 76,405	$ 110,083	$ 42,148	$ 53,615
Cost of revenues	(62,863)	(85,971)	(31,472)	(36,358)
Operating, administrative and other expenses	(12,711)	(16,152)	(3,026)	(5,491)
Depreciation and amortization	(2,222)	(11,408)	-	(3,802)
Impairment	(136,880)	-	(136,880)	-
Interest income, net	17	38	6	3
Finance costs	(192)	(183)	(64)	(61)
Other losses, net	(964)	(1,104)	(377)	(608)
Income tax benefit (expense) *	36,996	(3,881)	65,533	(5,375)
Net (loss) income for the period	$ (102,414)	$ (8,578)	$ (64,132)	$ 1,923

* As of September 30, 2016, the Company recorded a deferred tax expense in the amount of $1.4 million, to recognize the difference between book value and tax basis, as a result of the decision to classify TDM as a held for sale. This effect is shown in the Condensed Interim Consolidated Statements of Profit in the line of "Loss for the period from discontinued operations, net of income tax".

Loss per share:	Nine-month period ended 09/30/16	09/30/15	Three-month period ended 09/30/16	09/30/15
Losses per share from discontinued operations:				
Basic and diluted earnings per share	$ (0.09)	$ (0.01)	$ (0.06)	$ 0.02

c. Assets and liabilities held for sale corresponding to TDM are as follows:

	As of September 30, 2016
Cash and cash equivalents	$ 1,091
Other current assets	43,883
Total current assets	44,974
Property, plant and equipment, net (1)	132,660
Carbon allowance	22,053
Other non-current assets	989
Deferred income tax assets	379
Total non-current assets	156,081
Total assets	$ 201,055
Current liabilities	$ 7,513
Non-current liabilities	27,789
Total liabilities	$ 35,302

(1) As a result of the allocation in assets held for sale property, made during this year, the Company carried out a review of the recoverable amount of these assets. The review led to the recognition of an after-tax impairment loss of $95.8 million which has been recognized in the Condensed Interim Condensed Statements of Profit. The Company also estimated the fair value less costs of disposal of property, plant and equipment, which is based on the recent market prices of assets with similar age and obsolescence. Impairment assessment was performed in 2015; however, there was no impairment indicator.

	As of September 30, 2016
Cash flows from discontinued operations:	
Net cash flows provided by operating activities	$ 2,661
Net cash flows used in investing activities	(4,419)
Net cash outflows used in financing activities	(192)
Net cash outflows	$ (1,950)

TDM meets the criteria established in IFRS 5, Non-current Assets Held for Sale and Discontinued Operations to maintain the classification as assets and liabilities held for sale and discontinued operation as of September 30, 2016.

7. Property, plant and equipment

Property, plant and equipment includes construction work in progress as follows:

	As of			
	09/30/16		12/31/15	
Pipeline projects (*)	$	588,988	$	356,099
Other projects		10,792		8,197
	$	599,780	$	364,296

(*) The additions to property, plant and equipment during 2016 and 2015 are mainly comprised of additions to construction in process, related to the Sásabe-Puerto Libertad – Guaymas and Guaymas – El Oro segments of the Sonora pipeline, the Ojinaga – El Encino pipeline and San Isidro – Samalayuca pipeline.

Borrowing cost. During the three-month periods ended September 30, 2016 and 2015, the Company capitalized interest attributable to the construction in projects in the amount of $9.9 million and $11.6 million, respectively. The weighted average rates used to determine the amount of borrowing costs eligible for capitalization were 2.14% and 3.47%, for the three-month period ended September 30, 2016 and 2015, respectively.

8. Carbon allowances

The Company is required by California Assembly Bill 32 to acquire carbon allowance for every metric ton of carbon dioxide equivalent emitted into the atmosphere during electricity generation. Under the bill TDM is subject to this extraterritorial regulation, despite being located in Baja California, Mexico since their end users are located in California, United States.

The Company records carbon allowances at the lower of weighted average cost or market value, and includes them as current or non-current on the Statements of Financial Position based on the dates that they are required to be surrendered. The Company measures the compliance of the obligation, which is based on emissions, at the carrying value of allowances held plus the fair value of additional allowances necessary to satisfy the obligation. The Company derecognizes the assets and liabilities from the Statement of Financial Position as the allowances are surrendered. Please refer to Note 6.

9. Short-term debt

As of September 30, 2016 and December 31, 2015, short-term debt includes:

	As of			
	09/30/16		12/31/15	
Credit agreement (a)	$	521,001	$	91,374
Current portion of GdC’s bank loan (b)		51,088		-
Borrowing costs		(3,558)		(2,867)
	$	568,531	$	88,507

(a) *Credit Agreement.* On August 21, 2015, the Company entered into an agreement for a $400.0 million, U.S. Dollar-denominated, five-year corporate revolving credit facility to finance working capital and for general corporate purposes. The lenders are Banco Nacional de Mexico, S. A. Integrante de Grupo Financiero Banamex, Sumitomo Mitsui Banking Corporation, Banco Santander (Mexico), S. A., Institución de Banca Múltiple, The Bank of Tokyo-Mitsubishi UFJ, LTD., and The Bank of Nova Scotia.

Interest accrues based on the 3-month LIBOR plus 90 basis points. As of December 23, 2015, IEnova had $310.0 million of outstanding borrowings supported by the facility. On December 23, 2015 the Company decided to repay $219.0 million (principal) of such credit facility. On December 22, 2015, the Company renegotiated the credit line of such credit agreement for an amount up to $600.0 million, U.S. Dollar-denominated. As of September 30, 2016 the available unused credit portion is $79.0 million.

Withdrawal of credit line. In July, 2016, the Company withdrew $400.0 million, of such credit line to be used for working capital and general corporate purposes.

(b) Please refer Note 10.c.

10. Long-term debt

a. On February 14, 2013, the Company entered into two public debt issuances of Certificados Bursatiles "CEBURES" or debt securities as follows:

i) The first placement was for $306.2 million ($3.9 billion of historical Pesos) bearing interest at a rate of 6.30%, with semi-annual payment of interest, maturing in 2023.

ii) The second placement was for $102.1 million ($1.3 billion of historical Pesos) bearing interest at variable rate based on TIIE plus 30 basis points, with monthly payments of interest, maturing in 2018. The average rate as of September 30, 2016 was 4.38%.

As of September 30, 2016 and December 31, 2015, long-term debt includes:

	As of	
	09/30/16	**12/31/15**
CEBURES at fixed rate	$ 199,998	$ 226,659
CEBURES at variable rate	66,666	75,553
Bancomer – GdC (c)	325,035	-
	591,699	302,212
Debt issuance costs	(12,066)	(2,287)
	$ 579,633	$ 299,925

b. *Cross-currency and interest rate swaps.* On February 14, 2013, regarding the placements of CEBURES, the Company executed cross-currency and interest rate swap contracts for hedging its exposure to the payment of its liabilities in Pesos:

i) For the debt maturing in 2023, the Company swapped fixed rate in Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments. The weighted average interest rate, in U.S. Dollars for this swap was 4.14%.

ii) For the debt maturing in 2018, the Company swapped variable rate in Pesos for a fixed rate in U.S. Dollars, exchanging principal and interest payments. The weighted average interest rate, in U.S. Dollars for this swap was 2.65%.

The swaps' total notional value is $408.3 million ($5.2 billion Pesos). These contracts have been designated as cash flow hedges.

c. On December 5, 2013 GdC signed a credit contract with BBVA Bancomer, S. A. as principal agent and Deutsche Bank Mexico, Fiduciary Division as Fiduciary. The amount of the loan is $475.0 million, the proceeds of which will be used to develop projects in process. The four participating credit institution are BBVA Bancomer with a 50-percent contribution, The Bank of Tokio Mitsubishi with 20-percent, Mizuho Bank with 15-percent and Norddeutsche Landesbank with 15-percent. The cash disbursements from the credit occurred in three different periods: January 15, 2014 for $192.0 million, February 14, 2016 for $48.0 million and March 10, 2014 for $235.0 million. The debt issuance cost are shown net and amounted to $15.0 million. Please refer Note 4.1(a).

In such credit, GdC was defined as debtor, TDF, S de R. L. de C. V. ("TDF") together with Gasoductos de Tamaulipas, S. de R. L. de C. V. ("GDT") were assigned as guarantors and collaterals through the cession of the collections rights from their portfolio of projects integrated by GdC, TDF and GDT as source of payment for the credit.

Covenants arising from the credit require for following:

1. Maintain a minimum member´s equity during the term of the loan, in the amount indicated:

GdC	$	450,000
GDT		130,000
TDF		90,000

2. Maintain an interest coverage of 2.5 to 1 at least on a consolidated basis (EBITDA to interest) for the payment of interest.

At the date of the consolidated financial statements, the Company has complied with these obligation.

11. Financial instruments

a. *Foreign currency exchange rate*

Exchange rates in effect as of the date of the Condensed Interim Consolidated financial statements and their issuance date are as follows:

	Mexican Pesos		
	09/30/2016	**12/31/15**	**10/26/2016**
One U. S. Dollar	$ 19.5002	$ 17.2065	$ 18.5658

b. *Fair value of financial instruments*

11.1. Fair value of financial instruments carried at amortized cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognized in the Condensed Interim Consolidated financial statements approximate their fair values.

	Carrying amount	**Fair Value**	**Carrying amount**	**Fair value**
	As of			
	09/30/16		**12/31/15**	
Financial assets				
Financial lease receivables	$ 959,340	$ 998,210	$ 14,510	$ 57,125

Financial liabilities				
Financial liabilities held at amortized cost:				
Long-term debt (traded in stock exchange)	254,598	546,361	299,925	289,955
Loans from banks	325,035	279,697	-	-
Short- term debt (not traded in stock exchange)	568,531	515,755	88,507	90,035
Due to unconsolidated affiliates (not traded in stock exchange)	42,531	38,251	38,460	37,704
Due to unconsolidated affiliates (short-term)	1,370,356	1,369,216	339,600	334,481

11.2. Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of finance lease receivables is determined by calculating the present value of the minimum lease payments, including the contract extension period, using the discount rate that represents the Company's internal rate of return on capital investments.

- The Company determined the fair value of its long-term debt using prices quoted on recognized markets.

- For financial liabilities other than long-term debt, the Company determined the fair value of its financial liabilities carried at amortized cost by determining their present value as of each period end. The risk free interest rate used to discount the present value is adjusted to reflect the Company's own credit risk.

- The fair value of commodity and other derivative positions are determined using market participant's assumptions to price these derivatives. Market participants' assumptions include the risk inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable.

- Significant assumptions used by the Company in determining the fair value of the following financial assets and liabilities are described below:

  Finance lease receivables. The fair value of finance lease receivables is estimated to be $2,727.5 million and $57.1 million as of September 30, 2016 and December 31, 2015, respectively, using the risk free interest rate adjusted to reflect the Company's own credit risk.

11.3. Fair value measurements recognized in the Condensed Interim Consolidated statements of financial position.

The Company applies recurring fair value measurements to certain assets and liabilities. "Fair value" is defined as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

A fair value measurement reflects the assumptions market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risk inherent in a particular valuation technique (such as a pricing model) and the risks inherent in the inputs to the model. Also, management considers the Company's credit standing when measuring its liabilities at fair value.

The Company establishes a hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are as follows.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability as of the reporting date, either directly or indirectly.

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data and are generally less observable from objective sources.

The assets and liabilities of the Company that were recorded at fair value on a recurring basis are listed in the following table and were classified as Level 1 and Level 2 in the fair value hierarchy as shown below:

	Period / Year ended			
		09/30/16		**12/31/15**
Financial instruments assets at fair value through profit or loss ("FVTPL")				
Short-term investments (Level 1)	$	80	$	20,068
Derivative financial instrument assets (Level 2)		2,728		1,926
Derivative financial instrument liabilities at FVTPL				
Derivative financial instrument liabilities (Level 2)	$	209,232	$	133,056

The Company does not have financial assets or liabilities classified as Level 3 and there were no transfers between Level 1 and 2 during the reporting periods presented.

12. Income taxes

The Company pays income taxes on an individual basis for each of its subsidiaries.

Income tax expense for interim periods is recognized based on Company management's best estimate of the effective income tax rate expected for the full financial year applied to the profit before income tax of the interim period.

Income tax for the nine and three-month periods ended September 30, 2016 and 2015 are reconciled to the profit for the period as follows:

	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
Profit before income tax and share of profits of joint ventures	$ 846,720	$ 156,186	$ 740,193	$ 43,375
Income tax expense calculated at 30%	(254,016)	(46,856)	(222,058)	(13,013)
Foreign exchange effects	26,859	20,622	6,789	13,249
Inflationary effects	(3,402)	(738)	(2,885)	(738)
Effect of unused tax losses not recognized as deferred income tax asset	-	(2,007)	-	(1,240)
Effect of remeasurement of equity method investment	201,921	-	201,921	-
Effects of foreign exchange rates and inflation on the tax basis of property, plant and equipment, net and net operating losses	(29,110)	(49,705)	(981)	(35,014)
Other	458	(534)	522	398
Income tax expense recognized in the statements of profit	$ (57,290)	$ (79,218)	$ (16,692)	$ (36,358)

The change in the effective tax rates was mainly attributable to the following:

- The effect of foreign exchange gains or losses is being calculated on Peso balances for financial reporting purposes, while the Mexican income tax law recognizes foreign exchange gains or losses is on U. S. Dollar balances.
- The effect of exchange rate changes in the tax basis of property, plant and equipment, which are valued in Pesos for tax purposes, while maintained in U. S. Dollars (functional currency) for financial reporting purposes. In addition, the Mexican income tax law takes into account the effects of inflation on such tax basis.
- The inflationary effects relative to certain monetary assets and liabilities.
- Effect of remeasurement of equity method investment

13. Stockholders' equity

13.1. Dividends declared and paid

During the nine and three month periods ended September 30, 2016 and 2015, pursuant to the resolution of extraordinary stockholders' meetings, payments of cash dividends were approved, against income tax account balance ("CUFIN", by its initials in Spanish), in the following amounts:

Meeting date	Amount
August 9, 2016 (*)	$ 140,000
July 28, 2015	$ 170,000

(*) Dividends were paid on August 9, 2016.

13.2. Dividends per share

	Cents per share			
	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
IEnova	$ 0.12	$ 0.15	$ 0.12	$ 0.15

14. Segment information

14.1. Products and services from which reportable segments obtain their revenues

Information reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The Company's reportable segments are described and presented in Note 1.

The following tables show selected information by segment from the Condensed Interim Consolidated Statements of Profit and Condensed Interim Consolidated Statements of Financial Position.

14.2. Segment revenues and results

The following is an analysis of the Company's revenue and results from continuing operations by reportable segment:

	Segment revenues			
	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
Gas:				
Revenues from customers	$ 384,613	$ 325,724	$ 168,144	$ 78,461
Revenues from unconsolidated affiliates	79,555	73,186	25,756	24,048
Intersegment revenues	130,423	126,121	43,937	40,909
Power:				
Intersegment revenues	-	-	-	(3)
Corporate:				
Allocation of professional services with affiliates	2,115	1,263	407	432
Intersegment professional services	18,445	24,137	5,693	6,755
	615,151	550,431	243,937	150,602
Intersegment adjustments and eliminations	(148,868)	(85,538)	(49,630)	17,061
Total segment revenues	$ 466,283	$ 464,893	$ 194,307	$ 167,663

	Segment profit			
	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
Gas	$ 852,723	$ 124,648	$ 739,794	$ 19,506
Power *	(99,067)	(4,446)	(64,375)	3,176
Corporate	(26,199)	(24,601)	(15,034)	(9,789)
Total segment profit	$ 727,457	$ 95,601	$ 660,385	$ 12,893

* Included in discontinued operations.

Segment profit is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance.

14.3. Assets and liabilities by segment

	As of	
	09/30/16	12/31/15
Assets by segment:		
Gas	$ 5,695,953	$ 2,916,917
Power *	244,334	382,763
Corporate	178,985	207,402
Consolidated total assets	$ 6,119,272	$ 3,507,082
Liabilities by segment:		
Gas	$ 1,029,839	$ 346,106
Power *	36,648	66,493
Corporate	2,326,743	914,619
Consolidated total liabilities	$ 3,393,230	$ 1,327,218

* Includes assets and liabilities held for sale.

For the purposes of monitoring segment performance and allocating resources between segments:

14.4. Other segment information

	Property, plant and equipment		Accumulated depreciation	
	As of		As of	
	09/30/16	12/31/15	09/30/16	12/31/15
Gas	$ 3,442,563	$ 2,687,691	$ (599,750)	$ (370,690)
Power	2,922	450,665	(111)	(180,461)
Corporate	15,534	15,048	(7,408)	(6,413)
	$ 3,461,019	$ 3,153,404	$ (607,269)	$ (557,564)

	Share of profits of joint ventures			
	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
Gas	$ 38,277	$ 24,147	$ 964	$ 3,391
Power	2,164	3,064	52	562
	$ 40,441	$ 27,211	$ 1,016	$ 3,953

14.5. Revenue by type of product or services

The following is an analysis of the Company's revenues by its major type of product or service for the nine and three-month periods ended September 30, 2016 and 2015:

	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
Sale of natural gas	$ 149,810	$ 173,324	$ 79,407	$ 78,202
Storage and regasification capacity	70,190	70,040	23,690	23,611
Natural gas distribution	64,444	62,375	21,811	18,424
Transportation of natural gas	77,564	71,582	26,397	21,131
Other operating revenues (*)	104,275	87,572	43,002	26,295
	$ 466,283	$ 464,893	$ 194,307	$ 167,663

Other operating revenues

(*) IEnova Marketing, S. de R. L. de C. V. received payments from SLNGIH and SLNGI related to the losses and obligations incurred in the amount of $79.5 million and $73.2 million for the nine-month periods ended September 30, 2016 and 2015, respectively and $25.8 million and $24.1 million for the three-month periods ended September 30, 2016 and 2015. Such balances are presented within the Revenues line item in the accompanying Condensed Interim Consolidated Statements of Profit.

15. Earnings per share

	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
From continuing operations				
Basic and diluted earnings per share	$ 0.72	$ 0.09	$ 0.62	$ 0.01
From continuing and discontinued operations				
Basic and diluted earnings per share	$ 0.63	$ 0.08	$ 0.57	$ 0.01

Basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Nine-month period ended		Three-month period ended	
	09/30/16	09/30/15	09/30/16	09/30/15
Earnings from continuing operations used in the calculation of basic and diluted earnings per share	$ 829,871	$ 104,179	$ 724,517	$ 10,970
Earnings from continuing and discontinued operations used in the calculation of basic and diluted earnings per share	$ 727,457	$ 95,601	$660,385	$ 12,893
Weighted average number of shares for the purposes of basic and diluted earnings per share	1,154,023,812	1,154,023,812	1,154,023,812	1,154,023,812

The Company does not have potentially dilutive shares.

16. Commitments

Material commitments of the Company are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2015, except as follows:

New commitments from business combinations, mentioned in Note 5, are shown as follows:

a. On February 15, 2001, GdC signed with CFE a contract to increase the maximum daily capacity of natural gas transportation to Chihuahua, by adding a natural gas compression system. The contract term is 20 years, commencing on November 12, 2001 (date of commencement of commercial operation of the station), with the right of renewal for additional five years. The maximum daily capacity covered by this contract is 60 million cubic feet per day.

b. On October 22, 2014, GdC entered into a natural gas transportation services contract, under the TF-1 firm transport service scheme with CFE for a firm base reserved capacity of 100 million cubic feet per day with a regulated rate. After December 31, 2014, the amendments extend the maturity with automatic renewals of one-year period.

c. On October 22, 2014, GdC entered into an agreement to provide natural gas transmission under the TI-1 interruptible transport service scheme to CFE for an interruptible capacity of 72 million cubic feet per day with a regulated rate. After December 31, 2015, the amendments extend the maturity with automatic renewals of one-year period.

d. On October 31, 2014, GdC entered into a natural gas transportation services contract, under the TI-2 interruptible transport service scheme with CFE for an interruptible capacity of 50 million cubic feet per day with a regulated rate. After December 31, 2014, the amendments extend the maturity with automatic renewals of one-year period.

e. On September 28, 2016, GdC entered into a fifth natural gas transportation services amending agreement, under the TF-1 firm transport service scheme with Pemex Gas y Petroquímica Básica (PGPB) signed on December 11, 2009, for a firm base reserved capacity of 40 million cubic feet per day with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year period. This agreement is currently in effect with Pemex TRI.

f. On September 28, 2016, GdC entered into a fifth natural gas transportation services amending agreement, under the TI-1 interruptible transport service scheme with PGPB signed on December 11, 2009 for an interruptible capacity of 80 million cubic feet per day with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year period. This agreement is currently in effect with Pemex TRI.

g. On September 28, 2016, GdC entered the into a fifth natural gas transportation services amending agreement, under the TI-2 interruptible transport service scheme with PGPB signed on December 11, 2009 for a interruptible capacity of 80 million cubic feet per day with a regulated rate. After December 31, 2017, the amendments extend the maturity with automatic renewals of one-year period. The agreement is currently in effect with Pemex TRI.

h. On December 16, 2014, GdC entered into the second natural gas transportation services amending agreement, under the TI-1 interruptible transport service scheme with Energía Chihuahua signed on December 21, 2012 for an interruptible capacity of 80 million cubic feet per day. After December 31, 2015, the amendments extend the maturity with automatic renewals of one-year period.

i. Gasoductos de Tamaulipas, S. de R. L. de C. V. (“GdT”) executed a natural gas compression and transport service contract with PGPB. Such contract was signed on December 19, 2001 and stipulated a daily capacity of 1,000, million cubic feet of natural gas. The contract provides for a conventional rate as established in the natural gas regulations of the CRE. The contract duration is 20 years, computed as of November 12, 2003 (the starting date of commercial operations). On January 1, 2016 this agreement was transferred to National Center of the Control Natural Gas.

j. On May 2, 2002, Gasoductos de Tamaulipas entered into an agreement with PGPB, in which it receives O&M services for natural gas transportation system. This agreement expires 20 years from the computed as the starting date of commercial operation. On January 1, 2016 this agreement was transferred to National Center of the Control Natural Gas.

k. On December 5, 2012, Gasoductos de Tamaulipas entered into an agreement with PGPB in which it receives compression services based on interruptible by PGPB to GDT, investment of $4.6 million will be used for the rehabilitation of compression station 19 and PGPB reinstate costs in 75% and only paid 25% to PGPB. On January 1, 2016 this agreement was transferred to National Center of the Control Natural Gas.

l. On December 15, 2005, TDF entered into a LPG transport service contract with PGPB, under firm base capacity reserved of 4,470 million cubic meters per day equivalent to 30,000 barrels per day. This agreement expires 20 after from the commercial operational date. The agreement is currently in effect with Pemex TRI.

m. On December 15, 2005, TDF entered into an agreement with PGPB, in which it receives O&M services for liquid gas transport system. This agreement expires 20 years after the commercial operational date. The agreement is currently in effect with Pemex Logística.

n. On February 17, 2012, GdC signed a service contract to LPG storage with PGPB. This contract is under base storage capacity reserved of 4,470 cubic meters per day equivalent to 30,000 barrels per day. The contract term is 15 years with a conventional rate, which represents the regulated by the CRE minus 1.2%. This contract was given in all rights and obligations, together with all attachments to Transportatora del Norte SH, by signing an amendment agreement dated on June 18, 2012 between GdC, Transportadora del Norte SH and PGPB. The agreement is currently in effect with Pemex TRI.

o. On February 21, 2012, TDN entered into an agreement with PGPB, in which it provides operation and maintenance services for the LPG transportation services. This agreement expires 20 years after the commercial operational date. This agreement is currently in effect with Pemex Logística.

p. On December 13, 2012, Gasoductos del Sureste, S. de R. L. de C. V. ("GdS") entered into an ethane gas transportation services contract with PGPB. The contract duration is 21 years with a conventional rate. The contract is under the firm transport service scheme for a firm base reserved capacity of: Segment I Cangrejera – Complejo Etileno XXI 33,000 BPD, Segment I Complejo Etileno XXI – Cangrejera 29,500 BPD, Segment II Nuevo Pemex – Km3 66,000 BPD, Segment II Cactus – Km 3 38,000 BPD, Segment II Km 3 – Complejo Etileno XXI 95,500 BPD and Segment III Cd. Pemex – Nuevo Pemex 105,600 BPD. The contract is currently in effect with Pemex TRI.

q. On April 16, 2014, GdS entered into an agreement with PGPB, in which it provides operation and maintenance services for the Ethane gas transportation services. This agreement expires in 20.5 years after the first segment commercial operational date. This agreement is currently in effect with Pemex Logística.

r. On July 19, 2013, Gasoductos del Noreste, S. de R. L. de C. V. ("GdN") entered into an agreement to provide natural gas transportation services to PGPB. The agreement has a term of 25 years from the date of commercial operation of the system with a regulated rate. This contract is under scheme firm transport capacity reserved of 2,100 MMcfd. This contract was transferred to National Center of the Control Natural Gas on January 1, 2016 .

s. On December 15, 2014, DEN celebrated an agreement with TAG Pipelines Norte, to provide O&M services. This agreement expires in 25 years from the pipeline commercial operations.

t. On January 1, 2016, DEN celebrated an agreement with TAG Pipelines Norte, to provide commercial services for a period equal to Permission Natural Gas Transport G/335/TRA/2014 in favor of TAG Pipelines Norte, starting from the firm contract date.

17. Contingencies

Major contingencies, regarding the Company's legal, administrative or arbitration procedures are the same as those disclosed in the consolidated financial statements for the year ended December 31, 2015, except for the following:

On September 8, 2016 in the First Collegiate Court of the XV Circuit, unanimously and definitively overruled the resolution previously issued by the Third District Court of Amparo and Federal Proceedings in the State of Baja California, in connection with the amparo demand filed by Mr. Ramón Eugenio Sánchez Ritchie ("Sánchez Ritchie") in which he challenged the effectiveness of all permits and authorizations related to the construction and operation of the natural liquefied gas storage and regasification terminal property of its subsidiary Energía Costa Azul, S. de R.L. de C.V. (the "ECA Terminal"), located at Ensenada, Baja California.

18. Application of new and revised IFRS

The application of the new and revised IFRS are the same as those disclosed in the consolidated financial statements for the year ended as of December 31, 2015.

19. Events after the reporting period

Follow-on equity offering. On October 13, 2016, IEnova priced its follow-on equity offering of a total of 380,000,000 shares of common stock at $80.00 Pesos per share. After the follow-on equity offering, the additional and over-allotment options exercise, the free float represents approximately 33-percent of IEnova's outstanding ownership interest. Total capital raised, net of expenses, was $29,864.0 million Pesos (approximately $1.57 billion of US dollars), and the proceeds will be used for repayment of bridge financing from its affiliate Sempra that was incurred to purchase of 50-percent of GdC, from Pemex TRI, to fund a portion of the potential acquisition of the Ventika wind-farm and to fund capital expenditures and general corporate purposes.

Use of resources obtained from follow-on equity offering. In October 2016, with the proceeds from the Global Offering, the Company repaid the Bridge Loans obtained from its affiliates (SEG & Semco) for a principal amount of $1,150.0 million.

Additionally, the Company fully repaid the loan provided by its affiliate, SEH; the outstanding amount was $99.5 million.

On October 21, 2016, the Company also made a partial repayment under its revolving credit facility for a principal amount of $250.0 million.

Purchase agreement of wind farm "Ventika". On October 7, 2016 the Extraordinary Shareholders' Meeting approved the purchase of Ventika wind farm.

20. Approval of financial statements

The Condensed Interim Consolidated financial statements were approved by Arturo Infanzón Favela, Chief Financial Officer and authorized for issuance on October 26, 2016.

21. Registered offices

- Paseo de la Reforma No. 342 Piso 24
  Torre New York Life
  Col. Juárez, C.P. 06600
  Mexico, D. F.
- Campos Eliseos No. 345 Piso 4
  Torre Omega
  Col. Chapultepec Polanco C.P. 11550
  Mexico, D. F.
- Carretera Escénica Tijuana – Ensenada Km. 81.2
  Col. El Sauzal, C. P. 22760
  Ensenada, B.C.
- Carretera Mexicali Tijuana Km. 14.5
  Col. Sonora, C. P. 21210
  Mexicali, B.C.
- Avenida Tecnológico No. 4505
  Col. Granjas, C. P. 31160
  Chihuahua, Chih.
- Boulevard Francisco Eusebio Kino No. 309
  Piso 10, Col. Country Club
  Hermosillo, Sonora

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“Pro forma additional information”

A. Pro forma additional information .

As stipulated in the General dispositions applicable to securities issuers and other market participants securities article 36, the Company must include in its quarterly report which takes effect corporate restructures and for the next three quarters, comparative information, pro forma financial statements in which the financial position and results of the issuer as if restructures had been made in the same quarter of the previous year is presented.

The Pro forma combined financial statements present the financial information of the Company as if the GdC Acquisition had occurred (i) with respect to the pro forma combined statements of financial position as of September 30, 2015, and (ii) with respect to the pro forma combined statements of comprehensive profit or loss for all the periods presented, on January 1st, 2015.

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

Proform Combined Statements of Financial Position

(In thousands of U. S. Dollars)

Assets	As of september 30 , 2015 (Unadited)	Liabilities and Stockholders' Equity	As of september 30 , 2015 (Unadited)
Current assets:		Current liabilities:	
Cash and cash equivalents	$ 98,976	Short-term debt	$ 177,017
Short-term investments	12,071	Trade and other payables	192,922
Trade and other receivables, net	113,790	Due to unconsolidated affiliates	140,022
Due from unconsolidated affiliates	41,251	Income tax liabilities	16,696
Income taxes receivable	15,613	Derivative financial instruments	207
Natural gas inventories	7,819	Other financial liabilities	2,661
Derivative financial instruments	2,392	Provisions	1,374
Value added tax receivable	110,270	Other taxes payable	19,876
Carbon allowances	29,771	Carbon allowances	29,771
Other assets	16,745	Other liabilities	15,739
Total current assets	448,698	Total current liabilities	596,285
		Non-current liabilities:	
		Long-term debt	727,874
		Due to unconsolidated affiliates	47,814
		Deferred income tax liabilities	363,074
		Carbon allowances	13,024
		Provisions	42,549
		Derivative financial instruments	151,022
		Employee benefits	3,733
Non-current assets:		Total non-current liabilities	1,349,090
Due from unconsolidated affiliates	110,202		
Derivative financial instruments		Total liabilities	1,945,375
Finance lease receivables	362,146		
Deferred income tax assets	93,935	Stockholders' equity:	
Investments in joint ventures	(341)	Common stock	762,949
Goodwill	1,710,634	Additional paid-in capital	2,081,953
Property, plant and equipment, net	3,457,367	Accumulated other comprehensive loss	(114,608)
Carbon allowances	11,098	Retained earnings	1,520,987
Other assets	2,917		
Total non-current assets	5,747,958	Total equity attributable to owners of the Company	4,251,281
Total assets	$ 6,196,656	Total liabilities and equity	$ 6,196,656

Infraestructura Energética Nova, S. A. B. de C. V. and Subsidiaries

Pro forma Combined Statements of profit or loss and Other Comprehensive Income

(In thousands of U. S. Dollars, except per share amounts)

	As of september 30, 2015 (Unaudited)
Revenues	$ 626,155
Finance lease revenue	66,950
Cost of revenues	(218,521)
Operating, administrative and other expenses	(110,859)
Depreciation and amortization	(67,648)
Interest income	5,205
Finance costs	(17,358)
Other losses, net	(16,562)
Remeasurement of equity method investment	777,546
Profit before income tax and share of profits of joint ventures	1,044,908
Income tax expense	(133,509)
Share of profits of joint ventures, net of income tax	(4,621)
Profit for the period	$ 906,778